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financials

The Financial Report of
Transurban Holdings Limited and Controlled Entities (ABN 86 098 143 429)
For the Year Ended 30 June 2005

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This financial report covers both Transurban Holdings Limited as an individual entity and the consolidated entity consisting of Transurban Holdings Limited and its controlled entities.

Transurban Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transurban Holdings Limited
Level 43 Rialto South Tower
525 Collins Street
Melbourne VIC 3000

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

Directors' Report

Directors Report

Your directors present their report on the consolidated entity consisting of Transurban Holdings Limited and the entities it controlled at the end of, and during, the year ended 30 June 2005.

Transurban Holdings Limited forms part of the Transurban Group. The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban Limited (formerly Transurban Infrastructure Developments Limited) and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Holdings Limited during the whole of the financial year and up to the date of this report:

Non-executive directors

Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Executive directors

Kimberley Edwards
Geoffrey R Phillips ⁽²⁾

- (1) Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report
- (2) Geoffrey R Phillips was an executive director from the beginning of the financial year until his resignation on 26 July 2005

Principal Activities

During the year the principal continuing activity of the consolidated entity was the operation of the Melbourne CityLink ("CityLink").

Review of Operations

a) CityLink Melbourne

Traffic

Transaction volume for the year ended 30 June 2005 was 227.6 million transactions, representing a 4.6 per cent increase on the prior year. Traffic growth was marginally stronger in the second six months with 4.7 per cent being achieved, compared to 4.5 per cent in the first six months. Growth in usage by heavy and light commercial vehicle classes was above the average at 5.4 per cent and 5.1 per cent respectively.

growth in transaction volumes combined with the toll escalation as provided for in the Concession Deed resulted in toll and fee revenue (net of GST) of \$274.8 million, an increase of 8.0 per cent over the previous year.

Customer Service

CityLink's continued focus on cost control and continuous improvement initiatives which included the call centre contract renegotiation, transition of transaction banking arrangements and process improvement have resulted in customer service expenditure decreasing by 5.0 per cent (\$1.4 million) on the prior year to \$26.4million.

Cost reductions were achieved in an environment of increased transaction volume and continued growth in customer accounts and e-TAG's on issue. At 30 June 2005, there were 719,190

accounts (including 59,822 Access accounts), with 1,014,348 e-TAGs linked to e-TAG accounts. This represents increases of 7.0 per cent and 8.0 per cent respectively, over the previous year.

As in the prior year Customer Services will continue the focus on operational improvements while enhancing service standards.

Infrastructure Group Operations

CityLink successfully completed the Alternate Traffic Control Room ("ATCR") project during the year at a capital cost of \$2.4 million. The ATCR enables the tunnels to remain open in the event the primary control centre becomes unavailable.

CityLink entered into an agreement with VicRoads as part of the Tullamarine/Calder Freeway Interchange Upgrade to administer extended incident response from July 2005 on the Westgate Freeway between the tunnels and the Bolte Bridge, as well as the Tullamarine Freeway and Calder Freeway interchange. The additional cost associated with the extended incident response will be offset by a compensatory payment from VicRoads.

The Infrastructure group continues to review the operations and maintenance of the road and has renegotiated this contract achieving ongoing savings of up to \$1.0 million per annum, along with improvements in service level. Recycling of water drained from the tunnels continues to meet the 95.0 per cent reuse targets.

b) Hills Motorway Group

Transurban Holdings Limited achieved effective control of Hills Motorway Limited and its controlled entities ("Hills") on 12 April 2005. The net contribution of Hills to the result was a

Directors' Report

loss of \$5.4 million. The loss represents Hills operational contribution from the date of deemed control (12 April 2005) to 30 June 2005. Included in this result is additional depreciation of \$2.0 million as a result of the reflection of the revaluation of the Hills M2 Motorway asset. Excluding the effect of the additional depreciation, Hills net contribution for the period was a loss of \$3.4 million.

c) Income Tax

Transurban has advice from Senior Counsel that the concession fees paid to the State of Victoria by Transurban under the CityLink Concession Deed are immediately deductible expenditure for taxation purposes. The Company accounts have been prepared on this basis for the year ended 30 June 2005 and all prior years.

The Australian Taxation Office ("ATO") and Transurban have been unable to agree on the treatment to be applied to concession fees and as a consequence, the ATO issued an assessment in respect of CityLink Melbourne's income tax return for the year ended 30 June 1998.

Transurban's appeal against the ATO's decision to disallow its objection to the assessment was heard before Mr Justice Merkel in the Federal Court on 3 October 2002. On 2 February 2004, Mr Justice Merkel dismissed Transurban's appeal.

Transurban lodged a Notice of Appeal against the dismissal which was heard before a Full Court of the Federal Court on 12 October 2004. The Full Court of the Federal Court unanimously ruled in favor of Transurban confirming that concession fees are deductible.

The Australian Taxation Office subsequently sought special leave to appeal to the High Court of Australia against the Full Court's decision. This was granted in April 2005. Determination of the appeal is unlikely to occur before early 2006.

Until a definitive resolution of this matter has been achieved, Transurban intends to continue preparing the financial statements on the basis that the concession fees are deductible. If the High Court of Australia over turns the decision and finds in favour of the Australian Taxation Office, certain items in the financial statements will require amendment. These amendments are quantified in the following table, assuming that the amendments were applicable for the year ended 30 June 2005:

Item	Current Basis \$000	Amended Basis \$000
Statement of Financial Performance		
Concession Note Valuation Adjustment (Expense)/Benefit	(41,121)	6,476
Statement of Financial Position		
Non-interest bearing non-current liabilities	249,103	79,830
Accumulated losses	(389,511)	(668,595)
Carried forward tax (loss)/profit at 30 June 2005	(789,381)	102,273

Significant Changes in the State of Affairs

With the exception of the acquisition of Hills Motorway Limited during the period, in the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Matters Subsequent to the End of the Financial Year

Capital markets debt totaling \$590.0 million matured on 8 August 2005. The debt was replaced by an issue of USD \$380.0 million (\$AUD 500.0 million) of senior debt in the US private placement market and AUD\$90.0 million from existing facilities. The refinanced debt matures between 2015 and 2020.

With the exception of the refinancing, the directors are not aware of any circumstances that have arisen since 30 June 2005 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the consolidated entity in financial years subsequent to 30 June 2005.

Directors' Report

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

CityLink Melbourne Limited is subject to regulation by the Victorian Environmental Protection Authority ("EPA") in respect of

- discharges from the tunnel ventilation system; and
- discharges from the tunnel drainage systems; and
- groundwater quality in the aquifers surrounding the tunnels

The main regulation relates to the Waste Discharge Licence (EA41502) that regulates the operation of the tunnel ventilation system and imposes requirements to monitor the emissions of carbon monoxide, oxides of nitrogen and particulate matter.

This monitoring is undertaken by several specialist organisations under the supervision of the CityLink operator, Translink Operations Pty Ltd. The monitoring organisations are certified by the National Association of Testing Authorities.

Monitoring verifies that emission levels are well below the maximum levels specified in the Waste Discharge Licence and that there has been an improvement in ambient air quality since the tunnels opened.

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

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

Monitoring of emissions within the tunnels and from the ventilation stacks will continue unchanged.

Monitoring of groundwater quality verifies that the requirements of the EPA are being met.

Monitoring of tunnel drainage water quality verifies that the requirements of the EPA are being met.

The operator of the M2 Motorway has implemented a comprehensive environmental management plan to monitor the performance of the motorway and takes remedial steps where necessary. There have not been any reported breaches for the year ended 30 June 2005.

Information on Directors

Laurence G Cox AO, B. Con, FCPA, FSIA. Chairman – non-executive.

Experience and expertise

Over 40 years' experience in Australian and International financial markets, including Chairman of the Australian Stock Exchange Limited from 1989 to 1994 and executive Chairman of the Potter Warburg Group from 1989 to 1995.

Other current directorships

Non-executive Chairman of The Murdoch Children's Research Institute and SMS Management and Technology Limited, executive director of Macquarie Bank Limited and non-executive director of Smorgon Steel Group.

Former directorships in last 3 years

Non-Executive Director of Hills Motorway Limited and Hills Motorway Management Limited from 18 April 2005 to 12 August 2005.

Date of initial appointment

13 February 1996

Special responsibilities

Chairman of Board, Chairman of Nomination and Remuneration Committee and Member of Audit Committee.

Directors' Report

Kimberley Edwards BE, MAdmin (Bus), FIE (Aust), MAICD. Managing Director

Experience and expertise

Held senior management positions on major commercial and infrastructure projects in Australia, the United Kingdom and the Middle East. Joined Transurban when it was originally bidding for the CityLink project and recently led the development of the Transurban Group into other toll road opportunities and the deployment of its electronic tolling technology in Australia and overseas.

Other current directorships

None

Former directorships in last 3 years

WestLink Motorway Limited (2002 to 2005). WSO Co Pty Limited (2002 to 2005). WSO Finance Pty Limited (2002 to 2005). Executive Director of Hills Motorway Limited and Hills Motorway Management Limited from 18 April 2005 to 12 August 2005.

Date of initial appointment

29 October 1996

Special responsibilities

Managing Director

Peter C Byers B Com (Hons).

Independent non-executive director

Experience and expertise

A former business manager and deputy principal of the University of Tasmania

Other current directorships

Non-executive director of Airport Motorway Management Limited and Foundation Capital Limited.

Former directorships in last 3 years

Alternate non-executive director of Hancock Victorian Plantations Holdings Limited (1995 to 2005). Non-executive director of The Hills Motorway Group (1995 to 2005). Non-executive director and Chairman of the Investment Committee of the Superannuation Scheme for Australian Universities (1982 to 2001).

Date of initial appointment

2 January 1996

Special responsibilities

Chairman of Audit Committee

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

Experience and expertise

Formerly held executive management roles with Melbourne and Metropolitan Board of Works and has had extensive experience in the information technology industry, including the founding Managing Director of MITS Limited. MITS grew to 600 staff and nearly \$100 million in sales of information technology solutions from its formation until December 2000 when it was acquired by Logica Pty Limited.

Other current directorships

Non-executive director of UXC Limited. Executive director of LogicaCMG Pty Limited.

Former directorships in last 3 years

None

Date of initial appointment

19 December 2000

Special responsibilities

Member of Risk Management and Compliance Committee, Member of Nomination and Remuneration Committee.

Jeremy G A Davis BEc, MBA, Ma, FAICD. Independent non-executive director

Experience and expertise

Holds the AMP Chair of Management in the Australian Graduate School of Management at the University of New South Wales and the University of Sydney. Academic interests in the fields of corporate strategy and negotiation and a fellow of the Australian Institute of Company Directors.

Other current directorships

Non-executive Chairman of XRT Limited. Non-executive director of SP Australia Networks (Transmission) Pty Ltd, SP Australia Networks (Distribution) Pty Ltd, CHAMP Ventures Pty Ltd, and AMWIN Management Pty Ltd.

Former directorships in last 3 years

Non-executive director of SPI Australia Group Pty Ltd (2004 to 2005). Non-executive director of Gradipore Limited (2002 to 2003).

Date of initial appointment

16 December 1997

Directors' Report

Special responsibilities

Member of Audit Committee, Member of Nomination and Remuneration Committee.

Susan M Oliver **Build.Prop.& Const, FAICD.** Independent non-executive director

Experience and expertise

Former Senior Manager of Andersen Consulting and former Managing Director of the Australian Commission for the Future Limited.

Other current directorships

Non-executive director of MBF Australia Ltd, non-executive director of Programmed Maintenance Services Limited, non-executive director of Methodist Ladies College Limited, non-executive director of The Australian Business Foundation Limited, executive director wwiTe Pty Limited and Governor of The Smith Family Ltd.

Former directorships in last 3 years

Non-executive director of The Smith Family Ltd (2002 to 2005). Non-executive Chairman of ScreenSound Australia (The National Screen and Sound Archive) (1998 to 2003).

Date of initial appointment

25 June 1996

Special responsibilities

Chairperson of Risk Management and Compliance Committee, Chairperson of Corporate Social Responsibility Committee.

Geoffrey R Phillips **BE (Chem), MBA, MAICD.** Executive director

Experience and expertise

Joined Transurban in 1996 as Executive General Manager, Finance and was subsequently appointed Finance Director. Prior to joining Transurban, worked for the Potter Warburg Group (now UBS Australia) for 6 years as director in both the Corporate Finance and Fixed Interest Divisions.

Other current directorships

Non-executive director and Deputy Chairman of Yarra Valley Water Limited. Non-executive director of Westlink Motorway Limited, non-executive director of WSO Finance Pty Limited and non-executive director of WSO Co Pty Limited.

Former directorships in last 3 years

None

Date of initial appointment

28 August 1998

Special responsibilities

Deputy Managing Director, Member of Risk Management and Compliance Committee.

Date of retirement

26 July 2005

Christopher J S Renwick **BA, LLB, FAIM, FAIE, FTSE.** Independent non-executive director

Experience and expertise

Over 35 year's experience covering mining, operational business management and law.

Other current directorships

Non-executive Chairman of Coal and Allied Industries Limited and Rio Tinto Aboriginal Foundation, non-executive director of Downer – EDI Limited and Governor of the Ian Clunies Ross Foundation. Vice President of the Australia Japan Business Co-operation Committee.

Former directorships in last 3 years

Multiple executive directorships within Rio Tinto Group (1986 to 2004).

Date of initial appointment

26 July 2005

Special responsibilities

None

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

Independent non-executive director

Experience and expertise

Experience covers commercial banking, investment banking and operational business management in a range of sectors.

Other current directorships

Non-executive Chairman of Residual Assco Limited, DJL Limited, Tooth & Co Limited and Industrial Equity Limited. Non-executive director of ABC Learning Centres Limited, Lend Lease Corporation Limited, Caliburn Partnership and Virgin Management Asia-Pacific Pty Ltd Advisory Board.

Former directorships in last 3 years

Non-executive director of Virgin Blue Holdings Limited. (2003 to 2005) and Managing Director of Ad steam Marine Limited (1997 to 2002).

Directors' Report

Date of initial appointment

29 April 2003.

Special responsibilities

Member of the Audit Committee and the Risk Management and Compliance Committee.

Company Secretary

Mark Licciardo B.Bus (Acc), GradDip CSP, ASA, ACIS

Mr Licciardo was appointed to the position of Company Secretary with effect from 17 January 2005. Before joining Transurban he held the position

of company secretary with a group of listed investment companies, the major one being Australian Foundation Investment Company Limited, for just over 7 years. Prior to that he held various finance roles with investment companies and major banks.

Paul O'Shea B.Ec, LLB, FCIS.

Mr O'Shea is a Company Secretary and General Counsel, Transurban Legal. He has been General Counsel since March 1996 and a Company Secretary since March 1998. Before joining Transurban he held a senior legal role at Transfield for 18 months and prior to that worked as a solicitor with two major legal firms.

Geoffrey R Phillips BE (Chem), MBA, MAICD.

Geoffrey R Phillips was a company secretary from the beginning of the financial year until his resignation on 26 July 2005.

Meetings of Directors

The numbers of meetings of the company's board of directors and each board committee held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

	Board of Directors Meeting		Audit Committee		Nomination & Remuneration Committee		Risk Management & Compliance Committee	
	A	B	A	B	A	B	A	B
L G Cox	16	18	4	5	3	3	X	X
P C Byers ⁽¹⁾	13	18	5	5	X	X	X	X
G O Cosgriff	18	18	X	X	3	3	3	3
J G A Davis	18	18	5	5	3	3	X	X
S M Oliver ⁽²⁾	17	18	X	X	X	X	3	3
D J Ryan ⁽³⁾	17	18	2	2	X	X	2	3
G R Phillips ⁽⁴⁾	18	18	X	X	X	X	3	3
K Edwards ⁽⁴⁾	17	18	X	X	X	X	X	X

X = Not a member of the relevant committee

A = Number of meetings attended

B = Number of meetings held during the time the director held office

⁽¹⁾ Mr Byers did not participate in 5 board meetings dealing with the takeover of the Hills Motorway Group due to a conflict of interest arising from his position as a Hills director.

⁽²⁾ Ms Oliver chaired 3 meetings of the Corporate Social Responsibility Committee held during the year ended 30 June 2005. This committee is not a committee of the board. Ms Oliver is not a member of the Audit Committee but attended 3 of these meetings in her capacity as Chair of the Risk Management and Compliance Committee.

⁽³⁾ Mr Ryan was appointed to the Audit Committee on 22 February 2005. He attended all meetings held during the year, including 3 prior to his appointment.

⁽⁴⁾ Messrs Edwards and Phillips are not members of the Audit and Nomination and Remuneration Committee but attend these meetings.

Directors' Report

Directors' Interests

Directors of the company have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group.

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	1,142,500	-	-
P C Byers	70,580	-	-
G O Cosgriff	24,910	-	121
J G A Davis	50,000	-	-
S M Oliver	62,540	-	-
C J S Renwick	-	-	-
D J Ryan	21,577	-	-
K Edwards	61,000	1,500,000	-
G R Phillips	508,820	-	-

Remuneration Report

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. Non-executive directors are not provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external

remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the lesser. This policy was reviewed in April 2003 and it was resolved to continue the policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to

retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

- To secure employees with the skills and experience necessary to meet business objectives;
- To motivate employees to the highest levels of performance; and
- To align employee incentives with increased shareholder value.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and

Directors' Report

- Providing strong, transparent linkages between individual and group performance and rewards.

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

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI"). Until 30 June 2005, LTIs were provided via either the Executive Option Plan or the Executive Long Term Incentive Plan. Revised LTI arrangements have been introduced for the period beyond 30 June 2005.

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

The incentive component of executive remuneration is primarily determined by financial performance relative to short-term profitability targets and by Total Shareholder Return ("TSR") relative to the companies comprising the ASX200 index over the longer term. Over the past five years Total Shareholder Return ("TSR") for the Transurban Group was 149.4 per cent compared with the Standard and Poors /ASX 200 accumulation index of 57.0 per cent for the same period. Implicit to this result, distributions paid from commencement of operations have risen consistently, evidenced in the final result for the financial year ended 30 June 2005 of 35.0 cents per security

("cps") representing a 27.0 per cent increase over that recorded for the prior corresponding period (28.0 cps).

Transurban's ability to grow distributions represents a combination of strong cash generation and its increased debt capacity. Since commencement of operations, Transurban's annual cash contribution from operations has increased from a surplus in 2001 of \$0.02 million to \$146.7 million for the current period.

Further evidence of strong performance was provided during the year with the acquisition of the Hills Motorway Group which contributed to an increase in market capitalisation between 2004 and 2005 from \$2,594 million to \$5,896 million respectively. Transurban is currently ranked in the top 40 public companies listed on the ASX.

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

The components of executive remuneration are described below:

Base Pay

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

increases fixed in any executive's contract of employment.

Benefits

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

Short-term Incentives

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

- The extent to which a profit-related Financial Performance Measure ("FPM") is achieved; and
- The extent to which the executive has achieved his/her Key Performance Indicators ("KPIs").

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

The intent of the adjustment for the extent to which the FPM is achieved is to ensure that STI payments are only made when value has been created for security holders and profit is consistent with the business plan.

Each year, the FPM and the KPIs for senior executives are established by the Nomination & Remuneration Committee, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the

Directors' Report

Board based on recommendations made by the Nomination & Remuneration Committee.

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

Long Term Incentives

Two forms of Long-term Incentives ("LTI") are currently in operation. The Executive Option Plan ("EOP") provides equity rewards, while the Executive Long Term Incentive Plan ("ELTIP") provides cash rewards linked to equity performance. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide

long-term incentives beyond the period when all options issued under the EOP had vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Compensation" Refer note 20.

A further review of the options available to provide executives with LTIs was undertaken in the current year and as a result a revised Plan will be introduced later in the year. The objective of the revised Plan is to implement a more cost effective Plan to the Group for a given amount of incentive. In addition, the revised Plan will take into consideration those Plans which have been introduced by a number of other companies whose equity securities are stapled.

Business Generation Incentive Plan

The Group also operates a Business Generation Incentive Plan ("BGIP") in which executives may participate, depending upon their level of involvement in generating new business. The BGIP provides for cash bonuses to

be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture. The BGIP is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Employee Security Ownership Plan

Executives may elect to participate in the Employee Security Ownership Plan on the same basis as that offered to all permanent employees. Executive Directors do not currently participate in the Plan.

Details of remuneration

Details of the nature and amount of each element of the remuneration of each non-executive director of Transurban Holdings Limited and the sole officer of the company for the year ended 30 June 2005 are set out in the following tables.

Directors of Transurban Holdings Limited

Name	Cash salary and fees	Primary		Non-monetary benefits	Post-employment		Equity Options ⁽²⁾	Total
		Cash Bonus	Long Term Incentive		Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	83,042	-	-	-	6,354	52,549	-	141,945
P C Byers	28,964	-	-	-	2,607	24,510	-	56,081
J G A Davis	22,691	-	-	-	23,571	24,662	-	70,924
S M Oliver	27,856	-	-	-	2,507	25,604	-	55,967
G O Cosgriff	33,008	-	-	-	2,971	14,639	-	50,618
D J Ryan	43,336	-	-	-	3,900	-	-	47,236
Total	238,897	-	-	-	41,910	141,964	-	422,771

Directors' Report

Executive director remuneration is paid by Transurban Limited. Full details of the remuneration paid to executive directors by the Transurban Group for the year ended 30 June 2005 is disclosed in the financial reports of Transurban Limited and the Transurban Group.

Other executives of the consolidated entity

Name	Cash salary and fees	Primary		Non-monetary benefits	Post-employment		Equity Options ⁽²⁾	Total
		Cash Bonus	Long Term Incentive ⁽¹⁾		Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$	\$
B Bourke	385,342	230,000	485,490	7,300	46,660	-	35,791	1,190,583

⁽¹⁾ The amount shown as Long Term Incentive is that part of the units issued under the ELTIP which is attributable to the current year portion of the vesting period for each current allocation.

⁽²⁾ No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Executive Directors and Executives in prior financial years. The amounts disclosed as remuneration in the current year is that part of the value of the options which is attributable to the current year portion of the vesting period.

To calculate remuneration from options, the options were valued as at grant date using a Black-Scholes derived option valuation model taking into consideration the exercise price, the term of the option, the market price of Transurban Group Stapled Securities on the date of granting the option, the expected price volatility of Transurban Group Stapled Securities, expected future distributions and the risk free rate of interest over the term of the options.

Cash Bonuses and options

The percentage of the available bonus that was paid, in the financial year, and the percentage that was not paid because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

Name	Cash Bonus	
	Paid %	Not paid %
B Bourke	102	-

Options

All options issued to the sole executive which were due to vest during the year have now vested. No options which were due to vest during the current year have been forfeited.

Long Term Incentive Units

No long term incentive units issued during this year or prior years were due to vest during this reporting year.

Service Agreements

The remuneration for the officer specified above is formalised in a service agreement. This agreement provides for access to performance-related cash bonuses, other benefits including death and disability insurance, salary continuance insurance and car parking, and participation, when eligible, in the Employee Share Ownership Plan, the Executive Option Plan, the Executive Long Term Incentive Plan and the Business Generation Incentive Plan.

The major provisions contained in the service agreement is as follows:

- Term of agreement – permanent, subject to termination on 3 months' notice by either party
- Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long Term Incentive Plan
- Total Employment Cost is reviewed annually by the Nomination and Remuneration Committee

Directors' Report

Shares under option

Unissued stapled securities of the Transurban Group which include options over shares of the company, under option at the date of this report are as follows. No options were issued during the year.

Date options granted	Expiry date	Issue price of stapled securities	Number under option
26 April 2001	30 April 2006	\$3.817	390,000
23 October 2001	31 October 2006	\$4.404	1,500,000
1 February 2002	30 April 2007	\$4.280	-
9 April 2002	30 April 2007	\$4.030	237,300
20 May 2002	30 April 2007	\$4.220	744,852

Options have no voting or distribution entitlements and have no rights to participate in any other issues of the Group.

Issued Long Term Incentives

The terms and conditions of each grant of ELTI units affecting remuneration in this or future reporting periods are as follow.

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

Share-based compensation

Name	A Remuneration consisting of options/ELTI %	B Value at grant date \$	C Value at grant date \$	D Value at lapse date \$	E Total of columns B to D \$
B Bourke – options	-	-	1,069,550	-	1,069,550
B Bourke – ELTI	20	84,000	-	-	84,000

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

B = The value at grant date calculated in accordance with AASB 1046 Director and Executive Disclosures by Disclosing Entities of incentives granted during the year as part of remuneration.

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

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

Directors' Report

Shares issued on the exercise of options

The following Transurban Stapled Securities, which include a share in the company were issued during the year ended 30 June 2005 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities.

Date options granted	Issue price of securities	Number of securities issued
26 April 2001	\$3.817	1,493,231
23 October 2001	\$4.404	500,000
1 February 2002	\$4.280	89,867
9 April 2002	\$4.030	62,700
20 May 2002	\$4.220	715,598

Indemnification and Insurance

Article 12.1 of the Articles of Association of the Company provides that to the extent permitted by law, each person who is or has been an officer of the Company and its consolidated entities shall be indemnified against liability incurred by the person in his capacity as an officer of the Company and its consolidated entities unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Company also indemnifies each person who is or has been an officer of the Company and its consolidated entities against liability for costs or expenses incurred by the person in his or her capacity as an officer of the Company in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001. In accordance with common practice, the insurance policies prohibit disclosure of the nature of the liability covered and the amount of the premium.

Rounding off

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 21 of the financial report.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is

compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in professional statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 15.

financials

Directors' Report

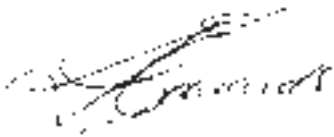
Auditor

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

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Directors' Report



PricewaterhouseCoopers
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Auditors' Independence Declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Tim Goldsmith

Partner

Melbourne
23 August 2005

Statements of financial performance for the year ended 30 June 2005

		Consolidated		Parent	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	3	596,736	530,718	47	-
Expenses from ordinary activities:					
Operational costs		(71,113)	(70,186)	-	-
Administration		(4,702)	(5,046)	(792)	(730)
Concession Fees		(95,600)	(95,600)	-	-
Net valuation adjustment on Concession Notes		54,179	58,615	-	-
Rental of land from Trusts		(127,709)	(111,272)	-	-
Corporate and Community Relations		(137)	-	-	-
Depreciation and amortisation expenses		(126,700)	(121,343)	-	-
Borrowing costs		(326,007)	(297,597)	-	-
Loss from ordinary activities before income tax		(101,053)	(111,711)	(745)	(730)
Income tax expense	5	(445)	-	-	-
Loss from ordinary activities after income tax		(101,498)	(111,711)	(745)	(730)
		Cents	Cents		
Basic earnings per share	30	(17.1)	(21.3)		
Diluted earnings per share	30	(9.7)	(11.3)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position as at 30 June 2005

	Notes	Consolidated 2005 \$'000	2004 \$'000	Parent 2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	6	186,623	141,060	7,903	34
Receivables	7	23,515	21,815	29	-
Other	8	65,609	48,030	7	1
Total Current Assets		275,747	210,905	7,939	35
NON-CURRENT ASSETS					
Property, plant and equipment	9	3,110,213	2,852,723	-	-
Other financial assets	10	2,000,321	1,780,000	75,100	5,100
Total Non-Current Assets		5,110,534	4,632,723	75,100	5,100
TOTAL ASSETS		5,386,281	4,843,628	83,039	5,135
CURRENT LIABILITIES					
Payables	11	59,209	59,867	44	21
Non-interest bearing liabilities	12	33,717	20,632	7,996	511
Tax liability	5	5,429	-	-	-
Provisions	13	907	1,625	-	-
Total Current Liabilities		99,262	82,124	8,040	532
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	3,757,453	3,259,228	-	-
Non-interest bearing liabilities	15	1,837,444	1,784,765	-	-
Tax liability	5	5,024	-	-	-
Provisions	16	602	198	593	133
Total Non-Current Liabilities		5,600,523	5,044,191	593	133
TOTAL LIABILITIES		5,699,785	5,126,315	8,633	665
NET (LIABILITIES)/ASSETS		(313,504)	(282,687)	74,406	4,470
EQUITY					
Contributed equity	17	76,007	5,326	76,007	5,326
Accumulated losses	18	(389,511)	(288,013)	(1,601)	(856)
TOTAL EQUITY		(313,504)	(282,687)	74,406	4,470

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 30 June 2005

	Notes	Consolidated 2005 \$'000	2004 \$'000	Parent 2005 \$'000	200 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		355,128	295,401	21	16
Payments to suppliers (inclusive of GST)		(158,817)	(121,916)	(397)	(607)
Interest received		332,299	248,716	21	-
Other revenue		15,258	15,897	-	-
Borrowing costs		(263,693)	(192,644)	-	-
Income taxes paid		(2,720)	-	-	-
Net cash inflow/(outflow) from operating activities	28	277,455	245,454	(355)	(591)
Cash flows from investing activities					
Net cash acquired from purchase of controlled entity		361,528	-	-	-
Payments for property, plant and equipment		(10,480)	(11,906)	-	-
Loans to related parties		(908,429)	(120,854)	(111)	-
Repayment of loans by related parties		689,615	40,828	166	50
Net cash inflow/(outflow) from investing activities		132,234	(91,932)	55	50
Cash flows from financing activities					
Proceeds from borrowings		810,321	80,000	-	-
Proceeds from issue of shares - options		622	1	622	1
Repayment of borrowings		(590,000)	-	-	-
Interest capitalised against cash collateral		35,007	-	-	-
Unclaimed compulsory acquisition funds – in Trust		556	-	-	-
Repayment of loans to related parties		(346,439)	(224,793)	(4,514)	(411)
Loans from related parties		110,882	2,264	12,061	981
Net cash inflow/(outflow) from financing activities		20,949	(142,528)	8,169	571
Net increase in cash at bank and cash collateral		430,638	10,994	7,869	30
Cash at bank and cash collateral at the beginning of the financial year		1,390,060	1,379,066	34	4
Cash at bank and cash collateral at the end of the financial year		1,820,698	1,390,060	7,903	34
Less cash collateral	6	1,634,075	1,249,000	-	-
Cash at bank at the end of the financial year	6	186,623	141,060	7,903	34

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2005

1 Summary of Significant Accounting Policies

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

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transurban Holdings Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Transurban Holdings Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of the associate is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Associates are those entities over

which the consolidated entity exercises significant influence, but not control.

b) Historical Cost Convention

The financial statements are prepared on the basis of the historical cost convention and, except where stated, do not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The fair value of cash consideration with deferred settlement terms is determined by discounting any amounts payable in the future to their present value as at the date of acquisition. Present values are calculated using rates applicable to similar borrowing arrangements of the consolidated entity.

