ConnectEast Group
comprising ConnectEast Management Ltd
A.B.N. 68 071 292 647 / AFSL 254 959
as responsible entity for
ConnectEast Investment Trust ARSN 110 713 481
and ConnectEast Holding Trust ARSN 110 713 614

ASX Release

ConnectEast.com.au

30 September 2011

2011 ANNUAL REPORT

ConnectEast Group's 2011 Annual Report is attached, along with the 2011 financial report of ConnectEast Holding Trust.

These documents can also be viewed on our website (ConnectEast.com.au) under the Investor Centre tab.

Tony Hudson
Company Secretary
ConnectEast Group

For further information:
JAMES TONKIN
General Manager, Corporate Affairs
ConnectEast Group
T03 9955 1700
M0413 432 775
jtonkin@connecteast.com.au

Investor enquiries:
NICK McKECHNIE
Chief Financial Officer
ConnectEast Group
T03 9955 1700
nmckechnie@connecteast.com.au

Registry enquiries:
Link Market Services
1300 551 346
+61 2 8280 7704

EastLink
Time better spent.

CONNECTEAST

ANNUAL REPORT 2011

EASTLINK DEVELOPMENT CORRIDOR

AN UPDATE ON DEVELOPMENTS WITHIN THE EASTLINK CORRIDOR

Connecting to EastLink at its southern end, the new 27km **Peninsula Link** is taking shape from Carrum Downs to Mt Martha. Design and construction company Abigroup has now commenced construction of the project's 45 structures. Construction of the seamless interchange between EastLink and Peninsula Link is already underway. The first beams have been placed on the Peninsula Link bridge over EastLink, and soil has been excavated underneath existing bridges to allow for construction of the access ramp to EastLink. Abigroup reports that Peninsula Link is on track to be open to traffic in early 2013.

The development by AA Holdings of the **two major BP service centres on EastLink** is now well underway. The northbound service centre is nearing completion and expected to be open by Christmas 2011. Earthworks for the southbound service centre are nearly finished, with completion of that centre expected in early 2012. Both BP service centres will include food, retail and rest facilities as well as fuel. With direct connections to and from EastLink for maximum customer convenience, the service centres will quickly become a very welcome and popular enhancement to EastLink.


E Peninsula Link

A large 25,000m^2 integrated office, warehouse and manufacturing facility is under construction for TriMas Corporation at Australand's **The Key Industrial Park.** Australand is also constructing a 27,000m^2 building that combines two separate facilities. 33 lots at The Key have now been sold, and development is progressing on a number of these. Australand believes the response from the market suggests that The Key is the most active and sought after estate in Melbourne's south east.

The 27ha **Eastern Recreation Precinct** in Wantirna South adjacent to the EastLink – High Street Rd interchange is well on the way to becoming the new home for the State Basketball Centre and Knox regional soccer centre. The soccer pavilion, synthetic outdoor pitches, car park and access road off George Street have already been completed. The main indoor sports stadium is expected to be completed and operational in early 2012. The main stadium is of such a size and importance that it's already becoming an EastLink landmark.


D The Key Industrial Park


B BP service centres

A stern Recreation Precinct

Over 800 residential lots have now been sold at Intrapac Projects' **Somerfield** development, with a further 1,000 to go. Lots in Somerfield's fourth neighbourhood are now being sold. 140 families have already moved into Somerfield, and 180 homes are currently under construction.

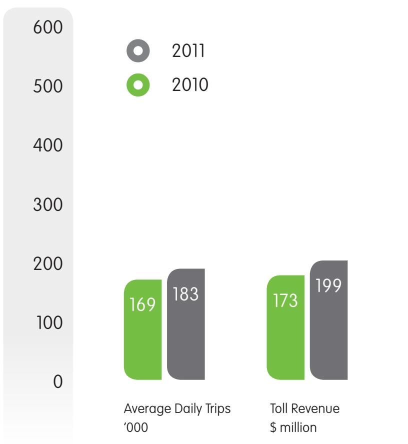
C Somerfield

CONTENTS

Photography: Brett Price Photography
and Life Through a Lens Photography
Design: Night and Day Communications

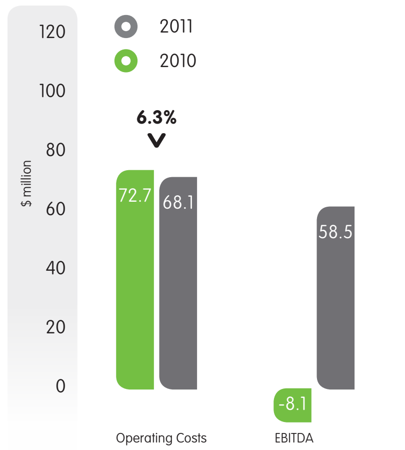
OPERATIONAL HIGHLIGHTS

EastLink Traffic and Toll Revenue



GROWING TRAFFIC AND REVENUE

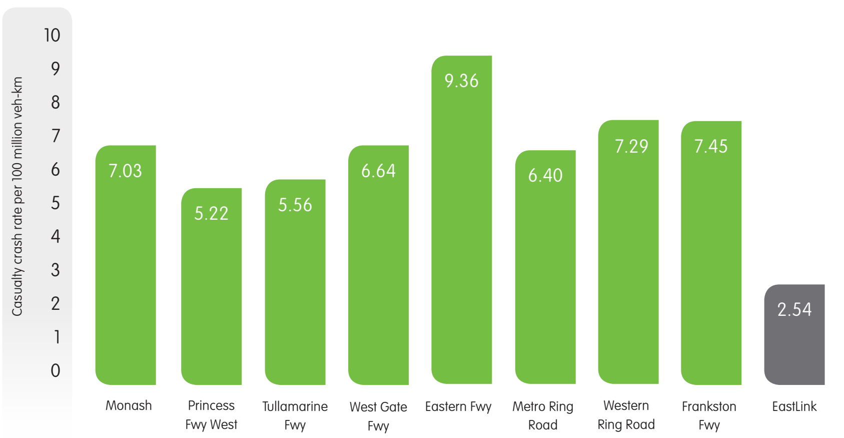
Operating Costs and Operating Cashflow



POSITIVE CASHFLOW AND DROP IN OPERATING COSTS

Casualty Crash Rates - Metropolitan Freeways, including EastLink, 2009 to 2010

(Source: VicRoads Information Services & Road Safety and Network Access)



CHAIRMAN'S STATEMENT

On behalf of your Board I am pleased to report on the past 12 months of ConnectEast's development – a year of steady progress and consolidation that has seen the Group build on its status as a mature tollroad business.

EastLink's continuing traffic ramp up and CPI-linked revenue growth has been supported by reductions in ConnectEast's cost base and enhanced revenue collection. This has resulted in improved operating cashflow. Accordingly, we have been able to make a two cent distribution for the year supplemented by free cash from reserves.

In addition, the Tollway's ongoing operational performance confirms its status as a world class infrastructure asset, with effective incident response systems, high maintenance standards and an impressive safety record.

Importantly, by maintaining safe and free flowing traffic conditions we generate enhanced travel time reliability for our customers which we believe is a factor in the high rate of commercial vehicle growth on EastLink.

Similar to experience on the M7 tollway in Sydney, EastLink's overall traffic ramp-up period continues more than three years after tolling began, with 9.1% growth recorded in the 12 months ended June 2011. It is evident more and more businesses, tradespeople and residents are learning how best to use our multi-sectional tollway to get around Melbourne's east and south-east.

The opening of EastLink in mid-2008 added significant extra road capacity to this geographic corridor and this has encouraged further industrial, commercial and residential development. As a result, there has been steady growth in total corridor traffic of around 4% over the past 12 months, compared to annual growth rates of below 1% in the years before EastLink opened. Overall, our tollway continues to attract a majority share of this traffic growth, and has plenty of capacity remaining.

In last year's Annual Report we focused on a number of commercial, retail, residential and recreational development projects that are underway within the EastLink corridor; on the previous pages we provide an update on their progress. From ConnectEast's perspective, the key project is the 27km Peninsula Link which will connect at EastLink's southern end and will pave the way for easier travel to and from the Mornington Peninsula. Construction is well progressed and its developers, Southern Way, say the untolled freeway remains on track for completion by early 2013.

Peninsula Link's opening will be good news for EastLink motorists because it will remove the peak period bottleneck on the Frankston Freeway and improve travel times, particularly during summer. It will also be good news for ConnectEast, with independent traffic forecasts prepared for the Group in 2009 by IMIS assuming increased total toll revenues on EastLink of 2-3%, however under our Concession Deed 50% of any associated net revenue uplift is liable to be shared with the State.

Looking to the longer term, the change of State Government at the November 2010 election has led to a change of infrastructure and investment priorities. The Baillieu Government has announced its plans to redevelop the Port of Hastings, located in south eastern Victoria, as an alternative container port to the Port of Melbourne. It has passed legislation to create a new independent Port of Hastings development authority with the aim of creating a key deep water access point for international and domestic shipping. Although some years away, this is expected to eventually generate flow-on economic activity in the region.

The new Government remains a supporter of focusing investment on key zones outside of Melbourne's CBD to relieve congestion, with four of its designated Central Activities Areas (Box Hill, Ringwood, Dandenong and Frankston) either in or close to the EastLink corridor and earmarked for commercial and residential developments.

The Government is also reported to be seeking advice on a range of transformational transport projects for Melbourne in the longer term, including an east-west tunnel from the city-end of the Eastern Freeway to the Tullamarine Freeway, and the proposed connection between the Eastern Freeway and the Metropolitan Ring Road. Both projects would significantly ease congestion at the western end of the Eastern Freeway, thereby enhancing its attractiveness as a route to the north of the city and as a reliable alternative to the Monash Freeway. However, it should be noted there is no certainty as to whether and when these projects will proceed.

ConnectEast continues to enjoy a cooperative and constructive relationship with the Victorian Government and supports development of these projects in the interests of an efficient and integrated road network that maintains the State's economic growth and living standards. We also work closely with the Government's road agencies, VicRoads and the Linking Melbourne Authority, and on behalf of the business I thank them for their ongoing cooperation and support.

In conclusion I would like to thank my fellow directors for their strategic counsel as we have strengthened the ConnectEast business over the past year. I also commend our Managing Director, Dennis Cliche, and his team for their hard work in growing traffic, reducing costs and improving operational efficiencies. Our collective efforts have positively positioned the Group for the longer term.

In light of the approval by our unitholders of the Horizon Roads Proposal to acquire ConnectEast, this will be my final report to you as Chairman of the Group. It has been a great privilege and I want to take this opportunity to thank the many thousands of people who have contributed to making EastLink a reality and ConnectEast a sustainable business.

It has been a remarkable journey. Our motorway has transformed travel in Melbourne's east and south-east and everyone involved has much to be proud about. I am most grateful to our many investors for their support as we have established ConnectEast as the efficient operator of a world class infrastructure asset.

ANTHONY F SHEPHERD

MANAGING DIRECTOR'S REPORT

ConnectEast and our asset EastLink have seen a further 12 months of traffic and revenue growth against a backdrop of continuing operational efficiencies and cost reductions. The combination of these elements has led to increasing operating cashflow and a strengthened position for the business.

Our key accomplishments during FY2011 have been:

- Growth in Average Daily Trips (ADT) on EastLink of 9.1%, and workday traffic growth of 9.9%;
- Revenue growth of 14.6%, a result of continuing traffic growth, an annual CPI-linked increase in tolls, and improved revenue recovery;
- Ongoing traffic ramp-up as more and more businesses, tradespeople and residents are attracted to the benefits of using EastLink to get around Melbourne's east and south-east;
- Reducing our operational costs through efficiencies, staffing restructures and process improvement initiatives;
- Maintaining a safe road and working environment, with EastLink achieving a very low rate of accidents resulting in injury (around one third of the State average on comparable roads), and the business operating for the past 18 months without a lost time injury;
- Enhancing our customer service systems to improve revenue collection by converting more customers to lower cost pre-paid and automatic top-up accounts; and
- Strengthening our standing with key stakeholders and in the community.

ConnectEast remains well-positioned for ongoing and steady, long term growth.

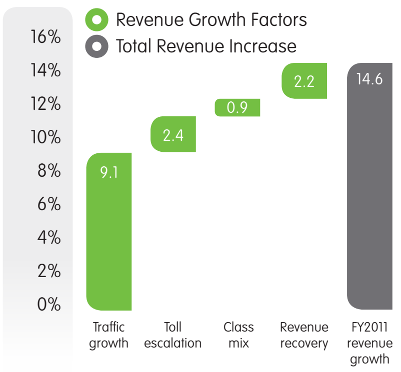
EastLink's traffic performance has been solid over the past 12 months as the motorway's increasing trip volumes have continued to outstrip growth on the rest of the local road network.

Nearly 67 million trips were made during the period, with ADT of 183,200 generating Average Daily Revenue (inclusive of GST) of $607,806. Overall traffic grew by 9.1% compared to the prior comparative period and workday traffic growth was up by 9.9%, which is a good indication of the underlying growth in the asset. Our single highest ADT in FY2011 was on Friday 11 March 2011 when 237,274 trips were made on EastLink. Weekend and public holiday growth was relatively muted at 6.4%, due largely, we believe, to the wet weather over the period compared to the prior year.

Commercial traffic continues to grow at a faster rate than cars, now representing 14.7% of total trips, up from 14.1% in the prior comparative period. Commercial traffic generates roughly double the revenue per trip compared to a car, with a toll multiplier of 1.6 times for Light Commercial Vehicles and 2.65 times for Heavy Commercial Vehicles. The growth rate of Light Commercial Vehicles was particularly strong at 14.4% compared to the prior financial year.

The 9.1% increase in traffic has been converted into an overall 14.6% growth in revenue. As shown in the chart below, this has been due to a combination of traffic increases, the CPI boost to toll prices at the start of FY2011, our commercial traffic mix,

Converting traffic growth into revenue



and a further 2.2% added through our sustained focus on improving the business' revenue recovery.

Sustained efforts to enhance the accuracy and performance of our tolling system have led to more trips being billed, with the categories of unbillable transactions (such as when vehicles are unregistered or their number plates are difficult to read) being significantly reduced.

In addition, our initiatives to convert post-paid toll invoice customers to pre-paid toll accounts are paying off, and collection rates on post-paid invoices have been improved through more timely billing and enhanced collection procedures. We have also been successful in encouraging increased use of online customer channels and moving account-holders to automatic payment – both of which reduce our cost to service these customers.

ConnectEast customer accounts now number close to 300,000 and more than 450,000 electronic tags have been issued. Combined with CityLink's 1.3 million tags, this represents a sizable Melbourne customer base.

Initiatives to accelerate traffic growth continue. A tunnel incentive offer which, via a low cost email campaign to 30,000 infrequent customers, offered a $1 rebate for each tunnel trip taken over a three month period, resulted in a 30% increase in usage by this group. A low-cost TV campaign resulted in higher awareness of EastLink and its advantages, and an ongoing program to increase the levels of directional signage from arterial routes is ensuring that motorists can more easily find their way onto the motorway.

The results of this work are being maximised by management's focus on reducing ConnectEast's operating cost base, which fell by more than 6% to $68.1 million for the full year – down from $72.7 million in the prior comparative period.

If the variable cost increases of $2 million associated with traffic growth are excluded, together with non-recurring transaction costs, then underlying costs actually reduced by $7.4 million. Our operating cost per trip on EastLink dropped by 14.2% from $1.19 to $1.02.

Our enhanced image processing system has reduced the level of manual intervention required and IT support costs have also dropped in line with an increase in system stability and reliability. In addition, the growing maturity of our operation has enabled a further reduction in management overhead with the consolidation of several roles. We will continue to seek ways of achieving ongoing productivity improvements to offset variable cost increases associated with higher traffic and inflationary cost pressures.

The improvements in our operating performance will position us well in dealing with the refinancing of $810 million due by November 2012 and $405 million by November 2014. Our credit metrics have been steadily improving with our interest cover ratio now above 1.5 times. Refinancing options are already under active consideration. Current gearing levels are appropriate and the goals of our capital management strategy are to diversify the sources of funding, extend the average tenor of the debt and create smaller maturities.

During the twelve months to the end of June 2011, the $67 million Ramp-Up Reserve was released under our financing arrangements into available cash. This has been used to supplement our positive operating cashflow for the payment of a two cent distribution for the period.

In conclusion, I want to again acknowledge the impressive safety record of EastLink, both on and off the road. The safety of our customers, staff and contractors is an absolute priority and I am pleased to report that our safety-focused culture continues to achieve exceptional outcomes.

ConnectEast and our alliance partners, Transfield Services, have experienced no lost time injuries over the past 18 months. In addition, EastLink now has an established track record as a very safe road for motorists to use, with casualty accident rates around one third of the Melbourne freeway average.

Our advanced safety systems, proactive traffic management and rapid incident response mean that incidents are promptly resolved. This reduces the risk of secondary incidents and assists the free flow of traffic to deliver the time savings and reliability that EastLink provides and our customers value.

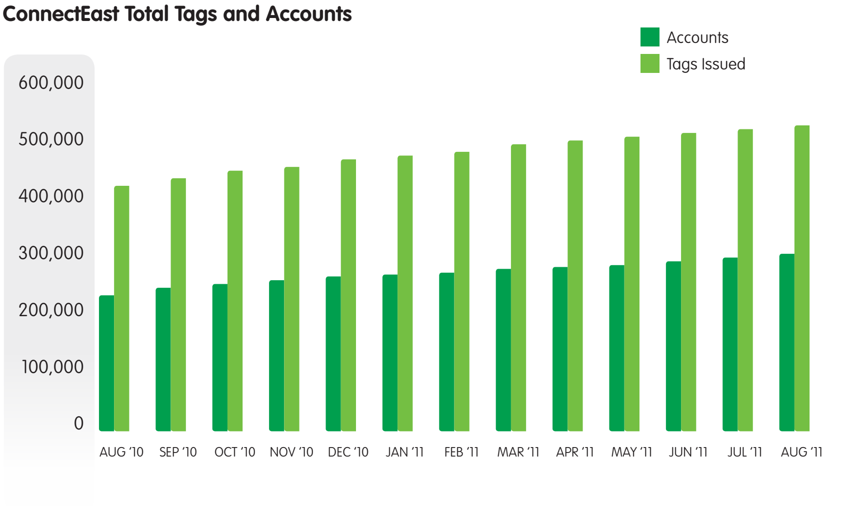
ConnectEast management remains focused on driving efficiencies across the business whilst maintaining operational excellence and a high standard of service for our increasing number of customers.

With the changes occurring under the Proposal from Horizon Roads, I want to take this opportunity to acknowledge the support of our investors and other key stakeholders who have witnessed ConnectEast's evolution as a business and EastLink's establishment as a vital transport infrastructure asset for Melbourne.

I also want to thank the entire ConnectEast and EastLink teams for their efforts on behalf of the business.

DENNIS CLICHE

ConnectEast Total Tags and Accounts



SUSTAINABILITY REPORT

WORKPLACE SAFETY

A key corporate objective is that ConnectEast will provide a safe and rewarding work environment with a goal of no harm to our employees, contractors or the community. We achieve this through the continuous promotion of workplace safety, ongoing safety education and by fostering a culture where employees are encouraged to report all incidents, hazards and near misses. The past 18 month period has seen no Lost Time Injuries – an impressive outcome.

EMPLOYEES

ConnectEast has consolidated its staffing levels through the year as our systems and processes have increased in efficiency. This has been carefully managed to achieve a more sustainable workforce profile, with a higher proportion of both full-time and part-time positions, and a halving of the proportion of casual staff.

In addition, we have retained experience, with the average length of service increasing.

During the year, the Board adopted a Workplace Diversity Policy, which is supported and implemented by a wide range of employment policies that ensure ConnectEast is a flexible and progressive employer. The Workplace Diversity Policy provides for establishment and monitoring of measurable objectives in relation to gender diversity in future years.

Our workplace profile as reported to the Equal Opportunity for Women in the Workplace Agency (EOWA) for the reporting period 1 April 2010 to 31 March 2011 is shown in table 4.

Table 1

Workplace Safety	2010/2011	2009/2010
Lost Time Injuries (LTIs)	0	1
Lost Time Frequency Rate (LTFR)	0.00	2.24

Table 2

Employees (excluding directors)	At 30 June 2011	At 30 June 2010
Full-Time	149	157
Part-Time	61	51
Casual	40	102
Total	**250**	**310**

Table 3 Employee Retention

Average length of service	At 30 June 2011	At 30 June 2010
Over 4 years	11%	5%
3 - 4 years	43%	9%
2 - 3 years	20%	44%
1 - 2 years	18%	20%
less than 1 year	8%	22%

Table 4 Workplace Profile (as at 30 June 2011)

	Female			Male			Total
	Full-Time	Part-Time	Casual	Full-Time	Part-Time	Casual	
Chairman					1		1
Directors		1			4		5
Senior Executives	1			5			6
Senior Managers	1			6			7
Middle Managers	1			8			9
Professional/ Technical	10	1		26		1	38
Team leaders/ Supervisors	7			5			12
Customer Service	50	43	19	24	13	20	169
Admin/Support	4	3		1	1		9
Grand Total	**74**	**48**	**19**	**75**	**19**	**21**	**256**

CUSTOMER SERVICE

During FY2011 we have again delivered on the stringent Key Performance Indicators for customer service under the EastLink Concession Deed, ensuring a high level of service for motorists and our account customers. The proportion of customer complaints remains consistently low due to the diligent work and attention by our customer service personnel who ensure complaints are resolved in a timely manner whenever possible. Regular reports from the Tolling Customer Ombudsman are available for download at Breeze.com.au.

STAKEHOLDERS

ConnectEast has maintained its proactive engagement with key stakeholders. We are involved in several community, industry and economic development groups and provide input to their efforts to enhance the corridor's liveability, employment opportunities and level of business investment.

Our relationships with all levels of Government, local MPs and officers at a departmental and council level remain positive and constructive. We contribute to broader industry-wide policy development through regular consultation with groups such as Infrastructure Partnerships Australia, the RACV, Roads Australia, the Victorian Transport Association and the Melbourne South East business development group.

ROAD SAFETY

ConnectEast actively supports the efforts of the authorities to encourage safer driving behaviour on Victorian roads. We have well-established partnerships with RoadSafe Victoria, the Eastern Football League (EFL) and the Mornington Peninsula Nepean Football League (MPNFL) to deliver education and awareness programs to dozens of football and netball clubs throughout the EastLink corridor each year. Through the use of EastLink CCTV footage to highlight dangerous driving behaviour, and with the support of AFL clubs Melbourne and Hawthorn, the programs are spreading the road safety message directly to those young adults who are at the greatest risk of road trauma.

COMMUNITY INVESTMENT

The inaugural *Hanover ConnectEast Ride for Home* fundraising cycle event was held on EastLink on Sunday 14 November 2010 and raised nearly $200,000 for Hanover Welfare Services to provide services for people experiencing homelessness or housing crisis in Melbourne. This event will be held again in November 2011, with the aim to significantly increase participation and the fundraising outcome.

On any given night more than 20,000 Victorians are homeless. At 74 homeless per 10,000 people, the rate of homelessness in the region of Greater Dandenong, right in the heart of the EastLink corridor, is the second highest rate recorded outside inner Melbourne.

EASTLINK TRAIL

The 35km EastLink Trail is an increasingly popular community asset that is used by a range of people, including walkers, runners, in-line skaters, dog walkers, people with prams and bike riders. Thousands of cyclists and pedestrians use the Trail to travel along the corridor and to access the extensive network of pathways that extend from Seaford to the city. A journey on the Trail takes in many environments, including wetlands, parklands, creeks and natural bush settings. We provide information about the EastLink Trail to account customers, many of whom live nearby, as well as to the participants of the *Hanover ConnectEast Ride for Home* cycle event and members of Bicycle Victoria.

AIR QUALITY

EastLink's operations, particularly in relation to the twin 1.6km tunnels, are required to meet stringent environmental standards under the Concession Deed, an Environmental Management Plan, and the licence issued to us by EPA Victoria.

During this reporting period:

- All tunnel air quality objectives were met.
- There were no breaches of the EPA Waste Discharge Licence.
- The State Environment Protection Policy (Air Quality Management) intervention levels for ambient air around the EastLink tunnels were not exceeded.

