

29 June 2005

**Transurban Group Takeover of Hills Motorway Group - Tax Summary**

Transurban completed the compulsory acquisition of the remaining Hills Motorway Group (Hills) securities on 10 June 2005, as a result Hills was delisted on 22 June 2005.

Greenwoods & Freehills have provided the attached 'Summary of tax implications for former Hills security holders' (Australian residents only), who held their Hills securities on capital account for tax purposes.

The attached summary is for guidance only and Hills security holders should consult their own tax advisor for advice applicable to their own circumstances.



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Classification

ASX

**Transurban Group**

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**Transurban Group**  
**Summary of tax implications for**  
**former Hills Security holders**

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**1 Introduction**

This document summarises the expected tax implications for certain former Hills Security holders as a result of the takeover of the Hills Group by the Transurban Group.

This summary applies only to Australian resident Hills Security holders who held their Hills Securities on capital account for tax purposes. This summary is subject to the qualifications set out in section 6 below. Transurban is in the process of applying to the Commissioner of Taxation to confirm the applicability of CGT rollover relief for those Hills Security holders. Transurban cannot pre-empt the Commissioner's response to the proposed application, but is not aware of any reason why the Commissioner would not provide a ruling that CGT rollover relief was available.

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**2 Consideration**

The consideration provided by Transurban under the takeover offer comprised 1.47 Transurban Securities plus a cash payment of \$0.25 for each Hills Security.

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**3 Tax consequences**

**3.1 CGT rollover relief**

CGT rollover relief is available only if certain criteria are satisfied (on which Transurban is seeking confirmation from the Commissioner of Taxation), and applies only in respect of the portion of capital gain attributable to the units in the Transurban Holding Trust received in exchange for the units in HMT and the Transurban Holdings Limited shares received in exchange for the Hills Shares. The proportion of any capital gain attributable to the Transurban Limited shares and the cash component of the consideration is therefore taken into account in determining any taxable gain.

CGT rollover relief in respect of the HMT units will be available only if both Transurban Holding Trust and HMT are, or are treated by the Commissioner of Taxation as, 'fixed trusts'. Transurban is in the process of applying to the Commissioner of Taxation to confirm that both trusts are fixed trusts.

**3.2 CGT where rollover relief not available**

If CGT rollover relief were not available, a Hills Security holder would have realised a capital gain if the market value of the Transurban Securities plus the cash received exceeded the cost base of its Hills Securities.

If a Hills Security holder acquired the Hills Securities on or before 11.45 a.m. EST, 21 September 1999, the Hills Security holder may choose to reduce the amount of its capital

gain by indexation (available only up to 30 September 1999). If the Hills Securities were acquired after 11.45 a.m. EST, 21 September 1999, indexation is not available.

An individual, trustee, complying superannuation entity, approved deposit fund or pooled superannuation trust may alternatively be entitled to choose to reduce the capital gain by the CGT discount.

The CGT discount is generally available only if the Hills Securities have been held for at least 12 months. If the Hills Security holder is an individual and chooses the CGT discount method, the taxable capital gain will be reduced by 50%. If the Hills Security holder is the trustee of a complying superannuation entity, approved deposit fund or pooled superannuation trust, the taxable capital gain will be reduced by one-third. The effect of the discount for other trustees depends on the identity and entitlements of beneficiaries.

## 4 Capital gain calculation

As explained in section 3.1 above, CGT rollover relief is not available in relation to the extent that the gain is attributable to the 25 cent cash component and the Transurban Limited share. It is expected that rollover relief will be available for the receipt of units in the Transurban Holding Trust and shares in Transurban Holdings Limited, and the rest of this document is based on that expectation.

In the opinion of the Transurban Limited directors, the Transurban Limited shares have no value.

Based on this valuation, the capital gain can be calculated as set out below.

A Hills Security holder's capital gain will depend, in part, on the value of the Transurban Security on the date the Hills Security holder accepted Transurban's offer. A table of closing prices of Transurban Securities during the offer period is attached to this summary to assist in calculating any gain.

Technically, the rollover is available in respect of the Hills share and HMT unit separately. This would require a separate calculation and valuation of the components of the Hills and Transurban Securities. However, it is possible to do a single calculation in respect of the Hills stapled security that produces the same result, as follows:

### 4.1 Formula for calculation

Capital gain = A less B

Where:

**A** means the 'ineligible proceeds', being \$0.25; and

**B** means the proportion of cost base attributable to ineligible proceeds. This can be calculated as follows:

$$B = \text{Cost base of Hills Security} \times \frac{\text{Ineligible proceeds}}{\text{Total proceeds}}$$

### 4.2 Example

Assume:

- Cost base of each Hills Security = \$5.00
- Value of each Transurban security on date offer accepted = \$7.30  
(Note: 1.47 Transurban Securities were received per Hills Security)

Proportion of cost base attributable to

$$\begin{aligned} \text{ineligible proceeds (B)} &= 5.00 \times \frac{0.25}{[(\$7.30 \times 1.47) + \$0.25]} \\ &= \$0.11 \text{ (rounded)} \end{aligned}$$

Therefore,

$$\begin{aligned} \text{Capital gain} &= \$0.25 - \$0.11 \\ &= \$0.14 \end{aligned}$$

## 5 Cost base

If CGT rollover relief is available and chosen, the first element of the cost base for Transurban Securities acquired under the Offer will be equal to the cost base of the Hills Securities less the proportion of that cost base applied in calculating any capital gain (refer section 4 above). This amount would then be evenly apportioned over the Transurban Securities received under the Offer.

### 5.1 Example

Continuing the example above, the first element of the cost base of each Transurban Security would be calculated as follows:

$$\begin{aligned} &= \frac{\$5.00 - \$0.11}{1.47} \\ &= \$3.33 \end{aligned}$$

Any incidental costs in relation to the acquisition and sale would also be included in the cost base.

## 6 Qualifications

The information contained in this summary is of a general nature only. It does not constitute tax advice and should not be relied on as such.

This overview is not intended as advice in relation to a Hills Security holder's individual circumstances. Hills Security holders should consult their own tax adviser for advice applicable to their own circumstances.

This report is based on the provisions of the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997 and related acts, regulations and Australian Taxation Office rulings and determinations applicable at the date of this report.

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## 7 Definitions

In this summary:

**CGT** means capital gains tax;

**HML** means The Hills Motorway Limited;

**Hills** means HML and HMT;

**Hills Group** means HML and HMT and their controlled units;

**Hills Security** means a Hills share which is stapled to a unit in HMT;

**Hills Security holder** means a holder of Hills Securities;

**HMT** means Hills Motorway Trust;

**Transurban** means the group comprised of Transurban Holdings Limited, Transurban Limited and Transurban Holding Trust and their subsidiary companies or trusts; and

**Transurban Security** means one fully paid ordinary share in Transurban Limited, one fully paid ordinary share in Transurban Holdings Limited and one fully paid ordinary unit in Transurban Holding Trust which are stapled together.

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