The consolidated entity has not adopted a policy of revaluing its non-current assets on a regular basis.

c) Income Tax

The liability method of tax effect accounting has been adopted. Income tax expense is calculated on the operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the balance sheet as a future tax benefit or a deferred tax liability. However, the future tax benefit relating to timing differences and tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Tax consolidation legislation

The Transurban Group has completed an analysis of the tax consolidation legislation and its applicability to

Transurban Holdings Limited and controlled entities. In reaching a decision to adopt the provisions of the legislation, the following points were considered:

- the ability of the entity to consolidate;
- the effect of the legislation on the entities carry-forward loss position; and
- transitional concessions available to entities electing to consolidate at 1 July 2004.

Based on its analysis, the Group has elected not to implement tax consolidation legislation for Transurban Holdings Limited and its wholly owned entities.

d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

e) Revenue recognition

Toll charges and related fees are recognised when the charge is incurred by the user and interest revenue is recognised as it accrues. Other revenue is recognised when the fee for services provided is receivable.

f) Receivables

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Notes to the financial statements for the year ended 30 June 2005

g) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value.

h) Amortisation and Depreciation of Fixed Assets

CityLink Fixed Assets

Amounts classified as CityLink fixed assets are amortised over the estimated term of the right granted to operate CityLink (currently 32 years), or the estimated useful lives, of the assets whichever is less. Amortisation by the consolidated entity commenced on 18 December 2001 and is calculated on a straight line basis. The period of amortisation will be assessed annually.

M2 Motorway Fixed Assets

Amounts classified as M2 Motorway fixed assets are amortised over 28 years, being the estimated term of the right to operate the M2 Motorway or the estimated useful lives of the assets, whichever is less. Amortisation by the combined entity commenced on 12 April 2005 and is

calculated on a straight line basis. The period of amortisation is assessed annually.

Other Plant and Equipment

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

Plant and Equipment 2.5 – 20 years

i) Leased Non-Current Assets

Leases of plant and equipment where the consolidated entity assumes all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments.

Capitalised lease assets are amortised on a straight line basis over the term of the lease or, where it is likely that the consolidated entity will obtain ownership of the asset, the life of the asset. Leased assets are being amortised over 5 years.

Other operating lease payments are charged to the statement of financial performance in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

j) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity

includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

k) Trade and other creditors

Trade and other creditors represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

l) Infrastructure Loan Facilities

The consolidated entity has three Infrastructure Loan facilities. Under the terms of these facilities, the consolidated entity must provide cash collateral equal to the utilised amounts of the facilities. This cash collateral has been set-off against the outstanding infrastructure borrowing facilities so that no asset or liability in respect of those facilities has been recorded in the balance sheet of the consolidated entity. (refer note 14).

m) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

n) Concession Notes

Non-interest bearing long term debt represented by the Concession Notes has been included in the financial statements at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cashflows of the underlying

Notes to the financial statements for the year ended 30 June 2005

asset, the present value of the expected future repayments is determined using a discount rate which recognises their subordinated nature.

o) Maintenance and Repairs

The cost of maintenance is charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1h. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

p) Financial Instruments

Financial instruments, in the form of interest rate swap contracts and foreign exchange rate swaps, are used to manage financial risk.

Gains and losses on interest rate and foreign exchange swaps used as hedges are accounted for on the same basis as the interest and foreign exchange payments they are hedging. Realised hedge gains and losses are brought to account in the statement of financial performance when the gains and losses arising on the related physical exposures are recognised.

Unrealised gains and losses on interest rate swaps and foreign exchange swaps not effectively hedging an underlying exposure are recognised in the statement of financial performance.

q) Employee Entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be

settled within 12 months of the reporting date are recognized 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. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognized in the provision for employee benefits and is measured in accordance with (i) above.

The liability for long service leave expected to be settled more than 12 months from the reporting date 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. Consideration is given to expected future wages and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 24.

No accounting entries are made in relation to the Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 20 include the assessed fair value of options at the date they were granted.

(iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long Term Incentive Plan. Information relating to this plan is set out in note 24.

Units are allocated to reporting periods on a pro-rata basis from the grant date to the maturity date. Units allocated to a particular reporting period are valued on the reporting date and an employee benefit expense and an employee benefit liability are recognised at the amount of the valuation for each unit allocated.

On each reporting date, the units allocated to prior periods are revalued and the liability is adjusted to the new valuation. The movement in the liability is recognised as an employee benefits expense. This revaluation occurs until all the units are exercised or lapse.

On the exercise date where a cash bonus is paid, any difference between the cash payment and the liability in relation to those units is recognised as an adjustment to employee benefits expense in that period.

Notes to the financial statements for the year ended 30 June 2005

v) Superannuation

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

The cost of current and deferred employee compensation and contributions to employee superannuation plans were charged to the statements of financial performance.

r) Borrowing Costs

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

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

s) Cash

For the purposes of the statement of cash flows, cash includes cash deposits held at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts, and amounts held on deposit as collateral.

t) Earnings per Share

(i) Basic Earnings per Share

Basic earnings per share is determined by dividing the profit after income tax attributable to shareholders by the weighted average number of shares outstanding during the financial period.

(ii) Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share by taking into account the weighted average number of shares

assumed to have been issued for no consideration in relation to dilutive potential shares.

u) Rounding of amounts

The consolidated entity 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 financial report. Amounts in the financial report are rounded off in accordance with that Class Order to the nearest thousand dollars.

2 Segment Information

The primary business segment for the year ending 30 June 2005 was the operation of the toll roads being the Melbourne CityLink and the Hills Motorway M2 in Sydney

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

	Segment Revenues		Segment Assets		Segment Liabilities	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Victoria	558,756	530,718	4,960,906	4,843,628	5,339,046	5,126,315
New South Wales	37,980	-	425,375	-	360,739	-
	596,736	530,718	5,386,281	4,843,628	5,699,785	5,126,315

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3 Revenue				
Revenue from operating activities				
Toll revenue	291,138	248,097	-	-
Fee revenue	6,672	6,361	-	-
Advertising revenue	3,594	3,451	-	-
Management fees	116	-	-	-
Other	230	-	-	-
	301,750	257,909	-	-
Revenue from outside operating activities				
Interest	286,830	260,173	47	-
Other	8,156	12,636	-	-
	294,986	272,809	47	-
Revenue from ordinary activities	596,736	530,718	47	-

4 Loss From Ordinary Activities**Expenses**

Depreciation and amortisation

CityLink	114,513	114,842	-	-
M2	3,469	-	-	-
Other fixed assets	8,718	6,501	-	-
Total depreciation	126,700	121,343	-	-
Bad and doubtful debts – trade debtors	1,287	635	-	-
Borrowing costs				
Interest and finance charges paid/payable	310,066	286,505	-	-
Interest rate hedging charges paid/payable	15,941	11,092	-	-
	326,007	297,597	-	-
Rental expenses relating to operating leases	840	860	-	-

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
5 Income Tax				
a) The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:				
Loss from ordinary activities before income tax expense	(101,498)	(111,711)	(745)	(730)
Income tax calculated at 30% (2004-30%)	(30,449)	(33,513)	(224)	(219)
Tax effect of permanent differences:				
Infrastructure borrowing facility interest not deductible	27,561	26,439	-	-
Other	658	12	-	-
Over / (under) provision in prior years	89	-	-	-
Income tax adjusted for permanent differences	(2,141)	(7,062)	(224)	(219)
Benefit of tax losses not recognised	2,586	7,062	224	219
Income tax expense	445	-	-	-
Tax Losses				
b) Tax losses at beginning of the year	824,236	830,722	724	126
Tax (profits)/losses for the year	(34,855)	(6,486)	598	598
Tax losses at end of the year	789,381	824,236	1,322	724
Income tax liabilities				
c) Current tax payable	5,429	-	-	-
Current tax liabilities	5,429	-	-	-
Future income tax benefit – non current	(2,022)	-	-	-
Provision for deferred income tax – non-current	7,046	-	-	-
Deferred tax liabilities	5,024	-	-	-

Potential future income tax benefits at 30 June 2005 for tax losses not brought to account for the consolidated entities are \$250.2 million (2004: \$247.3 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements as described in note 1c.

The benefit of tax losses will only be realised if:

- (i) the consolidated 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 consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and,
- (iii) no changes in tax legislation adversely affect the ability of the consolidated entity in realising the benefit from the deductions for the losses.

Notes to the financial statements for the year ended 30 June 2005

The above tax position is based on the tax treatment proposed in tax ruling requests relating to borrowing costs and interentity transactions. However, the Australian taxation Office ("ATO") has not given its opinion in relation to all of these requests.

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Company financial statements have been prepared on this basis for the year ended 30 June 2005 and all prior years.

Transurban's appeal against the ATO's decision to disallow its objection to the assessment was heard before Mr Justice Merkel in the Federal Court on 3 October 2002. On 2 February 2004, Mr Justice Merkel dismissed Transurban's appeal.

Transurban lodged a Notice of Appeal against the dismissal which was heard before a Full Court of the Federal Court on 12 October 2004. The Full Court of the Federal Court unanimously ruled in favor of Transurban confirming that concession fees are deductible.

The Australian Taxation Office subsequently sought special leave to appeal to the High Court of Australia against the Full Court's decision. This was granted in April 2005. Determination of the appeal is unlikely to occur before early 2006.

Until a definitive resolution of this matter has been achieved, Transurban intends to continue preparing the Company financial statements on the basis that the concession fees are deductible. If

the High Court of Australia over turns the decision and finds in favour of the Australian Taxation Office, certain items in the financial statements will require amendment.

Tax consolidation legislation

Transurban Holdings Limited together with its wholly owned entities has elected not to implement tax consolidation legislation. The accounting policy on implementation of the legislation is set out in note 1(c).

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

6 Current Assets – Cash Assets

Cash at bank	186,623	141,060	7,903	34
	186,623	141,060	7,903	34

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

Cash at bank – as above	186,623	141,060	7,903	34
Cash collateral (see note 1l)	1,634,075	1,249,000	-	-
	1,820,698	1,390,060	7,903	34

The amount shown in Cash at Bank includes \$8.0 million required under the CityLink Concession Deed to be held in the maintenance reserve account and was not available for general use at 30 June 2005 (2004: \$8.0 million).

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
7 Current Assets – Receivables				
Trade Debtors	12,509	11,508	-	-
Less: Provision for Doubtful Debts	(1,429)	(755)	-	-
	11,080	10,753	-	-
Other Debtors	12,435	11,062	29	-
	23,515	21,815	29	-

Other debtors generally arise from transactions outside the usual operating activities of the consolidated entity, principally interest.

8 Current Assets – Other

Prepayments	24,051	882	-	-
Advances to related entities	41,558	47,148	7	1
	65,609	48,030	7	1

9 Non-current Assets – Property, Plant and Equipment

a) CityLink Fixed Assets

CityLink at cost	3,116,954	3,116,954	-	-
Less: Accumulated depreciation	(406,917)	(292,404)	-	-
	2,710,037	2,824,550	-	-

M2 Motorway Fixed Assets

M2 at cost	359,487	-	-	-
Less: Accumulated depreciation	(3,469)	-	-	-
	356,018	-	-	-

Equipment and Fittings

Equipment and fittings at cost	71,914	47,211	-	-
Less: Accumulated depreciation	(27,756)	(19,038)	-	-
	44,158	28,173	-	-

Total Property, plant and equipment	3,110,213	2,852,723	-	-
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Notes to the financial statements for the year ended 30 June 2005

Non-current assets pledged as security

Refer to note 14 for information on non-current assets pledged as security by the parent entity or its controlled entities.

b) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

	CityLink \$'000	M2 \$'000	Equipment & Fittings \$'000	Total \$'000
Consolidated – 2005				
Carrying amount at 1 July 2004	2,824,550	-	28,173	2,852,723
Additions	-	359,487	24,703	384,190
Depreciation/amortisation expense (note 4)	(114,513)	(3,469)	(8,718)	(126,700)
Carrying amount at 30 June 2005	2,710,037	356,018	44,158	3,110,213

Parent Entity – 2005

Carrying amount at 1 July 2004	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation/amortisation expense (note 4)	-	-	-	-
Carrying amount at 30 June 2005	-	-	-	-

Consolidated		Parent Entity	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

10 Non-current Assets – Financial Assets

Non-traded investments

Shares in controlled entities	-	-	75,100	5,100
	-	-	75,100	5,100

Other financial assets

Loan to Transurban Finance Trust	2,000,321	1,780,000	-	-
	2,000,321	1,780,000	75,100	5,100

The investment in controlled entities represents 100 per cent of the issued capital of CityLink Melbourne Limited, \$5.1 million (incorporated in Australia), and 100 per cent of the issued capital of Hills Motorway Limited, \$70.0 million (incorporated in Australia).

Consolidated

Parent Entity

Notes to the financial statements for the year ended 30 June 2005

	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
11 Current Liabilities – Payables				
Trade creditors	6,900	5,249	21	2
Other creditors	52,309	54,618	23	19
	59,209	59,867	44	21

12 Current Liabilities – Non-interest Bearing Liabilities

Prepaid tolls	21,079	20,121	-	-
Unearned income	1,170	484	-	-
Advances from related parties	11,468	511	7,996	511
	33,717	20,632	7,996	511

13 Current Liabilities – Provisions

Employee entitlements	907	1,625	-	-
	907	1,625	-	-

14 Non-current Liabilities – Interest Bearing Liabilities

Secured

Land Transport Notes	396	248	-	-
Infrastructure Loan facility	795,000	795,000	-	-
Less: Cash collateral (note 1l)	(795,000)	(795,000)	-	-
Infrastructure Note facility	454,000	454,000	-	-
Less: Cash collateral (1l)	(454,000)	(454,000)	-	-
Refinancing Infrastructure Bonds	385,075	-	-	-
Less: Cash collateral (note 1l)	(385,075)	-	-	-
Tranche B Debt	-	510,000	-	-
Capital Markets Debt	1,340,000	1,190,000	-	-
Subordinated Debt Facility	-	80,000	-	-
U.S Private Placement	396,080	-	-	-
Working Capital Facilities	252,500	-	-	-
Advance from Hills Motorway Trust	336,167	-	-	-
Advance from CityLink Trust	1,432,310	1,478,980	-	-
	3,757,453	3,259,228	-	-

Notes to the financial statements for the year ended 30 June 2005

Set-off of Assets and Liabilities

A legal right of set-off exists in respect of the specific cash deposits of \$795.0 million, representing collateralisation of liabilities under the Infrastructure Loan facility, \$454.0 million, representing collateralisation of liabilities under the Infrastructure Note facility and \$385.0 million representing collateralisation of the Refinancing Infrastructure Bonds.

Financing Arrangements and Credit Facilities

Credit facilities are provided as part of the overall debt funding structure of the consolidated entity.

Details of each facility are as follows:

- a) Land Transport Notes**
- The class A land Transport Notes were repaid on 30 June 2004. The class B Land Transport Notes are carried at a present value of \$0.4 million (2004: \$0.2 million) and will be repaid no later than 30 days prior to the last day of the concession period.
- b) Infrastructure Loan Facility**
- \$795.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set off against the loan liability. The principal of the Infrastructure Loan facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2005.
- c) Infrastructure Note Facility**
- \$454.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the infrastructure note facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2005.
- d) Refinancing Infrastructure Bonds**
- \$385.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds are secured by cash collateral equal to the amount of the loan which is set off against the loan facility, the principal of the refinancing bonds will be repaid from the cash collateral on 31 December 2009. The facility was fully drawn down as at 30 June 2005.
- e) Capital Markets Debt**
- Comprises bonds issued by Transurban Finance Company with terms of 3, 5, and 7 years from 8 August 2002. An additional \$150.0 million was raised in December 2004 through the issuance of non-credit wrapped fixed rate Medium Term Notes.
- These facilities are secured by a first ranking charge over the cash flows of the Melbourne CityLink Project.

	Maturing 2005 \$'000	Maturing 2007 \$'000	Maturing 2009 \$'000	Total \$'000
Fixed interest rate				
Credit wrapped	175,000	-	-	175,000
Non-credit wrapped	260,000	-	150,000	410,000
	435,000	-	150,000	585,000
Floating interest rate				
Credit wrapped ⁽¹⁾	65,000	240,000	360,000	665,000
Non-credit wrapped	90,000	-	-	90,000
	155,000	240,000	360,000	755,000
Total Capital Markets Debt	590,000	240,000	510,000	1,340,000

⁽¹⁾ The Group has the option to redeem the 3 year and 7 year maturities after 3 years.

Notes to the financial statements for the year ended 30 June 2005

The debt due for repayment on the 8 August 2005 was refinanced on 10 August 2005 by US \$380.0 million (AUD \$500.0 million) and AUD \$90.0 million from existing facilities. This replacement debt matures between 2015-2020.

f) U.S. Private Placement

The Tranche B bank debt facility was replaced with a US Private Placement consisting of medium and long term debt facilities on 7 December 2004. The placement consists of four tranches with maturities ranging from December 2014 to December 2019.

The composition of the US Private Placement is outlined below:

	USD \$'000	AUD \$'000	Maturity
Fixed Interest Rate			
Tranche A	100,000	130,942	December 2014
Tranche B	38,900	50,936	December 2016
Tranche C	108,600	142,202	December 2019
Total	247,500	324,080	
Floating Interest Rate			
Tranche D	-	72,000	December 2019
Total	-	72,000	
Total US Private Placement	247,500	396,080	

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

g) Working Capital Facilities

During the year, the following facilities were entered into:

- \$150.0 million facility which is for a term of 3 years from 18 March 2005. At 30 June 2005, \$82.5 million of this facility was drawn-down.
- \$450.0 million facility which is composed of two Tranches from 27 June 2005. Tranche A (\$255 million) which is for a term of 3 years and Tranche B (\$195.0 million) which is for a term of 5 years. At 30 June 2005, \$170.0 million of the Tranche A facility was drawn-down. The Tranche B facility remained unused.

The \$150 million and \$450 million facilities are secured by a first ranking charge over the cash flows of the Transurban Group.

h) Advance from Hills Motorway Trust

The advance is subordinated to the term debt facility and is segregated into two loans; a debenture loan and an infrastructure loan. Interest is payable by Hills Motorway Limited quarterly in arrears at fixed interest rates of 12.0 per cent and 11.0 per cent per annum.

i) Advance from CityLink Trust

The advance is subordinated to the bank and capital markets facilities and is set at terms agreed between CityLink Melbourne Limited and the responsible entity of the CityLink Trust. A portion of the advance is presently non-interest bearing at the discretion of the CityLink Trust. The consolidated entity has recorded the non-interest bearing portion at face value as it is unable to reliably determine its present value.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Loans				
Total facilities	3,970,155	3,079,248	-	-
Used at balance date	3,622,655	3,029,248	-	-
Unused at balance date	347,500	50,000	-	-

15 Non-current Liabilities – Non-interest Bearing Liabilities

Advance from CityLink Trust (refer note 14i)	1,576,600	1,576,600	-	-
Forward Exchange Contract	11,741	-	-	-
Concession Notes	249,103	207,681	-	-
	1,837,444	1,784,765	-	-

CityLink Melbourne Limited issues Concession Notes annually in satisfaction of its obligations to pay Concession Fees to the State of Victoria ("the State") equal to \$95.6 million. The notes are due for redemption at the end of the Concession Period, but may be presented earlier where a Notional Initial Equity Investor has achieved a real after tax internal rate of return on its equity investment in the Project equal to 10.0 per cent per annum. Once the threshold rate of return is achieved, subsequent Concession Note payments are limited to not more than 30.0 per cent of the distributable

cash flow for the previous year. Based on forecast cash flows, which assume that concession fees are deductible as incurred, the first Concession Note payment is presently expected to occur in the 2012 financial year.

Concession Notes have been included in the Financial Report as non-interest bearing liabilities at the present value of the expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of CityLink, the present value of the expected future repayments

is determined using a discount rate of 12.0 per cent which recognises their subordinated nature.

The face value of Concession Notes on issue at 30 June 2005 is \$891.7 million (2004: \$796.1 million). The Net Present Value at 30 June 2005 of the redemption payments relating to these Concession Notes is \$249.1 million (2004: \$207.7 million). The indicative timing of these redemption payments is set out in the following table.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Concession note redemption				
Estimated Concession Note payments				
Within five years	-	-	-	-
Later than 5 years but not later than 10 years	263,334	155,152	-	-
Later than 10 years but not later than 15 years	628,320	525,903	-	-
Later than 15 years but not later than 20 years	-	114,999	-	-
	891,654	796,054	-	-

Notes to the financial statements for the year ended 30 June 2005

Reconciliation

Reconciliation of movement in the Concession Note liability during the year.

	2005 \$'000	2004 \$'000
Consolidated		
Concession Note liability at beginning of the year	207,681	170,696
Concession Notes issued during the year	95,600	95,600
Valuation adjustments for the year:		
Charge for Concession Notes on issue at beginning of the year	24,851	20,483
Credit for Concession Notes issued during the year	(79,029)	(79,098)
Concession Note liability at end of the year	249,103	207,681

Parent

Concession Note liability at beginning of the year	-	-
Concession Notes issued during the year	-	-
Valuation adjustments for the year:		
Charge/(credit) for Concession Notes on issue at beginning of the year	-	-
Credit for Concession Notes issued during the the year	-	-
Concession Note liability at end of the year	-	-

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
16 Non-current Liabilities – Provisions				
Directors' retirement	593	198	593	133
Employee benefits	9	-	-	-
	602	198	593	133

Notes to the financial statements for the year ended 30 June 2005

17 Contributed Equity

	Parent Entity		Parent Entity	
	2005 Shares '000	2004 Shares '000	2005 \$'000	2004 \$'000
a) Share capital				
Fully paid shares	791,416	532,630	76,007	5,326
	791,416	532,630	76,007	5,326

b) Date	Details	Notes	Number of Shares '000	Issue Price	\$'000
1 July 2004	Opening Balance		532,630	-	5,326
7 Sept 2004	Exercise of April 2001 Options	e	449	\$0.0100	4
7 Sept 2004	Exercise of April 2002 Options	e	63	\$0.0100	1
7 Sept 2004	Exercise of May 2002 Options	e	63	\$0.0100	1
8 Oct 2004	Dividend Reinvestment Plan Issue	d	6,024	\$0.0100	60
26 Nov 2004	Exercise of April 2001 Options	e	60	\$0.0100	1
26 Nov 2004	Exercise of May 2002 Options	e	30	\$0.0100	-
24 Dec 2004	Exercise of February 2002 Options	e	90	\$0.2800	25
21 Jan 2005	Exercise of April 2001 Options	e	129	\$0.2800	36
16 Feb 2005	Exercise of April 2001 Options	e	132	\$0.2800	37
16 Feb 2005	Exercise of May 2002 Options	e	10	\$0.2800	3
12 Apr 2005	Hills Motorway Group Acquisition	f	249,901	\$0.2801	70,000
1 June 2005	Exercise of May 2002 Options	e	46	\$0.2800	13
2 June 2005	Exercise of April 2001 Options	e	150	\$0.2800	42
2 June 2005	Exercise of May 2002 Options	e	46	\$0.2800	13
7 June 2005	Exercise of May 2002 Options	e	142	\$0.2800	40
8 June 2005	Exercise of October 2001 Options	e	500	\$0.2800	140
8 June 2005	Exercise of May 2002 Options	e	99	\$0.2800	28
8 June 2005	Exercise of April 2001 Options	e	121	\$0.2800	34
9 June 2005	Exercise of April 2001 Options	e	250	\$0.2800	70
9 June 2005	Exercise of May 2002 Options	e	46	\$0.2800	13
15 June 2005	Exercise of April 2001 Options	e	202	\$0.2800	56
15 June 2005	Exercise of May 2002 Options	e	233	\$0.2800	65
30 June 2005	Closing Balance		791,416		76,007

Notes to the financial statements for the year ended 30 June 2005

The shares issued form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holdings Limited, with the remaining value apportioned to Transurban Holding Trust.

c) Shares

Shares entitle the holder to participate in distributions and the winding up of Transurban Holdings Limited in proportion to the number of and amounts paid on the shares held. In the event that Transurban Holdings Limited and Transurban CARS Trust are wound up simultaneously, then holders of Transurban CARS securities would rank ahead of Transurban Holdings Limited shares.

On a show of hands every holder of shares present at a meeting in person or by proxy, is entitled to one vote.

d) Distribution reinvestment plan

The Transurban Group has established a distribution reinvestment plan under which holders of Stapled Securities may elect to have all or part of their distribution entitlements satisfied by the issue of new Stapled Securities rather than by cash. Securities are issued under the plan at a 2.5 per cent discount to the market price and include a share in Transurban Holdings Limited. A decision to suspend the DRP until further notice was made and reported to the ASX on 23 February 2005.

e) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 24.

f) Hills Motorway Group Acquisition

The consideration given to holders of Hills Motorway Group securities on acquisition by the Transurban Group consisted of 1.47.0 Transurban Group stapled securities and a cash component of 25.0 cents per Hills Motorway Group security.

18 Accumulated Losses

Accumulated losses

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Accumulated losses at the beginning of the financial year	(288,013)	(176,302)	(856)	(126)
Net losses from the current year	(101,498)	(111,711)	(745)	(730)
Accumulated losses at the end of the financial year	(389,511)	(288,013)	(1,601)	(856)

19 Financial Instruments

The consolidated entity is party to financial instruments with off-balance sheet risks in the normal course of business in order to hedge exposure to interest rate fluctuations. These instruments are not included in the assets or liabilities (as the case may be) of the entity, except to the extent detailed hereunder.

Interest rate swap contracts

It is company policy to protect floating rate facilities from exposure to increasing interest rates. Accordingly, the consolidated entity 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. The contracts are settled on a net basis and the net amount receivable or payable at

the reporting date is included in other debtors or other creditors.

Swaps currently in place cover approximately 98.0 per cent (2004: 86.0 per cent) of the non-related party floating rate loan principal outstanding.

At 30 June 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
1- 5 years	132,000	-	-	-
Greater than 5 years	1,160,021	1,160,000	-	-
	1,292,021	1,160,000	-	-

Cross-currency interest rate swap contracts

The U.S. Private Placement in December 2004 involved raising fixed rate USD debt. It is company policy to protect foreign currency facilities from exposure to unfavourable exchange rate movements. Accordingly, the entity has entered into cross-currency interest rate swap contracts under which it is obliged to receive foreign currency

interest at fixed rates and to pay AUD interest at floating rates.

Swaps currently in place cover 100 per cent of the foreign currency facilities.

These contracts are marked to market by comparing the contractual rate to the current market rate. As these contracts are hedging anticipated principal and interest payments, any unrealised gains and losses on the contracts, are deferred and will be recognised in

the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

The following gains, losses and costs have been deferred at 30 June 2005:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Notional Amount	335,821	-	-	-
Unrealised loss (note 15)	(11,741)	-	-	-
	324,080	-	-	-

Interest rate risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table.