ENERGY

The ongoing reduction of electricity usage this year is largely due to the reduction of tunnel ventilation fans running at night and the fine-tuning of the ventilation system. EPA Victoria has also agreed for the fans to remain off for extended hours at weekends. This change is reducing electricity usage while maintaining air quality requirements and meeting our emission standards as well as providing a quieter environment for nearby residents. A new initiative to achieve further electricity and maintenance savings is the progressive replacement of motorway light bulbs with more efficient, longer lasting globes.

Most natural gas usage is by the EastLink Operations Centre heating system. The reduction in gas usage reflects improved efficiency in running the system.

There is little scope to further reduce the fuel used by our operational vehicles given the 24 hour nature of the incident response task and our commitment to high service levels. However, since October 2010, ConnectEast has been offsetting emissions from all operational vehicles by purchasing from Greenfleet future offsets to sequester greenhouse gas.

ConnectEast also provides Greenfleet's driving tips on the EastLink website, to help our customers drive more efficiently, as well as links to Greenfleet's website for customers who choose to offset their own vehicle emissions.

WATER USE

Most potable water usage is at the EastLink Operations Centre. The reduction in potable water use this year is due to the garden bed irrigation systems not being used. The plants are now well established and the summer period was wetter than the previous year.

The large reduction in tunnel waste water discharged to the trade waste system is due to a change in the management of tunnel water with storm water entering the tunnel now treated through a planted wetland system. This natural treatment has produced a sustainable outcome by reducing the treatment required in the sewage system. For further details see Table 6.

WETLANDS

To achieve Water Sensitive Urban Design principles, all rainwater runoff from EastLink continues to be directed through our natural water treatment system comprising of grass swales, sediment ponds, ponded wetlands and bio-filtration ponds.

These natural wetland systems are now well established. A review by a specialist consultant of EastLink's first two years of operation determined that the waterways receiving runoff from EastLink via the natural wetland systems have not been impacted adversely.

LANDSCAPE

During FY2011 there was supplementary planting of 55,000 plants - 40% tree species and 60% shrubs. There is an increasing focus on tree planting which will result in a gradual transformation of the EastLink landscape. EastLink's own plant nursery has doubled in size this year to 8,800 plantings in stock. The nursery plants are watered using only collected rainwater.

WASTE

Solid waste volume includes tyres, street sweeper waste and general waste and is disposed of off-site. The increases relate primarily to increased traffic levels on EastLink. Green waste which can be mulched is re-used on-site and is in addition to these totals. For further details see Table 7.

Table 5

Energy	2010/2011	2009/2010	Difference
Electricity	15,278,030 kwh	16,476,163 kwh	- 1,198,133 kwh (-7%)
Natural Gas	1,097,343 MJ	1,599,657 MJ	-502,314 MJ (-31%)
Diesel	127,145 Lt	133,402 Lt	- 6,257 Lt (-5%)
Petrol	29,882 Lt	34,561 Lt	- 4679 Lt (-14%)
LPG	24,398 Lt	22,707 Lt	+1,691 Lt (+7%)

PAPER USE

ConnectEast has reduced our printing requirements by more than 100,000 printed items each month following a staff initiative to eliminate the mail-out of inserts with overdue notices when toll invoices are not paid. Previously overdue notices included the same leaflet and envelope inserts as the original toll invoices. Individual customers now receive only one set of inserts instead of two. The success of this project has motivated staff to look at streamlining other hard copy customer communications and to encourage more account holders to replace their mailed statements with email statements.

Table 6

Water Use	2010/2011	2009/2010	Difference
Potable water	2,386 KL	4,422 KL	-2,036 KL (-46%)
Rainwater Tanks (approx)	497 KL	371 KL	+ 126 KL (+34%)
Recycled/Reclaimed Water	0 KL	100 KL	- 100 KL (-100%)
Total Water Use	**2,883 KL**	**4,893 KL**	**- 2,010 KL (-41%)**
Tunnel Trade Waste Water	8,473	14,518 KL	- 6,045 KL (-42%)

Table 7

Waste Type	2010/2011	2009/2010	Difference
Green waste removed off site	163 M^3	6 M^3	+ 157 M^3
Solid waste excluding green waste	2,279 M^3	2,232 M^3	+ 47 M^3
All solid waste streams	**2,444 M^3**	**2,238 M^3**	**+ 204 M^3 (+9%)**

BOARD OF DIRECTORS

ANTHONY SHEPHERD

Chairman
Appointed 28 September 2004
Independent Non-executive Director
Chairman of the Nomination Committee
Member of the Human Resources Committee

Tony Shepherd is Chairman of Transfield Services Limited, a Trustee of the Sydney Cricket Ground Trust, a director of the Australian Chamber Orchestra and Chairman of Greater Western Sydney Football Club. As an executive of Transfield Holdings Group in the 1980s and 1990s, he was responsible for the development of the Sydney Harbour Tunnel and Transfield's successful tender for the ANZAC Warship Project.

Tony was CEO of the Project Development Division at Transfield Holdings from 1992-2001 and was responsible for the Melbourne CityLink Project. He was formerly a non-executive director at Transurban Limited for its IPO in 1996.

DENNIS CLICHE

BEng, MBA, GAICD
Managing Director
Appointed 19 November 2009
Member of the Health, Safety & Environment Committee
Member of the Community Investment Committee

See page 11 for details.

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

Bruce Beeren has extensive experience as a non-executive director on listed company boards in Australia and New Zealand and as a member of listed company audit committees. He has also held senior executive roles in major listed companies, including AGL (CFO), AGL Pipelines (General Manager), VENCorp (CEO) and Origin Energy Limited (Finance Director). Bruce has been a fellow of CPA Australia for more than 20 years.

JOHN COLLIER

BCom, MBA, ACA, GAICD, F Fin
Non-executive Director
Appointed 18 August 2010
Member of the Audit, Risk & Compliance Committee
Member of the Health, Safety & Environment Committee

John Collier is Chief Financial Officer of PKF, a chartered accounting and business advisory firm employing 650 staff across Australia. John is responsible for all financial and fiscal management aspects of PKF's operations. He has previously worked in several senior roles with the Hills M2 Motorway in Sydney.
John has been nominated as a director by ConnectEast's largest unitholder, CP2.

PAUL DOUGAS

BE(Chem), M.ENGSc, FAICD, HonFIEAust
Independent Non-Executive Director
Appointed 22 December 2009
Member of the Human Resources Committee
Member of the Health, Safety & Environment Committee
Member of the Community Investment Committee

Paul Dougas has been Chief Executive Officer and Managing Director of engineering, services and project delivery practice, Sinclair Knight Merz (SKM), since 1996. He is responsible for leading the SKM Group globally and managing the firm's strategic direction. Paul was the inaugural Chairman of the Centre for Engineering Leadership and Management.

JIM HALL

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

Jim Hall is a non-executive director of Paperlinx Limited, Alesco Limited and Centro Properties Limited, and a member of the JPMorgan Advisory Council. Jim was previously a non-executive director of Symbion Health Limited and Centro Retail Limited, and Executive Director Finance at Orica. Prior to that he served with BHP for 32 years in a range of senior financial management roles.

YVONNE VON HARTEL AM

BArch (Hons) LFAIA
Independent non-executive director
Appointed 7 February 2005
Chair of the Community Investment Committee
Member of the Health, Safety & Environment Committee

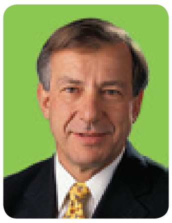
Yvonne von Hartel is a founding Principal of the award winning national architectural and urban design practice, peckvonhartel. Yvonne is chair of the Victorian Skills Commission and a Trustee of the Melbourne Convention and Exhibition Centre. She has served as chair of the Sustainability in Buildings Standards Coordination Group of Standards Australia, chair of the Victorian Design Advisory Council and as a director of the Tourism and Transport Forum.


Anthony Shepherd


Dennis Cliche


Bruce Beeren


John Collier


Paul Dougas


Jim Hall


Yvonne von Hartel AM

SENIOR MANAGEMENT

DENNIS CLICHE
Managing Director

Dennis Cliche joined ConnectEast from Yarra Trams, where he held the position of Chief Executive Officer from September 2005. Dennis joined Transdev, SA in May 2003 and was seconded to the Yarra Trams executive team in July 2003 as the company's Deputy Chief Executive Officer and Chief Operating Officer. In 2007 he became CEO of TransdevTSL where, in addition to Yarra Trams, he also was responsible for public transport in Australia for the Transdev/Transfield Services joint venture.

Dennis holds a Bachelor of Engineering from McGill University in Montreal, Canada and a Master of Business Administration from Concordia University.

NICK MCKECHNIE
Chief Financial Officer

Nick McKechnie was appointed Chief Financial Officer in March 2009. Nick's responsibilities include financial management of the group, investor relations and managing the syndicate of lenders to ConnectEast. Before his appointment as CFO, Nick was the Group Financial Controller and Investor Relations Manager for ConnectEast. Prior to working at ConnectEast, Nick held a number of senior finance roles including at UK-based Virgin Media (formerly Telewest Global Inc) from 2000 to 2006, and before that with professional services firm, Arthur Andersen & Co (UK).

TONY HUDSON
General Counsel & Company Secretary

Tony Hudson joined ConnectEast in his current position in August 2005. He is responsible for ConnectEast's legal affairs and management of its legal risks, as well as Board administration and governance. Tony is an experienced commercial lawyer, having spent 19 years with the national law firm, Blake Dawson (1986-2004). He was a partner in the firm's corporate team from 1995 to 2004 and spent five years as resident partner in the firm's Jakarta associated office.

JAMES TONKIN
General Manager, Corporate Affairs

James Tonkin has worked in media and strategic communications for more than 28 years, with a focus on stakeholder relations and issues management. Following a 10-year career as a newspaper journalist, he worked for four years as a media and policy adviser to the Victorian Premier and Government. From 1996 until 1999 James was Media Director at Victoria Police before he worked with communications consultancy, Gavin Anderson & Company, as a Managing Director for seven years.

He joined ConnectEast in October 2006 as General Manager, Corporate Affairs and oversees community consultation, stakeholder relations and issues management.

STEPHEN MITCHELL
General Manager, Information Technology

Stephen Mitchell was appointed General Manager Information Technology in January 2011. He has been employed at ConnectEast since 2005 and has held various management positions, playing a key role in preparing ConnectEast for live operations and optimising its systems, infrastructure and applications. Prior to joining ConnectEast he was General Manager of Utili-Mode a wholly owned subsidiary of United Energy, where he led significant organisational and cultural change, whilst preparing the business to participate in the deregulated energy markets. Stephen has over 30 years experience in Utilities, Software and Information Technology roles.

MURRAY KEEN
Human Resources, Risk & Safety Manager

Murray Keen joined ConnectEast in January 2010 in the role of Manager Risk, Safety & Internal Audit. He has since added Human Resources to this portfolio. In his role as Human Resources, Risk & Safety Manager, Murray oversees key employee functions such as recruitment, training & development and payroll, employee safety, organisational risk management and internal audit.

Prior to joining ConnectEast, Murray spent nine years with the Spotless Group in the Risk & Compliance team managing operational compliance, quality management and internal audit across Australia and New Zealand.

Dennis Cliche

Nick McKechnie

Tony Hudson

James Tonkin

Stephen Mitchell

Murray Keen

CORPORATE GOVERNANCE

1. GOVERNANCE AT CONNECTEAST

1.1 Framework

As an ASX entity, we pay particular attention to the Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council (**ASXCGC**). We consider that our corporate governance arrangements during the year and up to the date of this statement are consistent with the ASXCGC's recommendations.

The key governance policies and plans referred to in this statement are available on our website (ConnectEast.com.au) under the Investor Centre tab, as is a compliance checklist indicating specifically how our corporate governance arrangements are consistent with the ASXCGC's recommendations.

Reference in this statement to the Financial Report, Directors' Report or Remuneration Report is to those sections of ConnectEast's 2011 Annual Report.

1.2 Corporate structure and governance arrangements

ConnectEast is made up of two Australian unit trusts, ConnectEast Investment Trust and ConnectEast Holding Trust (**Trusts**). Units in the Trusts are stapled together and traded as CEU on ASX.

The Trusts are managed by ConnectEast Management Ltd (**CEML**), a wholly-owned subsidiary of ConnectEast Holding Trust. CEML's only business is to act as the responsible entity of the Trusts. CEML holds an Australian Financial Services Licence (**AFSL**) issued by the Australian Securities & Investments Commission (**ASIC**).

Some provisions of the Corporations Act and ASX listing rules that apply to listed companies do not apply to ConnectEast's stapled trust structure. However, the Group seeks to adopt the governance arrangements that apply to listed companies where applicable. For example, the Group has enshrined in its Constitutions requirements to hold an annual meeting of unitholders, for directors of CEML to be approved by resolution of unitholders, for directors to retire after no more than three years in office (subject to a right to submit for approval to be re-appointed) and for the aggregate remuneration of non-executive directors to be approved by unitholders.

2. THE BOARD

2.1 Role and responsibilities

The Board provides direction and guidance to management to ensure that ConnectEast acts in the best interests of unitholders.

The Board Charter defines the role and responsibilities of the Board (including matters reserved for its authority) and describes the processes the Board follows to discharge its role and responsibilities. Beyond the matters reserved for the Board's authority, the Board has delegated to the Managing Director all powers and authority to achieve the Group's objectives. The Managing Director is accountable to the Board for exercise of these delegated powers and authority, and for the performance of ConnectEast. The Managing Director ensures that reporting to the Board is effective and addresses material developments affecting achievement of the Group's objectives.

2.2 Skills, knowledge and experience

The Board aims to maintain an appropriate mix of skills, experience, expertise, tenure and diversity (including in age and gender) to enable the Board to be effective in performing its role of protecting and promoting the interests of unitholders. Potential candidate directors are also assessed by reference to their integrity, communication capabilities, strategic thinking, reputation and commitment to devote time to the role. The applicable procedures are outlined in the Board Composition, Selection and Appointment Policy.

During the year, Max Lay and Mark Snape resigned as directors and John Collier was appointed as a director. The Board considers that its current members collectively have the mix of skills, experience, expertise, tenure and diversity required to govern ConnectEast. Information about each of the directors is available on our website under the About Us tab and in the Annual Report.

2.3 Independence

The criteria used by the Board to assess whether a director is independent are set out in the Board Charter. They include consideration of any other relationships that exist between a director and ConnectEast or its substantial holders, consultants, suppliers or customers. The overriding considerations are that the director:

- is not a member of management, and qualifies as an external director in accordance with Chapter 5C of the Corporations Act
- has no interest or relationship that could interfere with the director's ability to act in the best interests of ConnectEast and independently of the management of ConnectEast
- is not otherwise prevented from exercising independent judgment on the Board.

The Board considers that five of its seven directors are independent. The independent directors are Tony Shepherd, Bruce Beeren, Paul Dougas, Jim Hall and Yvonne von Hartel. Dennis Cliche (Managing Director) and John Collier (nominated by CP2 Limited) are considered not to be independent. CP2 Limited is the Group's largest unitholder, holding 35% of the Group's issued units.

Mr Collier does not participate in boardroom discussions or vote on matters relating to ConnectEast's current or proposed dealings with CP2 Limited.

The Board has adopted a Related Party Transactions Policy to govern ConnectEast's involvement in transactions with related parties. Related party transactions during the year are reported in note 26 the Financial Report.

2.4 Terms of appointment

Each non-executive director enters into a letter of appointment, which includes information about the Group's corporate and operating structure, Board processes and the Group's expectations of non-executive directors, as well as remuneration, insurance and indemnity arrangements.

Each new director takes part in an induction program that provides an understanding of ConnectEast's financial, strategic, operational and risk management position; ConnectEast's culture and values; the rights, duties and responsibilities of directors; the roles and responsibilities of senior executives; the role of Board Committees; and meeting arrangements and director interaction.

A new director appointed by the Board is required to retire, and seek approval for re-appointment, at the next annual meeting of unitholders.

The Managing Director has entered into a service contract with the Group. Key terms of that service contract are described in the Remuneration Report

2.5 Chairman

The Board selects one of its members as Chairman. Tony Shepherd was appointed as Chairman of ConnectEast Group on 28 September 2004. The Chairman facilitates the workings of the Board, and is responsible for ensuring that the Board maintains its principles and processes. The Chairman represents the Board to unitholders, including by chairing meetings of unitholders.

The Board considers that Mr Shepherd is an independent director. The Board is satisfied that Mr Shepherd's role as Chairman of Transfield Services Limited (**TSL**), which provides operation and maintenance services on EastLink, does not affect his ability to exercise independent judgment in the best interests of ConnectEast. Mr Shepherd does not participate in boardroom discussions or vote on matters relating to ConnectEast's current or proposed dealings with TSL.

The Group does not have a deputy chairman. However, in the absence or inability to act of Mr Shepherd, other directors chaired discussions at a number of Board meetings during the year.

2.6 Meetings

The Chairman sets the agenda for each Board meeting in consultation with the Managing Director and Company Secretary, but any director may have a matter added to the agenda. Directors receive comprehensive papers on matters considered at Board meetings. The Company Secretary generally distributes papers to all directors six days before each meeting.

Each Board meeting is also attended by the CFO and Company Secretary. Other executives attend for parts of Board meetings to report on their area of responsibility. The Board also receives presentations from external parties where appropriate.

The non-executive directors meet separately from executive management at the beginning of Board meetings. Details of attendance at Board meetings are set out in the Directors' Report.

2.7 Access to information and advice

Directors have access to the Group's records and information in addition to the financial and operations reports received at each meeting. The Board and individual directors (with the Chairman's approval) have the right to seek independent professional advice at the expense of ConnectEast on any matter connected with the discharge of their responsibilities. The Board and individual directors also have access to advice and assistance from the Company Secretary and General Counsel.

2.8 Remuneration

The Human Resources Committee makes recommendations to the Board about the Group's policies for remuneration of non-executive directors. The Group's remuneration policies and practices are described in the Remuneration Report.

2.9 Performance evaluation of the Board

The Chairman leads an annual review of the effectiveness of the Board as a whole, each Board Committee, each director (including the Chairman) and the Board's governance processes. The Chairman discusses the results with individual directors and the Board as a whole. Approximately every three years, the Board engages an independent consultant to facilitate the annual review. In 2011, the Board completed an internal review of its effectiveness. As a result of the review, the Board decided to disband its Community Investment Committee.

CORPORATE GOVERNANCE

3. BOARD COMMITTEES

3.1 Establishment

Each Board committee is made up of the individuals best suited for the committee's role, is chaired by an appropriate director, has access to adequate resources, and has a charter setting out principles for the composition, authority, responsibilities and administration of the committee. Committees from time to time obtain advice and presentations from external parties relating to issues within their respective areas of focus. The Company Secretary acts as secretary to each committee.

3.2 Permanent committees

The permanent committees of the Board are the Audit, Risk & Compliance Committee, the Human Resources Committee, the Nomination Committee and the Health, Safety & Environment Committee. The Community Investment Committee operated during FY2011 but will not operate in FY2012. Each Committee reports, and recommends appropriate actions, to the Board on matters arising from the Committee's activities. The minutes of each Committee meeting are considered at the next meeting of the Board, and the Committee Chairman reports to the Board on issues of particular relevance to the Board. Papers for each Committee meeting are made available to all directors before the relevant meeting.

The Board annually reviews the composition of each Committee. It most recently did so in June 2011. Details of attendance at Committee meetings are set out in the Directors' Report.

4. AUDIT, RISK & COMPLIANCE COMMITTEE

4.1 Membership

The members of the Audit, Risk & Compliance Committee are Jim Hall (Chairman), Bruce Beeren and (from November 2010) John Collier. Max Lay was a member of this Committee until his retirement on 9 November 2010. Mark Snape was a member of this Committee until November 2010.

4.2 Role and responsibilities

The Committee focuses on the integrity of the Group's financial reports and their audit, as well as the effectiveness of the Group's systems of risk management, internal control and compliance. Each meeting of the Committee is also attended by the Managing Director, CFO, Group Financial Controller and Company Secretary. The Chairman of the Board attends all or a part of some meetings of the Committee, for example when it considers the Group's annual and half-yearly results.

Representatives of the external auditors, PricewaterhouseCoopers, attended three meetings of the Committee during the year. Each of those meetings included an opportunity for a private session between the Committee and the external auditors without any members of management present. In addition, the Committee Chairman met independently with PricewaterhouseCoopers' audit engagement partner immediately before the meetings at which the Group's annual and half-yearly financial reports were discussed.

4.3 Integrity of financial reports

The Committee evaluates, and makes recommendations to the Board, about the Group's accounting policies and practices and the judgments made in the preparation of financial reports. The Committee evaluates and recommends for approval by the Board the financial reports and related information to be released to the ASX, to unitholders or to the financial community in line with the semi-annual reporting cycle and applicable laws.

Before approval by the Board of the annual and half-yearly financial reports, the Managing Director and CFO certify in writing that the financial statements and associated notes comply, in all material respects, with applicable regulatory requirements and present a true and fair view, in all material respects, of the Group's financial position and performance.

4.4 External audit

The Committee manages the Group's relationship with the external auditor. This includes selection and appointment of the external auditor, and requirements for periodic rotation of audit firms or personnel. The current external auditor, PricewaterhouseCoopers, was appointed in December 2004. The individual lead auditor rotates at least every five financial years. The current lead auditor, Charles Christie, was appointed on 1 July 2009. PricewaterhouseCoopers also acts as auditor of the Group's compliance plans. These audits are managed separately from the audit of ConnectEast's financial reports. Simon Gray is the audit engagement partner for audit of the compliance plans.

The Committee evaluates the performance of the external auditor, taking into account the value delivered to ConnectEast, cost-effectiveness, and the maintenance of high levels of professional integrity, objectivity and independence. These matters are reviewed in accordance with the Board's Auditor Independence Policy, including by considering:

> an annual written statement from the external auditor as to its compliance with applicable independence and professional conduct requirements

> the nature and extent of, and the fees charged for, non-audit services provided by the external auditor, and any resulting impairment of the objectivity or independence of the external auditor.

Fees paid to the external auditor during the year are summarised in the Directors' Report. Based on the Committee's evaluation, the Board is satisfied that the external auditor is independent.

4.5 Risk management systems

The Committee oversees the development and implementation of the Group's risk management systems. The Board has adopted a risk management plan documenting processes applied to identify, assess, monitor and manage risks. The risk management plan follows the requirements of AS/NZS ISO 31000:2009.

The senior management team is responsible for implementing the risk management plan. Senior managers regularly review with their teams the material business risks in their areas of responsibility and report to the Managing Director on changes in the nature or rating of those risks. A "risk register" is maintained setting out all risks identified. Based on an analysis of likelihood and consequence, each risk is rated low, medium, high or very high. An approach is developed for treating each risk rated high or very high, and an assessment of residual risk is made after application of those treatments.

At each of its meetings, the Audit, Risk & Compliance Committee receives a report on the Group's "risk watch list". This is an extract from the risk register setting out the status of material business risks. The Board also receives a report on the risk watch list and other risk management matters at each of its meetings.

The Group is subject to specific operating risks, as well as risks arising from the general business environment. The risk watch list currently includes risks in the following broad categories:

> Financial - covering such matters as the cost and availability of finance

> Operations - covering such matters as the operational safety of EastLink, the security of the Group's core business systems and the Group's business continuity and crisis management capability.

Before approving the Group's annual and half-yearly financial statements, the Board receives a certificate in the terms provided by section 295 of the Corporations Act from the Managing Director and CFO stating that:

> the financial statements are founded on a sound system of risk management and internal compliance and control which, in all material respects, implements the policies adopted by the Board.

> the Group's risk management and internal compliance and control systems relating to financial reporting, compliance and operations objectives are operating efficiently and effectively in all material respects.

Further information about the Group's management of financial risks is set out in note 2 of the Financial Report.

4.6 Internal control and compliance systems

The Committee oversees the development and implementation of the Group's systems for financial and operational internal controls and compliance, including internal audit. The Group's internal audit charter covers financial and non-financial risks and associated plans and procedures. The internal audit charter is based on the use of internal resources, supplemented by external expert resources as required.

Following an external review during the year, the internal audit charter was amended to adopt the standards of the Institute of Internal Auditors and improvements were made in the training of internal audit staff.