Notes to the financial statements for the year ended 30 June 2005

2005		Floating interest rate	Fixed Interest Maturity in:		Non interest bearing	Total
	Note	\$'000	1 year or less \$'000	between 1 and 5 years \$'000	more than 5 years \$'000	\$'000
Financial Assets						
Cash	6	186,623	-	-	-	186,623
Sundry debtors	7	-	-	-	-	23,515
Advances to related parties	8	-	-	-	-	41,558
Loan to Transurban Finance Trust	10	1,415,321	435,000	150,000	-	2,000,321
Total Financial Assets		1,601,944	435,000	150,000	-	2,252,017
Weighted average interest rate		6.10%	6.25%	6.00%	-	
Financial Liabilities						
Trade and other creditors	11	-	-	-	-	59,209
Prepaid tolls	12	-	-	-	-	21,079
Advance from CityLink Trust	14,15	1,432,310	-	-	-	1,576,600
Advance from Hills Motorway Trust	14	-	-	-	336,167	-
Advances from related parties	12	-	-	-	-	11,468
Land Transport Notes	14	-	-	-	396	-
Cash Advance facilities	14	252,500	-	-	-	-
US Private Placement	14	72,000	-	-	324,080	-
Cross-currency interest rate swaps	19	335,821	-	-	(335,821)	-
Forward Exchange Contract	15	-	-	-	11,741	-
Capital Markets Debt	14	755,000	435,000	150,000	-	-
Concession Notes	15	-	-	-	-	249,103
Infrastructure Note facility	14	-	-	1,634,075	-	-
Cash collateral	14	-	-	(1,634,075)	-	-
Interest rate swaps	19	(1,292,021)	-	132,000	1,160,021	-
Total Financial Liabilities		1,555,610	435,000	282,000	1,496,584	1,917,459
Weighted average interest rate		6.31%	6.25%	7.46%	7.38%	
Net Financial (Liabilities)		46,334	-	(132,000)	(1,496,584)	(1,852,386)
						(3,434,636)

Notes to the financial statements for the year ended 30 June 2005

2004		Floating interest rate	Fixed Interest Maturity in:		Non interest bearing	Total
	Note	\$'000	1 year or less \$'000	between 1 and 5 years \$'000	more than 5 years \$'000	\$'000
Financial Assets						
Cash	6	141,060	-	-	-	141,060
Sundry debtors	7	-	-	-	21,815	21,815
Advances to related parties	8	-	-	-	47,148	47,148
Loan to Transurban Finance Trust	10	1,345,000	-	435,000	-	1,780,000
Total Financial Assets		1,486,060	-	435,000	68,963	1,990,023
Weighted average interest rate						
		6.10%	-	6.25%	-	
Financial Liabilities						
Trade and other creditors	11	-	-	-	59,867	59,867
Prepaid tolls	12	-	-	-	20,121	20,121
Advance from CityLink Trust	14,15	1,478,980	-	-	1,576,600	3,055,580
Advances from related parties	12	-	-	-	511	511
Land Transport Notes	14	-	-	-	248	248
Tranche B Debt	14	510,000	-	-	-	510,000
Capital Markets Debt	14	755,000	-	435,000	-	1,190,000
Sub Debt Facility	14	80,000	-	-	-	80,000
Concession Notes	15	-	-	-	207,681	207,681
Infrastructure Note facility	14	-	-	1,249,000	-	1,249,000
Cash collateral	14	-	-	(1,249,000)	-	(1,249,000)
Interest rate swaps	19	(1,160,000)	-	1,160,000	-	-
Total Financial Liabilities		1,663,980	-	1,595,000	248	1,864,780
Weighted average interest rate						
		6.02%	-	2.89%	6.55%	
Net Financial (Liabilities)		(177,920)	-	(1,160,000)	(248)	(1,795,817)
						(3,133,985)

Notes to the financial statements for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Reconciliation of Net Financial Liabilities to Net Liabilities			
Net financial liabilities as above		(3,434,636)	(3,133,985)
Non-financial assets and liabilities			
– Property, plant and equipment	9	3,110,213	2,852,723
– Other assets	8	24,051	882
– Other liabilities	5, 12, 13, 16	(13,132)	(2,307)
Net liabilities per balance sheet		(313,504)	(282,687)

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets is the carrying amount net of any provisions for doubtful debts.

The valuation of interest rate swaps reflects the estimated amounts which the entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates as at 30 June 2005.

Non-executive directors

Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Net fair values of financial assets and liabilities

The carrying amount and net market value of financial assets and liabilities brought to account at balance date are the same.

The aggregate net fair value of interest rate swaps not recognised in the balance sheet (refer note 1p) held at 30 June 2005 is a liability of \$42.7 million (2004: \$0.3 million).

As these contracts are hedging anticipated future interest payments and foreign exchange movements, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

20 Director and Executive Disclosures

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Holdings Limited during the financial year:

Chairman – non-executive

Laurence G Cox

Executive directors

Kimberley Edwards
Geoffrey R Phillips ⁽²⁾

- ⁽¹⁾ Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report.
⁽²⁾ Geoffrey R Phillips resigned from the position of executive director on 26 July 2005.

Specified Executives

The following person is the sole executive with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year.

Name	Position
Brendan Bourke	CEO CityLink Melbourne Limited

Notes to the financial statements for the year ended 30 June 2005

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. Non-executive directors are not provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the lesser. This policy

was reviewed in April 2003 and it was resolved to continue the policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

- To secure employees with the skills and experience necessary to meet business objectives;
- To motivate employees to the highest levels of performance; and
- To align employee incentives with increased shareholder value.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and group performance and rewards.

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

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI"). Until 30 June 2005, LTIs were provided via either the Executive

Option Plan or the Executive Long Term Incentive Plan. Revised LTI arrangements have been introduced for the period beyond 30 June 2005.

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

The incentive component of executive remuneration is primarily determined by financial performance relative to short-term profitability targets and by Total Shareholder Return relative to the companies comprising the ASX200 index over the longer term.

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

The components of executive remuneration are described below:

Base Pay

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

Notes to the financial statements for the year ended 30 June 2005

Benefits

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

Short-term Incentives

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

- The extent to which a profit-related Financial Performance Measure ("FPM") is achieved; and
- The extent to which the executive has achieved his/her Key Performance Indicators ("KPIs").

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

The intent of the adjustment for the extent to which the FPM is achieved is to ensure that STI payments are only made when value has been created for security holders and profit is consistent with the business plan.

Each year, the FPM and the KPIs for senior executives are established by the Nomination & Remuneration Committee, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by

the Board based on recommendations made by the Nomination & Remuneration Committee.

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

Business Generation Incentive Plan

The Group also operates a Business Generation Incentive Plan ("BGIP") in which executives may participate, depending upon their level of involvement in generating new business. The BGIP provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture. The BGIP is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Long Term Incentives

Two forms of Long-term Incentives ("LTI") are currently in operation. The Executive Option Plan ("EOP") provides equity rewards, while the Executive Long Term Incentive Plan ("ELTIP") provides cash rewards linked to equity performance. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further

issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period when all options issued under the EOP had vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Compensation".

A further review of the options available to provide executives with LTIs was undertaken in the current year and as a result a revised Plan will be introduced later in the year. The objective of the revised Plan is to implement a more cost effective Plan to the Group for a given amount of incentive. In addition, the revised Plan will take into consideration those Plans which have been introduced by a number of other companies whose equity securities are stapled.

Security Ownership Plan

Executives may elect to participate in the Employee Security Ownership Plan on the same basis as that offered to all permanent employees. Executive Directors do not currently participate in the Plan.

Details of remuneration

Details of the remuneration of each director of Transurban Holdings Limited and the specified executive of the consolidated entity, including their personally related entities, are set out in the following tables. The Long Term Incentives and Options granted, relate to the Transurban Group as a whole. There is no apportionment between Group entities. As a reasonable basis of apportionment is not available, the full amount has been disclosed.

Notes to the financial statements for the year ended 30 June 2005

Directors of Transurban Holdings Limited

2005	Primary			Post-employment		Equity	Options ⁽²⁾	Total
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	83,042	-	-	-	6,354	52,549	-	141,945
P C Byers	28,964	-	-	-	2,607	24,510	-	56,081
J G A Davis	22,691	-	-	-	23,571	24,662	-	70,924
S M Oliver	27,856	-	-	-	2,507	25,604	-	55,967
G O Cosgriff	33,008	-	-	-	2,971	14,639	-	50,618
D J Ryan	43,336	-	-	-	3,900	-	-	47,236
K Edwards	-	-	2,545,620	-	-	-	183,999	2,729,619
G R Phillips	-	-	-	-	-	-	61,333	61,333
Total	238,897	-	2,545,620	-	41,910	141,964	245,332	3,213,723

2004	Primary			Post-employment		Equity	Options ⁽²⁾	Total
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits		
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	82,514	-	-	-	7,426	51,940	-	141,880
P C Byers	31,794	-	-	-	2,861	15,743	-	50,398
J G A Davis	29,699	-	-	-	3,966	12,463	-	46,128
S M Oliver	31,492	-	-	-	2,834	14,581	-	48,907
G O Cosgriff	28,464	-	-	-	2,562	34,905	-	65,931
D J Ryan	37,346	-	-	-	3,361	-	-	40,707
K Edwards	-	-	204,528	-	-	-	184,503	389,031
G R Phillips	-	-	-	-	-	-	61,501	61,501
Total	241,309	-	204,528	-	23,010	129,632	246,004	844,483

Notes to the financial statements for the year ended 30 June 2005

Specified executive of the consolidated entity

Name	Cash salary and fees	Primary		Non-monetary benefits	Post-employment	Equity	Total
		Cash Bonus	Long Term Incentive ⁽¹⁾		Super-annuation	Options ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$
B Bourke	385,342	230,000	485,490	7,300	46,660	35,791	1,190,583

Name	Cash salary and fees	Primary		Non-monetary benefits	Post-employment	Equity	Total
		Cash Bonus	Long Term Incentive ⁽¹⁾		Super-annuation	Options ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$
B Bourke	332,057	150,000	38,499	15,942	42,943	43,664	623,105

⁽¹⁾ The amount shown as Long Term Incentive is that part of the units issued under the ELTIP which is attributable to the current year portion of the vesting period for each current allocation.

⁽²⁾ No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Executive Directors and Executives in prior financial years. The amounts disclosed as remuneration in the current year is that part of the value of the options which is attributable to the current year portion of the vesting period.

Service agreements

Remuneration for the Managing Director, the Deputy Managing Director and the sole executive specified above are formalised in service agreements. Each of these agreements provides for access to performance-related cash bonuses, other benefits including death and disability insurance, salary continuance insurance and car parking, and participation, when eligible, in the Employee Share Ownership Plan, the Executive Option Plan, the Executive Long Term Incentive Plan and the Business Generation Incentive Plan. Other major provisions of the agreements, relating to remuneration, are set out below:

Executive Directors

K Edwards, Managing Director

- Term of Agreement – permanent, subject to 3 months notice of termination by either party;

- Fixed remuneration including base salary and superannuation, for the year ended 30 June 2005 of \$1,250,000 to be reviewed annually by the remuneration committee and the Board; and
- On 25 July 2005, the terms of Mr Edwards' service agreement was varied to provide for one year's fixed remuneration upon termination.

G R Phillips, Deputy Managing Director

- Term of Agreement – until 31 July 2005;
- Base salary, including superannuation, for the year ended 30 June 2005 of \$550,000; and
- On 26 July 2005, Mr Phillips' service agreement was varied to provide for a termination benefit of \$990,000 in recognition of his long

service to the Group and his non-participation in the Executive Long Term Incentive Plan.

Other Executive

The major provisions contained in the service agreement of the sole executive listed in the table under the section headed 'Details of Remuneration' is as follows:

- Term of agreement – permanent, subject to termination on 3 months' notice by either party;
- Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long Term Incentive Plan; and
- Total Employment Cost is reviewed annually by the Nomination and Remuneration Committee

Notes to the financial statements for the year ended 30 June 2005

Share-based compensation – options

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

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

Options are issued at no cost to the option holder and vest in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise of the options is subject to an Exercise Condition. The Exercise Condition involves a comparison between Total Shareholder Return ("TSR") of The Transurban Group's Stapled Securities over the two years prior to a vesting date of options and the TSR of each of the other companies in the S&P/ASX 200 Industrials index as at the end of the relevant Exercise Condition Test Period which have been in the S&P/ASX 200 Industrials for the full term of the Exercise Condition Test Period ("Test Companies") measured over the same period.

The Transurban Group and each of the Test Companies are ranked according to their respective TSRs over the Exercise Condition Test Period. The ranking determines the proportion of vested options that may be exercised. The proportion is zero if Transurban's TSR ranking is below the 25th percentile. If Group's TSR is between the 25th and 65th percentile, the proportion increases linearly from 40.0 per cent to 100 per cent. If Transurban's TSR ranking is above the 65th percentile, the proportion is 100 per cent.

The exercise price of options is the volume weighted average price of the Group's stapled securities over the period of five business days immediately prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

The amounts disclosed as remuneration relating to options in the tables in the section above headed "Details of Remuneration" are the assessed fair values of the options granted to executive directors and other executives, allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined, using a Black-Scholes derived option valuation model taking into consideration the exercise price, the term of the option, the market price of Transurban Group Stapled Securities on the date of grant, the expected price volatility of Transurban Group Stapled Securities, expected future distributions and the risk free rate of interest over the term of the options.

Share-based compensation – Executive long term incentive ("ELTI") plan

The ELTI plan was introduced in 2003 to provide long term incentives to executive directors and executives in the period after issued options have fully vested.

Under the long term incentive plan, participants are allocated "ELTI units". Each ELTI unit entitles the holder to a cash payment on the maturity date, which is approximately two years after the date of allocation. The cash payment per unit will be equal to the increase in the stapled security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on Transurban's ranking in the Total Shareholder Returns ("TSRs") of the ASX 200 Industrials over the two years prior to maturity. If Transurban's TSR ranking is below the 40th percentile, no payment will be made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25.0 per cent to 100 per cent. If Transurban's TSR ranking is above the 70th percentile, the proportion is 100 per cent.

Notes to the financial statements for the year ended 30 June 2005

The terms and conditions of each grant of long term incentive plan units affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

Name	Number of ELTIs granted during the year	Number of ELTIs paid during the year
Directors of Transurban Holdings Limited		
K Edwards	800,000	-
G Phillips	-	-
Specified executive of the consolidated entity		
B Bourke	160,000	-

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Transurban Holdings Limited and the sole specified executive of the consolidated entity are set out below. Further information on options is set out in note 24.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Transurban Holdings Limited		
K Edwards	-	500,000
G R Phillips	-	166,667
Specified executive of the consolidated entity		
B Bourke	-	116,667

Shares provided on exercise of remuneration options

Details of stapled securities (including a share in the company) provided as a result of the exercise of remuneration options to each director of the Transurban Holdings Limited and the specified executive are set out below.

Notes to the financial statements for the year ended 30 June 2005

Name	Date of exercise of options	Number of ordinary securities issued on exercise of options during the year
Directors of Transurban Limited		
K Edwards	-	-
G R Phillips	8 June 2005	500,000
Specified executive of the consolidated entity		
B Bourke	7 September 2004	100,000
	9 June 2005	250,000

The amounts paid per stapled security by each director and executive on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per stapled security
7 September 2004	\$3.817
8 June 2005	\$4.404
9 June 2005	\$3.817

No amounts are unpaid on any shares issued on the exercise of options.

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Transurban Holdings Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Transurban Holdings Limited					
K Edwards	1,500,000	-	-	1,500,000	1,500,000
G R Phillips	500,000	-	500,000	-	-
Specified executive of the consolidated entity					
B Bourke	350,000	-	350,000	-	-

Notes to the financial statements for the year ended 30 June 2005

Share holdings

The number of Transurban Group Stapled Securities and Convertible Adjusting Rate Securities ("CARS") held during the financial year by each director of Transurban Holdings Limited and the specified executive of the consolidated entity, including their personally-related entities, are set out below.

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Holdings Limited				
L G Cox	775,000	-	367,500	1,142,500
P C Byers	50,000	-	20,580	70,580
G O Cosgriff	24,910	-	-	24,910
J G A Davis	50,000	-	-	50,000
S M Oliver	60,993	-	1,547	62,540
D J Ryan	21,043	-	534	21,577
K Edwards	61,000	-	-	61,000
G R Phillips	-	500,000	8,820	508,820

Specified executive of the consolidated entity

B Bourke	5,493	350,000	2,217	357,710
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CARS

Directors of Transurban Holdings Limited

L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
G R Phillips	-	-	-	-

Specified executive of the consolidated entity

B Bourke	400	-	-	400
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Notes to the financial statements for the year ended 30 June 2005

Other transactions with directors and specified executives

Mr Cox is a director of Macquarie Corporate Finance Ltd (a wholly owned subsidiary of Macquarie Bank Ltd), which was involved in the financial arrangements concerning the Land Transport Notes. Mr. Cox holds 51,188 class B Land Transport Notes.

All directors of the consolidated entity are also directors of Transurban Limited, Roam Tolling Limited, Transurban Infrastructure Management Limited, the Responsible Entity of the Hills Motorway Trust.

All of the directors of the consolidated entity were also directors during the year and until their date of resignation on 26 July 2005 of CityLink Melbourne Limited. Transurban Limited employs all of the staff who work within the Transurban Group and provides their services to all Transurban Group entities. CityLink Melbourne Limited reimbursed Transurban Limited for the employee costs incurred in the operation of CityLink Melbourne Limited.

The consolidated entity pays Management Fees and IT Development Services Fees to Transurban Limited and leases equipment from Roam Tolling Ltd.

It provides loans to Transurban Finance Trust in which interest and related fees are charged and pays rent for land to the CityLink Trust and interest on loans from the CityLink Trust.

Hills Motorway Limited rents land from the Hills Motorway Trust and pays interest on loans provided by the Trust

The aggregate amounts of each of the above types of other transactions with directors of Transurban Holdings Limited:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts recognised as revenue				
Interest	122,913	112,695	-	-
Other finance charges	7,604	3,681	-	-
	130,517	116,376	-	-
Amounts recognised as expenses				
Rent	127,709	111,272	-	-
Interest	98,651	87,246	-	-
Employment services	15,733	-	-	-
Equipment lease	696	-	-	-
Management Fees	4,124	3,888	-	-
IT Development	3,647	5,000	-	-
	250,560	207,406	-	-

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Holdings Limited:

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current receivables	41,558	47,148	-	-
Non-current receivables	2,000,321	1,780,000	-	-
	2,041,879	1,827,148	-	-

Aggregate amounts payable to directors of Transurban Holdings Limited at balance date relating to the above types of other transactions:

Current payables	11,468	511	7,996	511
Non-current payables	3,345,077	3,055,580	-	-
	3,356,545	3,056,091	7,996	511

21 Auditors Remuneration

During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms.

	Consolidated		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
Assurance services				
Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001	171,100	141,245	42,900	21,384
Fees paid to non PricewaterhouseCoopers audit firms audit or review of financial reports	20,000	-	-	-
Total remuneration for audit services	191,100	141,245	42,900	21,384
Taxation services				
Tax compliance services, including review of income tax returns	65,935	16,175	5,180	-
Indirect taxation services	171,204	-	-	-
Total remuneration for taxation services	237,139	16,175	5,180	-

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice.

Notes to the financial statements for the year ended 30 June 2005

22 Contingent Liabilities/Assets

Contingent Liability

In May 2003, VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately \$5.0 million for rectification works associated with the Swan Street Bridge. CityLink Melbourne Limited does not believe that it has any liability to VicRoads to pay those costs. In January 2005, VicRoads served a writ in the Supreme Court of Victoria on CityLink Melbourne Limited and the

entities forming the Transfield Obayashi joint venture, claiming certain damage was sustained by the Swan Street Bridge. VicRoads claim that this damage was due to tunnelling, roadworks and associated infrastructure works on and in the vicinity of the Swan Street Bridge, arising from the Melbourne CityLink project. The parties are currently discussing the claim.

Contingent Asset

CityLink Melbourne Limited ("CML") has made a claim against the State of Victoria, claiming that the construction

of Wurundjeri Way, other changes to the road network in the Docklands precinct, and certain alterations to the West Gate Freeway, have a Material Adverse Effect within the meaning of the Concession Deed. The value of the claim has been assessed by CML as approximately \$36.6 million (net present value as at May 2002). The claim will be heard by a panel of arbitrators. If CML succeeds in the arbitration, an entirely separate process will take place to determine the appropriate method of compensation to be provided by the State.

23 Commitments

Lease commitments

Commitments for minimum payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Within one year	11	69	-	-
Later than one year but not later than 5 years	-	-	-	-
Later than 5 years	-	-	-	-
	11	69	-	-

Concession Fees

The Melbourne CityLink Concession Deed between the Transurban Group and the State of Victoria provides for annual concession fees of \$95.6 million during the construction phase and for the first 25 years of the operations phase, \$45.2 million for years 26 to 34 of the operations phase and \$1 million thereafter if the concession continues beyond year 34. Until a certain threshold return is achieved,

payments of concession fees due under the Concession Deed will be satisfied by means of the issue of non-interest bearing Concession Notes to the State. Refer to note 15 for details.

24 Employee Benefits

On 1 July 2004, all employees of CityLink Melbourne Limited were transferred to Transurban Limited. All remuneration is paid by Transurban Limited with

associated costs reimbursed by CityLink Melbourne Limited. For full disclosure on the Transurban Group employees, see the Financial Report of Transurban Limited and the Transurban Group.

With the exception of employee benefits and related on-costs detailed below, there are no employee benefits reported for the year ended 30 June 2005.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Employee benefit and related on-costs liabilities				
Current (note 13)	907	1,625	-	-
Non-current (note 16)	602	198	593	133
	1,509	1,823	593	133

The amounts above represent Directors retirement and short-term incentive payments for the achievement of company and individual performance. The incentive payment will be re-charged by Transurban Limited.

	Number 2005	Number 2004	Number 2005	Number 2004
Employee numbers				
Average number of employees during the financial year	-	293	-	-

a) Transurban Group Employee Option Plan

Set out below are summaries of options granted under the plan in 2004.

Consolidated and parent – 2004

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
26 April 2001	30 April 2006	\$3.817	2,100,000	-	95,700	-	2,004,300
23 October 2001	31 October 2006	\$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	\$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	\$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	\$4.220	1,550,000	-	-	50,000	1,500,000
Total			6,350,000	-	95,700	50,000	6,204,300

b) Employee share scheme

The Transurban Employee Security Ownership Plan ("the Plan") was introduced in March 2002. The scheme offers employees the opportunity to participate in the success of the Company by investing in securities of the Group.

All current full-time and permanent part-time (excluding directors) and fixed term staff on contracts greater than 12 months are eligible to participate. Offers under the scheme are at the discretion of the Transurban Group, taking into account the Group's success and market performance.

Securities issued under the scheme may only be sold once the employee has ceased employment with the Group. In all other aspects the Stapled Securities rank equally with other fully-paid securities on issue.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 Number	2004 Number	2005 Number	2004 Number
Shares purchased on market under the plan and provided to participating employees	-	40,440	-	40,440

c) Employee Long Term Incentive ("ELTI") Plan

Set out below is detail on ELTIs granted under the plan in 2004.

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

25 Related Party Information**Directors and specified executives**

Disclosures relating to directors and specified executives are set out in note 20.

Wholly-owned group

The wholly-owned group consists of Transurban Holdings Limited and its wholly-owned entities. Ownership interests in these controlled entities are set out in note 26.

Transactions between Transurban Holdings Limited and other entities in

the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

- (a) loans from CityLink Melbourne Limited.
- (b) loans advanced by Transurban Holdings Limited.

	Parent Entity	
	2005 \$'000	2004 \$'000
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables (loans)	7	1

Controlling entities

The ultimate parent entity is Transurban Holdings Limited.

Notes to the financial statements for the year ended 30 June 2005

26 Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2005 %	Equity Holding 2004 %	Date Acquired
CityLink Melbourne Limited	Australia	Ordinary	100	100	
City Link Extension Pty Ltd	Australia	Ordinary	100	100	
Transurban Finance Company Pty Limited	Australia	Ordinary	100	100	
Transurban Nominees Pty Limited	Australia	Ordinary	100	100	
Transurban Collateral Security Pty Limited	Australia	Ordinary	100	100	
Transurban Nominees 2 Pty Limited	Australia	Ordinary	100	100	
Transurban WSO Pty Limited	Australia	Ordinary	100	100	
Transurban AL Trust	Australia	Ordinary	100	100	
Transurban MF Holdings Pty Limited	Australia	Ordinary	100	100	
Transurban Investments Pty Limited	Australia	Ordinary	100	-	25/01/05
The Hills Motorway Limited	Australia	Ordinary	100	-	12/04/05
Hills Motorway Management Limited	Australia	Ordinary	100	-	12/04/05
Hills Motorway Construction Company Pty Limited	Australia	Ordinary	100	-	12/04/05
Hills Motorway Underwriting No.1 Pty Limited	Australia	Ordinary	100	-	12/04/05
Hills Motorway Underwriting No. 2 Pty Limited	Australia	Ordinary	100	-	12/04/05

On 12 April 2005, Transurban Holdings Limited gained control of Hills Motorway Limited and its subsidiaries. The acquisition of a 100 per cent of the securities was for a total consideration of \$70.0 million. This was satisfied by the issue of 249.9 million Transurban Group stapled securities.

The operating results of these newly controlled entities have been included in the statement of financial performance since the date of acquisition. At the date of this financial report no additional payments are anticipated.

Notes to the financial statements for the year ended 30 June 2005

Details of the acquisition are as follows:

	2005 \$'000
Fair value of identifiable net assets of controlled entities acquired	
M2 Motorway	358,066
Equipment & fittings	8,481
Cash	11,460
Other debtors	47,211
Prepayments	16,958
Trade creditors	(1,243)
Other creditors	(32,389)
Unearned income	(638)
Refinancing Infrastructure Bonds	(350,068)
Cash collateral	350,068
Related party loans	(327,015)
Employee provisions	(9)
Tax provisions	(10,882)
Deemed consideration paid	70,000
Inflow of cash from the acquisition of the controlled entity.	
Cash consideration	-
Plus: Balances acquired	361,528
Inflow of cash	361,528

27 Investment in Associate

Investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity. Information relating to the associate is set out below.

Name of company	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
WSO Company Pty Limited	40	40	-	-	-	-
WSO Finance Company	40	40	-	-	-	-

WSO Company and WSO Finance Company are presently non-operational and are carried at cost of \$80 each. WSO Company will be the operator of Westlink M7 Motorway which is presently under construction and is due for completion in April 2006. WSO Finance Company will arrange debt facilities for the Westlink Motorway Project. The associates are unlikely to have an impact on the combined entity's equity accounted profits until the operations commence.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Summary of performance and financial position of associates				
Aggregate net profits of associates after tax	-	-	-	-
Assets	382,325	108,501	-	-
Liabilities	382,325	108,501	-	-

28 Reconciliation of Loss From Ordinary Activities After Income Tax to Net Cash Inflow from Operating Activities

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Operating loss after income tax	(101,498)	(111,711)	(745)	(730)
Depreciation and amortisation	126,700	121,343	-	-
Change in operating assets and liabilities				
Increase in Concession Note liability	41,422	36,985	-	-
Increase/(decrease) in creditors	172,283	271,032	(41)	7
Decrease in Land Transport Notes	-	(94,301)	-	-
Decrease/(increase) in debtors	39,300	21,734	(29)	-
(Decrease)/increase in provisions	(752)	372	460	132
Net cash inflow/(outflow) from operating activities	277,455	245,454	(355)	(591)

29 Non Cash Financing and Investing Activities

Distributions satisfied by the issue of shares under the distribution reinvestment plan	60	141	60	141
---	-----------	-----	-----------	-----

Issue of stapled securities to acquire the Hills Motorway Group (refer note 26).

Notes to the financial statements for the year ended 30 June 2005

30 Earnings Per Share

	Consolidated	
	2005	2004
Basic earnings per share	(17.1) cents	(21.3) cents
Diluted earnings per share	(9.7) cents	(11.3) cents
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	591,871,852	524,512,875
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,044,264,422	985,000,351

Information concerning the classification of securities

(a) Shares

All shares are fully paid. They carry the right to participate in distributions and have been included in the determination of basic and diluted earnings per share.

(b) Options

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

(c) Convertible Adjusting Rate Securities ("CARS")

CARS on issue are convertible to stapled securities at a maximum conversion ratio of 105, at the first reset date 14 April 2007. CARS are considered to be potential stapled securities and have been included in the determination of diluted earnings per share at their

maximum conversion ratio. This ratio will be applicable if the volume weighted average price of stapled securities during the period over which the price for the purpose of conversion of CARS is determined to be less than \$0.98. The directors consider conversion of this basis to be a highly unlikely event. The CARS have not been included in the calculation of basic earnings per share.

31 Economic Dependency

The consolidated entity is reliant on the CityLink Trust for the ongoing funding of the operations of the Melbourne CityLink.

32 Events Occurring After Reporting Date

Capital markets debt totaling \$590.0 million matured on 8 August 2005. The debt was replaced by an issue of USD \$380.0 million (\$AUD 500.0 million) of senior debt in the US private placement market and AUD \$90.0 million from existing facilities. The refinanced debt matures between 2015 and 2020.

33 Impacts of Adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS ("AIFRS") for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

Notes to the financial statements for the year ended 30 June 2005

The Transurban Group established an AIFRS transition project team in October 2003. The project team prepared a plan to manage the transition to AIFRS and reports regularly on progress to the audit committee. The project plan was on schedule for completion by 30 June 2005 until the acquisition of the Hills Motorway Group added a further level of complexity that has not yet been fully determined. It is now expected that the project will be completed (including the calculation of the impact of AIFRS) by the first AIFRS reporting date being the period ending on 31 December 2005.

The project team is undertaking a detailed analysis of AIFRS and the Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the date of transition to AIFRS and future accounting policy differences. The project team has identified a number of accounting policy choices which have been analysed by management to determine the most appropriate accounting policy for the Group on transition to IFRS.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. As mentioned above, this may not be all of the impacts that may arise. The expected financial effects of adopting AIFRS are shown for each item with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

(i) Income Tax

Under AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of an entity's assets and liabilities in the statement of financial position and their associated tax bases. In addition, current and deferred taxes attributable to amounts recognised directly in equity are also recognised directly in equity.

This will result in a change to the current accounting policy, under which deferred tax balances are determined using the income statement method, items are only tax-effected if they are included in the determination of pre-tax accounting profit or loss and/or taxable income or loss and current and deferred taxes cannot be recognised directly in equity.

At the reporting date, the Company is in the process of quantifying the full impact of the adoption of AASB 112 on the financial statements. The Company currently has deferred tax liabilities which are offset by tax losses. Whether this will still be the case will depend on the treatment of a number of items including:

- Treatment of the difference between the carrying value and tax value of the CityLink asset;
- Treatment of the difference between the carrying value and tax value of the concession notes;
- Treatment of the losses currently not recognised to the extent that they are "probable" of recoverability.

(ii) Financial Instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and 139 for the 30 June 2005 financial report.

As a result of the application of this exemption, there would have been no adjustment to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification on measurement will be recognised from 1 July 2005.

We have noted below the likely impacts from 1 July 2005 of the adoption of AASB 132 and AASB 139.

AASB 139 and AASB 132 are likely to have the following impacts:

Notes to the financial statements for the year ended 30 June 2005

→ Financial assets held by the consolidated entity will be classified as either fair value through profit and loss, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost.

→ The Group enters into interest rate swaps to hedge the Group's exposure to interest rate movements. Presently the fair value of the hedges is not recognised in the financial statements. Under AASB 139, the fair value of the hedges will be recognised on the balance sheet at each reporting date and the change in fair value during the reporting period reflected directly in equity to the extent hedging criteria are met, or in profit and loss if the hedging criteria are not met.

The change in policy will lead to greater volatility in the reported balance sheet and if the hedging criteria are not met, in the reported profit and loss.

→ Under AIFRS, borrowings must be measured at fair value net of transaction costs incurred. 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.

(iii) Business Combinations

(Pre AIFRS Transition Date)

The group has elected under AASB 3 Business Combinations that all business combinations that occurred prior to 1 July 2004 be grandfathered to reflect AGAAP acquisition accounting and as such there will be no impact from restating these business combinations upon adoption of AIFRS.

(Post AIFRS Transition Date)

Under AIFRS, business combinations which have occurred post 1 July 2004 need to be restated to reflect the requirements of AASB 3. This applies to the acquisition of Hills Motorway Group. The full impact of AIFRS on this acquisition is being assessed and as such the impacts on the financial report are not known or reliably estimable. This will be finalised by the first AIFRS reporting date being the period ending 31 December 2005.

(iv) Identifying the Parent

Upon the adoption of AIFRS, the Group must apply the requirements of UIG Interpretation 1013 "Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements". UIG 1013 requires that where a stapling arrangement is effected prior to the date of transition, one of the combining entities shall be identified as the parent for the purposes of preparing consolidated financial reports. Further, it requires that the consolidated financial

report of the "parent" under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS. As such, there will be no financial impact as a result of this upon the adoption of AIFRS.

The Group is in the process of identifying which entity will be the parent and will finalise this prior to the first AIFRS reporting date being 31 December 2005.

(v) Service Concession Arrangements

The International Financial Reporting Interpretations Committee (IFRIC) has issued three draft interpretations in relation to service concession arrangements. The draft interpretations propose that concession operators will recognise either a financial asset or intangible asset rather than recognising the infrastructure as property, plant and equipment. If adopted by the IASB and AASB, draft interpretation D14 would be applicable to the Group and require that the road asset be shown as an intangible asset and amortised over the concession period. This issue continues to be monitored by the Group.

Directors' Declaration

In the directors' opinion:

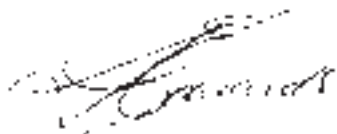
- a) The financial statements and notes set out on pages 16 to 57 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief finance officer required by section 295A of the Corporations Act 2001,

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Independent audit report to the members



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Independent audit report to the members of

Transurban Holdings Limited

Audit opinion

In our opinion, the financial report of Transurban Holdings Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Holdings Limited and the Transurban Holdings Limited Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Holdings Limited (the Company) and the Transurban Holdings Limited Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the Company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Independent audit report to the members



We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

A handwritten signature in cursive script, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to read 'Tim Goldsmith'.

Tim Goldsmith
Partner

Melbourne
23 August 2005

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financials

The Financial Report of
Transurban Holding Trust and Controlled Entities (ABN 30 169 362 255)
 For the Year Ended 30 June 2005

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This financial report covers both Transurban Holding Trust as an individual entity and the consolidated entity consisting of Transurban Holding Trust and its controlled entities.

Transurban Holding Trust is a Trust incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transurban Holding Trust
 Level 43 Rialto South Tower
 525 Collins Street
 Melbourne VIC 3000

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

Directors' Report

Directors Report

The directors of Transurban Infrastructure Management Limited, the responsible entity of Transurban Holding Trust, present their report on the consolidated entity consisting of Transurban Holding Trust ("the Trust"), and the entities it controlled at the end of, and during, the year ended 30 June 2005.

Transurban Holding Trust forms part of the Transurban Group. The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban Limited (formerly Transurban Infrastructure Developments Limited) and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Responsible Entity

Transurban Holding Trust is registered, as a managed investment scheme under Chapter 5C of the Corporations Act 2001

and, as a result, requires a responsible entity. Transurban Infrastructure Management Limited is the responsible entity of Transurban Holding Trust and is responsible for performing all functions that are required under the Corporations Act 2001 of a Responsible Entity.

With the exception of the changes noted below, the following persons held office as directors of Transurban Infrastructure Management Limited during the whole of the financial year and up to the date of this report:

Non-executive directors

Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis
Peter C Byers
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Executive Directors

Kimberley Edwards ⁽²⁾
Geoffrey R Phillips ⁽³⁾

⁽¹⁾ Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report

⁽²⁾ Kimberley Edwards was appointed an executive director on 26 July 2005 and continues in office at the date of this report.

⁽³⁾ Geoffrey R Phillips was an executive director from the beginning of the financial year until his resignation on 26 July 2005.

Principal Activities and Operations

During the year the principal activities of the consolidated entity consisted of holding 100% of the units in CityLink Trust, Transurban Finance Trust and the Transurban CARS Trust. On 12 April 2005 it gained control of the Hills Motorway Trust.

Results

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

	2005 \$'000	2004 \$'000
Revenue from ordinary activities	257,085	235,775
Net profit from ordinary activities	20,759	48,977

Directors' Report

Distributions

Parent Entity

2005 2004
\$'000 \$'000

Distributions proposed

Final distribution payable and recognised as a liability:

18.0 cents per fully paid stapled security payable 2 September 2005 **142,455** -

Distributions paid during the year

Final distribution for 2004 financial year of 13.5 cents (2003 – 10.0 cents)

per fully paid Stapled Security paid 8 October 2004 **71,983** 51,847

Interim distribution for 2005 financial year of 17.0 cents (2004 – 12.0 cents)

per fully paid Stapled Security paid 25 March 2005 **91,745** 62,823

Total distributions paid **163,728** 114,670

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2005 and 30 June 2004

Paid in cash **131,686** 54,145

Satisfied by issue of Stapled Securities ⁽¹⁾ **32,042** 60,525

163,728 114,670

⁽¹⁾ The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust (\$32.0 million), Transurban Holdings Limited (\$0.04 million).

Review of Operations

a) Construction Phase Loan Notes ("CPLN")

During the year, Transurban CARS Trust ("TCT") received distributions from its wholly owned entity, Transurban WSO Trust ("TWT"). The distributions are funded from interest received by TWT from the CPLN's which it acquired to fund Transurban's contribution to the Westlink Motorway Partnership. The CPLN's are subordinated loan notes which pay interest at the rate of 6.27 per cent per annum.

The income received by way of distribution from TWT is the principal source of cash to fund distributions payable by TCT on the Convertible Adjusting Rate Securities ("CARS") issued by TCT.

b) Convertible Adjusting Rate Securities ("CARS")

During the period, TCT paid distributions to CARS holders at the fixed rate of 7.0 per cent per annum. The distributions which are paid twice annually with payment dates of 31 July and 31 January respectively were 100 per cent tax deferred for the year ended 30 June 2005.

CARS became eligible for conversion to Transurban triple stapled securities after the second anniversary of the issue date on

14 April 2005. To participate in the conversion, CARS holders were required to submit an exchange notice not less than 35 business days prior to the record date of 30 June 2005.

No exchange notices were submitted during the period.

Directors' Report

Distributions made during the period consisted of:

	\$ per security	\$'000
Distribution for the period 1 January 2004 to 30 June 2004 at a fixed rate of 7.0 per cent per security paid 31 July 2004.	3.4904	15,009
Distribution for the period 1 July 2004 to 31 December 2004 at a fixed rate of 7.0 per cent per security paid 31 January 2005.	3.5096	15,091

c) Westlink M7

The Westlink M7 Project, in which a controlled entity, Transurban WSO Trust has a 40.0 per cent interest, is progressing ahead of schedule and is well on target to achieve completion in April 2006.

Assisted by prevailing dry weather conditions, concrete paving and bridge construction is progressing well ahead of schedule. All gantries have been installed and landscaping, noise walls and safety barriers are nearing completion along most of the roadway.

Transurban contracts for the development and implementation of the GATe electronic tolling system and the tolling and customer management (TCM) system for the Westlink project continue to be on target for completion in line with the expected April 2006 completion date. TCM have finalised development of the product suite and approvals for the marketing and implementation plans have been received from the NSW RTA.

d) Hills Motorway Trust

The Trust achieved effective control of the Hills Motorway Trust ("Hills") on 12 April 2005. The net contribution of Hills to the result was a loss of \$5.3 million. The loss represents Hills operational contribution from the date of deemed control (12 April 2005) to 30 June 2005. Included in this result is additional depreciation of \$13.5 million as a result

of the reflection of the revaluation of the Hills M2 Motorway asset. Excluding the effect of the additional depreciation Hills net contribution for the period was a profit of \$8.2 million.

Significant Changes in the State of Affairs

With the exception of the acquisition of the Hills Trust during the year, in the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Matters Subsequent to the End of the Financial Period

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2005 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the consolidated entity in financial years subsequent to 30 June 2005.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Trust and the

expected results of operations have not been included in this report because the responsible entity believes it would be likely to result in unreasonable prejudice to the Trust.

Insurance and Indemnification

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

Fees paid to and interest held in the Trust by the Responsible Entity or its Associates

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in note 22 to the financial statements.

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

Directors' Report

Interests in the Trust issued during the financial year

	Consolidated		Parent Entity	
	2005 '000	2004 '000	2005 '000	2004 '000
Units on issue at the start of the year	532,630	518,473	532,630	518,473
Units issued during the year	258,786	14,157	258,786	14,157
Units on issue at the end of the year	791,416	532,630	791,416	532,630

Value of Assets

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Value of Trust assets at 30 June	6,930,959	4,380,409	4,286,873	2,308,107

The value of the Trust's assets is derived using the basis of accounting set out in Note 1 to the financial statements.

Directors' Interests

The directors of the Responsible Entity have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group as follows:

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	1,142,500	-	-
P C Byers	70,580	-	-
G O Cosgriff	24,910	-	121
J G A Davis	50,000	-	-
S M Oliver	62,540	-	-
C J S Renwick	-	-	-
D J Ryan	21,577	-	-
G R Phillips	508,820	-	-
K Edwards	61,000	1,500,000	-

Directors' Report

Units under option

Unissued units of Transurban Holding Trust under option at the date of this report are as follows. No options were granted in the current year.

Date options granted	Expiry date	Issue price of stapled securities	Number under option
26 April 2001	30 April 2006	\$3.817	390,000
23 October 2001	31 October 2006	\$4.404	1,500,000
1 February 2002	30 April 2007	\$4.280	-
9 April 2002	30 April 2007	\$4.030	237,300
20 May 2002	30 April 2007	\$4.220	744,852

Units issued on the exercise of options

The following Transurban Stapled Securities, which include a unit in the Trust were issued during the year ended 30 June 2005 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities

Date options granted	Issue price of securities	Number of securities issued
26 April 2001	\$3.817	1,493,231
23 October 2001	\$4.404	500,000
1 February 2002	\$4.280	89,867
9 April 2002	\$4.030	62,700
20 May 2002	\$4.220	715,598

Environmental Regulation

CityLink Melbourne Limited is subject to regulation by the Victorian Environmental Protection Authority ("EPA") in respect of:

- discharges from the tunnel ventilation system; and
- discharges from the tunnel drainage systems; and
- groundwater quality in the aquifers surrounding the tunnels.

The main regulation relates to the Waste Discharge Licence (EA41502) that regulates the operation of the tunnel ventilation system and imposes requirements to monitor the emissions of carbon monoxide, oxides of nitrogen and particulate matter.

This monitoring is undertaken by several specialist organisations under the supervision of the CityLink operator, Translink Operations Pty Ltd. The monitoring organisations are certified by the National Association of Testing Authorities.

Monitoring verifies that emission levels are well below the maximum levels specified in the Waste Discharge Licence and that there has been an improvement in ambient air quality since the tunnels opened.

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

Directors' Report

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

Monitoring of emissions within the tunnels and from the ventilation stacks will continue unchanged.

Monitoring of groundwater quality verifies that the requirements of the EPA are being met.

Monitoring of tunnel drainage water quality verifies that the requirements of the EPA are being met.

Hills Motorway is subject to environmental regulations under Commonwealth and State laws. Tollaustr Pty Limited, the operator the Hills Motorway has in place a comprehensive environmental management plan to monitor the performance of the Hills Motorway and takes remedial steps where necessary. Hills Motorway on a regular basis reviews the operator's environmental management plan and

there were no breaches reported during the financial year.

Rounding off

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

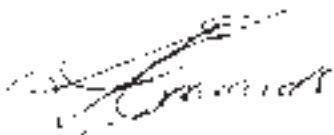
Auditor

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

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Directors' Report



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Auditors' Independence Declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Tim Goldsmith
Partner

Melbourne
23 August 2005

Statements of financial performance for the year ended 30 June 2005

		Consolidated		Parent Entity	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	4	257,085	235,775	121,931	129,329
Expenses from ordinary activities					
Borrowing costs	5	(157,089)	(146,925)	(6,303)	(2,051)
Depreciation	5	(45,892)	(26,358)	-	-
Promissory Notes		(541)	-	-	-
Administration		(1,179)	(751)	(270)	(82)
Operational		(31,625)	(12,764)	(27,017)	(9,633)
Net profit from ordinary activities		20,759	48,977	88,341	117,563
		Cents	Cents		
Basic earnings per unit	32	3.5	9.3		
Diluted earnings per unit	32	4.0	7.1		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position as at 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	7	191,908	59,922	131,339	19,011
Receivables	8	16,170	3,079	52,700	2,714
Other	9	4,590	2,383	232	400
Total Current Assets		212,668	65,384	184,271	22,125
NON-CURRENT ASSETS					
Property, plant and equipment	10	2,804,047	726,906	-	-
Financial assets	12	3,761,398	3,566,230	4,120,745	2,279,746
Investments accounted for using the equity method	11	6,236	6,236	6,236	6,236
Other	13	146,610	15,653	122,100	-
Total Non-Current Assets		6,718,291	4,315,025	4,249,081	2,285,982
TOTAL ASSETS		6,930,959	4,380,409	4,433,352	2,308,107
CURRENT LIABILITIES					
Payables	14	72,810	52,686	17,570	42
Non-interest bearing liabilities	15	123,780	-	100,988	-
Provisions	16	142,455	-	142,455	-
Total Current Liabilities		339,045	52,686	261,013	42
NON-CURRENT LIABILITIES					
Non-interest bearing liabilities	17	67,778	-	45,662	-
Interest bearing liabilities	18	2,877,321	2,210,000	300,513	78,575
Total Non-Current Liabilities		2,945,099	2,210,000	346,175	78,575
TOTAL LIABILITIES		3,284,144	2,262,686	607,188	78,617
NET ASSETS		3,646,815	2,117,723	3,826,164	2,229,490
UNITHOLDERS' FUNDS					
Issued units	19	4,051,220	2,236,704	4,051,220	2,236,704
Undistributed losses	19	(404,405)	(118,981)	(225,056)	(7,214)
TOTAL UNITHOLDERS' FUNDS		3,646,815	2,117,723	3,826,164	2,229,490

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 30 June 2005

		Consolidated		Parent Entity	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		25,669	2,456	15	1,473
Payments to suppliers (inclusive of GST)		(13,502)	(16,488)	(7,042)	(14,491)
Interest received		29,487	28,640	2,651	1,866
Borrowing costs		(181,926)	(125,559)	(5,059)	(2,380)
Net cash outflow from operating activities	30	(140,272)	(110,951)	(9,435)	(13,532)
Cash flows from investing activities					
Payment for purchase of controlled entity, net of cash acquired		(35,504)	-	(51,469)	-
Payments for property, plant and equipment		(2,411)	-	-	-
Payments for investments		-	(96,347)	-	(96,347)
Loans to related parties		(145,227)	(19,599)	(147,540)	(19,621)
Repayment of loans by related parties		351,240	225,396	104,369	1,136
Distributions received		4,650	-	117,037	125,078
Net cash inflow from investing activities		172,748	109,450	22,397	10,246
Cash flows from financing activities					
Proceeds from issue of units		10,937	364	10,937	364
Unit issue transaction costs		(146)	-	(146)	-
Loans from related parties		810,488	80,000	300,321	80,000
Repayment of loans to related parties		(590,083)	(6,035)	(80,060)	(6,035)
Distributions paid		(131,686)	(54,145)	(131,686)	(54,145)
Net cash inflow from financing activities		99,510	20,184	99,366	20,184
Net increase in cash held		131,986	18,683	112,328	16,898
Cash at the beginning of the financial year	7	59,922	41,239	19,011	2,113
Cash at the end of the financial year	7	191,908	59,922	131,339	19,011
Financing arrangements and credit facilities	18				
Non-cash financing and investing activities	30				

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2005

1 Summary of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views and the Corporations Act 2001 and the Constitution dated October 1995 (as amended).

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transurban Holding Trust ("trust" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Transurban Holding Trust and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

Investments in associates are accounted for in the combined financial statements using the equity method. Under this method, the combined entity's share of post acquisition profits or losses of associates is recognised in the combined statement of financial performance, and its share of post acquisition movements in reserves is recognised in combined reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Associates are those

entities over which the combined entity exercises significant influence, but not control.

Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

b) Historical Cost Convention

The financial statements are prepared on the basis of the historical cost convention and, except where stated, do not take into account current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The fair value of cash consideration with deferred settlement terms is determined by discounting any amounts payable in the future to their present value as at the date of acquisition. Present values are calculated using rates applicable to similar borrowing arrangements of the economic entity.

The entity has not adopted a policy of revaluing its non-current assets on a regular basis.

c) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1a.

d) Revenue Recognition

Revenue for rental of land is recognised as earned in accordance with the lease contract. Dividend revenue is recognised when the Trust's right to receive payment is established.

e) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments.

f) Income Tax

Under current legislation, the Trust is not subject to income tax provided the distributable income of the Trust is fully distributed either by way of cash or reinvestment (ie. unitholders are presently entitled to income of the Trust).

g) Revenue recognition

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

h) Distributions

In accordance with the Trust Constitution, the Trust fully distributes its distributable income to unitholders by cash or reinvestment. Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

i) Trade and other creditors

Trade and other creditors represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

Notes to the financial statements for the year ended 30 June 2005

j) Goods and Services Tax (GST)

The amount of GST incurred by the Trust that is not recoverable from the Australian Taxation Office ("ATO") is recognised as an expense or as part of the cost of acquisition of an asset. The Trust qualifies for Reduced Input Tax Credits at the rate of 75% on various services such as Responsible Entity fees. These expenses have been recognised in the statement of financial performance net of the amount of GST recoverable from the ATO. Receivables and payables are stated at amounts inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

k) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value, except where specifically stated.

l) Amortisation and Depreciation of Fixed Assets

CityLink Fixed Assets

Amounts classified as CityLink fixed assets are amortised over the estimated term of the Crown Lease granted to the Trust (currently 32 years), or the estimated useful lives of the assets, whichever is less. Amortisation by the Trust commenced on 18 December 2001 and is calculated on a straight line basis. The period of amortisation is assessed annually.

M2 Motorway Fixed Assets

Amounts classified as M2 Motorway fixed assets are amortised over 28 years, being the estimated term of the right to operate the M2 Motorway or the estimated useful lives of the assets, whichever is less. Amortisation by the Trust commenced on 12 April 2005 and is calculated on a straight line basis. The period of amortisation is assessed annually.

Other Plant and Equipment

Leasehold Improvements included in CityLink fixed assets are depreciated on a straight line basis so as to write off the net cost of items of plant and equipment over their expected useful lives. Estimates of remaining useful lives will be made on a regular basis for all assets.

The expected useful lives are as follows:
Leasehold improvements 2.5 – 20 years

m) Financial Instruments

Financial instruments, in the form of interest rate swap contracts, are used to manage financial risk.

Gains and losses on interest rate and foreign exchange swaps used as hedges

are accounted for on the same basis as the interest payments they are hedging. Realised hedge gains and losses are brought to account in the statement of financial performance when the gains and losses arising on the related physical exposures are recognised.

Unrealised gains and losses on interest rate swaps not effectively hedging an underlying exposure are recognised in the statement of financial performance.

n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent the costs relate to the construction of a qualifying asset, and include interest on short term, long term borrowings and amortisation of deferred borrowing costs.

o) Deferred Expenditure

Deferred expenditure relates to the Trust's annual lease liability to the Roads and Traffic Authority of New South Wales ("RTA"). Payments under these leases can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. These promissory notes are classified as a prepayment on their issue which is then charged as an expense over the relevant 12 month period.

p) Conditional Receipts

Where the Trust has received payments that are provisional or subject to legal dispute, the total value of the receipts will be accounted for as a liability and will not be reclassified as revenue until the nature of the receipt is virtually certain and supports the classification as revenue.

Notes to the financial statements for the year ended 30 June 2005

q) Interest Bearing Liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

r) Earnings per Unit

(i) Basic Earnings per Unit

Basic earnings per unit is determined by dividing the net result from ordinary activities by the weighted average number of units outstanding during the year.

(ii) Diluted Earnings per Unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the weighted average number of units assumed to have been issued for no consideration in relation to dilutive potential units.

s) Joint venture entity

The interest in the joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 28.

t) Maintenance and Repairs

The costs of maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated in accordance with note 1k. Other routine operating maintenance, repair

and minor renewal costs are also charged as expenses as incurred.

u) Project development

Costs incurred in developing proposals for specific projects are charged to the statement of financial performance in the period in which they are incurred except where:

- (i) the outcome of the proposal has been determined and the outcome will result in the creation of an asset; or
- (ii) the outcome of the proposal has not been determined but it is considered reasonably probable that the outcome, when determined, will result in the creation of an asset.

Costs meeting these criteria are deferred.

v) Receivables

All receivables are recognised at the amounts receivable when they are due for settlement.

w) Rounding of amounts

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

x) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

y) Roads and Traffic Authority ("RTA") Promissory Notes

Non-interest bearing long term debt represented by the RTA of New South Wales Promissory Notes has been included in the financial statements at the present value of the expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the underlying asset (Hills M2 Motorway), the present value of the expected future repayments is determined using a discount rate which recognises their subordinated nature.

2 Trust and Formation and Termination

The Transurban Holding Trust was established on 15 November 2001. The Trust was due to terminate on 20 December 2081 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 28 November 2001.

3 Segment Information

The Trust's principle business segment for the period ending 30 June 2005 was the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to this principle segment. The management structure and internal reporting of the Trust are based on the principle business segment.

Assets of the Transurban Group which the Trust has funded are located in two separate States of Australia.

Notes to the financial statements for the year ended 30 June 2005

	Segment Revenues		Segment Assets		Segment Liabilities	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Victoria	219,111	209,516	4,008,871	3,975,138	2,275,837	1,815,240
New South Wales	37,974	26,259	2,922,088	405,271	1,008,307	447,446
	257,085	235,775	6,930,959	4,380,409	3,284,144	2,262,686

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

4 Revenue

Revenue from operating activities

Rental income	127,709	111,272	-	-
Distribution from subsidiaries	-	-	116,777	125,078
Interest and related fees	123,229	123,457	685	3,205
	250,938	234,729	117,462	128,283

Revenue from outside the operating activities

Interest	4,122	-	2,444	-
Other	-	2	-	2
Distribution from other corporations	2,025	1,044	2,025	1,044
	6,147	1,046	4,469	1,046

Revenue from ordinary activities

	257,085	235,775	121,931	129,329
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5 Operating Profit

Expenses

Operating result includes the following specific expenses:

Depreciation and amortisation

CityLink	26,358	26,358	-	-
M2	19,531	-	-	-
Furniture & fittings	3	-	-	-
Total depreciation/amortisation	45,892	26,358	-	-

Borrowing costs

Interest and finance charges paid / payable	147,863	135,439	6,303	2,051
Interest rate hedging charges paid / payable	9,226	11,092	-	-
Total borrowing costs	157,089	146,531	6,303	2,051

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
6 Income Tax				
Tax losses at beginning of year	152,903	197,957	17,217	134,779
Tax (Income) for the year	(50,554)	(45,054)	(7,764)	(117,562)
Tax losses at end of year	102,349	152,903	9,453	17,217

Potential future income tax benefits at 30 June 2005 for tax losses not brought to account for the consolidated entity are \$30.7 million (2004: \$45.9 million). These losses cannot be used directly by the consolidated entity for the reason outlined in note 1f, but may be available for the benefit of unit holders in the future.

This benefit for tax losses will only be obtained if:

- (i) the consolidated 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; and
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and,

- (iii) no changes in tax legislation adversely affect the ability of the entity in realising the benefit from the deductions for the losses.

The above tax position is based on the tax treatment proposed in tax ruling requests relating to borrowing costs and interentity transactions. However, the ATO has not given its opinion in relation to all of these requests.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
7 Current Assets – Cash				
Cash at bank	191,908	59,922	131,339	19,011
	191,908	59,922	131,339	19,011

Included in the above amount is \$20.1 million (2004: \$28.2 million) held in reserve accounts to fund future CARS distributions.

8 Current Assets – Receivables

Sundry debtors	325	3,079	36,689	2,714
Loans to related parties	15,845	-	16,011	-
	16,170	3,079	52,700	2,714

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. The Parent Entity balance is principally comprised of a distribution of \$36.6 million (2004: \$2.6 million) from its investment in the Hills Motorway Group.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
9 Current Assets – Other				
Prepayments	2,692	2,383	232	400
Deferred expenditure	1,898	-	-	-
	4,590	2,383	232	400

10 Non-current Assets – Property, Plant and Equipment**a) CityLink Fixed Assets**

CityLink at cost	822,315	793,662	-	-
Less: Accumulated depreciation	(93,114)	(66,756)	-	-
	729,201	726,906	-	-

b) M2 Motorway Fixed Assets

M2 at cost	2,093,333	-	-	-
Less: Accumulated depreciation	(19,531)	-	-	-
	2,073,802	-	-	-

c) Property, Plant & Equipment

At cost	1,047	-	-	-
Less: Accumulated depreciation	(3)	-	-	-
	1,044	-	-	-
Total Property, plant and equipment	2,804,047	726,906	-	-

d) Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment at the beginning and end of the current financial year are set out below.

Notes to the financial statements for the year ended 30 June 2005

	CityLink	M2	Equipment & Fittings	Total
	\$'000	\$'000	\$'000	\$'000
Consolidated – 2005				
Carrying amount at 1 July 2004	726,906	-	-	726,906
Additions	28,653	2,093,333	1,047	2,123,033
Disposals	-	-	-	-
Depreciation/amortisation expense charged to statement of financial performance	(26,358)	(19,531)	(3)	(45,892)
Carrying amount at 30 June 2005	729,201	2,073,802	1,044	2,804,047
Parent Entity – 2005				
Carrying amount at 1 July 2004	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation/amortisation expense charged to statement of financial performance	-	-	-	-
Carrying amount at 30 June 2005	-	-	-	-

Refer to note 18 for information on non-current assets pledged as security by the Trust .

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000

11 Non-current Assets – Investments Accounted for Using the Equity Method

Interest in joint venture partnership (note 28)	6,236	6,236	6,236	6,236
Shares in associates (note 27)	-	-	-	-
	6,236	6,236	6,236	6,236

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
12 Non-current Assets – Other Financial Assets				
Investments traded on organised markets				
Shares in other corporations	-	94,419	-	94,419
	-	94,419	-	94,419
Non-traded investments				
Units in controlled entity	-	-	4,076,639	2,142,000
	-	-	4,076,639	2,142,000
Other financial assets				
Advances to CityLink Melbourne	3,008,910	3,055,580	-	-
Advances to Hills Motorway Limited	336,167	-	-	-
Investment in CPLN's	392,000	392,000	-	-
Other related party loans	24,321	24,231	44,106	43,327
	3,761,398	3,471,811	44,106	43,327
Total financial assets	3,761,398	3,566,230	4,120,745	2,279,746

Traded shares in other corporations

During the year Transurban Holding Trust acquired the remaining 91.9 per cent (2004: 8.1 per cent) interest in the Hills Motorway Trust. Hills Motorway Trust is now a wholly-owned subsidiary of Transurban Holding Trust.

Non-traded investments

The investment in controlled entity represents 100 per cent of the ordinary units of The CityLink Trust (registered in Australia) and 100 per cent of the ordinary units in The Hills Motorway Trust (registered in Australia).

Investment in Construction Phase Loan Notes ("CPLN")

The CPLN represent Transurban's funding contribution to the Westlink Motorway Partnership. The CPLN earn interest at the fixed rate of 6.27 per cent for the period from the financial close of the Westlink M7 project ("the Project") to the date of completion of the Project or 3.5 years, whichever ever is the lesser, at which time they convert to Term Loan Notes.

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
13 Non-current Assets – Other				
Prepayments	1,973	2,913	-	-
Tullamarine/Calder Freeway upgrade	121,826	-	121,826	-
Deferred borrowing costs	22,811	12,740	274	-
	146,610	15,653	122,100	-

On 27 January 2005, the Transurban Group reached agreement with the State of Victoria and VicRoads to use CityLink Concession Notes to fund an upgrade of the Tullamarine/Calder Freeway interchange.

Under the agreement, Transurban will provide \$151.0 million to VicRoads which will be used to fund the upgrade. The agreement provides the amount be payable to VicRoads in two installments on 1 July 2005 (\$100.8 million, as per note 15) and 1 July 2006 (\$50.2 million being a present value of \$45.7 million, as per note 17). In exchange, the State will assign to Transurban \$305.3 million of the Concession Notes issued by CityLink to the State under the provisions of the Melbourne CityLink Concession Deed.