Each Trust has registered a compliance plan with ASIC, as required by Part 5C.4 of the Corporations Act. The compliance plans outline the measures undertaken to ensure compliance with the Corporations Act and the constitution of each Trust. The Committee monitors compliance with these compliance plans, as well as the integrity of the compliance plan audit process.

5. HUMAN RESOURCES COMMITTEE

5.1 Membership

The members of the Human Resources Committee are Bruce Beeren (Chairman), Tony Shepherd and Paul Dougas.

5.2 Role and responsibilities

The Human Resources Committee focuses on human resources policies and strategies, including executive remuneration and succession planning, as well as remuneration of non-executive directors.

During the year, meetings of the Committee were also attended by the Managing Director, the General Manager Human Resources and Operations, and the Company Secretary. A summary of the work of the Committee is set out in the Remuneration Report.

CORPORATE GOVERNANCE

5.3 Workplace diversity

The Board adopted a Workplace Diversity Policy on 21 June 2011. The policy acknowledges that managing and developing an increasingly diverse workforce is important in building organisational capability and achieving the Group's strategic imperatives and corporate objectives.

To this end, the policy requires the Board to establish measurable objectives relating to gender diversity in ConnectEast's workforce. Appropriate objectives will be established during the next year and the Group's progress towards achieving its objectives will be reported in the future. The Human Resources Committee will assist the Board in establishing measurable objectives relating to gender diversity and will receive reports from management in relation to diversity initiatives and performance against objectives.

6. NOMINATION COMMITTEE

6.1 Membership

The members of the Nomination Committee are Tony Shepherd (Chairman), Jim Hall and Bruce Beeren.

6.2 Role and responsibilities

The Nomination Committee focuses on the following matters:

- ensuring that the Board comprises individuals best able to discharge its duties and responsibilities having regard to the law and the highest standards of governance
- succession planning for, and appointment of, the Managing Director.

The Committee met once during the year.

7. HEALTH, SAFETY & ENVIRONMENT COMMITTEE

7.1 Membership

The members of the Health, Safety & Environment Committee are Max Lay (Chairman), Yvonne von Hartel, Paul Dougas, John Collier and Dennis Cliche. Max Lay retired as a director on 9 November 2010, but has been appointed by the Board as an External Adviser and Chairman of this Committee. The Board has also appointed Dr Ken Ogden as External Adviser to the Committee. Meetings of the Committee are also attended by the Company Secretary and executives with relevant responsibilities.

7.2 Role and responsibilities

The Health, Safety & Environment Committee focuses on safety, occupational health and security across the Group's activities and operations, including compliance with applicable operational, legal and regulatory obligations.

During the year, the Committee closely monitored road safety on EastLink. EastLink's safety record continues to be impressive, reflecting the attention paid to safety in the design of the road and its traffic management and safety systems, as well as in operation of those systems. The Group also continues to have a strong focus and an impressive record on occupational health and safety. Neither ConnectEast, nor its operation and maintenance contractor, TSL, has recorded a lost time injury for more than 18 months.

Security is also within the Committee's areas of focus. This includes monitoring compliance with the Terrorism (Community Protection) Act 2003 (Vic), under which EastLink is a "declared essential service". These obligations include maintenance and audit of specific risk management plans, and the annual conduct of emergency simulation exercises under the supervision of the Victorian Department of Transport.

8. COMMUNITY INVESTMENT COMMITTEE

8.1 Membership

During the year, the members of the Committee were Yvonne von Hartel (Chairman), Paul Dougas and Dennis Cliche. Meetings of the Committee were also attended by the Company Secretary and other executives with relevant responsibilities.

8.2 Role and responsibilities

The Committee approved and administered the Group's Community Investment Guidelines within a budget approved by the Board. This included oversight of the Hanover ConnectEast Ride for Home cycle event held for the first time in November 2010. A number of the Group's other community investment activities are outlined in the sustainability section of the Annual Report.

This Committee will not operate in FY2012.

9. BUSINESS CONDUCT

9.1 Code of Conduct

The Board has approved a Code of Conduct to help directors, management and contractors to understand their ethical responsibilities in conducting business. The Code is supported by other internal policies and procedures.

The Board reviews the Code at least every two years to be assured of its effectiveness. The current version of the Code was approved by the Board in December 2010.

The Group also revamped its policies regarding whistle blowing and prevention of fraud and corruption during the year. This included greater emphasis in induction and ongoing training to ensure that employees are aware of the channels available to them for voicing genuine concerns about inappropriate workplace behaviour.

9.2 Trading in ConnectEast Group securities by directors, officers and employees

The Group operates a Dealing in Securities Policy, which is designed to limit the possibility of insider trading occurring and to maintain confidence in ConnectEast's practices and corporate reputation in relation to dealings in securities. Directors and employees may deal in ConnectEast securities at any time except during "black-out periods" leading up to the release of the Group's annual or half-yearly results or the Group's annual meeting. Directors and senior management require approval before dealing in ConnectEast securities outside a black-out period and a record of their dealings is maintained. In all cases, employees are not permitted to deal in ConnectEast securities when in possession of price-sensitive information not generally available to the market.

10. MARKET DISCLOSURE AND COMMUNICATIONS

ConnectEast believes that unitholders and the investment community generally should be informed in a factual, timely and widely available manner of all major business events that influence ConnectEast. The Board has approved an External Communications Policy governing how ConnectEast communicates with its unitholders and the investment community.

The Company Secretary has primary responsibility for ensuring compliance with continuous disclosure requirements, including by promoting an understanding of those requirements among staff. The CFO is responsible for communications with investors, analysts, brokers and the wider investment market. The General Manager Corporate Affairs is responsible for overseeing media and government relations.

The Group ensures that unitholders and the investment community have access to relevant and timely information about the Group's activities, through direct communications (such as the Annual Report), periodic briefings to brokers, analysts and investors, and release of information in accordance with the ASX listing rules.

The Group publishes on its website information and documents of interest to unitholders and the investment community, including its Trust constitutions, corporate governance information, the annual report, releases to ASX, briefings by the Managing Director and other executives, as well as information about our community investment and environmental programs.

Unitholders may elect to receive communications in print or electronically. ConnectEast only provides a printed copy of the Annual Report to unitholders who request it. The default option is for the Annual Report to be made available electronically.

Unitholders are encouraged to participate in the annual meeting by asking questions about the Group's activities. All directors are expected to attend the annual meeting, and did so in 2010. Unitholders can submit questions in advance and answers to frequently asked questions are provided in the Chairman's and Managing Director's presentations. The external auditor is available to answer questions.

CONNECTEAST
INVESTMENT TRUST GROUP
ABN 54 979 279 220

FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

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 28 July 2011. CEML has the power to amend and re-issue the financial report. The financial report is presented in Australian currency.

DIRECTORS' REPORT

In respect of the year ended 30 June 2011, 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 Australian Accounting Standards, 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 (Independent Chairman)
- Dennis Cliche (Managing Director)
- Bruce Beeren (Independent Non-executive Director)
- John Collier (Non-executive Director) (appointed 18 August 2010)
- Paul Dougas (Independent Non-executive Director)
- Jim Hall (Independent Non-executive Director)
- Yvonne von Hartel AM (Independent Non-executive Director)
- Dr Max Lay AM (resigned 9 November 2010)
- Mark Snape (resigned 21 December 2010)
- Mark Lynch (alternate to Mark Snape) (resigned 21 December 2010)

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

A distribution for the six months ended 31 December 2010 of 1.0 cent per stapled unit totalling $39,401,460 was paid in cash by ConnectEast Investment Trust on 25 February 2011. A distribution for the six months ended 30 June 2011 of 1.0 cent totalling $39,401,460 has been declared by the board and will be paid in cash on 26 August 2011.

REVIEW OF OPERATIONS

During the year, traffic on EastLink, the Group's sole asset, grew by 9.1% compared to the prior year as existing customers increased use of the road and new customers were attracted to the road. Toll revenue grew by 14.6% compared to the prior year reflecting the growth in traffic, a toll price increase of 2.1% applied on 1 July 2010, an increasing proportion of commercial vehicles and improved revenue recovery. Commercial traffic growth has been a key feature with light commercial vehicle volumes increasing by 17.5% and heavy commercial vehicle volumes by 9.9% reflecting the importance of the time savings that EastLink delivers to businesses.

Increasing the revenue recovery from the asset has been a key focus for management, and revenue leakage was reduced from 1.7% in FY2010 to 0.8% in FY2011. This has been achieved by fine tuning the accuracy of the tolling system to reduce the volume of unbilled transactions, and by increasing debtor collection rates. Strategies were implemented to convert post-paid toll debtors into pre-paid account holders and to improve collection of tolls and fees from the small proportion of non-account holders who travel on EastLink.

REVIEW OF OPERATIONS (CONTINUED)

Management's continued focus on costs resulted in a reduction in operating costs of $4.6 million in the year. This reduction was achieved despite an increase in variable costs of $2.0 million associated with EastLink's traffic growth. Cost savings were achieved by introducing improved image processing technology to reduce the volume of transactions requiring manual review, by increasing the efficiency of business processes to produce labour cost savings, and by working with key suppliers to improve the value received from their services.

The Group satisfied the stringent performance requirements under the EastLink Concession Deed in the calendar year ended 31 December 2010 and has continued to do so in 2011. These requirements include benchmarks for contact centre call answering, accuracy and timeliness of charging and billing, timeliness in responding to customer enquiries and complaints, road incident response, road maintenance, and environmental performance.

Because of the strong operating leverage of the business, the 11.4% increase in total revenue and 6.3% reduction in operating costs, combined with a full year benefit of lower financing costs, resulted in operating cash flow of $58.5 million (2010: operating cash deficit $8.1 million). Coupled with a small reduction in reserve cash balances, this enabled distributions of 2 cents per unit to be paid or declared to unitholders in FY11.

Total revenue from continuing operations was $218.3 million (June 2010: $195.9 million) of which $208.9 million (June 2010: $184.0 million) represents tolling revenue and associated fee income. Net loss attributable to unitholders was $10.3 million (June 2010: net loss $53.6 million).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No units were issued during the year to 30 June 2011.

	NUMBER OF STAPLED UNITS
BALANCE AT 1 JULY 2010 AND 30 JUNE 2011	**3,940,145,951**

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 22 July 2011 ConnectEast announced to ASX that it had entered into an Implementation Deed with Horizon Roads (an investment vehicle managed by CP2 Limited) under which Horizon Roads has agreed to offer to acquire 100% of the issued ConnectEast securities via a trust scheme. The scheme will provide for a cash consideration of $0.55 per unit. Subject to certain conditions, the scheme will also provide an alternative under which investors may elect to take up scrip in an unlisted fund. The cash offer has been unanimously recommended by the independent directors of ConnectEast in the absence of a superior proposal and subject to the opinion of an independent expert. The proposal requires unitholder approval at a meeting expected to be convened in September 2011 and is also subject to satisfaction of various regulatory and other approvals. Horizon Roads has stated that the operating activities of ConnectEast will be unaltered if the proposed transaction is implemented.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2011 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.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Information relating to current Directors' qualifications, experience and special responsibilities are set out below.

Anthony Shepherd, BCom
Chairman
Appointed 28 September 2004
Independent Non-executive Director
Chairman of the Nomination Committee
Member of the Human Resources 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 and Chairman of Greater Western Sydney Football Club. As an executive of Transfield Holdings 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. Tony was Chief Executive Officer of the Project Development Division at Transfield Holdings Group from 1992 to 2001. In this position, he 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 Limited for its initial flotation in 1996.

Dennis Cliche, BEng, MBA, GAICD
Managing Director
Appointed 19 November 2009
Member of the Health, Safety & Environment Committee

Experience and Expertise
Dennis Cliche joined ConnectEast from Yarra Trams, where he had been Chief Executive Officer since September 2005. Dennis joined Transdev, SA in May 2003 and was seconded to the Yarra Trams executive team in July 2003 as the company's Deputy Chief Executive Officer and Chief Operating Officer. In 2007 he became CEO of TransdevTSL where, in addition to Yarra Trams, he was responsible for public transport in Australia for the Transdev/Transfield Services joint venture. Dennis started his business career with Air Liquide Canada and he spent 22 years with the Air Liquide Group in a variety of executive, sales and technical roles in Canada, France and Australia. During this time, Dennis' responsibilities included executive management, sales and marketing as well as Group level strategy on information systems and IT infrastructure. His last role with Air Liquide was Managing Director of the Group's Australian and New Zealand operations from 1998 to 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 Beeren has extensive experience as a non-executive director on listed company boards in Australia and New Zealand and as a non-executive member of listed company audit committees. Bruce has also had senior executive roles in major listed companies, including 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 2004), Equipsuper Pty Limited (since 2002) and The Hunger Project (since 2008). He is a former director of Coal & Allied Industries Limited (2004-2011). Bruce has been a fellow of CPA Australia for more than 20 years.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

John Collier, BCom, MBA, ACA, GAICD, F Fin
Non-executive Director
Appointed 18 August 2010
Member of the Audit, Risk & Compliance Committee
Member of the Health, Safety & Environment Committee

Experience and Expertise
John Collier is Chief Financial Officer of PKF, a chartered accounting and business advisory firm employing 650 staff across offices in Melbourne, Sydney and Brisbane. John is responsible for all financial and fiscal management aspects of the firm's operations, together with providing leadership and co-ordination in administration, business planning, accounting and budgeting. Between 2004 and 2008, John worked with the Hills M2 motorway in Sydney, a toll road owned and operated by Transurban Group. Commencing as the Chief Financial Officer and Company Secretary in 2004, he became Head of Hills M2 in late 2005, with responsibility for all Hills M2 management, operations, finance and administration. John has been nominated as a director by ConnectEast's largest unitholder, CP2 Limited.

Paul Dougas, BE(Chem), M.ENGSc, FAICD, HonFIEAust
Independent Non-executive Director
Appointed 22 December 2009
Member of the Human Resources Committee
Member of the Health, Safety & Environment Committee

Experience and Expertise
Paul Dougas 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. In that role, he is responsible for leading the SKM Group globally and managing the firm's strategic direction. Paul joined SKM in 1978 and before that was with the Melbourne and Metropolitan Board of Works. Paul was the inaugural Chairman of the Centre for Engineering Leadership and Management, and takes a particular interest in safety, education and sustainability.

Jim Hall, BCom, FCPA, MAICD
Independent Non-executive Director
Appointed 9 June 2005
Chairman of the Audit, Risk & Compliance Committee
Member of the Nomination Committee

Experience and Expertise
Jim Hall is a non-executive director of Paperlinx Limited, Alesco Limited and Centro Properties Limited and a member of the JPMorgan Advisory Council. Jim was previously a non-executive director of Symbion Health Limited (2005-2008) and Centro Retail Limited (2005-2010). 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.

Yvonne von Hartel AM, BArch (Hons) LFAIA
Independent Non-executive Director
Appointed 7 February 2005
Member of the Health, Safety & Environment Committee

Experience and Expertise
Yvonne von Hartel is a founding Principal of the award winning national architectural and urban design practice, peckvonhartel. Yvonne is chair of the Victorian Skills Commission (2010 – current). She previously served as chair of the Sustainability in Buildings Standards Coordination Group of Standards Australia (2005-2008), as chair of the Victorian Design Advisory Council (2002-2004) and as a director of the Tourism and Transport Forum (2001-2004). She has been since 2001 a Trustee of the Melbourne Convention and Exhibition Centre. During her career, Yvonne has taught both full time and part time at the school of Architecture at the University of Melbourne. She has served on a number of Government boards, trusts and industry advisory bodies, and in early 2011 was appointed to the University of Wollongong, SMART Infrastructure Advisory Council.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Company Secretary

The Company Secretary is:

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 the ConnectEast Group's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the number of meetings attended by each Director were:

	SCHEDULED BOARD MEETINGS		UNSCHEDULED BOARD MEETINGS		MEETINGS OF AUDIT, RISK & COMPLIANCE COMMITTEE		MEETINGS OF HUMAN RESOURCES COMMITTEE		MEETINGS OF HEALTH, SAFETY & ENVIRONMENT COMMITTEE		MEETINGS OF NOMINATION COMMITTEE		MEETINGS OF COMMUNITY INVESTMENT COMMITTEE	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Anthony Shepherd	7	7	9	9	3	*	6	6	*	*	1	1	*	*
Bruce Beeren	7	7	9	9	5	6	6	6	*	*	1	1	*	*
Dennis Cliche	7	7	9	9	6	*	5	*	4	4	*	*	2	2
John Collier>	7	7	-	-	3	3	*	*	2	2	*	*	*	*
Paul Dougas	7	7	8	9	*	*	6	6	4	4	*	*	2	2
Jim Hall	6	7	6	9	5	6	*	*	*	*	0	1	*	*
Dr Max Lay AM^	3	3	-	-	3	3	*	*	4	4	*	*	*	*
Mark Snape	4	4	-	-	3	3	3	3	*	*	*	*	*	*
Yvonne von Hartel AM	7	7	9	9	*	*	*	*	4	4	*	*	2	2

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.
> John Collier was appointed a director on 18 August 2010.
^ Dr Max Lay resigned as a director on 9 November 2010 but continues as an External Adviser and Chairman of the Health, Safety & Environment Committee. Mark Snape and Mark Lynch resigned as directors on 21 December 2010.

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR (CONTINUED)

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 willful 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.

REMUNERATION REPORT AND FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The exemption that allows listed companies to disclose remuneration details in relation to their key management personnel in their directors' report rather than in notes to their financial statements is not available to other disclosing entities, including managed investment schemes such as ConnectEast. Accordingly, details of remuneration practices and the fees paid to the Directors of ConnectEast Management Limited and to Key Management Personnel are disclosed in Note 22 to the financial statements.

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.

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:

	2011 $'000	2010 $'000
AUDIT SERVICES		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	419	450
OTHER SERVICES		
Related practices	25	7
	444	**457**

DIRECTORS' REPORT

VALUE OF SCHEME ASSETS

At 30 June 2011, ConnectEast Investment Trust Group had total assets of $3,144.0 million and equity of $1,786.0 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 27.

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

PwC 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
28 July 2011

AUDITOR'S INDEPENDENCE DECLARATION

pwc

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of ConnectEast Investment Trust for the year ended 30 June 2011, 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 relational 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
28 July 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard
SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED	
	Notes	2011 $'000	2010 $'000
REVENUE FROM CONTINUING OPERATIONS	4	218,348	195,919
Tolling and customer services expenses		(35,104)	(38,284)
Roadside operations		(17,104)	(18,077)
Administrative expenses		(15,930)	(16,384)
OPERATING COSTS		**(68,138)**	**(72,745)**
Repairs and maintenance costs provided	15	(7,808)	(6,656)
Depreciation and amortisation	5	(92,299)	(99,134)
Finance costs	5	(99,969)	(130,004)
OPERATING LOSS BEFORE INCOME TAX ATRIBUTABLE TO UNITHOLDERS		**(49,866)**	**(112,620)**
Income tax benefit	7	39,605	58,982
NET LOSS ATTRIBUTABLE TO UNITHOLDERS		**(10,261)**	**(53,638)**
EARNINGS PER STAPLED UNIT FOR LOSS ATTRIBUTABLE TO UNITHOLDERS		**CENTS**	**CENTS**
Basic earnings per stapled unit	30	(0.26)	(1.49)
Diluted earnings per stapled unit	30	(0.26)	(1.49)

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED	
	Notes	2011 $'000	2010 $'000
NET LOSS ATTRIBUTABLE TO UNITHOLDERS		**(10,261)**	**(53,638)**
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Changes in the fair value of cash flow hedges	19	10,364	(8,839)
Amortisation of cash flow hedge	19	6,801	11,762
Hedge ineffectiveness	19	-	14,362
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		17,165	17,285
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**6,904**	**(36,353)**
Total comprehensive income/(loss) for the year is attributable to:			
OWNERS OF CONNECTEAST INVESTMENT TRUST		**6,904**	**(36,353)**

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		CONSOLIDATED	
	Notes	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	164,847	170,221
Trade and other receivables	9	13,597	14,527
TOTAL CURRENT ASSETS		**178,444**	**184,748**
NON-CURRENT ASSETS			
Plant, equipment and tags	10	9,945	10,831
Intangible assets	11	2,726,319	2,810,988
Other deferred costs	12	30,314	35,252
Deferred tax assets	13	198,940	159,040
TOTAL NON-CURRENT ASSETS		**2,965,518**	**3,016,111**
TOTAL ASSETS		**3,143,962**	**3,200,859**
CURRENT LIABILITIES			
Trade and other payables	14	26,589	25,732
Provisions	15	59,832	23,108
TOTAL CURRENT LIABILITIES		**86,421**	**48,840**
NON-CURRENT LIABILITIES			
Derivative financial instruments	16	40,166	50,530
Provisions	15	16,981	29,196
Borrowings	17	1,214,400	1,214,400
TOTAL NON-CURRENT LIABILITIES		**1,271,547**	**1,294,126**
TOTAL LIABILITIES		**1,357,968**	**1,342,966**
NET ASSETS		**1,785,994**	**1,857,893**
EQUITY			
Unitholder funds	18	2,450,970	2,529,773
Reserves	19	(60,157)	(77,322)
Retained losses	20	(604,819)	(594,558)
TOTAL EQUITY		**1,785,994**	**1,857,893**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	UNITHOLDER FUNDS	RESERVES	RETAINED LOSSES	TOTAL EQUITY
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2009	2,144,441	(94,607)	(540,920)	1,508,914
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AS REPORTED IN THE 2010 FINANCIAL STATEMENTS	**-**	**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 provided for or paid	(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**
Balance at 1 July 2010	2,529,773	(77,322)	(594,558)	1,857,893
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	-	**17,165**	**(10,261)**	**6,904**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS				
Distributions provided for or paid	(78,803)	-	-	(78,803)
	(78,803)	-	-	(78,803)
BALANCE AT 30 JUNE 2011	**2,450,970**	**(60,157)**	**(604,819)**	**1,785,994**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $'000	2010 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		231,295	207,902
Payments to suppliers and employees		(88,419)	(94,002)
		142,876	113,900
Interest received		9,403	11,438
Financing costs paid		(93,780)	(106,908)
Interest rate swap break costs		-	(26,488)
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**29**	**58,499**	**(8,058)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant, equipment and tags		(1,587)	(771)
Payments for intangible assets		(22,885)	(21,881)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(24,472)**	**(22,652)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units	18	-	421,282
Equity raising costs	18	-	(13,082)
Repayment of borrowings	17	-	(809,600)
Distributions paid to unitholders	21	(39,401)	(21,535)
NET CASH (OUTFLOW) FROM FINANCING ACTIVITIES		**(39,401)**	**(422,935)**
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(5,374)**	**(453,645)**
Cash and cash equivalents at the beginning of the financial year		170,221	623,866
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	8	**164,847**	**170,221**

The above Statement of Cash Flows 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 of ConnectEast Holding Trust (CEHT) and ConnectEast Investment Trust (CEIT) (collectively 'the Group') for the year ended 30 June 2011 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)
The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 (CEHT) and ConnectEast Investment Trust (CEIT) 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 Australian Accounting Standards, 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 2011 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Subsidiaries (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 Arrangements (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) Account holder toll and fee revenue
Toll charges and related fees are recognised when the charge is incurred by the user.

(ii) Debtor toll and fee revenue
Toll charges and related fees are recognised on a cash basis. Refer Note 1(aa).

(iii) Other revenue
Other revenue is recognised when the services are rendered or in accordance with contractual arrangements.

(iv) Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(v) Prepaid toll revenue
Prepaid toll receipts are recognised as unearned income until a charge is incurred by the user.

(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 from CEHT Group 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax (continued)

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

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

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

Deferred tax assets and liabilities are offset 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 2011 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) Impairment of Assets

Assets that are subject to depreciation and 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).

(g) Plant, Equipment and Tags

Items of plant, equipment and tags are stated at historical cost less depreciation. 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 Income Statement during the reporting period in which it is incurred.

Depreciation
Plant, equipment and tags are depreciated on a straight-line basis at various rates over their expected average useful lives 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 reporting 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 Income Statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Borrowings

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

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 reporting date.

(j) 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.

(k) 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 Income Statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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.

(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 Income Statement within other income or finance costs.