The receivable classified as “Tullamarine/Calder Freeway upgrade” recognises the discounted value of Concession Notes payable by the State to the Trust.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
14 Current Liabilities – Payables				
Sundry creditors	4,273	117	127	42
CARS coupon payment	14,926	15,009	-	-
Related party creditors	53,611	37,560	17,443	-
	72,810	52,686	17,570	42

Notes to the financial statements for the year ended 30 June 2005

CARS coupon payment represents the interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7.0 per cent for the period 1 January 2005 to 30 June 2005 totalling \$14.9 million (2004: \$15.0 million) has been charged to the statement of financial performance as a borrowing cost due to the CARS being classified as a liability. This coupon was paid to CARS holders on 31 July 2005.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
15 Current Liabilities – Non-interest Bearing Liabilities				
Unearned income	22,962	-	170	-
Tullamarine/Calder freeway upgrade	100,818	-	100,818	-
	123,780	-	100,988	-

16 Current Liabilities – Provisions

Distribution to security holders	142,455	-	142,455	-
	142,455	-	142,455	-

17 Non-current Liabilities – Non-interest Bearing

Promissory Notes	22,116	-	-	-
Tullamarine/Calder freeway upgrade	45,662	-	45,662	-
	67,778	-	45,662	-

Notes to the financial statements for the year ended 30 June 2005

The Hills Motorway Trust has entered into leases with the Roads and Traffic Authority of New South Wales ("RTA"). Annual lease liabilities under these leases total \$7.0 million, indexed annually to the Consumer Price Index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at any time at the

discretion of the Responsible Entity of the Trust, by means of the issue of non-interest bearing promissory notes to the RTA. Promissory Notes to the value of \$69.2 million have been issued by the Trust since the beginning of the M2 operations.

Promissory Notes have been included in the Financial Report as non-interest

bearing liabilities at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M2 Motorway, the present value of the expected future repayments is determined using a discount rate of 12.0 per cent which recognises their subordinated nature.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Promissory Note Redemption				
Estimated Promissory Note payments				
Later than 5 years but not later than 10 years	37,332	-	-	-
Later than 10 years but not later than 15 years	31,900	-	-	-
	69,232	-	-	-

Reconciliation

Reconciliation of movement in the Promissory Note liability.

Promissory Notes liability at the start of the year	-	-	-	-
Promissory Notes acquired	20,001	-	-	-
Promissory Notes issued during the year	8,583	-	-	-
Discount of Promissory Notes issued during the year	(6,468)	-	-	-
Promissory Note liability at the end of the year	22,116	-	-	-

Notes to the financial statements for the year ended 30 June 2005

18 Non-current Liabilities – Interest Bearing Liabilities

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Secured				
Convertible Adjusting Rate Securities	430,000	430,000	-	-
Term debt	440,000	-	-	-
Working Capital Facilities	7,000	-	-	-
Loans from related parties	2,000,321	1,780,000	300,513	78,575
	2,877,321	2,210,000	300,513	78,575

Financing Arrangements and Credit Facilities

a) Convertible Adjusting Rate Securities

\$430.0 million raised via the issue of 4.3 million securities. Semi-annual interest is paid at a fixed rate of 7.0 per cent per annum until the first re-set date on 14 April 2007. These securities are generally convertible into Transurban Securities at a discount of 2.5 per cent and rank ahead of Transurban Stapled Securities on a winding up of Transurban in conjunction with a winding up of Transurban CARS Trust. The Trust acts as guarantor for the interest payments until the first re-set date at which time the guarantee may or may not be extended.

b) Term Debt

\$440.0 million bank facility, maturing in June 2009. The facility was fully utilised at 30 June 2005. This facility is fully secured against the respective rights of Hills Motorway Ltd and Hills Motorway Trust in the M2 Motorway and their assets.

c) Working Capital Facilities

\$30.0 million facility which is available for use until June 2009. At 30 June 2005, \$7.0 million of this facility was drawn-down.

d) Loans from related parties

\$1.78 billion borrowed from Transurban Finance Company used to refinance Transurban's debt from the construction

of the Melbourne CityLink project. The remaining \$220.3 million was used to meet various activities, including:

- Cash component paid to Hills Motorway Group investors on the acquisition of the Hills Motorway Group (\$42.5 million);

The financing of the payable to the State of Victoria in relation to the Tullamarine/Calder freeway upgrade (\$100.8 million); and

- To assist the Transurban Group security holder distribution in September 2005 (\$59.7 million).

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Loan facilities				
Total facilities	2,806,080	1,780,000	-	-
Used at balance date	(2,435,580)	(1,780,000)	-	-
Unused at balance date	370,500	-	-	-

Notes to the financial statements for the year ended 30 June 2005

19 Unitholders' Funds

The issued units of the Trust are a component of a parcel of stapled securities, each parcel comprising one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban Limited.

The individual securities comprising a parcel of stapled securities cannot be traded separately.

		Consolidated		Parent Entity	
		2005 Units '000	2004 Units '000	2005 \$'000	2004 \$'000
a) Share capital					
Ordinary units fully paid		791,416	532,630	4,051,220	2,236,704
		791,416	532,630	4,051,220	2,236,704
b) Date	Details	Notes	Number of Units '000	Issue Price	\$'000
1 July 2004	Opening Balance		532,630	-	2,236,704
7 Sept 2004	Exercise of April 2001 Options	e	449	\$3.8070	1,710
7 Sept 2004	Exercise of April 2002 Options	e	63	\$4.0200	252
7 Sept 2004	Exercise of May 2002 Options	e	63	\$4.2100	264
8 Oct 2004	Dividend Reinvestment Plan Issue	d	6,024	\$5.3094	31,982
26 Nov 2004	Exercise of April 2001 Options	e	30	\$4.2100	128
26 Nov 2004	Exercise of May 2002 Options	e	60	\$3.8070	228
24 Dec 2004	Exercise of February 2002 Options	e	90	\$4.0000	359
21 Jan 2005	Exercise of April 2001 Options	e	129	\$3.5370	456
16 Feb 2005	Exercise of April 2001 Options	e	132	\$3.5370	468
16 Feb 2005	Exercise of May 2002 Options	e	10	\$3.9400	41
12 Apr 2005	Hills Motorway Group Acquisition	f	249,901	\$7.0898	1,771,744
1 June 2005	Exercise of May 2002 Options	e	46	\$3.9400	180
2 June 2005	Exercise of April 2001 Options	e	150	\$3.5370	531
2 June 2005	Exercise of May 2002 Options	e	46	\$3.9400	180
7 June 2005	Exercise of May 2002 Options	e	142	\$3.9400	560
8 June 2005	Exercise of October 2001 Options	e	500	\$4.1242	2,062
8 June 2005	Exercise of May 2002 Options	e	99	\$3.9400	391
8 June 2005	Exercise of April 2001 Options	e	121	\$3.5370	428
9 June 2005	Exercise of April 2001 Options	e	250	\$3.5370	884
9 June 2005	Exercise of May 2002 Options	e	46	\$3.9400	180

Notes to the financial statements for the year ended 30 June 2005

Date	Details	Notes	Number of Units '000	Issue Price	\$'000
15 June 2005	Exercise of April 2001 Options	e	202	\$3.5370	714
15 June 2005	Exercise of May 2002 Options	e	233	\$3.9400	919
	Less: Transaction costs arising on unit issues				146
30 June 2005	Closing Balance		791,416		4,051,220

All units issued form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holding Trust, with the remaining value apportioned to Transurban Holdings Limited.

c) Trust Units

Units entitle the holder to participate in distributions and the winding up of Transurban Holding Trust in proportion to the number of and amounts paid on the units held. In the event that Transurban Holding Trust and Transurban CARS Trust are wound up simultaneously, holders of Transurban CARS securities would rank ahead of Transurban Holding Trust units.

On a show of hands every holder of units present at a meeting in person or by proxy, is entitled to one vote.

d) Distribution reinvestment plan

The Transurban Group had established a distribution reinvestment plan under which holders of stapled securities elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. Securities issued under the plan at a 2.5 per cent discount to the market price and include a unit in Transurban Holding Trust. A decision to suspend the DRP until further notice was made and reported to the ASX on 23 February 2005.

e) Options over Trust units

Options over Trust units are granted pursuant to the Transurban Group

Executive Option Plan as the Trust units form part of the Transurban Group Stapled Security. Details of options on issue are set out below.

f) Hills Motorway Group Acquisition

The consideration given to holders of Hills Motorway Group securities on acquisition by the Transurban Group consisted of 1.47 Transurban Group stapled securities and a cash component of 25.0 cents per Hills Motorway Group security.

g) Undistributed losses

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Undistributed losses bought forward	(118,981)	(53,288)	(7,214)	(10,107)
Net profit from ordinary activities	20,759	48,977	88,341	117,563
Available for distribution	(98,222)	(4,311)	81,127	107,456
Distributions to unitholders during the period	(306,183)	(114,670)	(306,183)	(114,670)
Undistributed loss carried forward	(404,405)	(118,981)	(225,056)	(7,214)

Notes to the financial statements for the year ended 30 June 2005

20 Distributions

	Parent Entity	
	2005 \$'000	2004 \$'000
Distributions proposed		
Final distribution payable and recognised as a liability:		
18.0 cents per fully paid stapled security payable 2 September 2005	142,455	-
Distributions paid during the year		
Final distribution for 2004 financial year of 13.5 cents (2003 – 10.0 cents) per fully paid Stapled Security paid 8 October 2004	71,983	51,847
Interim distribution for 2005 financial year of 17.0 cents (2004 – 12.0 cents) per fully paid Stapled Security paid 25 March 2005	91,745	62,823
Total distributions paid	163,728	114,670
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2005 and 30 June 2004		
Paid in cash	131,686	54,145
Satisfied by issue of Stapled Securities ⁽¹⁾	32,042	60,525
	163,728	114,670

⁽¹⁾ The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust (\$32.0 million) and Transurban Holdings Limited (\$0.04 million).

21 Financial Instruments

The Trust is party to financial instruments with off-balance sheet risks in the normal course of business in order to hedge exposure to interest rate fluctuations. These instruments are not included in the assets or liabilities (as the case may be) of the Trust, except to the extent detailed hereunder.

Interest rate swap contracts

It is the Trust's policy to protect floating rate facilities from exposure to increasing interest rates. Accordingly, the Trust 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. The contracts are settled on a net basis and the net amount receivable or payable at the

reporting date is included in other debtors or other creditors.

Swaps currently in place cover approximately 70.0 per cent (2004: 86.0 per cent) of the related party floating rate loan principal outstanding.

At 30 June 2005, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Greater than 5 years	1,380,021	1,160,000	-	-
	1,380,021	1,160,000	-	-

Notes to the financial statements for the year ended 30 June 2005

Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Trust's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables:

2005		Floating interest rate	Fixed Interest Maturity in:		Non interest bearing	Total
	Note	\$'000	1 year or less	between 1 and 5 years	more than 5 years	\$'000
		\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets						
Cash	7	191,908	-	-	-	191,908
Sundry debtors	8	-	-	-	325	325
Loans to related parties	8	-	-	-	15,845	15,845
Advance to CityLink Melbourne	12	1,432,310	-	-	1,576,600	3,008,910
Advances to Hills Motorway Limited	12	-	-	-	336,167	336,167
Investment in CPLN's	12	-	392,000	-	-	392,000
Advance to other parties	12	-	-	-	24,321	24,321
Total Financial Assets		1,624,218	392,000	-	336,167	3,969,476
Weighted average interest rate		6.39%	6.27%	-	11.94%	
Financial Liabilities						
Sundry creditors	14	-	-	-	19,199	19,199
Tullamarine/Calder freeway upgrade	15, 17	-	-	-	146,480	146,480
Promissory Notes	17	-	-	-	22,116	22,116
Term Debt	18	440,000	-	-	-	440,000
Working Capital Facilities	18	7,000	-	-	-	7,000
Loans from related parties	14, 18	1,415,321	435,000	150,000	53,611	2,053,932
Interest rate swaps	21	(1,380,021)	-	-	1,380,021	-
CARS	18	-	-	430,000	-	430,000
Total Financial Liabilities		482,300	435,000	580,000	241,406	3,118,727
Weighted average interest rate		6.16%	6.25%	6.74%	6.08%	
Net Financial Assets/(Liabilities)		1,141,918	(43,000)	(580,000)	(1,043,854)	850,749

Notes to the financial statements for the year ended 30 June 2005

2004		Floating interest rate	Fixed Interest Maturity in:		Non interest bearing	Total
	Note	\$'000	1 year or less \$'000	between 1 and 5 years \$'000	\$'000	\$'000
Financial Assets						
Cash	7	59,922	-	-	-	59,922
Sundry debtors	8	-	-	-	3,079	3,079
Advance to CityLink Melbourne	12	1,478,980	-	-	1,576,600	3,055,580
Investment in CPLN's	12	-	-	392,000	-	392,000
Other financial assets – investments	12	-	-	-	94,419	94,419
Advance to other parties	12	-	-	-	24,231	24,231
Total Financial Assets		1,538,902	-	392,000	1,698,329	3,629,231
Weighted average interest rate		6.45%	-	6.27%	-	
Financial Liabilities						
Sundry creditors	14	-	-	-	15,126	15,126
Loans from related parties	14, 18	1,345,000	-	435,000	37,560	1,817,560
Interest rate swaps	21	(1,160,000)	-	1,160,000	-	-
CARS	18	-	-	430,000	-	430,000
Total Financial Liabilities		185,000	-	2,025,000	52,686	2,262,686
Weighted average interest rate		6.27%	-	6.32%	-	
Net Financial Assets/(Liabilities)		1,353,902	-	(1,633,000)	1,645,643	1,366,545

	Notes	2005 \$'000	2004 \$'000
Reconciliation of Net Financial Assets to Net Assets			
Net financial assets as above		850,749	1,366,545
Non-financial assets and liabilities			
Property, plant and equipment	10	2,804,047	726,906
Other assets	9, 11, 13	157,436	24,272
Other liabilities	15, 16	(165,417)	-
Net assets per balance sheet		3,646,815	2,117,723

Notes to the financial statements for the year ended 30 June 2005

Net fair values of financial assets and liabilities

The carrying amount and net market value of financial assets and liabilities brought to account at balance date are the same.

The aggregate net fair value of interest rate swaps not recognised in the balance sheet (refer note 1m) held at 30 June 2005 is a liability of \$49.7 million (2004: \$0.3 million).

As these contracts are hedging anticipated future interest payments, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction.

The valuation of interest rate swaps reflects the estimate amounts which the entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates as at 30 June 2005.

22 Director Disclosures

With the exception of the changes noted below, the following persons were directors of Transurban Infrastructure Management Limited during the financial year:

Chairman – non-executive

Laurence G Cox

Non-executive directors

Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Executive directors

Geoffrey R Phillips ⁽²⁾
Kimberley Edwards ⁽³⁾

- (1) Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report.
- (2) Geoffrey R Phillips resigned from the position of executive director on 26 July 2005.
- (3) Kimberley Edwards was appointed an executive director on 26 July 2005 and continues in office at the date of this report.

Remuneration of directors

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. Non-executive directors are not provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the

Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the lesser. This policy was reviewed in April 2003 and it was resolved to continue the policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Details of remuneration

Details of the remuneration of each director of Transurban Infrastructure Management Limited, including their personally related entities, are set out in the following tables. The Options granted, relate to the Transurban Group as a whole. There is no apportionment between Group entities. As a reasonable basis of apportionment is not available, the full amount has been disclosed.

Notes to the financial statements for the year ended 30 June 2005

Directors of Transurban Infrastructure Management Limited

2005	Primary			Post-employment		Equity		
Name	Cash salary and fees	Cash Bonus	Long Term Incentive	Non-monetary benefits	Super-annuation	Retirement benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	55,362	-	-	-	4,236	33,606	-	93,204
P C Byers	19,309	-	-	-	1,738	15,675	-	36,722
J G A Davis	15,128	-	-	-	15,714	15,772	-	46,614
S M Oliver	18,571	-	-	-	1,671	16,374	-	36,616
G O Cosgriff	21,502	-	-	-	1,935	9,362	-	32,799
D J Ryan	21,797	-	-	-	1,962	-	-	23,759
G R Phillips	-	-	-	-	-	-	61,333	61,333
Total	151,669	-	-	-	27,256	90,789	61,333	331,047

2004	Primary				Post-employment		Equity	
Name	Cash salary and fees	Cash Bonus	Long Term Incentive	Non-monetary benefits	Super-annuation	Retirement benefits	Options	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	55,009	-	-	-	4,951	34,626	-	94,586
P C Byers	21,196	-	-	-	1,908	10,495	-	33,599
J G A Davis	19,799	-	-	-	2,644	8,309	-	30,752
S M Oliver	20,994	-	-	-	1,889	9,721	-	32,604
G O Cosgriff	18,976	-	-	-	1,708	23,270	-	43,954
D J Ryan	18,168	-	-	-	1,635	-	-	19,803
G R Phillips	-	-	-	-	-	-	61,501	61,501
Total	154,142	-	-	-	14,735	86,421	61,501	316,799

Notes to the financial statements for the year ended 30 June 2005

Share-based compensation – options

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

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

Options are issued at no cost to the option holder and vest in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise of the options is subject to an Exercise Condition. The Exercise Condition involves a comparison between Total Shareholder Return ("TSR") of The Transurban Group's Stapled Securities over the two years prior to a vesting date of options and the TSR of each of the other companies in the S&P/ASX 200 Industrials index as at the end of the relevant Exercise Condition Test Period which have been in the S&P/ASX 200 Industrials for the full term of the Exercise Condition Test Period ("Test Companies") measured over the same period.

The Transurban Group and each of the Test Companies are ranked according to their respective TSRs over the Exercise Condition Test Period. The ranking determines the proportion of vested options that may be exercised. The proportion is zero if Transurban's TSR

ranking is below the 25th percentile. If the Group's TSR is between the 25th and 65th percentile, the proportion increases linearly from 40.0 per cent to 100 per cent. If Transurban's TSR ranking is above the 65th percentile, the proportion is 100 per cent.

The exercise price of options is the volume weighted average price of the Group's stapled securities over the period of five business days immediately prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

The amounts disclosed as remuneration relating to options in the tables in the section above headed "Details of Remuneration" are the assessed fair values of the options granted to executive directors and other executives,

allocated equally over the period from grant date to vesting date. Fair values at grant date are independently determined, using a Black-Scholes derived option valuation model taking into consideration the exercise price, the term of the option, the market price of Transurban Group Stapled Securities on the date of grant, the expected price volatility of Transurban Group Stapled Securities, expected future distributions and the risk free rate of interest over the term of the options.

Equity instrument disclosures relating to directors

Options provided as remuneration

Details of options over units in the Transurban Holding Trust provided as remuneration to each director of Transurban Infrastructure Management Limited.

Name	Number of options granted during the year	Number of options vested during the year
Directors of the Transurban Group		
G R Phillips	-	166,667

Notes to the financial statements for the year ended 30 June 2005

Option holdings

The number of options over units in the Transurban Holding Trust held during the financial year by each director of Transurban Infrastructure Management Limited, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Transurban Infrastructure Management Limited					
G R Phillips	500,000	-	500,000	-	-

Share holdings

The number of Transurban Group Stapled Securities and Convertible Adjusting Rate Securities ("CARS") held during the financial year by each director of Transurban Infrastructure Management Limited, including their personally-related entities, are set out below.

Stapled Securities

	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Infrastructure Management Limited				
L G Cox	775,000	-	367,500	1,142,500
P C Byers	50,000	-	20,580	70,580
G O Cosgriff	24,910	-	-	24,910
J G A Davis	50,000	-	-	50,000
S M Oliver	60,993	-	1,547	62,540
D J Ryan	21,043	-	534	21,577
G R Phillips	-	500,000	8,820	508,820

CARS

Directors of Transurban Infrastructure Management Limited

L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
G R Phillips	-	-	-	-

Notes to the financial statements for the year ended 30 June 2005

Other transactions with directors

All of the directors of Transurban Infrastructure Management Limited are also directors of Transurban Holdings Limited, Transurban Limited, CityLink Melbourne Limited, Transurban Asset Management Pty Limited and Transurban Finance Company Pty Limited.

The CityLink Trust rents land and provides financial support in the form of an interest bearing loan to CityLink Melbourne.

The Hills Motorway Trust rents land and provides financial support in the form of an interest bearing loan to Hills Motorway Limited.

Transurban Holding Trust provides financial support in the form of non-interest bearing loans to Transurban Holdings Limited, Transurban Asset Management Pty Limited and Transurban Limited.

Transurban Finance Company provides financial support in the form of an interest bearing loan to Transurban Finance Trust. The Transurban Finance Trust pays interest and related finance charges for such a loan.

Transurban Infrastructure Management Limited is the Responsible Entity of Transurban Holding Trust, CityLink Trust and CARS Trust and receives Responsible Entity and Management Fees.

Transurban Holding Trust paid Transurban Limited, Business Development Fees for the successful completion of the acquisition of the Hills Motorway Group and the arrangement with the State of Victoria to fund and upgrade the Tullamarine/Calder Freeway Interchange.

Mr Cox is a director of Macquarie Corporate Finance Ltd (a wholly owned subsidiary of Macquarie Bank Ltd), which was also involved in the financial arrangements concerning the Land Transport Notes. Mr Cox holds 51,188 class B Land Transport Notes.

Aggregate amounts of each of the above types of other transactions with directors of Transurban Infrastructure management Limited:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts recognised as expenses				
Interest and other related charges paid	119,330	146,509	-	-
Responsible Entity fees expense	5,509	4,187	1,068	1,056
Management fees expense	25,949	8,577	33,018	8,577
Amounts recognised as revenue				
Rental income	127,709	111,272	-	-
Interest income	98,651	87,246	-	-
Hills distribution	-	1,044	-	1,044
Amounts recognised as successful projects				
Business Development fees paid	8,000	-	-	-
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Infrastructure Management Limited:				
Current receivables	15,845	5,355	20,011	5,355
Non-current receivables	3,369,398	3,077,080	44,106	40,597
Aggregate amounts payable at balance date relating to the above types of other transactions with directors of Transurban Infrastructure Management Limited:				
Current liabilities	53,611	37,560	17,443	-
Non-current liabilities – loans	2,000,321	1,780,000	300,513	78,575

Notes to the financial statements for the year ended 30 June 2005

23 Remuneration of Auditors

During the year the following services were paid to the auditor of the parent entity and its related practices:

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$	\$	\$	\$
Assurance services				
1 Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001.	28,587	104,320	28,500	22,050
Fees paid to non PricewaterhouseCoopers audit firms for the audit and review of financial reports	20,000	-	-	-
Total remuneration for audit services	48,587	104,320	28,500	11,050
2 Other assurance services				
Fees paid to non PricewaterhouseCoopers audit firms for compliance plan audit	12,360	-	-	-
Total remuneration for other assurance services	12,360	-	-	-
Taxation services				
Tax compliance services, including review of income tax returns	26,571	31,400	26,540	-
Indirect taxation services	191,363	-	191,360	-
Fees paid to non PricewaterhouseCoopers audit firms	22,172	-	-	-
Total remuneration for taxation services	240,106	31,400	217,900	-

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice.

24 Contingent Liabilities

Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of Convertible Adjusting Rate Securities ("CARS"). This guarantee is in place until the first reset date,

14 April 2007, at which time the guarantee may or may not be extended. The distributions are semi-annual distributions fixed until the first reset date at 7.0 per cent per annum on an amount of \$430.0 million.

Notes to the financial statements for the year ended 30 June 2005

25 Related Party Information

Directors

Disclosures relating to directors are set out in note 22.

Wholly-owned group

The wholly-owned group consists of Transurban Holding Trust and its wholly-owned controlled entities refer to note 26.

Transactions between Transurban Holding Trust and the other entities in the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

- (a) distributions paid to Transurban Holding Trust
- (b) loans advanced by Transurban Holding Trust
- (c) the payment of interest on the above loans

- (d) financial services provided to Transurban Holding Trust

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	Parent Entity	
	2005 \$'000	2004 \$'000
Distribution income	149,017	125,078
Interest income	684	1,281
Financial services expense	5,573	2,034
Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date:		
Current payables	17,443	-
Non-current payables	300,513	78,575
Current receivables	52,641	-
Non-current receivables	44,106	19,097

Other Related Parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CPLN's interest revenue	24,578	24,646	-	-
Aggregate amounts receivable from, each class of other related parties at balance date:				
Non-current receivable	392,000	392,000	-	-

Controlling entities

The ultimate parent entity in the wholly-owned group is Transurban Holding Trust.

Notes to the financial statements for the year ended 30 June 2005

26 Investments in Controlled Entity

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2005 %	Equity Holding 2004 %	Date Acquired
CityLink Trust	Australia	Ordinary	100	100	
Transurban Finance Trust	Australia	Ordinary	100	100	
Transurban CARS Trust	Australia	Ordinary	100	100	
Transurban WSO Trust	Australia	Ordinary	100	100	
Hills Motorway Trust	Australia	Ordinary	100	8.1	12/04/05
Hills Motorway Holdings Trust	Australia	Ordinary	100	8.1	12/04/05

Acquisition of Controlled Entities

On 12 April 2005, Transurban Holding Trust acquired the remaining 91.9 per cent (2004: 8.1 per cent) of The Hills Motorway trust for a total consideration of \$1,843.8 million. This was satisfied by the issue of 249.9 million Transurban Group stapled securities, comprising a unit in the Trust, cash component of 25.0 cents per Hills Motorway Group Security acquired and the incidental costs of acquisition.

The operating result of this newly controlled entity has been included in the statement of financial performance since the date of acquisition. At the date of this financial report no additional payments are anticipated.

Details of the acquisition are as follows:

	2005 \$'000
Fair value of identifiable net assets of controlled entities acquired	
M2 Motorway	2,093,240
Equipment & fittings	1,140
Cash	15,965
Related party loans	327,015
Prepayments	1,217
Deferred expenditure	324
Trade creditors	(6,480)
Unearned income	(16,437)
Accrued interest	(10,757)
Bank debt	(447,000)
Promissory notes	(20,001)
	1,938,226
Less: existing investment of 8.1 per cent	(94,419)
Total consideration	1,843,807

Notes to the financial statements for the year ended 30 June 2005

2005
\$'000**Total consideration comprised:**

Units issued	1,771,744
Cash consideration paid to Hills security holders	42,500
Incidental costs settled by cash	8,969
Incidental costs included in current liabilities	20,594
	1,843,807

Outflow of cash to acquire controlled entity, net of cash acquired

Cash consideration	51,469
Less: cash acquired	(15,965)
Outflow of cash	35,504

27 Investment in Associate

Name of Company	Ownership Interest		Consolidated carrying amount		Parent entity carrying amount	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Westlink Motorway Limited	40	40	-	-	-	-

Westlink Motorway Limited is the nominee manager of the Westlink Motorway partnership and is carried at cost of \$80. The company has no impact on the consolidated entity's equity accounted profits.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Summary of performance and financial position of associates				
Aggregate net profits of associates after tax	-	-	-	-
Assets	382,325	-	-	-
Liabilities	382,325	-	-	-

28 Interest in Joint Venture

Name of Company	Ownership Interest		Consolidated carrying amount		Parent entity carrying amount	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Westlink Motorway Partnership	40	40	6,236	6,236	6,236	6,236

Notes to the financial statements for the year ended 30 June 2005

The consolidated entity has a 40% interest in the Westlink Motorway Partnership. The principal activity of the partnership is the construction of the Westlink M7 Motorway in Sydney. The M7 is presently in the construction phase and is due for completion in April 2006. The partnership is unlikely to have an impact on the consolidated entity's equity accounted profits until operations commence.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Share of partnership assets and liabilities				
Current assets	5,225	2,932	-	-
Non-current assets	580,709	324,542	-	-
Total Assets	585,934	327,474	-	-
Current liabilities	28	14	-	-
Non-current liabilities	585,906	327,460	-	-
Total Liabilities	585,934	327,474	-	-
Net Assets	-	-	-	-
Share of Profits	-	-	-	-
Share of partnership commitments				
Capital commitments	522,288	327,484	-	-

29 Reconciliation of Net Profit from Ordinary Activities to Net Cash Outflow from Operating Activities

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net profit from ordinary activities	20,759	48,977	88,341	117,563
Depreciation and amortisation	45,892	26,358	-	-
Trust distributions received	-	-	4,763	(125,078)
Change in operating assets and liabilities				
Decrease in creditors	(201,995)	(189,244)	(100,698)	(5,954)
(Increase)/decrease in debtors	(7,043)	2,958	(1,841)	(63)
Increase in Promissory Note liability	2,115	-	-	-
Net cash (outflow)/inflow from operating activities	(140,272)	(110,951)	(9,435)	(13,532)

Notes to the financial statements for the year ended 30 June 2005

30 Non-cash Financing and Investing Activities

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Pre-acquisition portion of distribution receivable from Hills Motorway Group Ltd offsetting the cash purchase price	-	1,581	-	1,581
Distributions satisfied by the issue of units under the distribution reinvestment plan	32,042	60,384	32,042	-

Issue of units to acquire the Hills Motorway Trust (refer note 26).

31 Economic Dependency

The consolidated entity is reliant on distributions from CityLink Trust and interest on Construction Phase Loan Notes for its ongoing viability.

32 Earnings Per Unit

	Consolidated	
	2005	2004
Basic earnings per unit	3.5 cents	9.3 cents
Diluted earnings per unit	4.0 cents	7.1 cents
Weighted average number of units used as the denominator in calculating basic earnings per unit	591,871,852	524,512,875
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	1,044,264,422	985,000,351

Reconciliation of earnings used in calculating diluted earnings per unit

	2005	2004
	\$'000	\$'000
Net profit	20,759	48,977
Interest savings on CARS	21,128	21,128
Earnings used in calculating diluted earnings per unit	41,887	70,105

Notes to the financial statements for the year ended 30 June 2005

Information concerning the classification of units

(a) Stapled Securities

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

(b) Options

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

(c) Convertible Adjusting Rate Securities ("CARS")

CARS on issue are convertible to stapled securities at a maximum conversion ratio of 105, at the first reset date 14 April 2007. CARS are considered to be potential stapled securities and have been included in the determination of diluted earnings per unit at their maximum conversion ratio. This ratio will be applicable if the volume weighted average price of stapled securities during the period over which the price for the purpose of conversion of CARS is determined is less than \$0.98. The directors consider conversion of this basis to be a highly unlikely event. The CARS have not been included in the calculation of basic earnings per unit.

33 Commitments For Expenditure

Options Over Further Interest in Westlink M7 Motorway Project

Wholly-owned entities of the Trust have options to acquire an additional 10.0 per cent interest (5.0 per cent for \$49.0 million and 5.0 per cent at market value) in the Westlink M7 project, which would take its overall holding to 50.0 per cent. These options are with Leighton Group and Abigroup, the construction partners in the project. Macquarie infrastructure Group has similar options to take their holding to 50.0 per cent.

34 Impacts of Adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS ("AIFRS") for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Transurban Group established an AIFRS transition project team in October 2003. The project team prepared a plan to manage the transition to AIFRS and reports regularly on progress to the audit committee. The project plan was on schedule for completion by 30 June 2005 until the acquisition of the Hills Motorway Group added a further level of complexity that has not yet been fully determined. It is now expected that the project will be completed (including the calculation of the impact of AIFRS) by the first AIFRS reporting date being the period ending on 31 December 2005.

The project team is undertaking a detailed analysis of AIFRS and the Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the date of transition to AIFRS and future accounting policy differences. The project team has identified a number of accounting policy choices which have been analysed by management to determine the most appropriate accounting policy for the Group on transition to IFRS.

Notes to the financial statements for the year ended 30 June 2005

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. As mentioned above, this may not be all of the impacts that may arise. The expected financial effects of adopting AIFRS are shown for each item with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

(i) Financial Instruments

The group will be taking advantage of the exemption available under AASB 1 to apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement only from 1 July 2005. This allows the group to apply previous Australian generally accepted accounting principles (Australian GAAP) to the comparative information of financial instruments within the scope of AASB 132 and 139 for the 30 June 2005 financial report.

As a result of the application of this exemption, there would have been no adjustment to the classification or measurement of financial assets or liabilities from the application of AIFRS during the year ended 30 June 2005. Changes in classification on measurement will be recognised from 1 July 2005.

We have noted below the likely impacts from 1 July 2005 of the adoption of AASB 132 and AASB 139.

AASB 139 and AASB 132 are likely to have the following impacts:

- Financial assets held by the consolidated entity will be classified as either fair value through profit and loss, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost.
- The Group enters into interest rate swaps to hedge the Group's exposure to interest rate movements. Presently the fair value of the hedges is not recognised in the financial statements. Under AASB 139, the fair value of the hedges will be recognised on the balance sheet at each reporting date and the change in fair value during the reporting period reflected directly in equity to the extent hedging criteria are met, or in profit and loss if the hedging criteria are not met.

The change in policy will lead to greater volatility in the reported balance sheet and if the hedging criteria are not met, in the reported profit and loss.

- Under AGAAP, units in fixed life trusts are considered to be contributed equity of the trust. Under AASB 132, fixed life trusts will be required to classify units on issue as a financial liability rather than equity. This would result in the distributions to unit holders being classified as interest expense rather than as distributions to equity holders.

The Group has amended the trust deeds of all of its trusts from a fixed life to a perpetuity so that this potential change in practice will have no impact.

- Under AIFRS, borrowings must be measured at fair value net of transaction costs incurred. 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.

Notes to the financial statements for the year ended 30 June 2005

(ii) Accounting for Associates

Under AASB 128 Investments in Associates, a long term loan to an associate can be considered as part of the investment. This is a change in the present accounting policy where only the equity component of the investment is included in equity accounting and long term loans are a separate class of asset subject to recoverable amount testing. This will affect the Group's investment in the Westlink project which is presently equity accounted. The investment is substantially represented by a long term loan rather than an equity investment. If the Westlink project incurs accounting losses from the commencement of operations greater than the Group's equity investment, the receivable balance may be reduced to the extent of the Group's remaining share of accounting losses. This may occur despite the recoverable amount of the long term loan not being impaired due to the expected cashflow from the Westlink project. If the policy required by AASB 128 had been applied during the year ended 30 June 2005, there would be no financial impact as Westlink has not yet commenced operations. However, it may lead to greater volatility in earnings in future reporting periods.

(iii) Business Combinations

(Pre AIFRS Transition Date)

The group has elected under AASB 3 Business Combinations that all business combinations that occurred prior to 1 July 2004 be grandfathered to reflect AGAAP acquisition accounting and as such there will be no impact from restating these business combinations upon adoption of AIFRS.

(Post AIFRS Transition Date)

Under AIFRS, business combinations which have occurred post 1 July 2004 need to be restated to reflect the requirements of AASB 3. This applies to the acquisition of Hills Motorway Group. The full impact of AIFRS on this acquisition is being assessed and as such the impacts on the financial report are not known or reliably estimable. This will be finalised by the first AIFRS reporting date being the period ending 31 December 2005.

(iv) Identifying the Parent

Upon the adoption of AIFRS, the Group must apply the requirements of UIG Interpretation 1013 "Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements". UIG 1013 requires that where a stapling arrangement is effected prior to the date of transition, one of the combining entities shall be identified as the parent for the purposes of preparing consolidated financial reports. Further, it requires that the consolidated financial report of the "parent" under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS. As such, there will be no financial impact as a result of this upon the adoption of AIFRS.

The Group is in the process of identifying which entity will be the parent and will finalise this prior to the first AIFRS reporting date being 31 December 2005.

Directors' Declaration

In the directors' opinion:

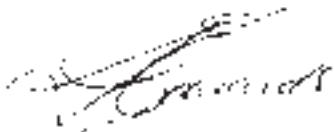
- a) The financial statements and notes set out on pages 71 to 104 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief finance officer required by section 295A of the Corporations Act 2001,

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Independent audit report to the members



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Independent audit report to the members of

Transurban Holding Trust

Audit opinion

In our opinion, the financial report of Transurban Holding Trust:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Transurban Holding Trust and the Transurban Holding Trust Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Holding Trust (the Trust) and the Transurban Holding Trust Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the Trust and the entities it controlled during that year.

The directors of Transurban Infrastructure Management Limited, the Responsible Entity of the Trust, are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Independent audit report to the members



We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Trust's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.


PricewaterhouseCoopers


Tim Goldsmith
Partner

Melbourne
23 August 2005

financials

The Financial Report of
Transurban Limited (formerly Transurban Infrastructure Developments Limited)
and Controlled Entities (ABN 96 098 143 410)
For the Year Ended 30 June 2005

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This financial report covers both Transurban Limited as an individual entity and the consolidated entity consisting of Transurban Limited and its controlled entities.

Transurban Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transurban Limited
Level 43 Rialto South Tower
525 Collins Street
Melbourne VIC 3000

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

Directors' Report

Your directors present their report on the consolidated entity consisting of Transurban Limited (formerly Transurban Infrastructure Developments Limited) and the entities it controlled at the end of, or during, the year ended 30 June 2005.

Transurban Limited forms part of the Transurban Group ("Group"). The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Limited, one share in Transurban Holdings Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Limited during the whole of the financial year and up to the date of this report:

Non-executive directors

Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Executive directors

Kimberley Edwards
Geoffrey R Phillips ⁽²⁾

⁽¹⁾ Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report
⁽²⁾ Geoffrey R Phillips was an executive director from the beginning of the financial year until his resignation on 26 July 2005.

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) Providing management services to Transurban Holdings Limited ("Holding Company") and CityLink Melbourne Limited ("CityLink Company");
- (b) Participation in the direction of the entities responsible for the development of Westlink M7 Motorway Project;
- (c) Provision of the tolling and customer management system for the Westlink M7 Motorway Project.
- (d) Providing services to Transurban Infrastructure Management Limited ("TIML") in TIML's capacity as responsible entity of Transurban Holding Trust ("Holding Trust"), Transurban CARS Trust and CityLink Trust;
- (e) Identification and development of infrastructure projects in accordance with the investment strategies of Holding Company and Holding Trust; and
- (f) The continued development and enhancement of the existing Melbourne CityLink ("CityLink") electronic tolling system and processes.

Review of Operations

a) Business Development

During the year Transurban Limited has continued to pursue new business development opportunities on both the domestic and international markets. Opportunities pursued during the period include:

(i) I95 Virginia USA Proposal

Transurban is a part of a consortium headed by Fluor Corporation that has been selected as one of two consortiums by VDOT for the provision of Bus Rapid Transit ("BRT")/ High Occupancy Toll ("HOT") lanes for the I95 Motorway in Virginia.

The two selected consortiums are currently in the process of preparing required submissions to VDOT and if successful Transurban would undertake the design and operation of the tolling system.

(ii) Tullamarine / Calder Freeway Interchange Upgrade

On 27 January 2005, the Transurban Group reached agreement with the State of Victoria and VicRoads to use CityLink Concession Notes to fund an upgrade of the Tullamarine/ Calder Freeway interchange.

Under the agreement, Transurban will provide \$151.0 million to VicRoads which will be used to fund the upgrade. The agreement provides the amount be payable to Vic Roads in two installments on 1 July 2005 (\$100.8 million) and 1 July 2006 (\$50.2 million). In exchange, the State will assign to Transurban \$305.3 million (\$328.0 million pending the outcome of the appeal to the High Court of Australia on deductibility of concession fees) of the Concession Notes issued by CityLink to the State under the provisions of the Melbourne CityLink Concession Deed.

The State also received on 1 July 2005 an upfront benefit of \$11.0 million dollars representing the estimated net present value of the State's share of the expected increase

Directors' Report

in net tolling revenue following completion. The quantum of the benefit to the State will be reviewed 30 months after completion with any additional revenue realised to be paid to the State.

(iii) Participation in Capital Beltway project – Virginia USA

Transurban, through its wholly owned subsidiary Transurban USA Inc, has joined a consortium led by Fluor Corporation for the provision of High Occupancy Toll ("HOT") lanes along a 22.4 kilometre segment of the Capital Beltway (I 495) in Northern Virginia, USA.

The Virginia Department of Transportation ("VDOT") estimates the project will cost approximately US \$900.0 million (AUD \$1,200.0 million). It is expected that Transurban's contribution to the project will approximate AUD \$200.0 million.

Currently an environmental impact study is being undertaken prior to commencement of a full financial feasibility evaluation of the project.

In the event that a Financial Close is achieved in late 2006 Transurban will provide support for the design and operation of the tolling system.

(iv) Pocahontas Parkway-Memorandum of Understanding-Virginia USA

On 17 June 2005 Transurban (USA), Inc. and DEPFA Bank, Plc. announced they had entered into a confidential Memorandum of Understanding ("MOU") with the Pocahontas Parkway Association ("PPA") and VDOT.

PPA was created in August 1997 for the financing and operation of the Pocahontas Parkway (route 895) which was fully opened to traffic in September 2002. The Parkway is a nine mile (approximately 15 kilometre), four lane toll road located southeast of the city of Richmond in Virginia which provides a crossing of the James River and facilities access to the Richmond International Airport.

The MOU provides for the exclusive investigation of the feasibility of acquiring PPA's rights and obligations in relation to the Parkway and in the event of a favorable outcome of such investigation, the negotiation of an agreement to transfer the PPA's rights and obligations to Transurban and DEPFA. Transurban has commenced due diligence on the project as it is contemplated that any such agreement would be expected to be completed before the end of 2005.

(v) Mitcham Frankston Freeway ("MFF") Project

On 14 October 2004, the State of Victoria advised the Mitcham Frankston Motorway ("MFM") Consortium of which Transurban was a sponsor, that the consortium's proposal for the Mitcham Frankston Freeway project had not been accepted.

In accordance with the Group's accounting policies, \$9.4 million, representing costs incurred in preparation of the proposal less a reimbursement due from SEITA, has been charged to expense in the period. This amount includes \$7.0 million which had been capitalised in the prior year.

Significant Changes in the State of Affairs

a) Mitcham Frankston Freeway ("MFF") Project

Refer to Item (a)(v) of Review of Operations

b) Tullamarine / Calder Freeway Interchange Upgrade

Refer to Item (a)(ii) of Review of Operations

c) Participation in Capital Beltway project (Virginia USA)

Refer to item (a) (iii) of Review of Operations

d) Pocahontas Parkway – Memorandum of Understanding (Virginia USA)

Refer to item (a) (iv) of Review of Operations

Matters Subsequent to the End of the Financial Year

At the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2005 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the consolidated entity in financial years subsequent to 30 June 2005.

Directors' Report

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of Transurban Limited and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the entity.

Information on Directors

Laurence G Cox AO, B. Con, FCPA, FSIA.
Chairman – non-executive

Experience and expertise

Over 40 years' experience in Australian and International financial markets, including Chairman of the Australian Stock Exchange Limited from 1989 to 1994 and executive Chairman of the Potter Warburg Group from 1989 to 1995.

Other current directorships

Non-executive Chairman of The Murdoch Children's Research Institute and SMS Management and Technology Limited, executive director of Macquarie Bank Limited and non-executive director of Smorgon Steel Group.

Former directorships in last 3 years

Non-Executive Director of Hills Motorway Limited and Hills Motorway Management Limited from 18 April 2005 to 12 August 2005.

Date of initial appointment

13 February 1996

Special responsibilities

Chairman of Board, Chairman of Nomination and Remuneration Committee and Member of Audit Committee.

Kimberley Edwards BE, MAdmin (Bus), FIE (Aust), MAICD. Managing Director

Experience and expertise

Held senior management positions on major commercial and infrastructure projects in Australia, the United Kingdom and the Middle East. Joined Transurban when it was originally bidding for the CityLink project and recently led the development of the Transurban Group into other toll road opportunities and the deployment of its electronic tolling technology in Australia and overseas.

Other current directorships

None

Former directorships in last 3 years

WestLink Motorway Limited (2002 to 2005). WSO Co Pty Limited (2002 to 2005). WSO Finance Pty Limited (2002 to 2005). Executive Director of Hills Motorway Limited and Hills Motorway Management Limited from 18 April 2005 to 12 August 2005.

Date of initial appointment

29 October 1996

Special responsibilities

Managing Director

Peter C Byers B Com (Hons).
Independent non-executive director

Experience and expertise

A former business manager and deputy principal of the University of Tasmania.

Other current directorships

Non-executive director of Airport Motorway Management Limited and Foundation Capital Limited.

Former directorships in last 3 years

Alternate non-executive director of Hancock Victorian Plantations Holdings Limited (1995 to 2005). Non-executive director of The Hills Motorway Group (1995 to 2005). Non-executive director and Chairman of the Investment Committee of the Superannuation Scheme for Australian Universities (1982 to 2001).

Date of initial appointment

2 January 1996

Special responsibilities

Chairman of Audit Committee

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

Experience and expertise

Formerly held executive management roles with Melbourne and Metropolitan Board of Works and has had extensive experience in the information technology industry, including the founding Managing Director of

Directors' Report

MITS Limited. MITS grew to 600 staff and nearly \$100 million in sales of information technology solutions from its formation until December 2000 when it was acquired by Logica Pty Limited.

Other current directorships

Non-executive director of UXC Limited. Executive director of LogicaCMG Pty Limited.

Former directorships in last 3 years

None

Date of initial appointment

19 December 2000

Special responsibilities

Member of Risk Management and Compliance Committee, Member of Nomination and Remuneration Committee.

Jeremy G A Davis BEc, MBA, Ma, FAICD. Independent non-executive director

Experience and expertise

Holds the AMP Chair of Management in the Australian Graduate School of Management at the University of New South Wales and the University of Sydney. Academic interests in the fields of corporate strategy and negotiation and a fellow of the Australian Institute of Company Directors.

Other current directorships

Non-executive Chairman of XRT Limited. Non-executive director of SP Australia Networks (Transmission) Pty Ltd, SP Australia Networks (Distribution) Pty Ltd,

CHAMP Ventures Pty Ltd, and AMWIN Management Pty Ltd.

Former directorships in last 3 years

Non-executive director of SPI Australia Group Pty Ltd (2004 to 2005). Non-executive director of Gradipore Limited (2002 to 2003).

Date of initial appointment

16 December 1997

Special responsibilities

Member of Audit Committee, Member of Nomination and Remuneration Committee.

Susan M Oliver Build.Prop.& Const, FAICD. Independent non-executive director

Experience and expertise

Former Senior Manager of Andersen Consulting and former Managing Director of the Australian Commission for the Future Limited.

Other current directorships

Non-executive director of MBF Australia Ltd, non-executive director of Programmed Maintenance Services Limited, non-executive director of Methodist Ladies College Limited, non-executive director of The Australian Business Foundation Limited, executive director wwITe Pty Limited and Governor of The Smith Family Ltd.

Former directorships in last 3 years

Non-executive director of The Smith Family Ltd (2002 to 2005). Non-executive Chairman of

ScreenSound Australia (The National Screen and Sound Archive) (1998 to 2003).

Date of initial appointment

25 June 1996

Special responsibilities

Chairperson of Risk Management and Compliance Committee, Chairperson of Corporate Social Responsibility Committee.

Geoffrey R Phillips BE (Chem), MBA, MAICD. Executive director

Experience and expertise

Joined Transurban in 1996 as Executive General Manager, Finance and was subsequently appointed Finance Director. Prior to joining Transurban, worked for the Potter Warburg Group (now UBS Australia) for 6 years as director in both the Corporate Finance and Fixed Interest Divisions.

Other current directorships

Non-executive director and Deputy Chairman of Yarra Valley Water Limited. Non-executive director of Westlink Motorway Limited, non-executive director of WSO Finance Pty Limited and non-executive director of WSO Co Pty Limited.

Former directorships in last 3 years

None

Date of initial appointment

28 August 1998

Directors' Report

Special responsibilities

Deputy Managing Director,
Member of Risk Management
and Compliance Committee.

Date of retirement

26 July 2005

**Christopher J S Renwick BA, LLB,
FAIM, FAIE, FTSE.** Independent
non-executive director

Experience and expertise

Over 35 year's experience covering
mining, operational business
management and law.

Other current directorships

Non-executive Chairman of Coal and
Allied Industries Limited and Rio Tinto
Aboriginal Foundation, non-executive
director of Downer – EDI Limited
and Governor of the Ian Clunies Ross
Foundation and Vice President of the
Australia Japan Business Co-operation
Committee.

Former directorships in last 3 years

Multiple executive directorships within
Rio Tinto Group. (1986 to 2004).

Date of initial appointment

26 July 2005

Special responsibilities

None

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

Experience and expertise

Experience covers commercial
banking, investment banking and
operational business management
in a range of sectors.

Other current directorships

Non-executive Chairman of Residual
Assco Limited, DJL Limited, Tooth & Co
Limited and Industrial Equity Limited.
Non-executive director of ABC Learning
Centres Limited, Lend Lease Corporation
Limited, Caliburn Partnership and
Virgin Management Asia-Pacific Pty Ltd
Advisory Board.

Former directorships in last 3 years

Non-executive director of Virgin Blue
Holdings Limited. (2003 to 2005) and
Managing Director of Ad steam Marine
Limited (1997 to 2002).

Date of initial appointment

29 April 2003

Special responsibilities

Member of the Audit Committee
and the Risk Management and
Compliance Committee.

Company Secretary

**Mark Licciardo B.Bus (Acc), GradDip
CSP, ASA, ACIS**

Mr Licciardo was appointed to the
position of Company Secretary with
effect from 17 January 2005. Before
joining Transurban he held the position
of company secretary with a group
of listed investment companies, the
major one being Australian Foundation
Investment Company Limited, for just
over 7 years. Prior to that he held various
finance roles with investment companies
and major banks.

Paul O'Shea B.Ec, LLB, FCIS.

Mr O'Shea is a Company Secretary and
General Counsel, Transurban Legal. He
has been General Counsel since March
1996 and a Company Secretary since
March 1998. Before joining Transurban
he held a senior legal role at Transfield for
18 months and prior to that worked as a
solicitor with two major legal firms.

**Geoffrey R Phillips BE (Chem), MBA,
MAICD.**

Geoffrey R Phillips was a company
secretary from the beginning of the
financial year until his resignation on
26 July 2005.

Meetings of Directors

The numbers of meetings of the
company's board of directors and of
each board committee held during
the year ended 30 June 2005, and the
numbers of meetings attended by each
director were:

Directors' Report

	Board of Directors Meeting		Audit Committee		Mitcham Frankston Freeway Committee		Nomination & Remuneration Committee		Risk Management & Compliance Committee		Hills Motorway Review Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
L G Cox ⁽⁵⁾	18	19	4	5	X	X	3	3	X	X	4	4
P C Byers ⁽¹⁾	14	19	5	5	4	4	X	X	X	X	X	X
G O Cosgriff	19	19	X	X	4	4	3	3	3	3	4	4
J G A Davis	18	19	5	5	4	4	3	3	X	X	4	4
S M Oliver ⁽²⁾	19	19	X	X	3	4	X	X	3	3	4	4
D J Ryan ⁽³⁾	18	19	2	2	4	4	X	X	2	3	4	4
K Edwards ⁽⁴⁾	18	19	X	X	4	4	X	X	X	X	4	4
G R Phillips ⁽⁴⁾	19	19	X	X	4	4	X	X	3	3	4	4

A = Number of meetings attended

B = Number of meetings held during the time the director held office

X = Not a member of the relevant committee

⁽¹⁾ Mr Byers did not participate in 5 board meetings dealing with the takeover of the Hills Motorway Group due to a conflict of interest arising from his position as a Hills director. In addition, he was precluded from participating in the Hills Motorway Review Committee.

⁽²⁾ Ms Oliver chaired 3 meetings of the Corporate Social Responsibility Committee held during the year ended 30 June 2005. This committee is not a committee of the board. Ms Oliver is not a member of the Audit Committee but attended 3 of these meetings in her capacity as Chair of the Risk Management and Compliance Committee.

⁽³⁾ Mr Ryan was appointed to the Audit Committee on 22 February 2005. He attended all meetings held during the year, including 3 prior to his appointment.

⁽⁴⁾ Messrs Edwards and Phillips are not members of the Audit and Nomination and Remuneration Committee but attend these meetings.

⁽⁵⁾ Mr Cox did not participate in the Mitcham-Frankston freeway Committee due to a conflict of interest arising from his position as a director of Macquarie Corporate Finance Limited.

Directors' Interests

The directors of the company have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group as follows:

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	1,142,500	-	-
P C Byers	70,580	-	-
G O Cosgriff	24,910	-	121
J G A Davis	50,000	-	-
S M Oliver	62,540	-	-
C J S Renwick	-	-	-
D J Ryan	21,577	-	-
K Edwards	61,000	1,500,000	-
G R Phillips	508,820	-	-

Directors' Report

Remuneration Report

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. Non-executive directors are not provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the lesser. This policy was reviewed in April 2003 and it was resolved to continue the

policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

- To secure employees with the skills and experience necessary to meet business objectives;
- To motivate employees to the highest levels of performance; and
- To align employee incentives with increased shareholder value.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and group performance and rewards.

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

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI"). Until 30 June 2005, LTIs were provided via either the Executive Option Plan or the Executive Long Term Incentive Plan. Revised LTI arrangements have been introduced for the period beyond 30 June 2005.

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

The incentive component of executive remuneration is primarily determined by financial performance relative to short-term profitability targets and by Total Shareholder Return ("TSR") relative to the companies comprising the ASX200 index over the longer term. Over the past five years Total Shareholder Return ("TSR") for the Transurban Group was 149.4 per cent compared with the Standard and Poors / ASX 200 accumulation index of 57.0 per cent for the same period. Implicit to this result, distributions paid from commencement of operations have risen consistently, evidenced in the final result for the financial year ended 30 June 2005 of 35.0 cents per security ("cps") representing a 25.0 per cent increase over that recorded for the prior corresponding period (28.0 cps).

Transurban's ability to grow distributions represents a combination of strong cash generation and its increased debt capacity. Since commencement of operations, Transurban's annual cash contribution from operations has increased from a surplus in 2001 of \$0.02 million to \$146.7 million for the current period.

Further evidence of strong performance was provided during the year with the acquisition of the Hills Motorway Group which contributed to an increase in market capitalisation between 2004 and 2005 from \$2,594 million to \$5,896 million respectively. Transurban is currently ranked in the top 40 public companies listed on the ASX.

Directors' Report

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

The components of executive remuneration are described below:

Base Pay

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

Benefits

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

Short-term Incentives

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

- The extent to which a profit-related Financial Performance Measure ("FPM") is achieved; and

- The extent to which the executive has achieved his/her Key Performance Indicators ("KPIs").

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

The intent of the adjustment for the extent to which the FPM is achieved is to ensure that STI payments are only made when value has been created for security holders and profit is consistent with the business plan.

Each year, the FPM and the KPIs for senior executives are established by the Nomination & Remuneration Committee, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the Board based on recommendations made by the Nomination & Remuneration Committee.

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

Business Generation Incentive Plan

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

based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Long Term Incentives

Two forms of Long-term Incentives ("LTI") are currently in operation. The Executive Option Plan ("EOP") provides equity rewards, while the Executive Long Term Incentive Plan ("ELTIP") provides cash rewards linked to equity performance. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period when all options issued under the EOP had vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Compensation".

A further review of the options available to provide executives with LTIs was undertaken in the current year and as a result a revised Plan will be introduced later in the year. The objective of the revised Plan is to implement a more cost effective Plan to the Group for a given amount of incentive. In addition, the revised Plan will take into consideration those Plans which have been introduced by a number of other companies whose equity securities are stapled.

Employee Security Ownership Plan

Executives may elect to participate in the Employee Security Ownership Plan on the same basis as that offered to all permanent employees. Executive Directors do not currently participate in the Plan.

Directors' Report

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of Transurban Limited and each of the 5 officers of the company receiving the highest emoluments for the year ended 30 June 2005 are set out in the following tables.

Directors of Transurban Limited

Name	Cash salary and fees	Primary		Non- monetary benefits	Post-employment		Equity	Total
		Cash Bonus	Long Term Incentive ⁽¹⁾		Super- annuation	Retirement benefits	Options ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
L G Cox <i>Chairman</i>	127,314	-	-	-	9,741	82,837	-	219,892
P C Byers	52,662	-	-	-	4,740	38,637	-	96,039
J G A Davis	39,194	-	-	-	40,714	38,877	-	118,785
S M Oliver	51,491	-	-	-	4,634	40,362	-	96,487
G O Cosgriff	47,342	-	-	-	4,261	23,077	-	74,680
D J Ryan	52,433	-	-	-	4,719	-	-	57,152

Executive directors

K Edwards <i>Managing Director</i>	1,154,259	1,000,000	2,545,620	7,300	95,940	-	183,999	4,987,118
G R Phillips <i>Deputy Managing Director</i>	538,509	262,500	-	7,300	11,585	-	61,333	881,227
Total	2,063,204	1,262,500	2,545,620	14,600	176,334	223,790	245,332	6,531,380

Emoluments of non-executive directors represent the portion of emoluments which relate to the consolidated entity. For full disclosure, see the Transurban Group Report.

Directors' Report

Other executives of Transurban Limited

Name	Cash salary and fees \$	Primary		Non-monetary benefits \$	Post-employment	Equity	Total \$
		Cash Bonus \$	Long Term Incentive ⁽¹⁾ \$		Super-annuation \$	Options ⁽²⁾ \$	
K Daley <i>Vice President, International Development</i>	321,352	230,000	482,286	6,083	27,337	30,544	1,097,602
V Howard <i>General Manager, Corporate Finance</i>	254,315	432,500	350,699	7,300	15,000	21,817	1,081,631
P O'Shea <i>General Counsel</i>	304,319	225,000	387,751	7,300	27,312	26,181	977,863
L Hunt <i>General Manager NSW</i>	305,473	137,000	375,935	13,400	26,511	11,742	870,061
K Reynolds <i>General Manager Major Projects</i>	287,121	100,000	369,225	7,300	24,860	26,181	814,687
	1,472,580	1,124,500	1,965,896	41,383	121,020	116,465	4,841,844

⁽¹⁾ The amount shown as Long Term Incentive is that part of the units issued under the ELTIP which is attributable to the current year portion of the vesting period for each current allocation.

⁽²⁾ No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Executive Directors and Executives in prior financial years. The amounts disclosed as remuneration in the current year is that part of the value of the options which is attributable to the current year portion of the vesting period.

To calculate remuneration from options, the options were valued as at grant date using a Black-Scholes derived option valuation model taking into consideration the exercise price, the term of the option, the market price of Transurban Group Stapled Securities on the date of granting the option, the expected price volatility of Transurban Group Stapled Securities, expected future distributions and the risk free rate of interest over the term of the options.

Cash Bonuses and options

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

Cash bonuses aggregating \$3.8 million were incurred under the Business Generation Incentive Plan in relation to the takeover offer for the Hills Motorway Group and the project to upgrade the interchange between the Tullamarine and Calder Freeways.

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

Directors' Report

Name	Cash Bonus	
	Paid %	Not paid %
K Edwards	100	-
G R Phillips	87	13
K Daley	92	8
V Howard	100	-
P O'Shea	105	-
L Hunt	85	15
K Reynolds	70	30

Options

All options issued to the executives and directors listed in the above tables and which were due to vest during the current year have now vested. No options which were due to vest during the current year have been forfeited.

For options issued under the EOP and vesting in the current year, the rank of Transurban's TSR relative to the TSRs of the companies comprising the ASX 200 index over the relevant Exercise Condition Test Period was at the 69.6th percentile. As this rank was above the threshold required for 100 per cent vesting, all options which vested in the current year, together with options which had vested in prior periods but whose exercise had been precluded by operation of the Exercise Condition, became exercisable.

Long Term Incentive Units

No long term incentive units issued during this year or prior years were due to vest during this reporting year.