Amounts accumulated in equity are recycled in the Income Statement 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 Income Statement 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 Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(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 Income Statement and are included in other income or finance costs.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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 creditors 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 Group's 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.

(r) 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.

(s) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(u) Rounding of Amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report 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.

(v) 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 Income Statement on a straight-line basis over the period of the lease.

(w) Goods and Services Tax (GST)

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

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

(x) New Accounting Standards Applied in Current Year

No new accounting standards have been applied in the current year.

(y) Australian Accounting Standards Issued but not yet Effective

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011).

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 reporting date there were no associated entities of the Group.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2011).

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Australian Accounting Standards Issued but not yet Effective (continued)

IFRS 13 Fair value measurement (effective 1 January 2013)

The Group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(z) 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.

(aa) Change in Accounting Policy

Revenue Recognition

The EastLink toll road has now been in operation for three years during which time clear evidence has been collected on the probable economic benefits arising from road users, known as 'toll debtors', who are not tag or video account customers of ConnectEast or another Australian toll road operator, and have not purchased a trip pass. For the period from tolling commencement to 30 June 2010 revenue from toll debtors has been recognised in full at the time the road was used and an assessment of non-collection included as doubtful debts within tolling and customer service expenses.

With the data now available it is clear that a portion of revenue generated by toll debtors will never accrue to ConnectEast. On this basis, and with effect from 1 July 2010, revenue from toll debtors has only been recognised to the extent that it is likely to produce economic benefit to ConnectEast, effectively on a cash basis. The impact has been to reduce toll revenue and to reduce expenses when compared to the prior financial period. Profit/(loss) is not materially impacted by this change.

Comparative figures for the year ended 30 June 2010 have been amended to reflect the change in accounting policy. The impact of the change, retrospectively applied, for the full year ended 30 June 2010 is set out on the following page.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(aa) Change in Accounting Policy (continued)

INCOME STATEMENT	AS PREVIOUSLY DISCLOSED	ADJUSTMENT FOR ACCOUNTING POLICY CHANGE	RESTATED
	$'000	**$'000**	**$'000**
FOR THE YEAR ENDED 30 JUNE 2010			
Revenue			
Toll and fee revenue	189,743	(5,702)	184,041
Expenses			
Doubtful debt expense	(6,902)	5,702	(1,200)

STATEMENT OF FINANCIAL POSITION	AS AT 30 JUNE 2010	ADJUSTMENT FOR ACCOUNTING POLICY CHANGE	RESTATED 30 JUNE 2010
	$'000	**$'000**	**$'000**
TRADE AND TOLL DEBTOR RECEIVABLES			
Trade receivables	4,448	-	4,448
Accrued revenue	4,335	-	4,335
Toll debtors	8,782	(8,782)	-
Provision for impairment of receivables	(10,136)	8,782	(1,354)
	7,429	**-**	**7,429**

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.

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	
	2011 $'000	2010 $'000
FINANCING FACILITIES		
Total facilities	1,221,900	1,221,900
Used at balance date	(1,214,400)	(1,214,400)
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 6.39% (2010: 6.32%).

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.

2011			CONSOLIDATED					
	Notes	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 $'000
FINANCIAL LIABILITIES								
Trade creditors and accruals	14	-	26,589	-	-	-	26,589	26,589
Provisions	15	-	17,244	-	-	-	17,244	17,244
Interest bearing liabilities	17	6.39%	75,999	853,890	444,165	-	1,374,054	1,214,400
Derivative financial instruments	16	7.62%	16,514	14,240	12,445	-	43,199	40,166
			136,346	**868,130**	**456,610**	**-**	**1,461,086**	**1,298,399**

2010			CONSOLIDATED					
	Notes	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 $'000
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**

(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 2011 is a liability of $40.2 million (2010: liability, $50.5 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 swaps fair value amounts are recorded in and removed from equity and are disclosed in Note 19. 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.

NOTES TO THE FINANCIAL STATEMENTS

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Cash Flow and Fair Value Interest Rate Risk (continued)

At 30 June 2011, if interest rates had been 1 percent higher/lower (30 June 2010: 1.0%) 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
2011	1,648	38,707	(1,648)	(38,707)
2010	1,702	48,561	(1,702)	(48,561)

(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.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities

(ii) 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

(iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2011 the Group recognised a liability of $40.2 million in relation to interest rate swaps used for managing interest rate risk, (2010; liability $50.5 million). This is classified as a Level 2 fair value measurement. There were no Level 1 or Level 3 financial instruments at 30 June 2011.

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.

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 $2.7 million for over and under performance respectively. Refer to Note 15.

(iii) Testing for impairment of intangible assets

The Group assesses each reporting period in accordance with its accounting policy set out at Note 1(f) and the requirements of AASB 136 *Impairment of Assets* whether there have been any triggers that indicate a possible impairment of intangible assets.

The two most sensitive assumptions considered in making the judgement that there are no indicators of impairment relate to traffic and the discount rate applied. The traffic assumption against which management assesses performance is the traffic projection prepared by an independent traffic forecaster in August 2009. Actual performance has resulted in variances to the forecast with car traffic adverse to forecast but partially offset by a favourable commercial traffic mix. The long-term traffic projection is still considered appropriate. The pre-tax discount rate has been reviewed and remains unchanged at 10.3%. Further details of the matters considered in making the judgement that there are no indications of impairment are provided in Note 11.

4. REVENUE

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
REVENUE FROM CONTINUING OPERATIONS		
Toll revenue	198,711	173,430
Fee revenue	10,236	10,611
Interest income	9,253	11,843
Other income	148	35
	218,348	**195,919**

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENSES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
OPERATING PROFIT/(LOSS) BEFORE INCOME TAX ATTRIBUTABLE TO UNITHOLDERS INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Employee costs	20,893	23,065
Doubtful debts expense	70	1,200
Depreciation and Amortisation		
Plant, equipment and tags depreciation	2,473	2,062
Intangible assets amortisation	84,832	83,201
Deferred costs amortisation	4,994	13,871
Total depreciation and amortisation	92,299	99,134
Finance Costs		
Interest and finance charges paid or payable on financial liabilities (net of swaps)	93,168	103,880
Interest rate swap amortisation	6,801	11,762
Hedge ineffectiveness transferred from equity	-	14,362
Total finance costs	99,969	130,004

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	
	2011 $'000	**2010 $'000**
AUDIT SERVICES		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	419	450
OTHER SERVICES		
Related practices	25	7
	444	**457**

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.

7. INCOME TAX

(a) Income Tax Benefit

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Current tax	288	37
Deferred tax	(46,286)	(57,886)
Prior year tax expense not recognised	7	-
Adjustment to deferred tax in prior years	6,386	(1,133)
TOTAL INCOME TAX BENEFIT	**(39,605)**	**(58,982)**

(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable

Loss from continuing operations before income tax expense	(49,866)	(112,620)
Less profit / plus loss attributable to ConnectEast Investment Trust Group	(109,147)	(79,119)
	(159,013)	(191,739)
Tax rate at 30%	(47,704)	(57,522)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Other	1,740	(151)
	(45,964)	(57,673)
Adjustment to provision of deferred tax in prior years	6,386	(1,133)
Previously unrecognised tax expense	7	-
Previously unrecognised tax losses	(11)	(145)
Temporary differences not bought to account	(23)	(31)
INCOME TAX BENEFIT FOR THE YEAR	**(39,605)**	**(58,982)**

(c) Deferred Income Tax Benefit

Deferred income tax comprises:		
Increase / (decrease) in deferred tax assets:		
Provisions	(823)	4,515
Accruals	271	(701)
Tax losses	41,138	61,608
	40,586	65,422
(Increase) / decrease in deferred tax liabilities:		
Receivables	8	(69)
Intangible assets	(694)	(6,334)
TOTAL MOVEMENT IN DEFERRED TAX BALANCES	**39,900**	**59,019**

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	
	2011 $'000	**2010 $'000**
The Directors estimate that the potential gross deferred tax asset at 30 June 2011 in respect of tax losses not brought to account is:	**10**	**20**

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

(i) 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;

(ii) the aggregated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) 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	
	2011 $'000	**2010 $'000**
Cash at bank and on hand	5,513	15,588
Deposits at call	45,968	119
Cash reserves	63,366	124,014
Term deposits	50,000	30,500
	164,847	**170,221**

Cash reserve balances are in place in accordance with the Loan Note Subscription Agreement (LNSA) and are available for use subject to the conditions of the LNSA and notification to the LNSA agent.

The cash at bank earns interest of 4.25% (2010: 4.43%). The deposits at call earn interest of 6.00% (2010: 5.18%). The cash reserves currently earn interest of 4.54% (2010: 4.67%). The term deposits are currently held with a range of maturities ranging from 30 to 90 day periods and currently earn an average interest rate of 5.96% (2010: 5.57%).

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Trade receivables	4,810	4,448
Accrued revenue	3,886	4,335
Provision for impairment of receivables (Note (a))	(1,396)	(1,354)
	7,300	**7,429**
Other receivables	1,138	1,042
Prepayments	5,159	6,056
	13,597	**14,527**

(a) Aged Trade Receivables

As at 30 June 2011 trade receivables of the Group with a nominal value of $1.7 million (2010: $1.5 million) were impaired. The amount of the provision was $1.4 million (2010: $1.4 million). The individually impaired receivables relate to users of EastLink that are pre-paid customers whose accounts have gone into debit.

The ageing of these receivables is as follows:

1 to 3 months	266	-
3 to 6 months	266	272
Over 6 months	1,192	1,249
	1,724	**1,521**

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

Opening balance	1,354	294
Provision for impairment recognised during the year	70	1,200
Receivables written off during the year as uncollectible	(28)	(140)
	1,396	**1,354**

The creation and release of the provision for impaired receivables has been included in 'tolling and customer services expenses' in the Income Statement. 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 $0.3 million of receivables that are past due that have not been impaired (2010: $0.2 million).

NOTES TO THE FINANCIAL STATEMENTS

10. NON-CURRENT ASSETS - PLANT, EQUIPMENT AND TAGS

	CONSOLIDATED		
	Plant and equipment $'000	Tags $'000	Total $'000
AT 1 JULY 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**
YEAR ENDED 30 JUNE 2011			
Opening balance	2,625	8,206	10,831
Additions	279	1,308	1,587
Depreciation	(801)	(1,672)	(2,473)
CLOSING NET BOOK AMOUNT	2,103	7,842	9,945
AT 30 JUNE 2011			
At cost	11,220	12,168	23,388
Less: accumulated depreciation	(9,117)	(4,326)	(13,443)
NET BOOK AMOUNT	**2,103**	**7,842**	**9,945**

11. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	CONSOLIDATED	
	2011 $'000	2010 $'000
EASTLINK CONCESSION		
At cost	3,389,991	3,389,828
Less: accumulated amortisation	(263,672)	(178,840)
Less: impairment	(400,000)	(400,000)
TOTAL INTANGIBLES	**2,726,319**	**2,810,988**

RECONCILIATIONS

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

INTANGIBLES		
Opening balance	2,810,988	2,873,253
Additions	1,055	4,989
Movement in provisions (refer Note 15)	(892)	15,947
Less: amortisation	(84,832)	(83,201)
	2,726,319	**2,810,988**

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 2011 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 the following for the 12 month period to 30 June 2011 and concluded:

- there has been no unexpected adverse change in the market value of the asset
- there has not been a significant technological, market, economic or legal change in the market in which the asset operates
- there have been no material interest rate changes which could affect the discount rate that would be used to value the asset and cause a material decrease in the recoverable amount
- there is no evidence of material obsolescence or physical damage
- there have been no significant changes in the way the asset is used or expected to be used
- there is no material 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.

12. NON-CURRENT ASSETS – OTHER DEFERRED COSTS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Debt establishment costs	66,535	66,479
Less: accumulated amortisation	(58,188)	(53,871)
	8,347	**12,608**
Deferred financing costs	30,000	30,000
Less: accumulated amortisation	(8,033)	(7,356)
	21,967	**22,644**
TOTAL OTHER DEFERRED COSTS	**30,314**	**35,252**

13. NON-CURRENT ASSETS - DEFERRED TAX ASSETS

	CONSOLIDATED	
	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:		
Tax losses	224,315	183,177
Provisions	5,330	6,153
Accruals	2,054	1,783
TOTAL DEFERRED TAX ASSETS	**231,699**	**191,113**
Set-off of deferred tax liabilities pursuant to set-off provisions (see Note 7):		
Receivables	(61)	(69)
Intangible asset	(32,698)	(32,004)
DEFERRED TAX ASSETS	**198,940**	**159,040**
Deferred tax liabilities to be recovered within 12 months	(49)	(39)
Deferred tax assets to be recovered after more than 12 months	198,989	159,079
DEFERRED TAX ASSETS	**198,940**	**159,040**

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Trade creditors and accruals	8,965	9,669
Prepaid tolling revenue	12,442	11,118
Income tax payable	279	28
Other creditors*	4,903	4,917
	26,589	**25,732**

* Includes employee benefits as disclosed in Note 25.

15. PROVISIONS

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
(a) Current Liabilities		
Construction early completion incentive	17,244	21,436
Repair and maintenance obligations	3,065	1,672
Distributions	39,523	-
	59,832	**23,108**
(b) Non-Current Liabilities		
Construction early completion incentive	-	18,571
Repair and maintenance obligations	16,981	10,625
	16,981	**29,196**

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. The relevant calculation period is for 177 days commencing 1 July 2011.

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 and a third payment of $21.9 million paid in the current financial year. The fourth and final payment will be made following calculation of the final bonus on 31 January 2012.

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.

MOVEMENT IN PROVISIONS

	CONSOLIDATED			
	30 June 2011		**30 June 2010**	
	Construction Early Completion Incentive $'000	**Repair and Maintenance Obligations $'000**	**Construction Early Completion Incentive $'000**	**Repair and Maintenance Obligations $'000**
Opening balance	40,007	12,297	40,500	5,641
Provisions recognised in period	(892)	7,808	15,947	6,656
Amounts transferred to Income Statement	-	(59)	-	-
Amounts paid	(21,871)	-	(16,440)	-
CLOSING BALANCE	**17,244**	**20,046**	**40,007**	**12,297**

Distributions

On 21 June 2011 the Board declared a distribution of 1 cent per unit totalling $39,401,460 for the six months ended 30 June 2011. The distribution will be paid on 26 August 2011.

NOTES TO THE FINANCIAL STATEMENTS

16. NON-CURRENT LIABILITIES – DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED	
	2011 $'000	2010 $'000
INTEREST RATE SWAP CONTRACTS – CASH FLOW HEDGES	**40,166**	**50,530**

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 6.39% (2010; 6.32%). 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 2011 cover 100% (2010 : 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% (2010 : 7.62%) and the variable rate is BBSY which at balance date was 4.96% (2010 : 4.80%).

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 Income Statement 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 comparative period, in line with the hedge accounting requirements of Australian Accounting Standards.

(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.

17. NON-CURRENT LIABILITIES – BORROWINGS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Secured		
Term facility	1,214,400	1,214,400
TOTAL NON-CURRENT BORROWINGS	**1,214,400**	**1,214,400**

(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.

17. NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

(a) Term Facility (continued)

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:

(i) 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;

(ii) real property mortgages over the EastLink Project Leases; and

(iii) a limited recourse third party mortgage granted by ConnectEast Investment Trust 2 and ConnectEast Holding 2 Pty Limited over their respective units or shares, 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	
	2011 $'000	**2010 $'000**
Current		
Cash and cash equivalents	152,743	154,406
Trade and other receivables	16,411	17,483
TOTAL CURRENT ASSETS PLEDGED AS SECURITY	**169,154**	**171,889**
Non-current		
Plant, equipment and tags	9,945	10,831
Intangible assets	2,726,319	2,810,988
Total non-current assets pledged as security	2,736,264	2,821,819
TOTAL ASSETS PLEDGED AS SECURITY	**2,905,418**	**2,993,708**

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.

Fair Value

The carrying amount of borrowings equates to the fair value at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

18. UNITHOLDER FUNDS

Consolidated

(a) 1 July 2010 to 30 June 2011

DATE	DETAILS	NUMBER OF UNITS	ISSUE PRICE	$'000
1 July 2010	Opening balance	3,940,145,951	-	2,529,773
25 February 2011	Distribution paid	-	-	(39,401)
21 June 2011	Distribution proposed	-	-	(39,402)
30 JUNE 2011	**CLOSING BALANCE**	**3,940,145,951**		**2,450,970**

(b) 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**

(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	
	2011 $'000	**2010 $'000**
Cash flow hedge reserve	**(60,157)**	**(77,322)**
Movements:		
Opening balance	(77,322)	(94,607)
Change in fair value of the cash flow hedge	10,364	(8,839)
Hedge ineffectiveness transferred to Statement of Comprehensive Income	-	14,362
Amortisation	6,801	11,762
	(60,157)	**(77,322)**

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 Income Statement when the associated hedged transaction affects profit and loss.

Hedge ineffectiveness in the comparative period 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.

20. RETAINED EARNINGS

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Retained Earnings		
Opening balance	(594,558)	(540,920)
Net loss for the year	(10,261)	(53,638)
CLOSING BALANCE	**(604,819)**	**(594,558)**

21. DISTRIBUTIONS TO UNITHOLDERS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Distributions proposed		
Final distribution for 2011 payable and recognised as a liability: 1 cent per fully paid stapled unit payable 26 August 2011.	39,402	-
	39,402	-
Distributions paid during the year		
Interim distribution for 2011 of 1.00 cent per stapled unit paid on 25 February 2011 (distribution for the six months to 30 September 2009 of 1.00 cent per stapled unit paid on 26 October 2009)	39,401	25,532
Distribution for the six months to 31 March 2010 of 1.00 cent per stapled unit paid on 23 April 2010	-	38,731
	39,401	**64,263**
The distributions paid in cash or satisfied by the issue of units under the Distribution Reinvestment Plan during the years ended 30 June 2010 and 30 June 2011 were as follows:		
Paid in cash	39,401	21,535
Satisfied by issue of stapled units	-	42,728
	39,401	**64,263**

Distribution Reinvestment Plan

The ConnectEast Group Distribution Reinvestment Plan (DRP) was terminated following the distribution paid on 23 April 2010.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

This report sets out the remuneration framework, policy, performance and outcomes for the year ended 30 June 2011 (FY2011). Remuneration details are provided for the following directors and executives. Except as indicated below, each person held their specified position for the whole financial year.

NAME	POSITION	DATE APPOINTED
NON-EXECUTIVE DIRECTORS		
Anthony Shepherd	Chairman, independent director	28 September 2004
Bruce Beeren	Independent director	31 March 2009
John Collier	Director	18 August 2010
Paul Dougas	Independent director	22 December 2009
Jim Hall	Independent director	9 June 2005
Yvonne von Hartel	Independent director	7 February 2005
FORMER NON-EXECUTIVE DIRECTORS WHO CEASED TO BE A DIRECTOR DURING FY2011		
Max Lay[1]	Independent director	28 September 2004
Mark Snape[2]	Director	26 August 2008
Mark Lynch[2]	Alternate director	30 October 2008
EXECUTIVE DIRECTOR		
Dennis Cliche	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
FORMER EXECUTIVES WHO LEFT EMPLOYMENT DURING FY2011		
Tom Walker[3]	Former General Manager Information Technology	1 September 2010
Shirley Robertson[4]	Former General Manager Human Resources and Operations	1 September 2010

1 Max Lay ceased to be a director on 9 November 2010.
2 Mark Snape ceased to be a director, and Mark Lynch ceased to be his alternate director, on 21 December 2010.
3 Tom Walker resigned from ConnectEast with effect from 7 January 2011.
4 Shirley Robertson resigned from ConnectEast with effect from 1 July 2011.

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 ConnectEast (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.

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Board's Responsibility for Remuneration (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 and recommendations regarding the remuneration of the CEO and his direct reports from Egan Associates during the year. The Board has approved the appointment of Egan Associates to provide advice and recommendations about the remuneration of the Group's key management personnel. For the reasons outlined below, the Board is satisfied that Egan Associates' recommendations have been made free from undue influence by the members of the key management personnel to whom the relevant recommendations relate.

Egan Associates receives instructions from and reports direct to the Human Resources Committee and not to members of executive management. Egan Associates has declared to the Committee that its recommendations have been made free from undue influence by the member or members of the key management personnel to whom the relevant recommendations relate. During the year, Egan Associates did not provide any services for the Group other than advising about the remuneration of the Group's key management personnel for FY2011 and FY2012. Fees of $13,500 were paid to Egan Associates for these services.

The Group also draws 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.

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 following consideration of recommendations developed by the Human Resources Committee in consultation with the Board Chairman
- the remuneration of direct reports to the CEO is approved by the Board following consideration of recommendations from 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 in the Directors' Report

Table 1 below shows ConnectEast's performance over a number of key performance indicators in FY2011 and the three preceding financial years.

Table 1

YEAR ENDED 30 JUNE	FY2008	FY2009	FY2010	FY2011
Net loss after tax ($'000)	(9,335)	(531,585)	(53,638)	(10,261)
Earnings per unit (cents)	(0.68)	(25.43)	(1.49)	(0.26)
EBITDA per trip	n/a	$1.12[1, 2]	$1.82	$2.12
TOTAL SHAREHOLDER RETURNS				
ConnectEast	(18.13%)	(66.26%)	27.38%	18.95%
ASX100	(7.03%)	(26.49%)	25.34%	6.01%

1 Revenue was not earned in FY2009 until tolling commenced on 27 July 2008.
2 EBITDA/trip for FY2009 excludes an impairment expense of $404.9 million.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Executive Remuneration

General

Executive remuneration arrangements are designed to attract, develop and retain talented executives to support the Group's long term success. Executives are rewarded competitively and appropriately for their individual performance, including their contribution to business results. Individual remuneration is aligned with contribution towards achievement of ConnectEast's strategic imperatives and objectives.

Executive remuneration is made up of fixed annual remuneration (FAR) and an at-risk component.

The Group also provides various benefits to employees over and above their remuneration arrangements. These benefits are provided at the Group's discretion and subject to applicable terms and conditions.

Job evaluation methodology

ConnectEast has adopted the Hay job evaluation methodology to provide an objective and systematic way of assessing the requirements of individual job roles. The Hay job evaluation methodology considers the following areas:

- know-how or expertise – knowledge, skills and experience;
- problem solving or judgment – which examines the way know-how is applied on the job; and
- accountability – the scope given to the job holder to direct resources and influence and determine the course of events.

All job roles within ConnectEast are graded within a level according to the Hay job evaluation methodology. Jobs within the same Hay points band are included in the same Level and the resulting levels are used as a reference for setting fixed and at-risk components of remuneration.

Fixed annual remuneration

An executive's FAR is structured as a total employment cost package, including cash, superannuation and benefits. Fringe benefits tax costs are taken into account in the total employment cost calculation.

An executive's FAR is set by reference to the requirements of the executive's role (assessed according to the Hay job evaluation methodology), and the executive's experience and value to the organisation. The Board also considers benchmarking advice obtained from its independent remuneration consultant, Egan Associates.

The acceptable range of FAR for executives within a Hay Level is determined having regard to remuneration levels for roles with broadly similar requirements in the general market. This range is determined by reference to Hay's database, remuneration surveys produced by other consultants and informal consultations with other employers. An executive's FAR is generally set within 20% of the median FAR for the applicable Hay Level.

At-risk remuneration

The at-risk component of executive remuneration is a blend of short-term, medium term and long term incentives. An executive's eligibility to participate, and the level of an executive's participation, in the Group's incentive programs is determined according to the level of the executive's role under the Hay job evaluation methodology.

With an executive's FAR set around the market median for the applicable Hay Level, the at-risk component of an executive's remuneration is designed to provide the executive with an opportunity to earn a total annual remuneration (TAR) in the third quartile for the applicable Hay level.

The at-risk remuneration component is paid in cash. Participants who receive a payment under the long term incentive program must apply a portion of that payment towards acquiring ConnectEast units and to retain those units for two years.

The Group has not granted options to any key management personnel.

NOTES TO THE FINANCIAL STATEMENTS

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Executive Remuneration (continued)

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. STI payments are made in cash.

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 are measurable and focus on the achievement of the Group's strategic imperatives and objectives. Individual goals may provide for performance to be assessed against a base target and a stretch target, with between 60% and 70% of the individual's STI opportunity available for achievement of base targets and the remainder dependent on achievement of stretch targets.

Individual goals may include a mix of measures related to the performance of the Group, the executive's department and the executive personally. The individual goals of the CEO and executive direct reports will generally have a higher weighting towards Group performance than the individual goals of other executives.

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 executive direct reports are set by the CEO and reviewed by the Human Resources Committee.

In FY2011, the STI goals of the CEO and his direct reports were allocated to Group revenue (35%), Group operating costs (45%) and individual targets (20%). The CEO's personal targets covered matters relating to safety and stakeholder management.

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.

The STI goals of the CEO and his senior executive reports for FY2011 were allocated as set out in table 2.

Table 2

CORPORATE GOALS		BASE TARGET	STRETCH TARGET	TOTAL
Group revenue	Maximum STI	20.0%	15.0%	35.0%
	STI achieved	4.3%	0%	4.3%
Group operating costs	Maximum STI	30.0%	15.0%	45.0%
	STI achieved	30.0%	14.7%	44.7%
Total STI allocation to corporate goals[1]	Maximum STI	50.0%	30.0%	80.0%
	STI achieved	34.3%	14.7%	49.0%
Individual goals[1]	**Maximum STI**	**20.0%**	**-**	**20.0%**
Total STI allocation	**Maximum STI**	**70.0%**	**30.0%**	**100.0%**

1 Achievement against individual STI goals varies according to assessment of individual performance. Individual outcomes are not shown in this table. The amount of the STI payments made to key management personnel in respect of FY2011 are shown in table 10.

Medium term incentive program

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 FAR 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.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Medium term incentive program (continued)

The corporate performance measure adopted for MTI entitlements granted to date is the Group's average EBITDA per trip over the two year vesting period for each MTI grant. 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.

Table 3 summarises the Group's EBITDA per trip performance over the past three financial years.

Table 3

EBITDA/TRIP			
FY2009	**FY2010**	**FY2011**	**AVERAGE FY2010-11**
$1.12[1, 2]	$1.82	$2.12	$1.98

1 Revenue was not earned in FY2009 until tolling commenced on 27 July 2008.
2 EBITDA/trip for FY2009 excludes an impairment expense of $404.9 million.

Table 4 provides summary details of operation of the MTI program since its inception on 1 July 2009.

Table 4

MTI GRANT DATE[2]	MTI vesting date	No MTI participants[1]	EBITDA/trip		MTI vesting percentage	Payments to MTI participants
			Average to vesting date	**MTI minimum target to vesting date**		
1 July 2009	30 June 2011	11	$1.975	$1.953	93.8%	$544,492
1 July 2010	30 June 2012	14	N/A	$2.175	-	-

1 This is the number of participants to whom MTI grants were made at the relevant grant date. It includes some participants who have resigned before the vesting date, resulting in forfeiture of their MTI entitlements.
2 The vesting conditions for grants under the MTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 31

Long term incentive program

Long Term Incentives (LTIs) focus on achievement of total shareholder returns (TSR) over a three year period. (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.)

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.

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 5.

Table 5

CONNECTEAST'S TSR RANK RELATIVE TO ASX100	Proportion of CEU units eligible to vest
Less than 50th percentile (median)	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus 2% for each additional percentile ranking above the 50th percentile.
At or above the 75th percentile	100%

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22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Long term incentive program (continued)

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. The above vesting schedule and re-testing opportunities recognises that, as operator of a single toll road approaching maturity ConnectEast is a relatively low risk business earning stable and predictable cash flows. Expected returns from the business are lower than for higher risk higher growth companies. The Board believes that the structure of the LTI program provides incentive for management to continue to perform through all market cycles, which is in the best interests of all unitholders.

Vested LTI entitlements are payable partly in cash. However, a portion (50% for the CEO and 40% for other participating executives) of each vested LTI entitlement must be applied to acquire ConnectEast units. These units will be 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 will not be 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.

ConnectEast's Total Shareholder Return (TSR) over the financial year was 18.95%, ranking 14th 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 6.01%.

Table 6 below shows ConnectEast's relative TSR performance over FY2011 and the three preceding financial years. ConnectEast completed construction of EastLink and commenced operations in June 2008.

Table 6

YEAR ENDED 30 JUNE	FY2008	FY2009	FY2010	FY2011
ConnectEast	(18.13%)	(66.26%)	27.38%	18.95%
ASX100	(7.03%)	(26.49%)	25.34%	6.01%

Table 7 provides summary details of operation of the LTI program since its inception on 1 July 2009.

Table 7

LTI GRANT DATE[4]	LTI VESTING DATE	NO LTI PARTICIPANTS[1]	TSR TO 30 JUNE 2011	TSR PERCENTILE RANKING TO 30 JUNE 2011[2]
1 July 2009	30 June 2012	5	51.51%	22
1 December 2009[3]	30 November 2012	1	31.23%	10
1 July 2010	30 June 2013	7	18.95%	14
1 July 2011	30 June 2014	6	N/A	N/A

1 This is the number of participants to whom LTI grants were made at the relevant grant date. It includes some participants who have resigned before the vesting date, resulting in forfeiture of their LTI entitlements.

2 ConnectEast's TSR percentile ranking is its ranking over the vesting period to date, measured within the entities included in the ASX 100 as at the grant date of the relevant LTI grant.

3 The CEO, Dennis Cliche commenced employment on 19 November 2009. His first LTI grant commenced on 1 December 2009. Subsequent LTI grants will be made on 1 July each year in common with those of other LTI participants.

4 The vesting conditions for grants under the LTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 31.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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.

Table 8 outlines the termination provisions in the service contracts for the CEO and senior executives.

Table 8

NAME	NOTICE BY GROUP OR EMPLOYEE	TERMINATION PROVISIONS[1]
Dennis Cliche	6 months	Payment of 6 months base salary plus superannuation[2]
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

1 These termination entitlements do not apply in case of voluntary resignation or termination for misconduct.
2 In certain circumstances 12 months base salary plus superannuation will be payable to Dennis Cliche, including where there is a material diminution of powers, duties, responsibilities or status, his position being made redundant, or where there is termination of the EastLink Concession Deed between the State and the Group.

The rules relating to the Group's MTI and LTI programs provide for payment or preservation of entitlements in some termination circumstances. These rules are available on the Group's website.

At-risk remuneration

Table 9 summarises the at-risk components of remuneration for FY2011 under the service contracts between the Group and its senior executives in office as at the date of this report.

Table 9

NAME	STI (PERCENTAGE OF FAR)[1]	MTI (PERCENTAGE OF FAR)[2]	LTI (PERCENTAGE OF FAR)[3]	PERCENTAGE OF REMUNERATION AT RISK
Dennis Cliche	Up to 75%	Up to 35%	Up to 50%	62%
Nick McKechnie	Up to 50%	Up to 30%	Up to 40%	55%
Tony Hudson	Up to 50%	Up to 30%	Up to 40%	55%
James Tonkin	Up to 30%	Up to 20%	Up to 25%	43%

1 The STI opportunity is subject to assessment of the executive's performance during the year.
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.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

CEO and Senior Executive Remuneration Details (continued)

Remuneration paid to senior executives in FY2011

The remuneration paid to senior executives during FY2010 and FY2011 is set out in table 10. ConnectEast Group has not provided any loans to executives.

Table 10

		SHORT TERM BENEFITS			POST EMPLOY-MENT BENEFITS	LONG TERM BENEFITS				PERCENTAGE OF STI	
	Year	FAR	STI	Non-monetary benefits[7]	Super-annuation[2]	MTI[3] paid and provided	LTI[4] provided	Total remuneration	Percentage of remuneration at risk	Paid	Forfeited
		$	$	$	$	$	$	$	$	%	%
EXECUTIVE DIRECTOR											
Dennis Cliche [1]	2010	360,154	141,419	-	10,486	52,500	24,600	589,159	60	51	49
	2011	575,000	311,850	-	50,000	174,645	178,838	1,290,333	62	66	34
EXECUTIVES											
Nick McKechnie	2010	285,539	103,200	-	14,461	22,500	20,000	445,700	55	69	31
	2011	295,551	108,713	-	33,199	99,174	80,350	616,987	55	65	35
Tony Hudson	2010	288,000	117,062	-	25,000	23,475	20,867	474,404	55	75	25
	2011	306,000	110,418	-	25,000	98,236	79,513	619,167	55	66	34
James Tonkin	2010	175,417	47,040	22,122	26,461	11,200	9,333	291,573	43	70	30
	2011	192,263	44,987	22,122	15,199	44,745	33,923	353,239	43	65	35
FORMER EXECUTIVES WHO LEFT EMPLOYMENT DURING FY2011											
Tom Walker [5]	2010	229,539	47,580	-	14,461	12,200	10,167	313,947	43	65	35
	2011	139,543	-	-	8,866	-	-	148,409	43	-	-
Shirley Robertson [6]	2010	159,811	42,200	41,189	54,461	-	-	297,661	33	58	42
	2011	187,308	47,654	28,312	43,060	46,538	-	352,872	43	64	36
TOTALS	**2010**	**1,498,460**	**498,501**	**63,311**	**145,330**	**121,875**	**84,967**	**2,412,444**			
	2011	**1,695,665**	**623,622**	**50,434**	**175,324**	**463,338**	**372,624**	**3,381,007**			

1 Dennis Cliche commenced employment on 19 November 2009.
2 Superannuation amounts include statutory and voluntary contributions.
3 The amounts shown for the MTI entitlements paid and provided in respect of particular executives represent the actual amounts payable with respect to the MTI program for the two years ended 30 June 2011 at 93.8% and the estimated liability for the MTI program for the two years ended 30 June 2012 at 55%.
4 The amounts shown for the LTI entitlements provided in respect of particular executives represent the estimated liability for payment of these entitlements. These estimates assume 75% vesting of the maximum entitlements spread over three years. No amounts vested or were paid in FY2011 in respect of the LTI program.
5 Tom Walker resigned on 28 January 2011.
6 Shirley Robertson resigned on 30 June 2011.
7 Relates to novated vehicle leases.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

CEO and Senior Executive Remuneration Details (continued)

Managing Director's remuneration for FY2012

Table 11 sets out the remuneration arrangements approved by the Board for the Managing Director in FY2012.

Table 11

NAME	FAR	STI (PERCENTAGE OF FAR)	MTI (PERCENTAGE OF FAR)[1]	LTI (PERCENTAGE OF FAR)[1]	PERCENTAGE OF REMUNERATION AT RISK
Dennis Cliche	$670,000	Up to 75%	Up to 35%	Up to 50%	62%

1 The vesting conditions for grants under the MTI or LTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 31.

Remuneration of Non-Executive Directors

Basis of remuneration

Each non-executive 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 that will attract the calibre of director required to contribute to a high-performing Board. The Group's Constitutions require that unitholders' approval is required for non-executive directors to be paid more than an aggregate of $950,000.

The fees paid to the non-executive directors are reviewed annually by the Human Resources Committee, which makes recommendations to the Board having regard to the matters described above. Where appropriate, the Board obtains advice from external consultants on benchmarks for remuneration of non-executive directors in comparable organisations.

The level of non-executive directors' fees for FY2011 was determined in accordance with the advice of the Board's independent remuneration consultant, Egan Associates. Egan Associates' advice 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.

Given that the current aggregate amount of fees payable to non-executive directors is below the cap in the Group's Constitutions, the Board has resolved that its fee structure for FY2012 will be as set out in table 12. Specific advice was not sought from Egan Associates in respect of the remuneration of non-executive directors for FY2012. The only change from FY2011 is an increase in the Chairman's retainer from $250,000 to $255,000 and in each other director's retainer from $97,500 to $100,000.

Table 12

COMMITTEE	ROLE	TOTAL FEES FY2011 $	TOTAL FEES FY2010 $
Board retainer	Chairman	255,000[1]	250,000[1]
	Member	100,000	97,500
Audit, Risk & Compliance Committee	Chairman	25,000	20,000
	Member	12,500	12,500
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
Health, Safety & Environment Committee	Chairman	15,000	15,000
	Member	8,000	8,000
Community Investment Committee[2]	Chairman	N/A	6,000
	Member	N/A	4,000

1 The Board retainer fee for the Chairman includes Committee obligations.
2 The Community Investment Committee will not operate in FY2012. Its former areas of focus have been resumed by the Board.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Remuneration of Non-Executive Directors (continued)

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 FY2011, a total of $54,000 was paid to non-executive directors in respect of additional services.

The aggregate remuneration that will be paid to the non-executive directors for FY2012 (and a comparison to the aggregate remuneration paid for FY2011) is set out in table 13.

Table 13

DIRECTOR[1]	FY2012[2] $	FY2011[3] $
Anthony Shepherd	255,000	268,000
Bruce Beeren	133,500	140,000
John Collier[4]	120,500	98,610
Paul Dougas	116,000	125,167
Jim Hall	131,000	137,500
Dr Max Lay AM[5]	-	44,981
Yvonne von Hartel AM	108,000	120,500
TOTAL	**864,000**	**934,758**

1 Mark Snape ceased to be a director, and Mark Lynch ceased to be Mr Snape's alternate director, on 21 December 2010. However, Mark Snape was nominated by Thiess John Holland and was remunerated as an executive of John Holland. ConnectEast did not pay any remuneration to Mark Snape or Mark Lynch.
2 Based on Committee compositions as at 1 July 2011 and assuming no fees will be payable for additional services outside the normal course of Board and Committee activities.
3 Includes fees paid for additional services outside the normal course of Board and Committee activities during FY2011.
4 John Collier was appointed as a director on 18 August 2010.
5 Max Lay ceased to be a director on 9 November 2010.

The Group does not pay retirement allowances to non-executive directors or 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 Dougas and Jim Hall hold at least 250,000 units. Yvonne von Hartel holds 249,807 units.

John Collier, who has been nominated as a director by the Group's largest unitholder, CP2 Limited, has been exempted from the requirement to acquire and maintain a minimum unitholding.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Remuneration of Non-Executive Directors (continued)

The remuneration paid to non-executive directors during FY2010 and FY2011 is set out in table 14. ConnectEast Group has not provided any loans to non-executive directors.

Table 14

		SHORT TERM BENEFITS	POST-EMPLOYMENT BENEFITS			
NON-EXECUTIVE DIRECTORS	YEAR	FAR	SUPERANNUATION[1]	NON-EXECUTIVE DIRECTORS' EQUITY PAYMENTS	TOTAL	TOTAL REMUNERATION
Anthony Shepherd	2010	225,539	14,461	-	14,461	240,000
	2011	252,801	15,199	-	15,199	268,000
Bruce Beeren	2010	96,696	10,404	18,900	29,304	126,000
	2011	129,183	10,817	-	10,817	140,000
John Collier	2010	-	-	-	-	-
	2011	90,468	8,142	-	8,142	98,610
Paul Dougas[2]	2010	34,663	4,782	18,468	23,250	57,913
	2011	115,575	9,592	-	9,592	125,167
Jim Hall[6]	2010	108,800	-	24,200	24,200	133,000
	2011	131,075	-	6,425	6,425	137,500
Max Lay[3,6]	2010	96,000	-	24,000	24,000	120,000
	2011	38,731	-	6,250	6,250	44,981
Mark Lynch[5]	2010	-	-	-	-	-
	2011	-	-	-	-	-
Mark Snape[4]	2010	-	-	-	-	-
	2011	-	-	-	-	-
Yvonne von Hartel	2010	59,274	27,926	21,800	49,726	109,000
	2011	105,608	9,206	5,686	14,892	120,500
Totals	**2010**	**620,972**	**57,573**	**107,368**	**164,941**	**785,913**
	2011	**863,441**	**52,956**	**18,361**	**71,317**	**934,758**

1 Superannuation amounts include statutory and voluntary contributions.
2 Paul Dougas commenced as a director on 22 December 2009.
3 Max Lay ceased to be a director on 9 November 2010.
4 Mark Snape ceased to be a director on 21 December 2010. While Mr Snape was a director, he was not remunerated by the Group. He was remunerated by his employer, John Holland group, which nominated him as a director.
5 Mark Lynch ceased to be alternate director for Mark Snape on 21 December 2010. While Mr Lynch was Mr Snape's alternate director, he was not remunerated by the Group. He was remunerated by his employer, Thiess Pty Ltd group, which nominated him as alternate director.
6 No statutory superannuation contributions were required during the year for Jim Hall or Max Lay.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Total Remuneration of Key Management Personnel (Senior Executives and Non-Executive Directors)

The total remuneration of the Group's Key Management Personnel and directors is summarised in table 15. Further detail is provided in tables 10 and 14.

Table 15

	CONSOLIDATED	
	2011 $	**2010 $**
Short term employee benefits	3,233,162	2,681,244
Long term employee benefits	835,962	206,842
Post-employment benefits	246,641	310,271
TOTAL	**4,315,765**	**3,198,357**

Security holdings

The number of ConnectEast securities held during the financial year by each director of ConnectEast Management Limited and each of the senior executives included in the Key Management Personnel of the Group, including their personally-related entities, is set out below in tables 16 and 17 respectively.

Table 16

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	982,741	-	982,741	452,061
Bruce Beeren	261,594	-	261,594	120,333
John Collier	-	-	-	-
Paul Dougas	263,234	-	263,234	121,088
Jim Hall	234,360	31,340	265,700	122,222
Yvonne von Hartel AM	221,959	27,848	249,807	114,911

1 The basis of valuation of the units at year end is the unit price as at 30 June 2011 ($0.46 per unit).

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Security holdings (continued)

Table 17

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] $
SENIOR EXECUTIVES OF CONNECTEAST GROUP				
Dennis Cliche	-	200,000	200,000	92,000
Nick McKechnie	14,076	12,500	26,576	12,225
Tony Hudson	27,134	-	27,134	12,482
James Tonkin	-	-	-	-
Shirley Robertson	-	-	-	-

1 The basis of valuation of the units at year end is the unit price as at 30 June 2011 ($0.46 per unit).

23. COMMITMENTS FOR EXPENDITURE

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

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
OPERATION AND MAINTENANCE AGREEMENT		
ConnectEast Pty Limited has a 5 year alliance based operations and maintenance agreement with Transfield Services (Australia) Pty Limited expiring on 30 June 2015. Estimated amounts payable are as follows:		
Payable not later than one year	16,100	16,353
Later than one year and not later than five years	51,256	70,465
	67,356	**86,818**
OPERATING LEASES		
ConnectEast Pty Limited has entered into operating leases for the rental of office premises. Amounts payable are as follows.		
Payable not later than one year	47	195
Later than one year and not later than five years	5	32
	52	**227**

24. CONTINGENT LIABILITIES

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 2010 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 2011 calendar year.

NOTES TO THE FINANCIAL STATEMENTS

25. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2011 $'000	2010 $'000
EMPLOYEE BENEFIT AND RELATED ON-COSTS LIABILITIES		
Aggregate employee benefit and related on-costs liabilities	**3,452**	**3,441**
EMPLOYEE NUMBERS	Number	Number
Average number of employees during the financial year	**277**	**321**

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.

Consultancy Fees

Max Lay ceased to be a director of ConnectEast on 9 November 2010 and remained a related party until 9 May 2011. Dr Lay remains as Chairman of the Health, Safety & Environment Committee and was paid or had payable consultancy fees of $35,071 for the period to 9 May 2011.

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	
	2011 $'000	2010 $'000
Macquarie Group Companies		
Underwriting Fees	**-**	**6,987**

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. There are no related party transactions other than those noted above.

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 2011	EQUITY HOLDING 2010
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.

29. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX BENEFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Loss after income tax benefit	(10,261)	(53,638)
Depreciation and amortisation	92,299	99,134
Other non-cash items	14,609	18,418
Operating cash flow items not impacting working capital	-	(12,126)
Working capital movements not relating to operations	(36,759)	16,021
Decrease in trade and other receivables	930	2,069
(Increase) in deferred tax asset	(39,900)	(59,019)
Increase / (decrease) in payables and provisions	37,581	(18,917)
NET CASH USED BY OPERATING ACTIVITIES	**58,499**	**(8,058)**

NOTES TO THE FINANCIAL STATEMENTS

30. EARNINGS PER STAPLED UNIT

(a) Reconciliation of Earnings used in Calculating Earnings per Stapled Unit

	CONSOLIDATED	
	2011	**2010**
Basic and diluted earnings per stapled unit (cents)	(0.26)	(1.49)
Loss attributable to unitholders of the company used in calculating basic and diluted earnings per stapled unit ($'000)	(10,261)	(53,638)

There were no discontinued operations in the year.

(b) Weighted Average Number of Units used as the Denominator

	CONSOLIDATED	
	2011 Units	**2010 Units**
Weighted average number of units used as the denominator in calculating basic earnings per stapled unit	3,940,145,951	3,599,002,432
Weighted average number of units used as the denominator in calculating diluted earnings per stapled unit	3,940,145,951	3,599,002,432

31. EVENTS OCCURRING AFTER THE REPORTING DATE

On 22 July 2011 ConnectEast announced to ASX that it had entered into an Implementation Deed with Horizon Roads (an investment vehicle managed by CP2 Limited) under which Horizon Roads has agreed to offer to acquire 100% of the issued ConnectEast securities via a trust scheme. The scheme will provide for a cash consideration of $0.55 per unit. Subject to certain conditions, the scheme will also provide an alternative under which investors may elect to take up scrip in an unlisted fund. The cash offer has been unanimously recommended by the independent directors of ConnectEast in the absence of a superior proposal and subject to the opinion of an independent expert. The proposal requires unitholder approval at a meeting expected to be convened in September 2011 and is also subject to satisfaction of various regulatory and other approvals. Horizon Roads has stated that the operating activities of ConnectEast will be unaltered if the proposed transaction is implemented.

No other matter or circumstance has arisen since 30 June 2011 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.

32. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary of Financial Information

	2011 $'000	2010 $'000
Statement of Financial Position		
Current assets	5,809	9,936
Total assets	1,869,623	1,875,550
Current liabilities	39,525	215
Total liabilities	39,525	215
Shareholders' equity		
Unitholders funds	2,014,618	2,093,420
Retained losses	(184,520)	(218,085)
	1,830,098	**1,875,335**
Profit / (Loss) for the year	33,565	79,690
TOTAL COMPREHENSIVE INCOME	33,565	79,690

(b) Contingent Liabilities of the Parent

Refer to Note 24.

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 28 to 75 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 2011 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 declaration 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

28 July 2011

INDEPENDENT AUDIT REPORT

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECTEAST INVESTMENT TRUST

Report on the financial report

We have audited the accompanying financial report of ConenctEast Investment Trust (the trust) which comprises the statement of financial position as at 30 June 2011, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards.*

Auditor's responsibility

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

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

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

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

INDEPENDENT AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECTEAST INVESTMENT TRUST (CONTINUED)

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 2011 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

CHARLES CHRISTIE

Partner

28 July 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard
SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

UNITHOLDER INFORMATION

The unitholder information set out below was applicable as at 19 August 2011.

The only class of equity securities on issue are fully paid ordinary units in ConnectEast Investment Trust and ConnectEast Holding Trust. Units in these two trusts are stapled together and trade as ConnectEast Group (CEU) on ASX. All issued stapled units are quoted on ASX. There is no current on-market buy-back.

A. DISTRIBUTION OF EQUITY SECURITIES

The table below provides a summary of the number of unitholders by the size of their holding.

RANGE	NUMBER OF HOLDERS
1 to 1,000	482
1,001 to 5,000	4,654
5,001 to 10,000	3,841
10,001 to 100,000	9,477
100,001 and Over	875
Total	**19,329**

There were 442 unitholders holding less than a marketable parcel of stapled units, based on the market price of stapled units at close of trading on 19 August 2011.

There are 213,000 stapled units issued to employees that are restricted until December 2012. No stapled units on issue are subject to voluntary escrow.

B. TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

The names of the 20 largest holders of quoted stapled units and the number of stapled units and percentage of issued stapled units held by them are set out in the table below.