Service agreements

Remuneration for the Managing Director, the Deputy Managing Director and the executives specified above are formalised in service agreements. Each of these agreements provides for access to performance-related cash bonuses, other benefits including death and disability insurance, salary continuance insurance and car parking, and participation, when eligible, in the Employee Share Ownership Plan, the Executive Option Plan, the Executive Long Term Incentive Plan and the Business Generation Incentive Plan. Other major provisions of the agreements, relating to remuneration, are set out below:

Executive Directors

K Edwards, Managing Director

- Term of Agreement – permanent, subject to 3 months notice of termination by either party;

- Fixed remuneration including base salary and superannuation, for the year ended 30 June 2005 of \$1,250,000 to be reviewed annually by the remuneration committee and the Board; and
- On 25 July 2005, the terms of Mr Edwards' service agreement was varied to provide for a payment of one year's fixed remuneration upon termination.

G R Phillips, Deputy Managing Director

- Term of Agreement – until 31 July 2005;
- Base salary, including superannuation, for the year ended 30 June 2005 of \$550,000; and
- On 25 July 2005, Mr Phillips' service agreement was varied to provide for a termination benefit of \$990,000 in recognition of his long service to the Group and his non-participation in the Executive Long Term Incentive Plan.

Directors' Report

Other Executives

The major provisions contained in the service agreements of the other executives listed in the table in the section headed "Details of Remuneration" are the same for all executives except for the base salary component. These provisions are:

- Term of agreement – permanent, subject to termination on 3 months notice by either party;
- Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long Term Incentive Plan; and
- Total Employment Cost is reviewed annually by the Nomination and Remuneration Committee.

Shares under option

Unissued stapled securities of the Transurban Group which include options over shares of the company, under option at the date of this report are as follows. No options were issued during the year.

Date options granted	Expiry date	Issue price of stapled securities	Number under option
26 April 2001	30 April 2006	\$3.817	390,000
23 October 2001	31 October 2006	\$4.404	1,500,000
1 February 2002	30 April 2007	\$4.280	-
9 April 2002	30 April 2007	\$4.030	237,300
20 May 2002	30 April 2007	\$4.220	744,852

Options have no voting or distribution entitlements and have no rights to participate in any other issues of the Group.

Issued Long Term Incentives

The terms and conditions of each grant of ELTI units affecting remuneration in this or future reporting periods are as follow.

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

Directors' Report

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

Name	A Remuneration consisting of options/ELTI %	B Value at grant date \$	C Value at exercise date \$	D Value at lapse date \$	E Total of columns B to D \$
K Edwards – options	-	-	-	-	-
K Edwards – ELTI	35	437,500	-	-	437,500
G R Phillips – options	-	-	1,483,000	-	1,483,000
G R Phillips – ELTI	-	-	-	-	-
K Daley – options	-	-	181,300	-	181,300
K Daley – ELTI	20	66,000	-	-	66,000
V Howard – options	-	-	716,706	-	716,706
V Howard – ELTI	20	55,000	-	-	55,000
P O'Shea – options	-	-	730,039	-	730,039
P O'Shea – ELTI	20	66,000	-	-	66,000
L Hunt – options	-	-	-	-	-
L Hunt – ELTI	20	64,000	-	-	64,000
K Reynolds – options	-	-	558,880	-	558,880
K Reynolds – ELTI	20	60,000	-	-	60,000

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

B = The value at grant date calculated in accordance with AASB 1046 Director and Executive Disclosures by Disclosing Entities of options/ETLIs granted during the year as part of remuneration.

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

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

Shares issued on the exercise of options

The following Transurban Stapled Securities, which include a share in the company were issued during the year ended 30 June 2005 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities.

Directors' Report

Date options granted	Issue price of securities	Number of securities issued
26 April 2001	\$3.817	1,493,231
23 October 2001	\$4.404	500,000
1 February 2002	\$4.280	89,867
9 April 2002	\$4.030	62,700
20 May 2002	\$4.220	715,598

Insurance of officers

Article 12.1 of the Articles of Association of the Company and consolidated entity provides that to the extent permitted by law, each person who is or has been an officer of the Company and consolidated entity shall be indemnified against liability incurred by the person in his capacity as an officer of the Company and consolidated entity unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Company and consolidated entity also indemnifies each person who is or has been an officer of the Company and consolidated entity against liability for costs or expenses incurred by the person in his or her capacity as an officer of the Company and consolidated entity in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001.

In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

Rounding off

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Non-audit services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 22 of the financial report.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the

provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- None of the services undermine the general principles relating to auditor independence as set out in professional statement F1, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 125.

financials

Directors' Report

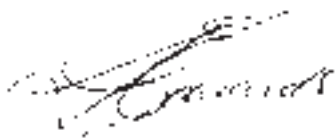
Auditor

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

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Directors' Report



PricewaterhouseCoopers
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Auditors' Independence Declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

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

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

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

Tim Goldsmith
Partner

Melbourne
23 August 2005

Statements of financial performance for the year ended 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	3	62,748	37,718	42,393	25,172
Expenses from ordinary activities:					
Operational costs		(11,405)	(6,184)	(2,846)	(3,220)
Corporate costs		(21,281)	(13,305)	(19,160)	(12,906)
Business Development		(18,158)	(9,243)	(18,158)	(9,243)
Corporate and Community Relations		(3,386)	(2,455)	(3,386)	(2,455)
Depreciation and amortisation expenses	4	(6,805)	(4,699)	(5,323)	(4,699)
Borrowing costs expense	4	(808)	(590)	(589)	(564)
Profit from ordinary activities before income tax		905	1,242	(7,069)	(7,915)
Income tax expense	5	-	-	-	-
Profit from ordinary activities after income tax		905	1,242	(7,069)	(7,915)
		Cents	Cents		
Basic earnings per share	30	0.2	0.2		
Diluted earnings per share	30	0.1	0.1		

The above statements of financial performance should be read in conjunction with the accompanying notes.

Statements of financial position as at 30 June 2005

	Notes	Consolidated		Parent Entity	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	6	17,029	6,470	11,072	4,092
Receivables	7	4,351	2,258	4,146	2,247
Other	8	20,853	4,930	17,137	2,861
Total Current Assets		42,233	13,658	32,355	9,200
NON-CURRENT ASSETS					
Receivables		2,114	5,128	2,114	5,128
Property, plant and equipment	9	37,131	24,652	29,329	24,652
Intangible assets	10	8,252	8,752	8,252	8,752
Other	11	8,163	9,139	4,738	7,760
Total Non-Current Assets		55,660	47,671	44,433	46,292
TOTAL ASSETS		97,893	61,329	76,788	55,492
CURRENT LIABILITIES					
Payables	12	25,895	4,429	22,374	4,130
Interest bearing liabilities	13	8,000	8,000	8,000	8,000
Non-interest bearing liabilities	14	13,056	10,636	14,027	15,250
Provisions	15	14,238	3,946	14,116	3,946
Total Current Liabilities		61,189	27,011	58,517	31,326
NON-CURRENT LIABILITIES					
Non-interest bearing liabilities	16	30,250	30,328	30,250	30,328
Provisions	17	3,397	1,838	3,005	1,753
Total Non-Current Liabilities		33,647	32,166	33,255	32,081
TOTAL LIABILITIES		94,836	59,177	91,772	63,407
NET ASSETS		3,057	2,152	(14,984)	(7,915)
EQUITY					
Contributed equity		-	-	-	-
Retained profits	19	3,057	2,152	(14,984)	(7,915)
TOTAL EQUITY		3,057	2,152	(14,984)	(7,915)

The above statements of financial position should be read in conjunction with the accompanying notes.

Statements of cash flows for the year ended 30 June 2005

		Consolidated		Parent Entity	
	Notes	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		51,843	39,776	27,541	30,299
Payments to suppliers (inclusive of GST)		(43,964)	(35,665)	(32,925)	(31,389)
Interest received		351	211	91	120
Borrowing costs		(837)	(579)	(591)	(560)
Net cash inflow/(outflow) from operating activities	29	7,393	3,743	(5,884)	(1,530)
Cash flows from investing activities					
Payments for property, plant and equipment		(18,470)	(10,696)	(9,367)	(9,439)
Payments for project development		(4,400)	(5,334)	(4,400)	(5,334)
Payment for release from single purpose		(3,150)	(3,150)	(3,150)	(3,150)
Proceeds from sales of assets		-	6	-	6
Loans to related parties		(29,037)	(4,142)	(48,133)	(9,533)
Repayment of loans by related parties		28,272	7,399	48,131	12,492
Net cash (outflow) from investing activities		(26,785)	(15,917)	(16,919)	(14,958)
Cash flows from financing activities					
Loans from related parties		157,100	59,530	168,287	68,039
Repayment of loans to related parties		(127,179)	(41,888)	(138,534)	(47,614)
Net cash inflow from financing activities		29,921	17,642	29,753	20,425
Net increase in cash at bank		10,529	5,468	6,950	3,937
Cash at bank at the beginning of the financial year	6	6,470	972	4,092	125
Effects of exchange rate changes on cash		30	30	30	30
Cash at bank at the end of the financial year	6	17,029	6,470	11,072	4,092

The above statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements for the year ended 30 June 2005

1 Summary of Significant Accounting Policies

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

It is prepared in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by Transurban Limited ("company" or "parent entity") as at 30 June 2005 and the results of all controlled entities for the year then ended. Transurban Limited and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

b) Income Tax

The liability method of tax effect accounting has been adopted. Income tax expense is calculated on the operating profit adjusted for permanent

differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the balance sheet as a future tax benefit or a deferred tax liability. However, the future tax benefit relating to timing differences and tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

Tax consolidation legislation

The Transurban Group has completed an analysis of the tax consolidation legislation and its application to the Group. In reaching a decision to adopt the provisions of the legislation, the Group considered the following:

- the ability of entities comprising the stapled security to consolidate;
- the effect of the legislation on each entity's carried-forward loss position; and
- transitional concessions available to entities electing to consolidate on 1 July 2005.

Based on its analysis, the Group has elected to implement the tax consolidation legislation for Transurban Limited and its wholly owned entities with effect from 1 July 2003.

As a consequence, Transurban Limited, as the head entity in the tax consolidated group, recognises events and transactions of its wholly owned entities as if those transactions were its own.

The impact on the income tax expense for the year is disclosed in note 5.

c) Foreign currency translation

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the profit or loss for the year.

d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

e) Revenue recognition

Revenue is recognised when services have been provided in accordance with relevant service agreements.

f) Recoverable Amount of Non-Current Assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

Notes to the financial statements for the year ended 30 June 2005

In assessing recoverable amounts of non-current assets, the relevant cash flows have been discounted to their present value, except where specifically stated.

g) Depreciation of Property, Plant and Equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives will be made on a regular basis for all assets.

The expected useful lives are as follows:
Plant and Equipment 2.5 – 20 years

h) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

i) Intangible Assets – Goodwill

The excess of the cost over the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise. This period is presently estimated to be 20 years.

j) Trade and other creditors

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the

financial year and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

k) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

l) Employee Entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual 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. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date 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. Consideration is given to expected future wages and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 25.

No accounting entries are made in relation to the Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 21 include the assessed fair value of options at the date they were granted.

(iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long Term Incentive Plan. Information relating to this plan is set out in note 25.

Units are allocated to reporting periods on a pro-rata basis from the grant date to the maturity

Notes to the financial statements for the year ended 30 June 2005

date. Units allocated to a particular reporting period are valued on the reporting date and an employee benefit expense and an employee benefit liability are recognised at the amount of the valuation for each unit allocated.

On each reporting date, the units allocated to prior periods are revalued and the liability is adjusted to the new valuation. The movement in the liability is recognised as an employee benefits expense. This revaluation occurs until all the units are exercised or lapse.

On the exercise date where a cash bonus is paid, any difference between the cash payment and the liability in relation to those units is recognised as an adjustment to employee benefits expense in that period.

(v) Superannuation

Superannuation contributions are paid into the nominated superannuation plans of the employees. The contribution is not less than the statutory minimum. The superannuation plans are all accumulation funds.

The cost of current and deferred employee compensation and contributions to employee superannuation plans were charged to the statements of financial performance.

m) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred, except to the extent to which they relate to the construction of a

qualifying asset in which case borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short term, long term borrowings and amortisation of deferred borrowing costs.

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

n) Cash

For the purposes of the statement of cash flows, cash includes cash deposits held at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

o) Earnings per Share

Basic Earnings per Share

Basic earnings per share is determined by dividing net profit after income tax attributable to shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

p) Project Development Costs

Costs incurred in developing proposals for specific projects are charged to the Statement of Financial Performance in

the period in which they are incurred except where:

- (i) the outcome of the proposal has been determined and the outcome will result in the acquisition of an asset; or
- (ii) the outcome of the proposal has not been determined but it is considered reasonably probable that the outcome, when determined, will result in the acquisition of an asset.

Costs meeting these criteria are deferred.

q) Rounding of amounts

The consolidated entity 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 financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2. Segment Information

Primary reporting – business segment

The primary business segment for the year ending 30 June 2005 was the Management of the entities operating the Melbourne City Link Toll road and investigating possible investment opportunities. All revenues and expenses are directly attributable to this sole purpose. The management structure and internal financial reporting are based on this single business segment.

Notes to the financial statements for the year ended 30 June 2005

Secondary reporting – geographical segments

	Segment Revenues		Segment Assets		Segment Liabilities	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Victoria	43,750	28,387	85,559	57,536	78,387	59,177
New South Wales	18,998	9,331	10,406	3,793	16,449	-
Other	-	-	1,928	-	-	-
	62,748	37,718	97,893	61,329	94,836	59,177

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

3 Revenue

Revenue from operating activities

Management fees	30,073	12,465	30,073	12,465
IT development charges	15,853	14,245	2,688	6,043
Responsible Entity fees	5,509	4,187	-	-
Equipment lease	696	-	-	-
Other	713	-	713	-
	52,844	30,897	33,474	18,508

Revenue from outside the operating activities

Interest	372	219	101	121
Proceeds from sale of non-current assets	-	6	-	6
Net foreign exchange gains (note 4)	714	59	-	-
Management fee	-	6,523	-	6,523
Business Development Fees	8,000	-	8,000	-
Other	818	14	818	14
	9,904	6,821	8,919	6,664
Revenue from ordinary activities	62,748	37,718	42,393	25,172

Notes to the financial statements for the year ended 30 June 2005

Consolidated		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

4 Profit from Ordinary Activities

Net gains and expenses

Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:

Net gains

Net gain on disposal of property, plant and equipment	-	6	-	6
Foreign exchange gains and losses				
Foreign exchange gains included in revenue for the year (note 3)	714	59	-	-
Exchange losses on foreign currency contract	(1,569)	-	-	-
	(855)	59	-	-

Expenses

Depreciation and amortisation

Plant and equipment	6,305	4,199	4,823	4,199
Amortisation				
Goodwill	500	500	500	500
Total depreciation and amortisation	6,805	4,699	5,323	4,699
Mitcham-Frankston Freeway bid costs	9,423	-	9,423	-
Borrowing costs				
Interest and finance charges paid/payable	808	590	589	564
Rental expenses relating to operating leases – minimum lease payments	1,715	1,424	1,715	1,424

5 Income Tax

Tax consolidation legislation

The Transurban Group has elected to implement tax consolidation legislation for Transurban Limited and its wholly owned entities with effect from 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(b).

Notes to the financial statements for the year ended 30 June 2005

The impact on the income tax expense for the year is disclosed in the tax reconciliation below.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
a) Income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	905	1,242	(7,069)	(7,915)
Income tax calculated at 30% (2004-30%)	272	373	(2,121)	(2,375)
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	150	150	150	150
Other	74	158	74	158
Income tax adjusted for permanent differences	496	681	(1,897)	(2,067)
Benefit of tax losses of prior years recouped	(496)	(681)	-	-
Under / (over) provision in prior year	-	-	(5,513)	-
Benefit of tax losses not recognised	-	-	7,410	2,067
Income tax expense attributable to profit from ordinary activities before impact of tax consolidation	-	-	-	-
Profit from ordinary activities before income tax expense-tax consolidated group (excluding parent entity)	-	-	7,974	9,157
Income tax calculated at 30% (2003-30%)	-	-	2,392	2,747
Income tax adjusted for permanent differences	-	-	2,392	2,747
Benefit of tax losses of prior years recouped	-	-	(2,392)	(249)
Benefit of current year tax loss	-	-	-	(2,498)
Income tax expense attributable to profit from ordinary activities	-	-	-	-
b) Tax losses at beginning of the year	17,267	12,178	17,267	2,967
Tax (profit)/losses for the year	(17,114)	5,089	(17,114)	14,300
Tax (profit)/losses at end of the year	153	17,267	153	17,267

Notes to the financial statements for the year ended 30 June 2005

Potential future income tax benefits at 30 June 2005 for tax losses that have not been brought to account for the consolidated entities are \$45.9 thousand (2004: \$5.2 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements described in note 1b.

The benefits of tax losses will only be realised by each individual entity if:

- (i) the consolidated 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 consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and,
- (iii) no changes in tax legislation adversely affect the ability of the consolidated entity in realising the benefit from the deductions for the losses.

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
6 Current Assets – Cash Assets				
Cash at bank	17,029	6,470	11,072	4,092
	17,029	6,470	11,072	4,092

7 Current Assets – Receivables

Trade debtors	3,840	1,769	3,840	1,769
Other debtors	511	489	306	478
	4,351	2,258	4,146	2,247

Trade debtors

Trade debtors includes a management fee of \$2.8 million and compensation for an unsuccessful project bid of \$1.0 million.

8 Current Assets – Other

Prepayments	369	363	348	363
Advances to related parties	20,484	4,567	16,789	2,498
	20,853	4,930	17,137	2,861

9 Non-current Assets – Property, Plant and Equipment

a) Equipment and Fittings

Equipment and fittings at cost	49,682	30,922	40,399	30,922
Less: Accumulated depreciation	(12,551)	(6,270)	(11,070)	(6,270)
	37,131	24,652	29,329	24,652

Notes to the financial statements for the year ended 30 June 2005

b) Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

	Equipment and Fittings \$'000
Consolidated – 2005	
Carrying amount at 1 July 2004	24,652
Additions	18,784
Depreciation/amortisation expense (note 4)	(6,305)
Carrying amount at 30 June 2005	37,131

Parent Entity – 2005	
Carrying amount at 1 July 2004	24,652
Additions	9,500
Depreciation/amortisation expense (note 4)	(4,823)
Carrying amount at 30 June 2005	29,329

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

10 Non-current Assets – Intangible Assets

Goodwill	10,000	10,000	10,000	10,000
Less: Accumulated amortisation	(1,748)	(1,248)	(1,748)	(1,248)
	8,252	8,752	8,252	8,752

11 Non-current Assets – Other

Project development	8,163	9,139	4,738	7,760
	8,163	9,139	4,738	7,760

12 Current Liabilities – Payables

Trade creditors	22,388	2,086	20,008	2,060
Other creditors	3,507	2,343	2,366	2,070
	25,895	4,429	22,374	4,130

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
13 Current Liabilities – Interest Bearing Liabilities				
Secured				
Bank loan	8,000	8,000	8,000	8,000
	8,000	8,000	8,000	8,000

The loan facility is fully drawn down at 30 June 2005.

14 Current Liabilities – Non-interest Bearing Liabilities

Loans from related parties	6,187	5,656	14,027	12,100
Other	4	-	-	-
Unearned income	6,865	1,830	-	-
Release from single purpose	-	3,150	-	3,150
	13,056	10,636	14,027	15,250

15 Current Liabilities – Provisions

Employee entitlements	14,238	3,946	14,116	3,946
	14,238	3,946	14,116	3,946

16 Non-current Liabilities – Non-interest Bearing Liabilities

Unsecured				
Loans from related parties	30,250	30,328	30,250	30,328
	30,250	30,328	30,250	30,328

17 Non-current Liabilities – Provisions

Directors' retirement	1,231	1,235	839	1,150
Other employee entitlements	2,166	603	2,166	603
	3,397	1,838	3,005	1,753

On retirement, non-executive directors with more than 3 years service are entitled to receive a lump sum payment equivalent to the total emoluments received during a third of the director's total period of service or 3 years, which ever is the lesser.

Notes to the financial statements for the year ended 30 June 2005

18 Contributed Equity

	Parent Entity		Parent Entity	
	2005 Shares '000	2004 Shares '000	2005 \$'000	2004 \$'000
a) Share capital – ordinary shares				
fully paid	791,416	532,630	-	-

b) Movement in ordinary share capital

Date	Details	Notes	Number of Shares '000	Issue Price	\$'000
1 July 2004	Opening Balance	5	32,630	-	-
7 Sept 2004	Exercise of April 2001 Options	e	449	-	-
7 Sept 2004	Exercise of April 2002 Options	e	63	-	-
7 Sept 2004	Exercise of May 2002 Options	e	63	-	-
8 Oct 2004	Dividend Reinvestment Plan Issue	d	6,024	-	-
26 Nov 2004	Exercise of April 2001 Options	e	60	-	-
26 Nov 2004	Exercise of May 2002 Options	e	30	-	-
24 Dec 2004	Exercise of February 2002 Options	e	90	-	-
21 Jan 2005	Exercise of April 2001 Options	e	129	-	-
16 Feb 2005	Exercise of April 2001 Options	e	132	-	-
16 Feb 2005	Exercise of May 2002 Options	e	10	-	-
12 Apr 2005	Hills Motorway Group Acquisition	f	249,901	-	-
1 June 2005	Exercise of May 2002 Options	e	46	-	-
2 June 2005	Exercise of April 2001 Options	e	150	-	-
2 June 2005	Exercise of May 2002 Options	e	46	-	-
7 June 2005	Exercise of May 2002 Options	e	142	-	-
8 June 2005	Exercise of October 2001 Options	e	500	-	-
8 June 2005	Exercise of May 2002 Options	e	99	-	-
8 June 2005	Exercise of April 2001 Options	e	121	-	-
9 June 2005	Exercise of April 2001 Options	e	250	-	-

Notes to the financial statements for the year ended 30 June 2005

Date	Details	Notes	Number of Shares '000	Issue Price	\$'000
9 June 2005	Exercise of May 2002 Options	e	46	-	-
15 June 2005	Exercise of April 2001 Options	e	202	-	-
15 June 2005	Exercise of May 2002 Options	e	233	-	-
30 June 2005	Closing Balance		791,416		-

All shares issued are a component of stapled securities issued by the Transurban Group. A nil value is assigned to Transurban Limited, with the value being apportioned between Transurban Holdings Limited and Transurban Holding Trust.

c) Ordinary Shares

Shares entitle the holder to participate in distributions and the winding up of Transurban Limited in proportion to the number of and amounts paid on the shares held. In the event that Transurban Limited and Transurban CARS Trust are wound up simultaneously, holders of Transurban CARS securities would rank ahead of Transurban Limited shares.

On a show of hands every holder of shares present at a meeting in person or by proxy, is entitled to one vote.

d) Distribution reinvestment plan

The Transurban Group had established a distribution reinvestment plan under which holders of stapled securities could elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. Securities were issued under the plan at a 2.5 per cent discount to the market price and include a share in Transurban Limited. A decision to suspend the DRP until further notice was made and reported to the ASX on 23 February 2005.

e) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 25.

f) Hills Motorway Group Acquisition

The consideration given to holders of Hills Motorway Group securities on acquisition by the Transurban Group consisted of 1.47 Transurban Group stapled securities, and a cash component of 25 cents per Hills Motorway Group security.

Consolidated		Parent Entity	
2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000

19 Retained Profits

Retained profits at the beginning of the financial year	2,152	910	(7,915)	-
Net profits/(loss) from the current year	905	1,242	(7,069)	(7,915)
Retained profits/(loss) at the end of the financial year	3,057	2,152	(14,984)	(7,915)

Notes to the financial statements for the year ended 30 June 2005

20 Financial Instruments

Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2005		Floating interest rate	Fixed Interest Maturity in:			Non interest bearing	Total
	Note	\$'000	1 year or less \$'000	between 1 and 5 years \$'000	more than 5 years \$'000	\$'000	\$'000
Financial Assets							
Cash	6	17,029	-	-	-	-	17,029
Sundry debtors	7	-	-	-	-	4,351	4,351
Non-current receivables		-	-	-	-	2,114	2,114
Advances to related parties	8	-	-	-	-	20,484	20,484
Total Financial Assets		17,029	-	-	-	26,949	43,978
Weighted average interest rate		3.58%	-	-	-		
Financial Liabilities							
Creditors	12	-	-	-	-	25,895	25,895
Unearned income	14	-	-	-	-	6,865	6,865
Loans from related parties	14,16	-	-	-	-	36,437	36,437
Bank loan	13	-	8,000	-	-	-	8,000
Total Financial Liabilities		-	8,000	-	-	69,197	77,197
Weighted average interest rate		-	7.37%	-	-		
Net Financial Assets / (Liabilities)		17,029	(8,000)	-	-	(42,248)	(33,219)

Notes to the financial statements for the year ended 30 June 2005

2004		Floating interest rate	Fixed Interest Maturity in:			Non interest bearing	Total
	Note	\$'000	1 year or less \$'000	between 1 and 5 years \$'000	more than 5 years \$'000	\$'000	\$'000
Financial Assets							
Cash	6	6,470	-	-	-	-	6,470
Sundry debtors	7	-	-	-	-	2,258	2,258
Non-current receivables		-	-	-	-	5,128	5,128
Advances to related parties	8	-	-	-	-	4,567	4,567
Total Financial Assets		6,470	-	-	-	11,953	18,423
Weighted average interest rate		3.37%	-	-	-		
Financial Liabilities							
Creditors	12	-	-	-	-	4,429	4,429
Release from single purpose	14	-	-	-	-	3,150	3,150
Loans from related parties	16	-	-	-	-	35,984	35,984
Bank loan	13	-	8,000	-	-	-	8,000
Total Financial Liabilities		-	8,000	-	-	43,563	51,563
Weighted average interest rate		-	7.19%	-	-		
Net Financial Assets / (Liabilities)		6,470	(8,000)	-	-	(31,610)	(33,140)

	Notes	2005 \$'000	2004 \$'000
Reconciliation of Net Financial (Liabilities) to Net Assets			
Net financial liabilities as above		(33,219)	(33,140)
Non-financial assets and liabilities			
Property, plant and equipment	9	37,131	24,652
Other assets	8, 10, 11	16,784	18,254
Other liabilities	14, 15, 17	(17,639)	(7,614)
Net assets per balance sheet		3,057	2,152

Notes to the financial statements for the year ended 30 June 2005

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The credit risk on financial assets is the carrying amount net of any provisions for doubtful debts.

Net Fair Values of Financial Assets and Liabilities

The carrying amount and net market value of financial assets and liabilities brought to account at balance date are the same.

21 Director and Executive Disclosures

Directors

With the exception of the changes noted below, the following persons were directors of Transurban Limited during the financial year:

Chairman – non-executive

Laurence G Cox

Non-executive directors

Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick ⁽¹⁾

Executive directors

Kimberley Edwards
Geoffrey R Phillips ⁽²⁾

- ⁽¹⁾ Christopher J S Renwick was appointed a non-executive director of all 3 entities on 26 July 2005 and continues in office at the date of this report.
- ⁽²⁾ Geoffrey R Phillips resigned from the position of executive director on 26 July 2005.

Specified executives

The following persons were the 5 executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year. All executives are employees of Transurban Limited.

Name	Position
Chris Brant	Chief Finance Officer
Ken Daley	Vice President International Development
Paul O'Shea	General Counsel
Lisa Hunt	General Manager, New South Wales
Vic Delosa	General Manager, Victoria

All of the above persons were also specified executives of Transurban Limited during the year ended 30 June 2004, except for:

- Chris Brant who commenced employment on 22 November 2004.

The specified executives identified above, differ from those disclosed in the Financial Report for the year ended 30 June 2004 due to changes in responsibility for the strategic and operational direction of the Group. Management considers the changes to be appropriate due to the extent of growth and maturity of the group in the past 12 months.

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. Non-executive directors are not provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the

Notes to the financial statements for the year ended 30 June 2005

lesser. This policy was reviewed in April 2003 and it was resolved to continue the policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

- To secure employees with the skills and experience necessary to meet business objectives;
- To motivate employees to the highest levels of performance; and
- To align employee incentives with increased shareholder value.

The policy seeks to support the Group's objective to be perceived as "an employer of choice" by:

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and
- Providing strong, transparent linkages between individual and group performance and rewards.

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

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI"). Until 30 June 2005, LTIs were provided via either the Executive Option Plan or the Executive Long Term Incentive Plan. Revised LTI arrangements

have been introduced for the period beyond 30 June 2005.

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

The incentive component of executive remuneration is primarily determined by financial performance relative to short-term profitability targets and by Total Shareholder Return relative to the companies comprising the ASX200 index over the longer term.

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

The components of executive remuneration are described below:

Base Pay

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

Benefits

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

Short-term Incentives

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

- The extent to which a profit-related Financial Performance Measure ("FPM") is achieved; and
- The extent to which the executive has achieved his/her Key Performance Indicators ("KPIs").

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

The intent of the adjustment for the extent to which the FPM is achieved is to ensure that STI payments are only made when value has been created for security holders and profit is consistent with the business plan.

Each year, the FPM and the KPIs for senior executives are established by the Nomination & Remuneration Committee, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the Board based on recommendations made by the Nomination & Remuneration Committee.

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

Notes to the financial statements for the year ended 30 June 2005

Business Generation Incentive Plan

The Group also operates a Business Generation Incentive Plan ("BGIP") in which executives may participate, depending upon their level of involvement in generating new business. The BGIP provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture. The BGIP is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Long Term Incentives

Two forms of Long-term Incentives ("LTI") are currently in operation. The Executive Option Plan ("EOP") provides equity rewards, while the Executive Long Term

Incentive Plan ("ELTIP") provides cash rewards linked to equity performance. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period when all options issued under the EOP had vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Compensation".

A further review of the options available to provide executives with LTIs was undertaken in the current year and as a result A further review of the options available to provide executives with LTIs was undertaken in the current year and as a result a revised Plan will be introduced later in the year.