NAME	NUMBER OF STAPLED UNITS HELD	PERCENTAGE OF STAPLED UNITS HELD
National Nominees Limited	1,316,463,450	33.41%
HSBC Custody Nominees (Australia) Limited	933,574,153	23.70%
JP Morgan Nominees Australia Limited	321,716,793	8.17%
Citicorp Nominees Pty Limited	250,222,945	6.35%
Queensland Investment Corporation	49,321,537	1.25%
Australian Reward Investment Alliance	48,223,560	1.22%
HSBC Custody Nominees (Australia) Limited (Account 3)	48,061,763	1.22%
JP Morgan Nominees Australia Limited (Cash Income)	41,549,342	1.05%
Citicorp Nominees Pty Limited (CFSIL CFS WS Aust Share A/C)	30,263,518	0.77%
RBC Dexia Investor Services Australia Nominees Pty Limited	26,409,775	0.67%
AMP Life Limited	25,162,668	0.64%
Cogent Nominees Pty Limited	22,891,908	0.58%
Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	20,759,679	0.53%
Citicorp Nominees Pty Limited (Cwlth Bank Off Super A/C)	19,788,482	0.50%
Brispot Nominees Pty Ltd	19,506,712	0.50%
UBS Nominees Pty Ltd	18,708,886	0.47%
HSBC Custody Nominees (Australia) Limited (Account 2)	13,168,800	0.33%
Gwynvill Trading Pty Ltd	12,986,831	0.33%
Warbont Nominees Pty Ltd	12,084,759	0.31%
CP2 Ltd	11,364,758	0.29%
Total	**3,242,230,319**	**82.29%**

UNITHOLDER INFORMATION

C. SUBSTANTIAL HOLDERS

The names of substantial holders in ConnectEast Group and the number and percentage of stapled units in which each substantial holder and its associates have a relevant interest as disclosed in substantial holder notices given to ConnectEast Group on or before 19 August 2011 are set out in the table below.

NAME	DATE OF SUBSTANTIAL HOLDER NOTICE	NUMBER OF STAPLED UNITS	PERCENTAGE OF STAPLED UNITS
Stichting Depository APG Infrastructure Pool 2011	19 August 2011	1,405,166,428	35.66%
Universities Superannuation Scheme Limited	25 July 2011	1,388,903,187	35.25%
Teachers Insurances and Annuity Association of America	25 July 2011	1,386,305,487	35.19%
Leader Investment Corporation	25 July 2011	1,379,376,270	35.01%
Arbejdsmarkedets Tilaegspension	25 July 2011	1,379,376,270	35.01%
National Pension Service Korea	25 July 2011	1,379,376,270	35.01%
New Zealand Superannuation Fund	25 July 2011	1,379,376,270	35.01%
Mirae Asset Maps Global Investments Company Limited	25 July 2011	1,379,376,270	35.01%
CP2 Limited	15 December 2010	1,379,051,082	35.00%
Lazard Asset Management Pacific Company	3 December 2010	278,866,559	7.08%
Commonwealth Bank of Australia	2 August 2011	239,314,145	6.07%
Treasury Group Limited	24 March 2011	213,102,118	5.41%
Rare Infrastructure Limited	29 July 2011	197,297,912	5.01%

D. VOTING RIGHTS

The voting rights attaching to ConnectEast Group stapled units are as follows:

- on a show of hands, each unitholder present in person and each other person present as a proxy, attorney or representative of a unitholder, and each unitholder who has duly lodged a valid direct vote in respect of the meeting, has one vote; and
- on a poll, each unitholder present in person has one vote for each dollar of the value of the units held by the unitholder, each person present as proxy, attorney or representative of a unitholder has one vote for each dollar of the value of the stapled units held by the unitholder that the person represents, and each unitholder who has duly lodged a valid direct vote in respect of the meeting has one vote for each dollar of the value of the units held by the unitholder.

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chairman

Anthony Shepherd

Directors

Dennis Cliche (Managing Director)
Bruce Beeren
John Collier†
Paul Dougas
Jim Hall
Yvonne von Hartel AM

COMPANY SECRETARY

Tony Hudson

EXECUTIVE MANAGEMENT

Dennis Cliche
Managing Director/Chief Executive Officer

Nick McKechnie
Chief Financial Officer

Tony Hudson
General Counsel & Company Secretary

James Tonkin
General Manager, Corporate Affairs

Stephen Mitchell
General Manager, Information Technology

Murray Keen
Human Resources, Risk & Safety Manager

WEBSITE ADDRESS

www.connecteast.com.au

STOCK EXCHANGE LISTING

ConnectEast Investment Trust and ConnectEast Holding Trust units are stapled and quoted on ASX as ConnectEast Group (ASX Code – CEU).

REGISTERED AND PRINCIPAL ADMINISTRATIVE OFFICE

EastLink Operations Centre
2 Hillcrest Avenue
Ringwood VIC 3134
Tel (03) 9955 1700
Fax (03) 9955 1701

RESPONSIBLE ENTITY

ConnectEast Management Limited

2 Hillcrest Avenue
Ringwood VIC 3134
Tel (03) 9955 1700
Fax (03) 9955 1701

SECURITIES REGISTRAR

Link Market Services

Level 1, 333 Collins St
Melbourne, VIC 3000
Tel 1300 551 346 or (02) 8280 7704
www.linkmarketservices.com.au

ADVICE WARNING

This annual report is not an offer or invitation for subscription or purchase of or a recommendation in relation to securities. It does not take into account the objectives, financial situation or 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 objectives, financial situation and needs and consult an investment adviser if necessary.

COMPLAINTS HANDLING

ConnectEast has in place a formal complaints handling procedure, which is available on our website at ConnectEast.com.au.

The responsible entity is a member of the Financial Ombudsman Service. Unitholders unable to resolve a dispute with ConnectEast may contact the Financial Ombudsman Service on 1300 78 08 08 or visit its website at fos.org.au.

PRIVACY

ConnectEast honours without reservation our obligation to respect and protect the privacy of the personal information of individuals with whom we deal. Our privacy policy is available on our website at www.connecteast.com.au.

† appointed on 18 August 2010

EastLink
Time better spent.

2 Hillcrest Avenue Ringwood VIC 3134 Australia
PO Box 804 Ringwood VIC 3134
T 03 9955 1700   F 03 9955 1701   ConnectEast.com.au   EastLink.com.au

CONNECTEAST

CONNECTEAST HOLDING TRUST

ABN 82 715 625 975

FINANCIAL REPORT YEAR ENDED 30 JUNE 2011

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, the 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 Holding 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 16 August 2011. CEML has the power to amend and re-issue the financial report. The financial report is presented in Australian currency.

DIRECTORS' REPORT

In respect of the year ended 30 June 2011, the Directors of ConnectEast Management Limited (CEML) (ABN 68 071 292 647 / AFSL 254 959), being the Responsible Entity of ConnectEast Holding Trust (CEHT) submit the following Directors' Report on the financial report of ConnectEast Holding Trust and its controlled entities (the Group).

The units of ConnectEast Investment Trust (CEIT) and CEHT are stapled together and quoted as one on the Australian Securities Exchange. For statutory reporting purposes, in accordance with Australian Accounting Standards, 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.

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)
- Bruce Beeren (Independent Non-executive Director)
- John Collier (Non-executive Director) (appointed 18 August 2010)
- Paul Dougas (Independent Non-executive Director)
- Jim Hall (Independent Non-executive Director)
- Yvonne von Hartel AM (Independent Non-executive Director)
- Dr Max Lay AM (resigned 9 November 2010)
- Mark Snape (resigned 21 December 2010)
- Mark Lynch (alternate to Mark Snape) (resigned 21 December 2010)

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

ConnectEast Holding Trust did not make a distribution during the year ended 30 June 2011.

REVIEW OF OPERATIONS

During the year, traffic on EastLink, the Group's sole asset, grew by 9.1% compared to the prior year as existing customers increased use of the road and new customers were attracted to the road. Toll revenue grew by 14.6% compared to the prior year reflecting the growth in traffic, a toll price increase of 2.1% applied on 1 July 2010, an increasing proportion of commercial vehicles and improved revenue recovery. Commercial traffic growth has been a key feature with light commercial vehicle volumes increasing by 17.5% and heavy commercial vehicle volumes by 9.9% reflecting the importance of the time savings that EastLink delivers to businesses.

Increasing the revenue recovery from the asset has been a key focus for management, and revenue leakage was reduced from 1.7% in FY2010 to 0.8% in FY2011. This has been achieved by fine tuning the accuracy of the tolling system to reduce the volume of unbilled transactions, and by increasing debtor collection rates. Strategies were implemented to convert post-paid toll debtors into pre-paid account holders and to improve collection of tolls and fees from the small proportion of non-account holders who travel on EastLink.

Managements continued focus on costs resulted in a reduction in operating costs of $4.4 million in the year. This reduction was achieved despite an increase in variable costs of $2.0 million associated with EastLink's traffic growth. Cost savings were achieved by introducing improved image processing technology to reduce the volume of transactions requiring manual review, by increasing the efficiency of business processes to produce labour cost savings, and by working with key suppliers to improve the value received from their services.

DIRECTORS' REPORT

REVIEW OF OPERATIONS (CONTINUED)

The Group satisfied the stringent performance requirements under the EastLink Concession Deed in the calendar year ended 31 December 2010 and has continued to do so in 2011. These requirements include benchmarks for contact centre call answering, accuracy and timeliness of charging and billing, timeliness in responding to customer enquiries and complaints, road incident response, road maintenance, and environmental performance.

Total revenue from continuing operations was $211.4 million (June 2010: $186.2 million) of which $208.9 million (June 2010: $184.0 million) represents tolling revenue and associated fee income. Net loss attributable to unitholders was $119.4 million (June 2010: net loss $132.8 million).

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No units were issued during the year to 30 June 2011.

	NUMBER OF STAPLED UNITS
BALANCE AT 1 JULY 2010 AND 30 JUNE 2011	**3,940,145,951**

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 22 July 2011 ConnectEast announced to ASX that it had entered into an Implementation Deed with Horizon Roads (an investment vehicle managed by CP2 Limited) under which Horizon Roads has agreed to offer to acquire 100% of the issued ConnectEast securities via a trust scheme. The scheme will provide for a cash consideration of $0.55 per unit. Subject to certain conditions, the scheme will also provide an alternative under which investors may elect to take up scrip in an unlisted fund. The cash offer has been unanimously recommended by the independent directors of ConnectEast in the absence of a superior proposal and subject to the opinion of an independent expert. The proposal requires unitholder approval at a meeting expected to be convened in September 2011 and is also subject to satisfaction of various regulatory and other approvals. Horizon Roads has stated that the operating activities of ConnectEast will be unaltered if the proposed transaction is implemented.

In the opinion of the directors, no other matter or circumstance has arisen since 30 June 2011 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.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

Information relating to current Directors' qualifications, experience and special responsibilities are set out below.

Anthony Shepherd, BCom
Chairman
Appointed 28 September 2004
Independent Non-executive Director
Chairman of the Nomination Committee
Member of the Human Resources 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 and Chairman of Greater Western Sydney Football Club. As an executive of Transfield Holdings 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. Tony was Chief Executive Officer of the Project Development Division at Transfield Holdings Group from 1992 to 2001. In this position, he 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 Limited for its initial flotation in 1996.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Dennis Cliche, BEng, MBA, GAICD
Managing Director
Appointed 19 November 2009
Member of the Health, Safety & Environment Committee

Experience and Expertise
Dennis Cliche joined ConnectEast from Yarra Trams, where he had been Chief Executive Officer since September 2005. Dennis joined Transdev, SA in May 2003 and was seconded to the Yarra Trams executive team in July 2003 as the company's Deputy Chief Executive Officer and Chief Operating Officer. In 2007 he became CEO of TransdevTSL where, in addition to Yarra Trams, he was responsible for public transport in Australia for the Transdev/Transfield Services joint venture. Dennis started his business career with Air Liquide Canada and he spent 22 years with the Air Liquide Group in a variety of executive, sales and technical roles in Canada, France and Australia. During this time, Dennis' responsibilities included executive management, sales and marketing as well as Group level strategy on information systems and IT infrastructure. His last role with Air Liquide was Managing Director of the Group's Australian and New Zealand operations from 1998 to 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 Beeren has extensive experience as a non-executive director on listed company boards in Australia and New Zealand and as a non-executive member of listed company audit committees. Bruce has also had senior executive roles in major listed companies, including 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 2004), Equipsuper Pty Limited (since 2002) and The Hunger Project (since 2008). He is a former director of Coal & Allied Industries Limited (2004-2011). Bruce has been a fellow of CPA Australia for more than 20 years.

John Collier, BCom, MBA, ACA, GAICD, F Fin
Non-executive Director
Appointed 18 August 2010
Member of the Audit, Risk & Compliance Committee
Member of the Health, Safety & Environment Committee

Experience and Expertise
John Collier is Chief Financial Officer of PKF, a chartered accounting and business advisory firm employing 650 staff across offices in Melbourne, Sydney and Brisbane. John is responsible for all financial and fiscal management aspects of the firm's operations, together with providing leadership and co-ordination in administration, business planning, accounting and budgeting. Between 2004 and 2008, John worked with the Hills M2 motorway in Sydney, a toll road owned and operated by Transurban Group. Commencing as the Chief Financial Officer and Company Secretary in 2004, he became Head of Hills M2 in late 2005, with responsibility for all Hills M2 management, operations, finance and administration. John has been nominated as a director by ConnectEast's largest unitholder, CP2 Limited.

Paul Dougas, BE(Chem), M.ENGSc, FAICD, HonFIEAust
Independent Non-executive Director
Appointed 22 December 2009
Member of the Human Resources Committee
Member of the Health, Safety & Environment Committee

Experience and Expertise
Paul Dougas 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. In that role, he is responsible for leading the SKM Group globally and managing the firm's strategic direction. Paul joined SKM in 1978 and before that was with the Melbourne and Metropolitan Board of Works. Paul was the inaugural Chairman of the Centre for Engineering Leadership and Management, and takes a particular interest in safety, education and sustainability.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY (CONTINUED)

Jim Hall, BCom, FCPA, MAICD
Independent Non-executive Director
Appointed 9 June 2005
Chairman of the Audit, Risk & Compliance Committee
Member of the Nomination Committee

Experience and Expertise
Jim Hall is a non-executive director of Paperlinx Limited, Alesco Limited and Centro Properties Limited and a member of the JPMorgan Advisory Council. Jim was previously a non-executive director of Symbion Health Limited (2005-2008) and Centro Retail Limited (2005-2010). 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.

Yvonne von Hartel AM, BArch (Hons) LFAIA
Independent Non-executive Director
Appointed 7 February 2005
Member of the Health, Safety & Environment Committee

Experience and Expertise
Yvonne von Hartel is a founding Principal of the award winning national architectural and urban design practice, peckvonhartel. Yvonne is chair of the Victorian Skills Commission (2010 – current). She previously served as chair of the Sustainability in Buildings Standards Coordination Group of Standards Australia (2005-2008), as chair of the Victorian Design Advisory Council (2002-2004) and as a director of the Tourism and Transport Forum (2001-2004). She has been since 2001 a Trustee of the Melbourne Convention and Exhibition Centre. During her career, Yvonne has taught both full time and part time at the school of Architecture at the University of Melbourne. She has served on a number of Government boards, trusts and industry advisory bodies, and in early 2011 was appointed to the University of Wollongong, SMART Infrastructure Advisory Council.

Company Secretary
The Company Secretary is:
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 the ConnectEast Group's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the number of meetings attended by each Director were:

	SCHEDULED BOARD MEETINGS		UNSCHEDULED BOARD MEETINGS		MEETINGS OF AUDIT, RISK & COMPLIANCE COMMITTEE		MEETINGS OF HUMAN RESOURCES COMMITTEE		MEETINGS OF HEALTH, SAFETY & ENVIRONMENT COMMITTEE		MEETINGS OF NOMINATION COMMITTEE		MEETINGS OF COMMUNITY INVESTMENT COMMITTEE	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Anthony Shepherd	7	7	9	9	3	*	6	6	*	*	1	1	*	*
Bruce Beeren	7	7	9	9	5	6	6	6	*	*	1	1	*	*
Dennis Cliche	7	7	9	9	6	*	5	*	4	4	*	*	2	2
John Collier>	7	7	-	-	3	3	*	*	2	2	*	*	*	*
Paul Dougas	7	7	8	9	*	*	6	6	4	4	*	*	2	2
Jim Hall	6	7	6	9	5	6	*	*	*	*	0	1	*	*
Dr Max Lay AM^	3	3	-	-	3	3	*	*	4	4	*	*	*	*
Mark Snape	4	4	-	-	3	3	3	3	*	*	*	*	*	*
Yvonne von Hartel AM	7	7	9	9	*	*	*	*	4	4	*	*	2	2

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.
> John Collier was appointed a director on 18 August 2010.
^ Dr Max Lay resigned as a director on 9 November 2010 but continues as an External Adviser and Chairman of the Health, Safety & Environment Committee. Mark Snape and Mark Lynch resigned as directors on 21 December 2010.

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 willful 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.

DIRECTORS' REPORT

REMUNERATION REPORT AND FEES PAID TO THE RESPONSIBLE ENTITY AND ASSOCIATES

The exemption that allows listed companies to disclose remuneration details in relation to their key management personnel in their directors' report rather than in notes to their financial statements is not available to other disclosing entities, including managed investment schemes such as ConnectEast. Accordingly, details of remuneration practices and the fees paid to the Directors of ConnectEast Management Limited and to Key Management Personnel are disclosed in Note 21 to the financial statements.

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.

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:

	2011 $'000	2010 $'000
AUDIT SERVICES		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	209	225
OTHER SERVICES		
Related practices	25	7
	234	**232**

VALUE OF SCHEME ASSETS

At 30 June 2011, ConnectEast Holding Trust Group had total assets of $638.4 million and net liabilities of $455.3 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 8.

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

PwC 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
16 August 2011

AUDITOR'S INDEPENDENCE DECLARATION

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of ConnectEast Holding Trust for the year ended 30 June 2011, 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 relational to the audit.

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

Charles Christie
Partner
PricewaterhouseCoopers
Melbourne
16 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard
SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Notes	CONSOLIDATED 2011 $'000	2010 $'000
REVENUE FROM CONTINUING OPERATIONS	4	211,436	186,175
Tolling and customer services expenses		(35,104)	(38,285)
Roadside operations		(17,104)	(18,077)
Administrative expenses		(12,931)	(12,875)
Rental expense		(180,322)	(174,900)
OPERATING COSTS		**(245,461)**	**(244,137)**
Repairs and maintenance costs provided		(6,131)	(5,176)
Depreciation and amortisation	5	(14,715)	(12,448)
Finance costs		(104,142)	(116,153)
NET LOSS BEFORE INCOME TAX ATTRIBUTABLE TO UNITHOLDERS		**(159,013)**	**(191,739)**
Income tax benefit	7	39,605	58,982
NET LOSS ATTRIBUTABLE TO UNITHOLDERS		**(119,408)**	**(132,757)**
Other comprehensive income for the year, net of tax		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(119,408)**	**(132,757)**
Total comprehensive loss for the year is attributable to:			
Owners of ConnectEast Holding Trust		**(119,408)**	**(132,757)**
EARNINGS PER STAPLED UNIT FOR LOSS ATTRIBUTABLE TO UNITHOLDERS		**CENTS**	**CENTS**
Basic earnings per stapled unit	29	(3.03)	(3.69)
Diluted earnings per stapled unit	29	(3.03)	(3.69)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

		CONSOLIDATED	
	Notes	2011 $'000	2010 $'000
CURRENT ASSETS			
Cash and cash equivalents	8	24,998	19,607
Trade and other receivables	9	13,330	13,115
TOTAL CURRENT ASSETS		**38,328**	**32,722**
NON-CURRENT ASSETS			
Other receivables	10	9,854	8,966
Plant and equipment	11	9,945	10,831
Intangible assets	12	381,341	392,752
Deferred tax assets	13	198,940	159,040
TOTAL NON-CURRENT ASSETS		**600,080**	**571,589**
TOTAL ASSETS		**638,408**	**604,311**
CURRENT LIABILITIES			
Trade and other payables	14	351,671	306,948
Provisions	15	7,045	7,031
TOTAL CURRENT LIABILITIES		**358,716**	**313,979**
NON-CURRENT LIABILITIES			
Provisions	15	12,900	12,533
Payables	16	722,054	613,653
TOTAL NON-CURRENT LIABILITIES		**734,954**	**626,186**
TOTAL LIABILITIES		**1,093,670**	**940,165**
NET LIABILITIES		**(455,262)**	**(335,854)**
EQUITY			
Contributed equity	17	15,234	15,234
Retained losses	18	(470,496)	(351,088)
TOTAL EQUITY		**(455,262)**	**(335,854)**

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	UNITHOLDER FUNDS	RETAINED LOSSES	TOTAL EQUITY
	$'000	**$'000**	**$'000**
Balance at 1 July 2009	10,738	(218,331)	(207,593)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR AS REPORTED IN THE 2010 FINANCIAL STATEMENTS	**-**	**(132,757)**	**(132,757)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS			
Contributions of equity, net of transaction costs	4,509	-	4,509
Amortisation of deferred financing costs	(13)	-	(13)
	4,496	-	4,496
BALANCE AT 30 JUNE 2010	**15,234**	**(351,088)**	**(335,854)**
Balance at 1 July 2010	15,234	(351,088)	(335,854)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	-	**(119,408)**	**(119,408)**
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS	-	-	-
BALANCE AT 30 JUNE 2011	**15,234**	**(470,496)**	**(455,262)**

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

		CONSOLIDATED	
	Notes	**2011 $'000**	**2010 $'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		231,295	207,902
Payments to suppliers and employees		(70,676)	(78,034)
Interest received		1,166	866
Rental payment		(154,300)	(130,080)
NET CASH INFLOW FROM OPERATING ACTIVITIES	**28**	**7,485**	**654**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant, equipment and tags		(1,587)	(771)
Payments for intangibles		(507)	(8,908)
NET CASH (OUTFLOW) FROM INVESTING ACTIVITIES		**(2,094)**	**(9,679)**
CASH FLOWS FROM FINANCING ACTIVITIES		**-**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**5,391**	**(9,025)**
Cash and cash equivalents at the beginning of the financial year		19,607	28,632
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	**8**	**24,998**	**19,607**

The above Statement of Cash Flows 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 ConnectEast Holding Trust Group ('the Group') for the year ended 30 June 2011 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)
The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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.

For statutory reporting purposes, in accordance with Australian Accounting Standards, 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 2011 and the results of all subsidiaries for the year then ended. CEHT 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 Arrangements* (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 12

(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) Account holder toll and fee revenue

Toll charges and related fees are recognised when the charge is incurred by the user.

(ii) Debtor toll and fee revenue

Toll charges and related fees are recognised on a cash basis. Refer Note 1(aa).

(iii) Other revenue

Other revenue is recognised when the services are rendered or in accordance with contractual arrangements.

(iv) Interest income

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

(v) Prepaid toll revenue

Prepaid toll receipts are recognised as unearned income until a charge is incurred by the user.

(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.

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax (continued)

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 2011 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) Impairment of Assets

Assets that are subject to depreciation and 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).

(g) Plant, Equipment and Tags

Items of plant, equipment and tags are stated at historical cost less depreciation. 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 Income Statement during the reporting period in which it is incurred.

Depreciation
Plant, equipment and tags are depreciated on a straight-line basis at various rates over their expected average useful lives 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 reporting 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the 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 reporting date.

(j) 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.

(k) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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.

(m) 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 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.

(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 finance costs.

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 finance costs.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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.

(p) 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.

(q) 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 creditors 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 Group's 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.

(r) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

(t) 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.

(u) Rounding of Amounts

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report 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.

(v) 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.

(w) Goods and Services Tax (GST)

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

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

(x) New Accounting Standards Applied in Current Year

No new accounting standards have been applied in the current year.

(y) Australian Accounting Standards Issued but not yet Effective

Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011).*

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 reporting date there were no associated entities of the Group.

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Australian Accounting Standards Issued but not yet Effective (continued)

AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2011)*

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2011. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

IFRS 13 *Fair value measurement (effective 1 January 2013)*

The group does not use fair value measurements extensively. It is therefore unlikely that the new rules will have a significant impact on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

(z) Parent Entity Financial Information

The financial information for the parent entity, ConnectEast Holding Trust, disclosed in Note 31 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.

(aa) Change in Accounting Policy

Revenue Recognition

The EastLink toll road has now been in operation for three years during which time clear evidence has been collected on the probable economic benefits arising from road users, known as 'toll debtors', who are not tag or video account customers of ConnectEast or another Australian toll road operator, and have not purchased a trip pass. For the period from tolling commencement to 30 June 2010 revenue from toll debtors has been recognised in full at the time the road was used and an assessment of non-collection included as doubtful debts within tolling and customer service expenses.

With the data now available it is clear that a portion of revenue generated by toll debtors will never accrue to ConnectEast. On this basis, and with effect from 1 July 2010, revenue from toll debtors has only been recognised to the extent that it is likely to produce economic benefit to ConnectEast, effectively on a cash basis. The impact has been to reduce toll revenue and to reduce expenses when compared to the prior financial period. Profit/(loss) is not materially impacted by this change.

Comparative figures for the year ended 30 June 2010 have been amended to reflect the change in accounting policy. The impact of the change, retrospectively applied, for the full year ended 30 June 2010 is set out below.

INCOME STATEMENT	AS PREVIOUSLY DISCLOSED	ADJUSTMENT FOR ACCOUNTING POLICY CHANGE	RESTATED
	$'000	**$'000**	**$'000**
FOR THE YEAR ENDED 30 JUNE 2010			
Revenue			
Toll and fee revenue	189,743	(5,702)	184,041
Expenses			
Doubtful debt expense	(6,902)	5,702	(1,200)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (continued)

STATEMENT OF FINANCIAL POSITION	AS AT 30 JUNE 2010	ADJUSTMENT FOR ACCOUNTING POLICY CHANGE	RESTATED 30 JUNE 2010
	$'000	**$'000**	**$'000**
TRADE AND TOLL DEBTOR RECEIVABLES			
Trade receivables	4,448	-	4,448
Accrued revenue	4,335	-	4,335
Toll debtors	8,782	(8,782)	-
Provision for impairment of receivables	(10,136)	8,782	(1,354)
	7,429	**-**	**7,429**

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.

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.

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity Risk (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.

2011	CONSOLIDATED							
	Notes	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 $'000
FINANCIAL LIABILITIES								
Trade creditors and accruals	14		351,671	-	-	-	351,671	351,671
Interest bearing liabilities	16	10.5%	75,816	75,816	898,957	-	1,050,589	722,054
Provisions	15		4,311	-	-	-	4,311	4,311
			431,798	**75,816**	**898,957**	**-**	**1,406,571**	**1,078,036**

2010	CONSOLIDATED							
	Notes	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 $'000
FINANCIAL LIABILITIES								
Trade creditors and accruals	14		306,948	-	-	-	306,948	306,948
Interest bearing liabilities	16	10.5%	64,398	64,398	663,503	-	792,299	613,653
Provisions	15		5,359	5,249	-	-	10,608	10,002
			376,705	**69,647**	**663,503**	**-**	**1,109,855**	**930,603**

(c) Cash Flow and Fair Value Interest Rate Risk

The Group's interest rate risk arises from cash held at floating rates on an unhedged basis.

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

At 30 June 2011, if interest rates had been 1 percent higher/lower (30 June 2010: 1%) 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
2011	(9,988)	-	(9,988)	-
2010	(8,529)	-	8,529	-

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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.

There were no financial instruments requiring disclosure under the fair value measurement hierarch in AASB 7 *Financial Instruments*.

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 $0.7 million for over and under performance respectively.

(iii) Testing for impairment of intangible assets

The Group assesses each reporting period in accordance with its accounting policy set out at Note 1(f) and the requirements of AASB 136 *Impairment of Assets* whether there have been any triggers that indicate a possible impairment of intangible assets.

The two most sensitive assumptions considered in making the judgement that there are no indicators of impairment relate to traffic and the discount rate applied. The traffic assumption against which management assesses performance is the traffic projection prepared by an independent traffic forecaster in August 2009. Actual performance has resulted in variances to the forecast with car traffic adverse to forecast but partially offset by a favourable commercial traffic mix. The long-term traffic projection is still considered appropriate. The pre-tax discount rate has been reviewed and remains unchanged at 10.3%. Further details of the matters considered in making the judgement that there are no indications of impairment are provided in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
REVENUE FROM CONTINUING OPERATIONS		
Toll revenue	198,711	173,430
Fee revenue	10,236	10,611
Interest income	2,110	1,848
Other income	379	286
	211,436	**186,175**

5. EXPENSES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Operating profit/(loss) before income tax attributable to unitholders includes the following specific expenses:		
Employee costs	20,893	23,065
Doubtful debts expense	70	1,200
Depreciation and Amortisation		
Plant and equipment depreciation	2,473	2,062
Intangible assets amortisation	12,242	10,386
Total depreciation and amortisation	14,715	12,448

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	
	2011 $'000	**2010 $'000**
AUDIT SERVICES		
Audit and review of financial reports and other audit work under the *Corporations Act 2001*	209	225
OTHER SERVICES		
Related practices	25	7
	234	**232**

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.

7. INCOME TAX

(a) Income Tax Benefit

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Current tax	288	37
Deferred tax	(46,286)	(57,886)
Prior year tax expense not recognised	7	-
Adjustment to deferred tax in prior years	6,386	(1,133)
TOTAL INCOME TAX BENEFIT	**(39,605)**	**(58,982)**

(b) Numerical Reconciliation of Income Tax Benefit to Prima Facie Tax Payable

Profit/(Loss) from continuing operations before income tax expense	(159,013)	(191,739)
Tax rate at 30% (2010: 30%)	(47,704)	(57,522)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income		
Other	1,740	(151)
	(45,964)	(57,673)
Adjustment to provision of deferred tax in prior years	6,386	(1,133)
Previously unrecognised tax expense	7	-
Previously unrecognised tax losses	(11)	(145)
Temporary differences not bought to account	(23)	(31)
INCOME TAX BENEFIT FOR THE YEAR	**(39,605)**	**(58,982)**

7. INCOME TAX (CONTINUED)

(c) Deferred Income Tax Benefit

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Deferred income tax comprises:		
Increase / (decrease) in deferred tax assets:		
Provisions	(823)	4,515
Accruals	271	(701)
Tax losses	41,138	61,608
	40,586	65,422
(Increase) / decrease in deferred tax liabilities:		
Receivables	8	(69)
Intangible assets	(694)	(6,334)
TOTAL MOVEMENT IN DEFERRED TAX BALANCES	**39,900**	**59,019**

(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 the ConnectEast Holding Trust and its controlled entities.

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
The Directors estimate that the potential gross deferred tax asset at 30 June 2011 in respect of tax losses not brought to account is:	**10**	**20**

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

(i) 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;

(ii) the aggregated entity continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the aggregated entity in realising the benefit.

8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Cash at bank and on hand	3,659	2,314
Cash reserves	16,240	12,199
Deposits at call	5,099	5,094
	24,998	**19,607**

Cash reserve balances are in place in accordance with the Loan Note Subscription Agreement (LNSA) and are available for use subject to the conditions of the LNSA and notification to the LNSA agent.

The cash at bank earns interest of 4.25% (2010: 4.43%). The deposits at call earn interest of 6.00% (2010: 5.18%). The cash reserves currently earn interest of 4.54% (2010: 4.67%).

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Trade receivables	4,810	4,448
Accrued revenue	3,886	4,335
Provision for impairment of receivables (Note (a))	(1,396)	(1,354)
	7,300	**7,429**
GST receivable	3,338	3,272
Other receivables	882	517
Prepayments	1,810	1,897
	13,330	**13,115**

(a) Aged Trade Receivables

As at 30 June 2011 trade receivables of the Group with a nominal value of $1.7 million (2010: $1.5 million) were impaired. The amount of the provision was $1.4 million (2010: $1.4 million). The individually impaired receivables relate to users of EastLink that are pre-paid customers whose accounts have gone into debit.

The ageing of these receivables is as follows:

	CONSOLIDATED	
	2011 $'000	2010 $'000
1 to 3 months	266	-
3 to 6 months	266	272
Over 6 months	1,192	1,249
	1,724	**1,521**

9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Aged Trade Receivables (continued)

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

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Opening balance	1,354	294
Provision for impairment recognised during the year	70	1,200
Receivables written off during the year as uncollectible	(28)	(140)
	1,396	**1,354**

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 $0.3 million of receivables that are past due that have not been impaired (2010: $0.2 million).

10. NON-CURRENT ASSETS – OTHER RECEIVABLES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
LOANS TO RELATED PARTIES	**9,854**	**8,966**

Interest is payable at 9.5% per annum on $9.5 million with the balance of the loans interest free with no fixed repayment terms. Refer to Note 25.

11. NON-CURRENT ASSETS - PLANT, EQUIPMENT AND TAGS

	CONSOLIDATED		
	Plant and equipment $'000	Tags $'000	Total $'000
AT 1 JULY 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**
YEAR ENDED 30 JUNE 2011			
Opening balance	2,625	8,206	10,831
Additions	279	1,308	1,587
Disposals	-	-	-
Depreciation	(801)	(1,672)	(2,473)
CLOSING NET BOOK AMOUNT	**2,103**	**7,842**	**9,945**
AT 30 JUNE 2011			
At cost	11,220	12,168	23,388
Less: accumulated depreciation	(9,117)	(4,326)	(13,443)
NET BOOK AMOUNT	**2,103**	**7,842**	**9,945**

12. NON-CURRENT ASSETS - INTANGIBLE ASSETS

	CONSOLIDATED	
	2011 $'000	2010 $'000
EASTLINK CONCESSION		
At cost	478,113	477,282
Less: accumulated amortisation	(36,772)	(24,530)
Less: impairment	(60,000)	(60,000)
TOTAL INTANGIBLES	**381,341**	**392,752**

RECONCILIATIONS

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

INTANGIBLES		
Opening balance	392,752	411,255
Additions	1,054	4,627
Movement in provisions (refer Note 15)	(223)	3,987
Cost of assets transferred to ConnectEast Asset Trust	-	(16,731)
Less: amortisation	(12,242)	(10,386)
	381,341	**392,752**

12. NON-CURRENT ASSETS - INTANGIBLE ASSETS (CONTINUED)

EastLink Concession

ConnectEast Group has a Concession Deed with the State of Victoria. The Concession Deed grants the 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 the ConnectEast Group. During the life of the Concession, the 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, the 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 $60 million against the asset for the year ended 30 June 2009.

For the year ended 30 June 2011 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 the following for the 12 month period to 30 June 2011 and concluded:

- there has been no unexpected adverse change in the market value of the asset
- there has not been a significant technological, market, economic or legal change in the market in which the asset operates
- there have been no material interest rate changes which could affect the discount rate that would be used to value the asset and cause a material decrease in the recoverable amount
- there is no evidence of material obsolescence or physical damage
- there have been no significant changes in the way the asset is used or expected to be used
- there is no material 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.

13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
The balance comprises temporary differences attributable to:		
Tax losses	224,315	183,177
Provisions	5,330	6,153
Accruals	2,054	1,783
TOTAL DEFERRED TAX ASSETS	**231,699**	**191,113**
Set-off of deferred tax liabilities pursuant to set-off provisions (refer Note 7)		
Receivables	(61)	(69)
Intangible assets	(32,698)	(32,004)
NET DEFERRED TAX ASSETS	**198,940**	**159,040**
Deferred tax assets to be recovered within 12 months	(49)	(39)
Deferred tax assets to be recovered after more than 12 months	198,989	159,079
	198,940	**159,040**

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	CONSOLIDATED	
	2011 $'000	2010 $'000
Trade creditors and accruals	6,379	6,442
Prepaid tolling revenue	12,442	11,118
Rent payable to a related party	311,564	267,510
Other related party payables	17,097	17,868
Income tax payable	279	28
Other creditors*	3,910	3,982
	351,671	**306,948**

* Includes employee benefits as disclosed in Note 24. Refer to Note 25 for related party payables.

Rent will be paid annually in advance when operating cash flows are positive. Any unpaid amount is charged interest at 2% above the base lending rate published by the National Australia Bank.

15. PROVISIONS

	CONSOLIDATED	
	2011 $'000	2010 $'000
(a) Current Liabilities		
Construction early completion incentive	4,311	5,359
Repair and maintenance obligations	2,734	1,672
	7,045	**7,031**
(b) Non-Current Liabilities		
Construction early completion incentive	-	4,643
Repair and maintenance obligations	12,900	7,890
	12,900	**12,533**

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. The relevant calculation period commences on 1 July 2011.

The early completion bonus is payable in instalments with two payments totalling $4.1 million having been paid in the year to 30 June 2010 and a third payment of $5.5 million paid in the current financial year. The fourth and final payment will be made following calculation of the final bonus on 31 January 2012.

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.

15. PROVISIONS (CONTINUED)

MOVEMENT IN PROVISIONS

	CONSOLIDATED			
	30 June 2011		30 June 2010	
	Construction Early Completion Incentive $'000	Repair and Maintenance Obligations $'000	Construction Early Completion Incentive $'000	Repair and Maintenance Obligations $'000
Opening balance	10,002	9,562	10,125	4,386
Provisions recognised in period	-	6,131	3,987	5,176
Amounts paid	(5,468)	(59)	(4,110)	-
Amounts credited in period to intangible assets	(223)	-	-	-
CLOSING BALANCE	**4,311**	**15,634**	**10,002**	**9,562**

16. NON-CURRENT LIABILITIES – PAYABLES

	CONSOLIDATED	
	2011 $'000	2010 $'000
PAYABLES TO RELATED PARTIES	**722,054**	**613,653**

These loans are unsecured and interest is charged at 10.5%. All amounts advanced are repayable in November 2014.

Deficiency of Capital

As at 30 June 2011, the Group had net current liabilities of $455.3 million. Included in the Group's current and non-current liabilities are amounts totalling $1,033.6 million owing to ConnectEast Asset Trust, a related party. The directors of ConnectEast Nominee Company Pty Ltd as Trustee of ConnectEast Asset Trust have given an undertaking that repayment of these amounts will be subordinated in favour of all other creditors and that ConnectEast Asset Trust will not demand payment of these amounts for a period of twelve months from 16 August 2011.

17. UNITHOLDER FUNDS

(a) Consolidated

2011

DATE	DETAILS	NUMBER OF UNITS	ISSUE PRICE	$'000
1 July 2010	Opening balance	3,940,145,951		15,234
30 JUNE 2011	**CLOSING BALANCE**	**3,940,145,951**		**15,234**

17. UNITHOLDER FUNDS (CONTINUED)

(a) Consolidated (continued)

2010

DATE	DETAILS	NUMBER OF UNITS	ISSUE PRICE	$'000
1 July 2009	Opening balance	2,553,238,059	-	10,738
9 September 2009	Issue of units under institutional pro-rata entitlement offer	925,648,052	$0.3300	3,055
9 September 2009	Issue of units under early retail pro-rata entitlement offer	10,221,864	$0.3300	34
5 October 2009	Issue of units under retail pro-rata entitlement offer	340,743,084	$0.3300	1,124
5 October 2009	Equity raising costs	-	-	(131)
26 October 2009	Issue of units under DRP	43,234,870	$0.3342	144
23 April 2010	Issue of units under DRP	67,060,022	$0.4217	283
30 June 2010	Amortisation of deferring financing costs	-	-	(13)
30 JUNE 2010	**CLOSING BALANCE**	**3,940,145,951**		**15,234**

(b) 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.

(c) Capital Risk Management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they 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.

18. RETAINED EARNINGS

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Opening balance	(351,088)	(218,331)
Net loss for the year	(119,408)	(132,757)
CLOSING BALANCE	**(470,496)**	**(351,088)**

19. DISTRIBUTIONS

ConnectEast Holding Trust did not make a distribution during the year ended 30 June 2011. ConnectEast Investment Trust paid a distribution on behalf of the stapled entity on 25 February 2011 of 1 cent per stapled unit for the six months to 31 December 2010 and has proposed a distribution of 1 cent payable on 26 August 2011 for the six months to 30 June 2011.

Distribution Reinvestment Plan

The ConnectEast Group Distribution Reinvestment Plan (DRP) was terminated following the distribution made on 23 April 2010.

20. FINANCIAL ASSETS AND LIABILITIES

The following financial assets and liabilities have been offset in accordance with AASB 132 *Financial Instruments Disclosure:*

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Hedge receivable	40,166	50,530
Hedge payable	(40,166)	(50,530)
Interest bearing receivable	1,214,400	1,214,400
Interest bearing payable	(1,241,400)	(1,214,400)

Assets Pledged as Security

The security over the finance facilities includes:

(a) fixed and floating charges over all the assets and undertakings of ConnectEast Finance Pty Ltd, ConnectEast Pty Ltd and ConnectEast Asset Trust (Related Party). The charges will include a featherweight floating charge (enforceable only during the appointment of an administrator) over the various trading accounts;

(b) real property mortgages over the EastLink Project Leases; and

(c) a limited recourse third party mortgage granted by ConnectEast Investment Trust 2 (Related Party) and ConnectEast Holding 2 Pty Ltd over their respective shares or units, as applicable, in each of ConnectEast Asset Trust (Related Party) (and its trustee), ConnectEast Pty Ltd and ConnectEast Finance Pty Ltd.

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

NOTES TO THE FINANCIAL STATEMENTS

21. KEY MANAGEMENT PERSONNEL DISCLOSURES

This report sets out the remuneration framework, policy, performance and outcomes for the year ended 30 June 2011 (FY2011). Remuneration details are provided for the following directors and executives. Except as indicated below, each person held their specified position for the whole financial year.

NAME	POSITION	DATE APPOINTED TO POSITION
NON-EXECUTIVE DIRECTORS		
Anthony Shepherd	Chairman, independent director	28 September 2004
Bruce Beeren	Independent director	31 March 2009
John Collier	Director	18 August 2010
Paul Dougas	Independent director	22 December 2009
Jim Hall	Independent director	9 June 2005
Yvonne von Hartel	Independent director	7 February 2005
FORMER NON-EXECUTIVE DIRECTORS WHO CEASED TO BE A DIRECTOR DURING FY2011		
Max Lay[1]	Independent director	28 September 2004
Mark Snape[2]	Director	26 August 2008
Mark Lynch[2]	Alternate director	31 October 2008
EXECUTIVE DIRECTOR		
Dennis Cliche	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
FORMER EXECUTIVES WHO LEFT EMPLOYMENT DURING FY2011		
Tom Walker[3]	Former General Manager Information Technology	1 September 2010
Shirley Robertson[4]	Former General Manager Human Resources and Operations	1 September 2010

1 Max Lay ceased to be a director on 9 November 2010.
2 Mark Snape ceased to be a director, and Mark Lynch ceased to be his alternate director, on 21 December 2010.
3 Tom Walker resigned from ConnectEast with effect from 7 January 2011.
4 Shirley Robertson resigned from ConnectEast with effect from 1 July 2011.

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 ConnectEast (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.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Board's Responsibility for Remuneration (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 and recommendations regarding the remuneration of the CEO and his direct reports from Egan Associates during the year. The Board has approved the appointment of Egan Associates to provide advice and recommendations about the remuneration of the Group's key management personnel. For the reasons outlined below, the Board is satisfied that Egan Associates' recommendations have been made free from undue influence by the members of the key management personnel to whom the relevant recommendations relate.

Egan Associates receives instructions from and reports direct to the Human Resources Committee and not to members of executive management. Egan Associates has declared to the Committee that its recommendations have been made free from undue influence by the member or members of the key management personnel to whom the relevant recommendations relate. During the year, Egan Associates did not provide any services for the Group other than advising about the remuneration of the Group's key management personnel for FY2011 and FY2012. Fees of $13,500 were paid to Egan Associates for these services.

The Group also draws 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.

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 following consideration of recommendations developed by the Human Resources Committee in consultation with the Board Chairman
- the remuneration of direct reports to the CEO is approved by the Board following consideration of recommendations from 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 in the Directors' Report

Table 1 below shows ConnectEast's performance over a number of key performance indicators in FY2011 and the three preceding financial years.

Table 1

YEAR ENDED 30 JUNE	FY2008	FY2009	FY2010	FY2011
Net loss after tax ($'000)	(9,335)	(531,585)	(53,638)	(10,261)
Earnings per unit (cents)	(0.68)	(25.43)	(1.49)	(0.26)
EBITDA per trip	n/a	$1.12[1, 2]	$1.82	$2.12
TOTAL SHAREHOLDER RETURNS				
ConnectEast	(18.13%)	(66.26%)	27.38%	18.95%
ASX100	(7.03%)	(26.49%)	25.34%	6.01%

1 Revenue was not earned in FY2009 until tolling commenced on 27 July 2008.
2 EBITDA/trip for FY2009 excludes an impairment expense of $404.9 million.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Executive Remuneration

General

Executive remuneration arrangements are designed to attract, develop and retain talented executives to support the Group's long term success. Executives are rewarded competitively and appropriately for their individual performance, including their contribution to business results. Individual remuneration is aligned with contribution towards achievement of ConnectEast's strategic imperatives and objectives.

Executive remuneration is made up of fixed annual remuneration (FAR) and an at-risk component.

The Group also provides various benefits to employees over and above their remuneration arrangements. These benefits are provided at the Group's discretion and subject to applicable terms and conditions.

Job evaluation methodology

ConnectEast has adopted the Hay job evaluation methodology to provide an objective and systematic way of assessing the requirements of individual job roles. The Hay job evaluation methodology considers the following areas:

- know-how or expertise – knowledge, skills and experience;
- problem solving or judgment – which examines the way know-how is applied on the job; and
- accountability – the scope given to the job holder to direct resources and influence and determine the course of events.

All job roles within ConnectEast are graded within a level according to the Hay job evaluation methodology. Jobs within the same Hay points band are included in the same Level and the resulting levels are used as a reference for setting fixed and at-risk components of remuneration.

Fixed annual remuneration

An executive's FAR is structured as a total employment cost package, including cash, superannuation and benefits. Fringe benefits tax costs are taken into account in the total employment cost calculation.

An executive's FAR is set by reference to the requirements of the executive's role (assessed according to the Hay job evaluation methodology), and the executive's experience and value to the organisation. The Board also considers benchmarking advice obtained from its independent remuneration consultant, Egan Associates.

The acceptable range of FAR for executives within a Hay Level is determined having regard to remuneration levels for roles with broadly similar requirements in the general market. This range is determined by reference to Hay's database, remuneration surveys produced by other consultants and informal consultations with other employers. An executive's FAR is generally set within 20% of the median FAR for the applicable Hay Level.

At-risk remuneration

The at-risk component of executive remuneration is a blend of short-term, medium term and long term incentives. An executive's eligibility to participate, and the level of an executive's participation, in the Group's incentive programs is determined according to the level of the executive's role under the Hay job evaluation methodology.

With an executive's FAR set around the market median for the applicable Hay Level, the at-risk component of an executive's remuneration is designed to provide the executive with an opportunity to earn a total annual remuneration (TAR) in the third quartile for the applicable Hay level.

The at-risk remuneration component is paid in cash. Participants who receive a payment under the long term incentive program must apply a portion of that payment towards acquiring ConnectEast units and to retain those units for two years.

The Group has not granted options to any key management personnel.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Executive Remuneration (continued)

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. STI payments are made in cash.

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 are measurable and focus on the achievement of the Group's strategic imperatives and objectives. Individual goals may provide for performance to be assessed against a base target and a stretch target, with between 60% and 70% of the individual's STI opportunity available for achievement of base targets and the remainder dependent on achievement of stretch targets.

Individual goals may include a mix of measures related to the performance of the Group, the executive's department and the executive personally. The individual goals of the CEO and executive direct reports will generally have a higher weighting towards Group performance than the individual goals of other executives.

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 executive direct reports are set by the CEO and reviewed by the Human Resources Committee.

In FY2011, the STI goals of the CEO and his direct reports were allocated to Group revenue (35%), Group operating costs (45%) and individual targets (20%). The CEO's personal targets covered matters relating to safety and stakeholder management.

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.

The STI goals of the CEO and his senior executive reports for FY2011 were allocated as set out in table 2.