The objective of the revised Plan is to implement a more cost effective Plan to the Group for a given amount of incentive. In addition, the revised Plan will take into consideration those Plans which have been introduced by a number of other companies whose equity securities are stapled.

Employee Security Ownership Plan

Executives may elect to participate in the Employee Security Ownership Plan on the same basis as that offered to all permanent employees. Executive Directors do not currently participate in the Plan.

Details of remuneration

Details of the remuneration of each director of Transurban Limited and each specified executive of the consolidated entity, including their personally related entities, are set out in the following tables:

Directors of Transurban Limited

2005	Primary				Post-employment		Equity	
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits	Options ⁽²⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	127,314	-	-	-	9,741	82,837	-	219,892
P C Byers	52,662	-	-	-	4,740	38,637	-	96,039
J G A Davis	39,194	-	-	-	40,714	38,877	-	118,785
S M Oliver	51,491	-	-	-	4,634	40,362	-	96,487
G O Cosgriff	47,342	-	-	-	4,261	23,077	-	74,680
D J Ryan	52,433	-	-	-	4,719	-	-	57,152
K Edwards	1,154,259	1,000,000	2,545,620	7,300	95,940	-	183,999	4,987,118
G R Phillips	538,509	262,500	-	7,300	11,585	-	61,333	881,227
Total	2,063,204	1,262,500	2,545,620	14,600	176,334	223,790	245,332	6,531,380

Notes to the financial statements for the year ended 30 June 2005

2004		Primary			Post-employment		Equity	
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits	Options ⁽²⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	167,529	-	-	-	15,078	105,453	-	288,060
P C Byers	64,552	-	-	-	5,810	31,962	-	102,324
J G A Davis	60,298	-	-	-	8,053	25,304	-	93,655
S M Oliver	63,938	-	-	-	5,754	29,605	-	99,297
G O Cosgriff	57,790	-	-	-	5,201	70,869	-	133,860
D J Ryan	63,589	-	-	-	5,723	-	-	69,312
K Edwards	1,013,000	550,000	204,528	7,300	87,000	-	184,503	2,046,331
G R Phillips	463,998	225,000	-	7,300	11,002	-	61,501	768,801
Total	1,954,694	775,000	204,528	14,600	143,621	263,193	246,004	3,601,640

Specified executives of the consolidated entity

2005	Primary			Post-employment	Equity		
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Options ⁽²⁾	Total
	\$	\$	\$	\$	\$	\$	\$
C Brant	265,936	220,000	114,060	4,867	23,934	-	628,797
K Daley	321,352	230,000	482,286	6,083	27,337	30,544	1,097,602
P O'Shea	304,319	225,000	387,751	7,300	27,312	26,181	977,863
L Hunt	305,473	137,000	375,935	13,400	26,511	11,742	870,061
V Delosa	263,121	217,500	73,804	7,300	48,860	29,355	639,940
Total	1,460,201	1,029,500	1,433,836	38,950	153,954	97,822	4,214,263

Notes to the financial statements for the year ended 30 June 2005

Name	Cash salary and fees \$	Primary		Post-employment		Equity	Total \$
		Cash Bonus \$	Long Term Incentive ⁽¹⁾ \$	Non-monetary benefits \$	Super-annuation \$	Options ⁽²⁾ \$	
K Daley	218,851	100,000	40,906	18,532	91,149	37,264	506,702
P O'Shea	193,851	130,000	31,281	9,778	91,149	31,940	487,999
K Reynolds	261,469	90,000	30,078	18,434	23,531	31,940	455,452
F Browne	348,530	-	-	18,585	31,470	47,798	446,383
L Hunt	261,379	100,000	30,078	15,110	23,621	11,774	441,962
V Delosa	261,379	90,000	-	18,527	23,621	29,435	422,962
J Barber	203,246	100,000	24,062	18,520	36,754	26,617	409,199
M Roberts	229,270	100,000	-	18,821	20,730	29,435	398,256
C Tizi	229,270	-	-	12,187	20,730	31,940	294,127
Total	2,207,245	710,000	156,405	148,494	362,755	278,143	3,863,042

⁽¹⁾ The amount disclosed as Long Term Incentive remuneration is that part of the value of the incentive which is attributable to the current year portion of the vesting period for each current allocation.

⁽²⁾ No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Executive Directors and Executives in prior financial years. The amounts disclosed as remuneration in the current year is that part of the value of the options which is attributable to the current year portion of the vesting period.

Service agreements

Remuneration for the Managing Director, the Deputy Managing Director and the executives specified above are formalized in service agreements. Each of these agreements provides for access to performance-related cash bonuses, other benefits including death and disability insurance, salary continuance insurance and car parking, and participation, when eligible, in the Employee Share Ownership Plan, the Executive Option Plan, the Executive Long Term Incentive Plan and the Business Generation Incentive Plan. Other major provisions of the agreements, relating to remuneration, are set out below:

Executive Directors

K Edwards, Managing Director

- Term of Agreement – permanent, subject to 3 months notice of termination by either party;
- Fixed remuneration including base salary and superannuation, for the year ended 30 June 2005 of \$1,250,000 to be reviewed annually by the remuneration committee and the Board; and
- On 25 July 2005, the terms of Mr Edwards' service agreement was varied to provide for a payment of one year's fixed remuneration upon termination.

G R Phillips, Deputy Managing Director

- Term of Agreement – until 31 July 2005;
- Base salary, including superannuation, for the year ended 30 June 2005 of \$550,000; and
- On 25 July 2005, Mr Phillips' service agreement was varied to provide for a termination benefit of \$990,000 in recognition of his long service to the Group and his non-participation in the Executive Long Term Incentive Plan.

Notes to the financial statements for the year ended 30 June 2005

Other Executives

The major provisions contained in the service agreements of the other executives listed in the table in the section headed "Details of Remuneration" are the same for all executives except for the base salary component. These provisions are:

- Term of agreement – permanent, subject to termination on 3 months notice by either party;
- Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long Term Incentive Plan; and
- Total Employment Cost is reviewed annually by the Nomination and Remuneration Committee.

Share-based compensation – options

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

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

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

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

The exercise price of options is the volume weighted average price of the Group's stapled securities over a period of 5 business days immediately prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

Notes to the financial statements for the year ended 30 June 2005

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

Share-based compensation – Executive long term incentive (“ELTI”) plan

The ELTIP was introduced in 2003 to provide long term incentives to

executive directors and executives in the period after issued options have fully vested.

Under the ELTIP, participants are allocated “ELTI units”. Each ELTI unit entitles the holder to a cash payment on the maturity date, which will be approximately two years after the date of allocation. The cash payment per unit will be equal to the increase in the stapled security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on the Transurban Group’s ranking in the Total Shareholder Returns (“TSRs”)

of the companies within the ASX 200 Industrials over the two years prior to maturity. If Transurban’s TSR ranking is below the 40th percentile, no payment will be made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25 per cent to 100 per cent. If Transurban’s TSR ranking is above the 70th percentile, the proportion is 100 per cent.

The terms and conditions of each grant of long term incentive plan units affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

Name	Number of ELTIs granted during the year	Number of ELTIs paid during the year
Directors Transurban Limited		
K Edwards	800,000	-
G Phillips	-	-
Specified executives of the consolidated entity		
C Brant	170,000	-
K Daley	120,000	-
P O’Shea	120,000	-
L Hunt	120,000	-
V Delosa	110,000	-

Notes to the financial statements for the year ended 30 June 2005

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Transurban Limited and each specified executives of the consolidated entity are set out below. Further information on options is set out in note 25.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Transurban Limited		
K Edwards	-	500,000
G R Phillips	-	166,667
Specified executives of the consolidated entity		
C Brant	-	-
K Daley	-	116,667
P O'Shea	-	100,000
L Hunt	-	33,333
V Delosa	-	83,333

Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Transurban Limited and each of the 5 specified executives of the consolidated entity are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year
Directors of Transurban Limited		
K Edwards	-	-
G R Phillips	8 June 2005	500,000
Specified executives of the consolidated entity		
C Brant	-	-
K Daley	7 Sept 2004	100,000
P O'Shea	16 Feb 2005	83,231
	8 June 2005	121,069
L Hunt	-	-
V Delosa	15 June 2005	166,667

Notes to the financial statements for the year ended 30 June 2005

The amounts paid per stapled security which includes one share in Transurban Limited, by each director and executive on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per stapled security
7 September 2004	\$3.817
16 February 2005	\$3.817
8 June 2005	\$4.404
8 June 2005	\$3.817
15 June 2005	\$4.220

No amounts are unpaid on any shares issued on the exercise of options.

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Transurban Limited and each of the 5 specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Transurban Limited					
K Edwards	1,500,000	-	-	1,500,000	1,500,000
G R Phillips	500,000	-	500,000	-	-
Specified executives of the consolidated entity					
C Brant	-	-	-	-	-
K Daley	350,000	-	100,000	250,000	250,000
P O'Shea	204,300	-	204,300	-	-
L Hunt	100,000	-	-	100,000	100,000
V Delosa	250,000	-	166,667	83,333	-

Share holdings

The number of Transurban Group Stapled Securities and Convertible Adjusting Rate Securities ("CARS") held during the financial year by each director of Transurban Limited and each of the 5 specified executives of the consolidated entity, including their personally-related entities, are set out below.

Notes to the financial statements for the year ended 30 June 2005

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Limited				
L G Cox	775,000	-	367,500	1,142,500
P C Byers	50,000	-	20,580	70,580
G O Cosgriff	24,910	-	-	24,910
J G A Davis	50,000	-	-	50,000
S M Oliver	60,993	-	1,547	62,540
D J Ryan	21,043	-	534	21,577
K Edwards	61,000	-	-	61,000
G R Phillips	-	500,000	8,820	508,820

Specified executives of the consolidated entity

C Brant	-	-	-	-
K Daley	14,536	100,000	3,028	117,564
P O'Shea	179,055	204,300	(2,616)	380,739
L Hunt	1,964	-	-	1,964
V Delosa	4,475	166,667	2,159	173,301

CARS

Directors of Transurban Limited

L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
G R Phillips	-	-	-	-

Specified executives of the consolidated entity

C Brant	-	-	-	-
K Daley	750	-	(750)	-
P O'Shea	400	-	(400)	-
L Hunt	200	-	-	200
V Delosa	-	-	-	-

Notes to the financial statements for the year ended 30 June 2005

Other transactions with directors and specified executives

Directors of Transurban Limited

Mr Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Limited). Transurban Limited is entitled to receive management fees of \$6.5 million from Macquarie Bank in relation to the extension of the term of the Infrastructure Borrowing Facilities provided by Macquarie Bank. This fee was recognised during the year ended 30 June 2004. During this year \$1.4 million was received with the remainder due to be received quarterly over the next 2 years. Transurban Limited also shares the cost of Mr Cox's personal assistant.

Macquarie Bank Limited acted as principal financial advisor during the acquisition of the Hills Motorway Group by the Transurban Group.

All directors of the consolidated entity are also directors of Transurban Infrastructure Management Limited ("TIML"). TIML is the Responsible Entity for Transurban Holding Trust, CityLink Trust and Transurban CARS Trust. The consolidated entity has earned Responsible Entity Fees and Management Fees from these Trusts. Transurban Holding Trust also paid the consolidated entity Business Development Fees for the successful completion of the acquisition of the Hills Motorway Group and the arrangement with the State of Victoria to fund and upgrade the Tullamarine/Calder Freeway Interchange and provides financial support to the entity in the form of a non-interest bearing loan.

All of the directors of the consolidated entity were also directors during the year and until their date of resignation on 26 July 2005 of CityLink Melbourne Limited. Transurban Limited employs all of the staff who work within the Transurban Group and provides their services to all Transurban Group entities. CityLink Melbourne Limited reimbursed Transurban Limited for the employee costs incurred in the operation of CityLink Melbourne Limited. The consolidated entity also provides Management and IT services and leases equipment to CityLink Melbourne Limited.

Aggregate amounts of each of the above types of other transactions with directors of Transurban Limited:

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts recognised as expense				
Assistant fees	31	-	31	-
	31	-	31	-
Amounts recognised as revenue				
Management fees	30,073	18,988	30,073	18,988
Responsible entity fees	5,509	4,187	-	-
Equipment lease	696	-	-	-
Business Development fees	8,000	-	8,000	-
IT Development fees	3,647	5,000	3,647	6,043
	47,925	28,175	41,720	25,031
Amounts reimbursed				
Employment services	15,733	-	15,733	-
Hills Motorway Group acquisition costs				
Financial advisor fees	12,649	-	12,649	-

Notes to the financial statements for the year ended 30 June 2005

	Consolidated		Parent Entity	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Limited:				
Current assets	23,282	5,962	19,587	3,893
Non-current assets	2,114	5,128	2,114	5,128
	25,396	11,090	21,701	9,021
Aggregate amounts payable to directors of Transurban Limited at balance date relating to the above types of other transactions:				
Current liabilities	18,836	5,656	26,676	12,100
Non-current liabilities	30,250	30,328	30,250	30,328
	49,086	35,984	56,926	42,428

22 Remuneration of Auditors

During the year the following services were paid to the auditor of the parent entity, PricewaterhouseCoopers, Australian Firm.

	Consolidated		Parent Entity	
	2005 \$	2004 \$	2005 \$	2004 \$
Assurance services				
1 Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001.	48,800	51,600	29,000	33,600
Total remuneration for audit services	48,800	51,600	29,000	33,600
2 Other assurance services				
Due diligence	432,500	168,125	432,500	168,125
Compliance plan audit	24,700	21,200	24,700	21,200
IFRS accounting services	115,000	-	115,000	-
Total remuneration for assurance services	572,200	189,669	572,200	189,669
Taxation services				
Tax compliance services, including review of income tax returns	66,765	153,000	66,765	153,000
Indirect taxation services	258,430	-	258,430	-
Total remuneration for taxation services	325,195	153,000	325,195	153,000

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important.

Notes to the financial statements for the year ended 30 June 2005

23 Contingent Liability

Guarantees

The company has established a bank guarantee of \$5.0 million in favour of Transurban Infrastructure Management Limited, a controlled entity in a form prescribed by ASIC to accommodate the net tangible asset conditions of the controlled entity's Australian Financial Services Licence. The controlled entity is unable to act as a Responsible Entity if the bank guarantee conditions are not satisfied.

Consolidated		Parent Entity	
2005	2004	2005	2004
\$'000	\$'000	\$'000	\$'000

24 Commitments for Expenditure

Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	2,694	1,836	-	1,836
Later than one year but not later than 5 years	9,354	8,488	-	8,488
Later than 5 years	-	-	-	-
	12,048	10,324	-	10,324

25 Employee Entitlements

Employee benefit and related on-costs liabilities

Current (note 15)	14,238	3,946	14,116	3,946
Non-current (note 17)	3,397	1,838	3,005	1,753
	17,635	5,784	17,121	5,699

Employee numbers

Average number of employees during the financial year	460	114	460	114
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Notes to the financial statements for the year ended 30 June 2005

a) Transurban Group Employee Option Plan

Refer to note 21 for details.

Set out below are summaries of options granted under the plan.

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
Consolidated and parent – 2005							
26 April 2001	30 April 2006	\$3.817	2,004,300	-	1,493,231	121,069	390,000
23 October 2001	31 October 2006	\$4.404	2,000,000	-	500,000	-	1,500,000
1 February 2002	30 April 2007	\$4.280	400,000	-	89,867	310,133	-
9 April 2002	30 April 2007	\$4.030	300,000	-	62,700	-	237,300
20 May 2002	30 April 2007	\$4.220	1,500,000	-	715,598	39,550	744,852
Total			6,204,300	-	2,861,396	470,752	2,872,152

Consolidated and parent – 2004							
26 April 2001	30 April 2006	\$3.817	2,100,000	-	95,700	-	2,004,300
23 October 2001	31 October 2006	\$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	\$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	\$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	\$4.220	1,550,000	-	-	50,000	1,500,000
Total			6,350,000	-	95,700	50,000	6,204,300

Options exercised during the financial year and number of stapled securities issued to employees on exercise of options.

Notes to the financial statements for the year ended 30 June 2005

Exercise date	Fair value of stapled securities at issue date	Consolidated		Parent Entity	
		Number 2005	Number 2004	Number 2005	Number 2004
26 February 2004	\$4.465	-	95,700	-	95,700
7 September 2004	\$5.630	574,510	-	574,510	-
26 November 2004	\$6.410	90,300	-	90,300	-
24 December 2004	\$6.540	89,867	-	89,867	-
21 January 2005	\$6.760	128,931	-	128,931	-
21 February 2005	\$7.420	142,791	-	142,791	-
15 June 2005	\$7.370	1,834,997	-	1,834,997	-
		2,861,396	95,700	2,861,396	95,700

The fair value of stapled securities issued on the exercise of options is the week weighted average price at which the Transurban Group's stapled securities were traded on the Australian Stock Exchange during the week prior to the exercise of the options.

	Consolidated		Parent Entity	
	2005 Number	2004 Number	2005 Number	2004 Number
Options vested since commencement of the scheme to reporting date	5,316,667	2,100,000	5,316,667	2,100,000

	\$	\$	\$	\$
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	11,558,898	365,287	11,558,798	365,287

	\$'000	\$'000	\$'000	\$'000
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The amount recognised above represents the full Group proceeds received from the exercise of options during the year. These proceeds are apportioned between Transurban Holdings Limited and Transurban Holding Trust, with Transurban Limited receiving nil.

Fair value of shares issued to employees on the exercise of options as at their issue date	19,859	427	19,859	427
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Notes to the financial statements for the year ended 30 June 2005

b) Employee share scheme

The Transurban Employee Security Ownership Plan ("the Plan") was introduced in March 2002. The scheme offers employees the opportunity to participate in the success of the Company by investing in securities of the Group.

All current full-time and permanent part-time (excluding directors) and fixed term staff on contracts greater than 12 months are eligible to participate. Offers under the scheme are at the discretion of the Transurban Group, taking into account the Group's success and market performance.

Stapled Securities issued under the scheme may only be sold once the employee has ceased employment

with the Transurban Group. In all other aspects the Stapled Securities rank equally with other fully-paid securities on issue.

In February 2005, each participant was issued 100 stapled securities (2004 – 120 stapled securities) at a value of \$7.65 per stapled security (2004 – \$4.44). Stapled Securities provided under the plan were purchased on the open market.

	Consolidated		Parent Entity	
	2005 Number	2004 Number	2005 Number	2004 Number
Shares purchased on market under the plan and provided for participating employees on 18 February 2005	37,000	40,440	37,000	40,440

c) Employee Long Term Incentive ("ELTI") Plan

Refer to note 21 for details.

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	\$4.23	1,912,000	\$0.46	\$2.98	30 Nov 2005
30 Sept 2004	30 Sept 2006	\$5.45	2,965,000	\$0.54	\$1.79	30 Nov 2006

26 Related Parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 21.

Wholly-Owned Group

The wholly-owned group consists of Transurban Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities is set out in note 27.

Transactions between Transurban Limited and other entities in the wholly-owned group during the years ended 30 June 2005 and 2004 consisted of:

- (a) management services provided by Transurban Limited
- (b) loans advanced to Transurban Limited
- (c) loans repaid by Transurban Limited

- (d) loans advanced by Transurban Limited

- (e) loans repaid to Transurban Limited

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

Notes to the financial statements for the year ended 30 June 2005

	Parent Entity	
	2005 \$'000	2004 \$'000
Management Fees	25,949	8,577
IT Development fees	-	1,043
	25,949	9,620
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables	16,720	585
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current liabilities	14,027	9,174

Controlling entities

The ultimate parent entity in the wholly-owned group is Transurban Limited.

27 Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2005 %	Equity Holding 2004 %	Date Acquired
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100	
Transurban Infrastructure Developments WSO Pty Limited	Australia	Ordinary	100	100	
Transurban MF 1 Pty Ltd	Australia	Ordinary	100	100	
Transurban MF 2 Pty Ltd	Australia	Ordinary	100	100	
Transurban Asset Management Pty Ltd	Australia	Ordinary	100	100	
Transurban Operations Pty Ltd	Australia	Ordinary	100	100	
Transurban (USA) Inc	USA	Ordinary	100	-	26/04/05

Acquisition of controlled entity

Transurban USA (Inc) was acquired for a book value of US \$1,000.

Notes to the financial statements for the year ended 30 June 2005

28 Economic Dependency

Transurban Limited is dependent on Management and IT fees charged to CityLink Melbourne Limited and Transurban Infrastructure Management Limited and Transurban Holding Trust for short term funding. A controlled entity, Transurban Infrastructure Management Limited is dependent on Management Fees and Responsible Entity Fees from Transurban Holding Trust, Transurban CARS Trust and CityLink Trust.

	Consolidated		Parent Entity	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
29 Reconciliation of Profit from Ordinary Activities after Income Tax to Net Cash Inflow/(Outflow) from Operating Activities				
Profit/(loss) from ordinary activities after related income tax	905	1,242	(7,069)	(7,915)
Depreciation and amortisation	6,805	4,699	5,323	4,699
Net exchange differences	(855)	(59)	(53)	(30)
Project expenses written off	9,423	-	-	-
Change in operating assets and liabilities				
(Decrease)/increase in creditors	(39,581)	1,702	(16,637)	7,013
Decrease/(increase) in debtors	915	(5,030)	1,130	(6,401)
Increase in provisions	29,781	1,189	11,422	1,104
Net cash inflow/(outflow) from operating activities	7,393	3,743	(5,884)	(1,530)

30 Earnings Per Share

	Consolidated	
	2005	2004
Basic earnings per share	0.2 cents	0.2 cents
Diluted earnings per share	0.1 cents	0.1 cents
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	591,871,852	524,512,875
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	1,044,262,422	985,000,351

Notes to the financial statements for the year ended 30 June 2005

Information concerning the classification of securities

(a) Shares

All shares are fully paid. They carry the right to participate in distributions and have been included in the determination of basic and diluted earnings per share.

(b) Options

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

(c) Convertible Adjusting Rate Securities ("CARS")

CARS on issue are convertible to stapled securities at a maximum conversion ratio of 105, at the first reset date 14 April 2007. CARS are considered to be potential stapled securities and have been included in the determination of diluted earnings per share at their maximum conversion ratio. This ratio will be applicable if the volume weighted average price of stapled securities during the period over which the price for the purpose of conversion of CARS is determined is less than \$0.98. The directors consider conversion of this basis to be a highly unlikely event. The CARS have not been included in the calculation of basic earnings per share.

31 Impacts of Adopting Australian Equivalents to IFRS

The Australian Accounting Standards Board ("AASB") is adopting International Financial Reporting Standards ("IFRS") for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS ("AIFRS") for the first time will be required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The Transurban Group established an AIFRS transition project team in October 2003. The project team prepared a plan to manage the transition to AIFRS and reports regularly on progress to the audit committee. The project plan was on schedule for completion by 30 June 2005 until the acquisition of the Hills Motorway Group added a further level of complexity that has not yet been fully determined. It is now expected that the

project will be completed (including the calculation of the impact of AIFRS) by the first AIFRS reporting date being the period ending on 31 December 2005.

The project team is undertaking a detailed analysis of AIFRS and the Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the date of transition to AIFRS and future accounting policy differences. The project team has identified a number of accounting policy choices which have been analysed by management to determine the most appropriate accounting policy for the Group on transition to IFRS.

The known or reliably estimable impacts on the financial report for the year ended 30 June 2005 had it been prepared using AIFRS are set out below. As mentioned above, this may not be all of the impacts that may arise. The expected financial effects of adopting AIFRS are shown for each item with descriptions of the differences. No material impacts are expected in relation to the statements of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Notes to the financial statements for the year ended 30 June 2005

(i) Intangible Assets – Goodwill

The Group has recognised goodwill, which is presently being amortised over a 20 year period, which arose upon the payment of an amount to the Victorian State Government to be released from the Single Purpose Entity restrictions. The treatment upon adoption of AIFRS is still being determined.

(ii) Employee Entitlements – Executive Option Plan

Under AASB 2 Share-based Payments, equity based compensation to employees under the Executive Option Plan will be recognised as an expense in respect of the services provided.

This will result in a change in accounting policy, under which no expense is currently recognised. However, the Group will be taking advantage of the exemption under AASB 1 whereby AASB 2 does not have to be applied to options granted prior to 7 November 2002. Therefore, in relation to the options currently on issue, there would be no impact if the policy required by AASB 2 had been applied during the year ended 30 June 2005.

(iii) Employee Entitlements – Long Term Incentive Plan

Under AASB 2, share-based compensation to employees under the Long Term Incentive Plan will be recognised as an expense in respect of the services provided.

Group currently adopts the requirements of AASB 2 and therefore there would be no impact if the policy required by AASB 2 had been applied during the year ended 30 June 2005.

(iv) Business Combinations

(Pre AIFRS Transition Date)

The group has elected under AASB 3 Business Combinations that all business combinations that occurred prior to 1 July 2004 be grandfathered to reflect AGAAP acquisition accounting and as such there will be no impact from restating these business combinations upon adoption of AIFRS.

(Post AIFRS Transition Date)

Under AIFRS, business combinations which have occurred post 1 July 2004 need to be restated to reflect the requirements of AASB 3. This applies to the acquisition of Hills Motorway Group. The full impact of AIFRS on this acquisition is being assessed and as such the impacts on the financial report are not known or reliably estimable. This will be finalised by the first AIFRS reporting date being the period ending 31 December 2005.

(v) Identifying the Parent

Upon the adoption of AIFRS, the Group must apply the requirements of UIG Interpretation 1013 “Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements”. UIG 1013 requires that where a stapling arrangement is effected prior to the date of transition, one of the combining

entities shall be identified as the parent for the purposes of preparing consolidated financial reports. Further, it requires that the consolidated financial report of the “parent” under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS. As such, there will be no financial impact as a result of this upon the adoption of AIFRS.

The Group is in the process of identifying which entity will be the parent and will finalise this prior to the first AIFRS reporting date being 31 December 2005.

(vi) Income Tax

- At the reporting date, the Company is in the process of quantifying the full impact of the adoption of AASB 112 on the financial statements. The Company currently has deferred tax liabilities which are offset by tax losses.
- On the adoption of AASB 112, the Company may recognise deferred tax assets, liabilities and tax losses to the extent it is probable they will be available for use by the Company. As at the reporting date, the Company is still in the process of quantifying the full impact of the adoption of AIFRS on the financial statements. This will be completed by the first AIFRS reporting date being the period ending on 31 December 2005.

Directors' Declaration

In the directors' opinion:

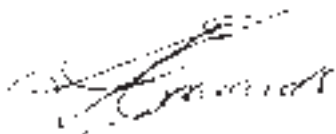
- a) The financial statements and notes set out on pages 126 to 161 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief finance officer required by section 295A of the Corporations Act 2001,

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



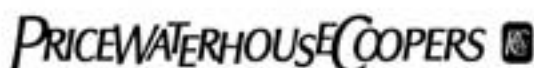
Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Independent audit report to the members



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ABN 52 780 433 757

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Independent audit report to the members of

Transurban Limited

Audit opinion

In our opinion, the financial report of Transurban Limited (formerly Transurban Infrastructure Development Limited):

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Limited and the Transurban Limited Group (defined below) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Limited (the Company) and the Transurban Limited Group (the consolidated entity), for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

Liability is limited by the Accountant's Scheme under the Professional Standards Act 1994 (NSW)

Independent audit report to the members



We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

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

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.


PricewaterhouseCoopers


Tim Goldsmith
Partner

Melbourne
23 August 2005

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enquiries and information

Enquiries about your stapled securities

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

Computershare Investor Services Pty Limited.

Yarra Falls, 452 Johnston Street,
Abbotsford Victoria 3067
GPO Box 2975
Melbourne Victoria 3001
[(within Australia) 1300 850 505
(outside Australia) +613 9415 4000
Facsimile +613 9473 2500

Enquiries about Transurban

Contact Transurban's Investor Relations:
Manager, Investor Relations
Telephone +613 9612 6999
Facsimile +613 9649 7380
Email via our website:
www.transurban.com.au

Transurban Group

Transurban Holdings Limited
ABN 86 098 143 429

Transurban Holding Trust
ABN 30 169 362 255

Transurban Limited
ABN 96 098 143 410

Transurban Infrastructure
Management Limited
ABN 27 098 147 678 (as responsible entity of the
Transurban CARS Trust ARSN 103 090 928)

Registered Office
Level 43 Rialto South Tower
525 Collins Street
Melbourne Victoria 3000
Telephone +613 9612 6999
Facsimile +613 9649 7380
www.transurban.com.au

Or write to:
Manager, Investor Relations,
Transurban Group
Level 43 Rialto South Tower
525 Collins Street,
Melbourne Victoria 3000

Stock Exchange listing

The Stapled Securities are listed on the Australian Stock Exchange under the name Transurban Group and under the code 'TCL'

Transurban CARS Trust: the securities are listed on the Australian Stock Exchange under the name Transurban CARS Trust and under the code 'TCS'.

The securities participate in the Clearing House Electronic Subregister System ('CHESS').

Directors

Laurence G Cox, Chairman
Kim Edwards, Managing Director
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
Christopher J S Renwick
David J Ryan

Company Secretary

Mark Licciardo
Paul O'Shea

Removal from Annual Report mailing list

Security Holders can nominate not to receive an Annual Report by written notice to the Stapled Securities Register. Security holders will continue to receive all other shareholder information, including Notice of Annual General Meeting and proxy form.

Tax File Number ('TFN') information

While it is not compulsory for security holders to provide a TFN, the Company is obliged to deduct tax from distributions or dividends to holders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may do so by writing to the Stapled Securities Register.

Change of address or name

A security holder should notify the Register immediately, in writing, if there is any change in his or her registered address or name.

Auditors

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SUSTAINABLE FOREST



CHLORINE FREE





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