Table 2

CORPORATE GOALS		BASE TARGET	STRETCH TARGET	TOTAL
Group revenue	Maximum STI	20.0%	15.0%	35.0%
	STI achieved	4.3%	0%	4.3%
Group operating costs	Maximum STI	30.0%	15.0%	45.0%
	STI achieved	30.0%	14.7%	44.7%
Total STI allocation to corporate goals[1]	Maximum STI	50.0%	30.0%	80.0%
	STI achieved	34.3%	14.7%	49.0%
Individual goals[1]	**Maximum STI**	**20.0%**	**-**	**20.0%**
Total STI allocation	**Maximum STI**	**70.0%**	**30.0%**	**100.0%**

1 Achievement against individual STI goals varies according to assessment of individual performance. Individual outcomes are not shown in this table. The amount of the STI payments made to key management personnel in respect of FY2011 are shown in table 10.

Medium term incentive program

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 FAR 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.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Medium term incentive program (continued)

The corporate performance measure adopted for MTI entitlements granted to date is the Group's average EBITDA per trip over the two year vesting period for each MTI grant. 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.

Table 3 summarises the Group's EBITDA per trip performance over the past three financial years.

Table 3

EBITDA/TRIP			
FY2009	**FY2010**	**FY2011**	**AVERAGE FY2010-11**
$1.12[1, 2]	$1.82	$2.12	$1.98

1 Revenue was not earned in FY2009 until tolling commenced on 27 July 2008.
2 EBITDA/trip for FY2009 excludes an impairment expense of $404.9 million.

Table 4 provides summary details of operation of the MTI program since its inception on 1 July 2009.

Table 4

MTI GRANT DATE[2]	MTI vesting date	No MTI participants[1]	EBITDA/trip		MTI vesting percentage	Payments to MTI participants
			Average to vesting date	**MTI minimum target to vesting date**		
1 July 2009	30 June 2011	11	$1.975	$1.953	93.8%	$544,492
1 July 2010	30 June 2012	14	N/A	$2.175	-	-

1. This is the number of participants to whom MTI grants were made at the relevant grant date. It includes some participants who have resigned before the vesting date, resulting in forfeiture of their MTI entitlements.
2. The vesting conditions for grants under the MTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 30.

Long term incentive program

Long Term Incentives (LTIs) focus on achievement of total shareholder returns (TSR) over a three year period. (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.)

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.

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 5.

Table 5

CONNECTEAST'S TSR RANK RELATIVE TO ASX100	Proportion of CEU units eligible to vest
Less than 50th percentile (median)	0%
50th percentile	50%
Between 50th percentile and 75th percentile	50% plus 2% for each additional percentile ranking above the 50th percentile.
At or above the 75th percentile	100%

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Long term incentive program (continued)

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. The above vesting schedule and re-testing opportunities recognises that, as operator of a single toll road approaching maturity ConnectEast is a relatively low risk business earning stable and predictable cash flows. Expected returns from the business are lower than for higher risk higher growth companies. The Board believes that the structure of the LTI program provides incentive for management to continue to perform through all market cycles, which is in the best interests of all unitholders.

Vested LTI entitlements are payable partly in cash. However, a portion (50% for the CEO and 40% for other participating executives) of each vested LTI entitlement must be applied to acquire ConnectEast units. These units will be 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 will not be 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.

ConnectEast's Total Shareholder Return (TSR) over the financial year was 18.95%, ranking 14th 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 6.01%.

Table 6 below shows ConnectEast's relative TSR performance over FY2011 and the three preceding financial years. ConnectEast completed construction of EastLink and commenced operations in June 2008.

Table 6

YEAR ENDED 30 JUNE	FY2008	FY2009	FY2010	FY2011
ConnectEast	(18.13%)	(66.26%)	27.38%	18.95%
ASX100	(7.03%)	(26.49%)	25.34%	6.01%

Table 7 provides summary details of operation of the LTI program since its inception on 1 July 2009.

Table 7

LTI GRANT DATE[4]	LTI VESTING DATE	NO LTI PARTICIPANTS[1]	TSR TO 30 JUNE 2011	TSR PERCENTILE RANKING TO 30 JUNE 2011[2]
1 July 2009	30 June 2012	5	51.51%	22
1 December 2009[3]	30 November 2012	1	31.23%	10
1 July 2010	30 June 2013	7	18.95%	14
1 July 2011	30 June 2014	6	N/A	N/A

1. This is the number of participants to whom LTI grants were made at the relevant grant date. It includes some participants who have resigned before the vesting date, resulting in forfeiture of their LTI entitlements.
2. ConnectEast's TSR percentile ranking is its ranking over the vesting period to date, measured within the entities included in the ASX 100 as at the grant date of the relevant LTI grant.
3. The CEO, Dennis Cliche commenced employment on 19 November 2009. His first LTI grant commenced on 1 December 2009. Subsequent LTI grants will be made on 1 July each year in common with those of other LTI participants.
4. The vesting conditions for grants under the LTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 30.

NOTES TO THE FINANCIAL STATEMENTS

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

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.

Table 8 outlines the termination provisions in the service contracts for the CEO and senior executives.

Table 8

NAME	NOTICE BY GROUP OR EMPLOYEE	TERMINATION PROVISIONS[1]
Dennis Cliche	6 months	Payment of 6 months base salary plus superannuation[2]
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

1 These termination entitlements do not apply in case of voluntary resignation or termination for misconduct.
2 In certain circumstances 12 months base salary plus superannuation will be payable to Dennis Cliche, including where there is a material diminution of powers, duties, responsibilities or status, his position being made redundant, or where there is termination of the EastLink Concession Deed between the State and the Group.

The rules relating to the Group's MTI and LTI programs provide for payment or preservation of entitlements in some termination circumstances. These rules are available on the Group's website.

At-risk remuneration

Table 9 summarises the at-risk components of remuneration for FY2011 under the service contracts between the Group and its senior executives in office as at the date of this report.

Table 9

NAME	STI (PERCENTAGE OF FAR)[1]	MTI (PERCENTAGE OF FAR)[2]	LTI (PERCENTAGE OF FAR)[3]	PERCENTAGE OF REMUNERATION AT RISK
Dennis Cliche	Up to 75%	Up to 35%	Up to 50%	62%
Nick McKechnie	Up to 50%	Up to 30%	Up to 40%	55%
Tony Hudson	Up to 50%	Up to 30%	Up to 40%	55%
James Tonkin	Up to 30%	Up to 20%	Up to 25%	43%

1 The STI opportunity is subject to assessment of the executive's performance during the year.
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.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Remuneration paid to senior executives in FY2011

The remuneration paid to senior executives during FY2010 and FY2011 is set out in table 10. ConnectEast Group has not provided any loans to executives.

Table 10

		SHORT TERM BENEFITS			POST EMPLOY-MENT BENEFITS	LONG TERM BENEFITS				PERCENTAGE OF STI	
	Year	FAR	STI	Non-monetary benefits[7]	Superannuation[2]	MTI[3] paid and provided	LTI[4] provided	Total remuneration	Percentage of remuneration at risk	Paid	Forfeited
		$	$	$	$	$	$	$	$	%	%
EXECUTIVE DIRECTOR											
Dennis Cliche [1]	2010	360,154	141,419	-	10,486	52,500	24,600	589,159	60	51	49
	2011	575,000	311,850	-	50,000	174,645	178,838	1,290,333	62	66	34
EXECUTIVES											
Nick McKechnie	2010	285,539	103,200	-	14,461	22,500	20,000	445,700	55	69	31
	2011	295,551	108,713	-	33,199	99,174	80,350	616,987	55	65	35
Tony Hudson	2010	288,000	117,062	-	25,000	23,475	20,867	474,404	55	75	25
	2011	306,000	110,418	-	25,000	98,236	79,513	619,167	55	66	34
James Tonkin	2010	175,417	47,040	22,122	26,461	11,200	9,333	291,573	43	70	30
	2011	192,263	44,987	22,122	15,199	44,745	33,923	353,239	43	65	35
FORMER EXECUTIVES WHO LEFT EMPLOYMENT DURING FY2011											
Tom Walker [5]	2010	229,539	47,580	-	14,461	12,200	10,167	313,947	43	65	35
	2011	139,543	-	-	8,866	-	-	148,409	43	-	-
Shirley Robertson [6]	2010	159,811	42,200	41,189	54,461	-	-	297,661	33	58	42
	2011	187,308	47,654	28,312	43,060	46,538	-	352,872	43	64	36
TOTALS	**2010**	**1,498,460**	**498,501**	**63,311**	**145,330**	**121,875**	**84,967**	**2,412,444**			
	2011	**1,695,665**	**623,622**	**50,434**	**175,324**	**463,338**	**372,624**	**3,381,007**			

1. Dennis Cliche commenced employment on 19 November 2009.
2 Superannuation amounts include statutory and voluntary contributions.
3 The amounts shown for the MTI entitlements paid and provided in respect of particular executives represent the actual amounts payable with respect to the MTI program for the two years ended 30 June 2011 at 93.8% and the estimated liability for the MTI program for the two years ended 30 June 2012 at 55%.
4 The amounts shown for the LTI entitlements provided in respect of particular executives represent the estimated liability for payment of these entitlements. These estimates assume 75% vesting of the maximum entitlements spread over three years. No amounts vested or were paid in FY2011 in respect of the LTI program.
5 Tom Walker resigned on 28 January 2011.
6 Shirley Robertson resigned on 30 June 2011.
7 Relates to novated vehicle leases.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Managing Director's remuneration for FY2012

Table 11 sets out the remuneration arrangements approved by the Board for the Managing Director in FY2012.

Table 11

NAME	FAR	STI (PERCENTAGE OF FAR)	MTI (PERCENTAGE OF FAR)[1]	LTI (PERCENTAGE OF FAR)[1]	PERCENTAGE OF REMUNERATION AT RISK
Dennis Cliche	$670,000	Up to 75%	Up to 35%	Up to 50%	62%

1 The vesting conditions for grants under the MTI or LTI program for the period commencing 1 July 2011 have not been determined pending the outcome of the proposed acquisition by Horizon Roads of 100% of the units in ConnectEast. Refer Note 30.

Remuneration of Non-Executive Directors

Basis of remuneration

Each non-executive 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 that will attract the calibre of director required to contribute to a high-performing Board. The Group's Constitutions require that unitholders' approval is required for non-executive directors to be paid more than an aggregate of $950,000.

The fees paid to the non-executive directors are reviewed annually by the Human Resources Committee, which makes recommendations to the Board having regard to the matters described above. Where appropriate, the Board obtains advice from external consultants on benchmarks for remuneration of non-executive directors in comparable organisations.

The level of non-executive directors' fees for FY2011 was determined in accordance with the advice of the Board's independent remuneration consultant, Egan Associates. Egan Associates' advice 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.

Given that the current aggregate amount of fees payable to non-executive directors is below the cap in the Group's Constitutions, the Board has resolved that its fee structure for FY2012 will be as set out in table 12. Specific advice was not sought from Egan Associates in respect of the remuneration of non-executive directors for FY2012. The only change from FY2011 is an increase in the Chairman's retainer from $250,000 to $255,000 and in each other director's retainer from $97,500 to $100,000.

Table 12

COMMITTEE	ROLE	TOTAL FEES FY2011 $	TOTAL FEES FY2010 $
Board retainer	Chairman	255,000[1]	250,000[1]
	Member	100,000	97,500
Audit, Risk & Compliance Committee	Chairman	25,000	20,000
	Member	12,500	12,500
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
Health, Safety & Environment Committee	Chairman	15,000	15,000
	Member	8,000	8,000
Community Investment Committee[2]	Chairman	N/A	6,000
	Member	N/A	4,000

1 The board retainer fee for the Chairman includes committee obligations.
2 The Community Investment Committee will not operate in FY2012. Its former areas of focus have been resumed by the Board.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Basis of remuneration (continued)

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 FY2011, a total of $54,000 was paid to non-executive directors in respect of additional services.

The aggregate remuneration that will be paid to the non-executive directors for FY2012 (and a comparison to the aggregate remuneration paid for FY2011) is set out in table 13.

Table 13

DIRECTOR[1]	FY2012[2] $	FY2011[3] $
Anthony Shepherd	255,000	268,000
Bruce Beeren	133,500	140,000
John Collier [4]	120,500	98,610
Paul Dougas	116,000	125,167
Jim Hall	131,000	137,500
Dr Max Lay AM [5]	-	44,981
Yvonne von Hartel AM	108,000	120,500
TOTAL	**864,000**	**934,758**

1 Mark Snape ceased to be a director, and Mark Lynch ceased to be Mr Snape's alternate director, on 21 December 2010. However, Mark Snape was nominated by Thiess John Holland and was remunerated as an executive of John Holland. ConnectEast did not pay any remuneration to Mark Snape or Mark Lynch.
2 Based on Committee compositions as at 1 July 2011 and assuming no fees will be payable for additional services outside the normal course of Board and Committee activities.
3 Includes fees paid for additional services outside the normal course of Board and Committee activities during FY2011.
4 John Collier was appointed as a director on 18 August 2010.
5 Max Lay ceased to be a director on 9 November 2010.

The Group does not pay retirement allowances to non-executive directors or 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 Dougas and Jim Hall hold at least 250,000 units. Yvonne von Hartel holds 249,807 units.

John Collier, who has been nominated as a director by the Group's largest unitholder, CP2 Limited, has been exempted from the requirement to acquire and maintain a minimum unitholding.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Remuneration of Non-Executive Directors (continued)

The remuneration paid to non-executive directors during FY2010 and FY2011 is set out in table 14. ConnectEast Group has not provided any loans to non-executive directors.

Table 14

		SHORT TERM BENEFITS	POST-EMPLOYMENT BENEFITS			
NON-EXECUTIVE DIRECTORS	YEAR	FAR	SUPERANNUATION[1]	NON-EXECUTIVE DIRECTORS' EQUITY PAYMENTS	TOTAL	TOTAL REMUNERATION
Anthony Shepherd	2010	225,539	14,461	-	14,461	240,000
	2011	252,801	15,199	-	15,199	268,000
Bruce Beeren	2010	96,696	10,404	18,900	29,304	126,000
	2011	129,183	10,817	-	10,817	140,000
John Collier	2010	-	-	-	-	-
	2011	90,468	8,142	-	8,142	98,610
Paul Dougas[2]	2010	34,663	4,782	18,468	23,250	57,913
	2011	115,575	9,592	-	9,592	125,167
Jim Hall[6]	2010	108,800	-	24,200	24,200	133,000
	2011	131,075	-	6,425	6,425	137,500
Max Lay[3,6]	2010	96,000	-	24,000	24,000	120,000
	2011	38,731	-	6,250	6,250	44,981
Mark Lynch[5]	2010	-	-	-	-	-
	2011	-	-	-	-	-
Mark Snape[4]	2010	-	-	-	-	-
	2011	-	-	-	-	-
Yvonne von Hartel	2010	59,274	27,926	21,800	49,726	109,000
	2011	105,608	9,206	5,686	14,892	120,500
Totals	**2010**	**620,972**	**57,573**	**107,368**	**164,941**	**785,913**
	2011	**863,441**	**52,956**	**18,361**	**71,317**	**934,758**

1 Superannuation amounts include statutory and voluntary contributions.
2 Paul Dougas commenced as a director on 22 December 2009.
3 Max Lay ceased to be a director on 9 November 2010.
4 Mark Snape ceased to be a director on 21 December 2010. While Mr Snape was a director, he was not remunerated by the Group. He was remunerated by his employer, John Holland group, which nominated him as a director.
5 Mark Lynch ceased to be alternate director for Mark Snape on 21 December 2010. While Mr Lynch was Mr Snape's alternate director, he was not remunerated by the Group. He was remunerated by his employer, Thiess Pty Ltd group, which nominated him as alternate director.
6 No statutory superannuation contributions were required during the year for Jim Hall or Max Lay.

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Total Remuneration of Key Management Personnel (Senior Executives and Non-Executive Directors)

The total remuneration of the Group's Key Management Personnel and directors is summarised in table 15. Further detail is provided in tables 10 and 14.

Table 15

	CONSOLIDATED	
	2011 $	**2010 $**
Short term employee benefits	3,233,162	2,681,244
Long term employee benefits	835,962	206,842
Post-employment benefits	246,641	310,271
TOTAL	**4,315,765**	**3,198,357**

Security holdings

The number of ConnectEast securities held during the financial year by each director of ConnectEast Management Limited and each of the senior executives included in the Key Management Personnel of the Group, including their personally-related entities, is set out below in tables 16 and 17 respectively.

Table 16

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	982,741	-	982,741	452,061
Bruce Beeren	261,594	-	261,594	120,333
John Collier	-	-	-	-
Paul Dougas	263,234	-	263,234	121,088
Jim Hall	234,360	31,340	265,700	122,222
Yvonne von Hartel AM	221,959	27,848	249,807	114,911

1 The basis of valuation of the units at year end is the unit price as at 30 June 2011 ($0.46 per unit).

21. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Security holdings (continued)

Table 17

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] $
SENIOR EXECUTIVES OF CONNECTEAST GROUP				
Dennis Cliche	-	200,000	200,000	92,000
Nick McKechnie	14,076	12,500	26,576	12,225
Tony Hudson	27,134	-	27,134	12,482
James Tonkin	-	-	-	-
Shirley Robertson	-	-	-	-

1 The basis of valuation of the units at year end is the unit price as at 30 June 2011 ($0.46 per unit).

22. COMMITMENTS FOR EXPENDITURE

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

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
OPERATION AND MAINTENANCE AGREEMENT		
ConnectEast Pty Limited has a 5 year alliance based operations and maintenance agreement with Transfield Services (Australia) Pty Limited expiring on 30 June 2015. Estimated amounts payable are as follows:		
Payable not later than one year	16,100	16,353
Later than one year and not later than five years	51,256	70,465
	67,356	**86,818**
OPERATING LEASES		
ConnectEast Pty Limited has entered into operating leases for the rental of office premises. Amounts payable are as follows.		
Payable not later than one year	180,369	175,095
Later than one year and not later than five years	721,292	699,632
Later than five years	5,845,435	4,961,913
	6,747,096	**5,836,640**

23. CONTINGENT LIABILITIES

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 2010 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 2011 calendar year.

24. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2011 $'000	2010 $'000
EMPLOYEE BENEFIT AND RELATED ON-COSTS LIABILITIES		
Aggregate employee benefit and related on-costs liabilities	**3,452**	**3,441**
EMPLOYEE NUMBERS	Number	Number
Average number of employees during the financial year	**277**	**321**

25. RELATED PARTY TRANSACTIONS

Key Management Personnel

Disclosures relating to Key Management Personnel are set out in Note 21.

LOANS

	CONSOLIDATED	
	2011 $'000	2010 $'000
Loans to related parties[2]		
Beginning of year	8,966	3,708
Loans received	-	4,550
Loan repayments	-	-
Interest charged	888	708
End of year	**9,854**	**8,966**
Loans from related parties[1,2]		
Beginning of year	631,521	532,816
Loans received	3,489	1,651
Loan repayments	-	(18,960)
Interest charged	104,142	116,014
End of year	**739,152**	**631,521**

1 Of the loans from other related parties, $17.1 million is classified as a current liability.
2 All related party movements above were non cash transactions

Rent Payable to Related Party

Rent of $180.3 million per year is payable by ConnectEast Pty Limited (a subsidiary of ConnectEast Holding 2 Limited) to ConnectEast Asset Trust (CEAT), a related party. Rent of $154.3 million has been paid to CEAT with $311.6 million outstanding at 30 June 2011.

Consultancy Fees

Max Lay ceased to be a director of ConnectEast Group on 9 November 2010 and remained a related party until 9 May 2011. Dr Lay remains as Chairman of the ConnectEast Group Health, Safety & Environment Committee and was paid or had payable consultancy fees of $35,071 for the period to 9 May 2011.

25. RELATED PARTY TRANSACTIONS (CONTINUED)

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	
	2011 $'000	**2010 $'000**
Macquarie Group Companies Underwriting Fees	-	70
Commonly controlled entities Interest expense	104,142	116,014

The above transactions were made on normal commercial terms and conditions and at market rates. There are no related party transactions other than those noted above.

Ownership interests in controlled entities are set out in Note 26.

Controlling Entity

The 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 Holding Trust and ConnectEast Investment Trust is ConnectEast Management Limited.

26. INVESTMENTS IN CONTROLLED ENTITIES

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES / UNITS	EQUITY HOLDING 2011	EQUITY HOLDING 2010
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%

27. SEGMENT INFORMATION

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

28. RECONCILIATION OF LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	CONSOLIDATED	
	2011 $'000	**2010 $'000**
Profit/(Loss) after income tax benefit	(119,408)	(132,757)
Depreciation and amortisation	14,715	12,448
Other non-cash items	110,273	121,330
Operating items not affecting working capital	(2,717)	(617)
(Increase) in deferred tax asset	(39,900)	(59,019)
(Increase) in trade and other receivables	(215)	(1,777)
Increase in payables	44,723	64,140
(Decrease)/Increase in provisions	14	(3,094)
Net cash provided by operating activities	**7,485**	**654**

29. EARNINGS PER STAPLED UNIT

(a) Reconciliation of Earnings used in Calculating Earnings per Stapled Unit

	CONSOLIDATED	
	2011	**2010**
Basic and Diluted earnings per stapled unit (cents)	(3.03)	(3.69)
Loss attributable to unitholders of the company used in calculating basic and diluted earnings per stapled unit ($'000)	(119,408)	(132,757)

There were no discontinued operations in the year.

(b) Weighted Average Number of Units used as the Denominator

	CONSOLIDATED	
	2011 Units	**2010 Units**
Weighted average number of units used as the denominator in calculating basic earnings per stapled unit	3,940,145,951	3,599,002,432
Weighted average number of units used as the denominator in calculating diluted earnings per stapled unit	3,940,145,951	3,599,002,432

30. EVENTS OCCURRING AFTER THE REPORTING DATE

On 22 July 2011 ConnectEast announced to ASX that it had entered into an Implementation Deed with Horizon Roads (an investment vehicle managed by CP2 Limited) under which Horizon Roads has agreed to offer to acquire 100% of the issued ConnectEast securities via a trust scheme. The scheme will provide for a cash consideration of $0.55 per unit. Subject to certain conditions, the scheme will also provide an alternative under which investors may elect to take up scrip in an unlisted fund. The cash offer has been unanimously recommended by the independent directors of ConnectEast in the absence of a superior proposal and subject to the opinion of an independent expert. The proposal requires unitholder approval at a meeting expected to be convened in September 2011 and is also subject to satisfaction of various regulatory and other approvals. Horizon Roads has stated that the operating activities of ConnectEast will be unaltered if the proposed transaction is implemented.

No other matter or circumstance has arisen since 30 June 2011 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.

31. PARENT ENTITY FINANCIAL INFORMATION

(a) Summary of Financial Information

	2011 $'000	2010 $'000
Statement of Financial Position		
Current assets	195	174
Total assets	15,331	14,417
Current liabilities	-	2
Total liabilities	705	564
Unitholders' equity		
Unitholders funds	25,825	25,825
Retained losses	(11,199)	(11,972)
	14,626	**13,853**
Profit / (Loss) for the year	773	604
Total comprehensive income	773	604

(b) Contingent Liabilities of the Parent

Refer to Note 23.

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 Holding Trust (the "Trust"):

(a) the financial statements and notes for the Trust and its controlled entities (the "Group"), set out on pages 9 to 52 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 2011 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 declaration 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

16 August 2011

INDEPENDENT
AUDIT REPORT

pwc

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECTEAST HOLDING TRUST

Report on the financial report

We have audited the accompanying financial report of ConnectEast Holding Trust (the trust), which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for ConnectEast Holding Trust Group (the consolidated entity). The consolidated entity comprises the trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company ConnectEast Management Limited (the responsible entity of the trust) are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

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

INDEPENDENT AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECTEAST HOLDING TRUST (CONTINUED)

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 Holdings 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 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

Charles Christie
Partner

Melbourne
16 August 2011

PricewaterhouseCoopers, ABN 52 780 433 757
Freshwater Place, 2 Southbank Boulevard
SOUTHBANK VIC 3006, GPO BOX 1331, MELBOURNE VIC 3001
DX 77 Melbourne, Australia
T +61 3 8603 1000, F +61 3 8603 1999, www.pwc.com.au

EastLink
Time better spent.

2 Hillcrest Avenue Ringwood VIC 3134 Australia
PO Box 804 Ringwood VIC 3134

T 03 9955 1700 F 03 9955 1701 **ConnectEast.com.au** EastLink.com.au