The Financial Report of

Transurban CARS Trust

and

Controlled Entities

ABN 81 656 633 158

For the Year Ended
30 June 2006

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

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

Transurban CARS 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

The financial report was authorised for issue by the directors on 22 August 2006. The Trust has the power to amend and reissue the financial report.

The directors of Transurban Infrastructure Management Limited, the Responsible Entity of Transurban CARS Trust, present their report on the consolidated entity consisting of the Transurban CARS Trust ("the Trust"), and the entities it controlled at the end of, and during, the year ended 30 June 2006.

Responsible Entity

Transurban CARS 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 ("TIML") is the Responsible Entity of the Transurban CARS Trust and is responsible for performing all functions that are required under the Corporations Act 2001.

Directors

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

Non-executive directors	**Executive directors**
Laurence G Cox	Kimberley Edwards [2]
Geoffrey O Cosgriff	Geoffrey R Phillips [3]
Jeremy G A Davis	
Peter C Byers	
Susan M Oliver	
David J Ryan	
Christopher J S Renwick [1]	

(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 Review of Operations

The investment policy of the Trust continues to be that detailed in the prospectus and in accordance with the provisions of the governing documents of the Trust.

a) Westlink M7

The Trust increased its equity interest from 40 per cent to 45 per cent in the Westlink M7 project on 16 December 2005 in line with the opening of the Westlink M7 Motorway, eight months ahead of schedule.

Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 10 per cent held by Abigroup Limited and Leighton Holdings Limited.

Transurban's role in the Westlink project involves:

- A 45 per cent equity stake in the road's owner, Westlink Motorway,
- Supply of the tolling system, and
- Provision of tolling and customer management services.

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

b) Construction Phase Loan Notes ("CPLN")

During the period, 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.

CPLN's held by the Trust converted to Term Loan Notes ("TLN") on the Equity Contribution Date defined as the earlier of:

- the date of completion of construction of the Westlink M7 Motorway;
- the date which is 42 months after Financial close ; and
- the date on which a demand is made after the occurrence of an event of default under the subscription agreement.

Construction of the Westlink M7 Motorway was completed on 16 December 2005, accordingly CPLN's converted to Term Loan Notes accruing interest at 11.93 per cent.

Any unpaid interest capitalises into additional Term Loan Notes.

c) 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 December respectively were 100.0 per cent tax deferred for the year ended 30 June 2006.

Under the terms of the CARS prospectus, unit holders are eligible to convert their CARS units into Transurban triple stapled securities ("Transurban securities") at any time after the second anniversary of the issue date (14 April 2005). During the year exchange notices were received electing to convert units into Transurban Group stapled securities. The table below sets out the conversions for the year ended 30 June 2006.

	Units on issue	Conversion factor	Stapled Securities issued '000
30 June 2005	4,300,000		
31 December 2005, stapled securities were issued on 3 January 2006	(288,711)	17.0679	4,928
30 June 2006, stapled securities were issued on 3 July 2006	(273,953)	17.4966	4,793
30 June 2006	3,737,336		9,721

Distributions

Distributions paid to holders of Convertible Adjusting Rate Securities ("CARS") during the financial year were as follows:

	2006 $'000
Convertible Adjusting Rate Securities	
Distribution payment for the period 1 January 2005 to 30 June 2005 of 7.0 per cent per annum paid on 29 July 2005	**14,926**
Distribution payment for the period 1 July 2005 to 31 December 2005 of 7.0 per cent per annum paid on 31 January 2006	**15,174**
	30,100

A further distribution for the period 1 January 2006 to 30 June 2006 of $13.9 million was paid on 31 July 2006.

Results

A summary of the consolidated revenue and overall result is set out below:

	Consolidated		Parent	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
Revenue from continuing operations	**41,237**	26,030	**38,031**	26,030
Net profit/(loss)	**3,450**	(8,939)	**5,948**	(8,928)

Significant Changes in the State of Affairs

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

Matters Subsequent to the End of the Financial Period

Transurban has exercised its pre-emptive right to purchase an additional 2.5 per cent equity interest in the Westlink M7 for $34.3 million. This will increase Transurban's holding in the Westlink M7 from 45.0 per cent to 47.5 per cent. Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 5.0 per cent held by Leighton Holdings Limited.

With the exception of this event at the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2006 that has significantly affected, or may significantly affect:

(a) the Trust's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Trust's state of affairs in future financial years.

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

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

Insurance and Indemnification of officers

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 Act, they remain fully 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 and its associates out of Trust property during the year are disclosed in Note 25.

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

The number of securities held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 28 of the financial statements.

Interests in the Trust issued during the financial year

	Consolidated		Parent	
	2006	2005	**2006**	2005
CARS on issue at 1 July	**4,300,000**	4,300,000	**4,300,000**	4,300,000
CARS issued during the year	**-**	-	**-**	-
CARS converted to Transurban Stapled Securities	**(562,664)**	-	**(562,664)**	-
CARS on issue at 30 June	**3,737,336**	4,300,000	**3,737,336**	4,300,000

	Consolidated		Parent	
	2006 Units	2005 Units	**2006 Units**	2005 Units
Ordinary units on issue at 1 July	**12**	12	**12**	12
Ordinary units issued during the year	**-**	-	**-**	-
Ordinary units on issue at 30 June	**12**	12	**12**	12

Value of Assets

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Value of Trust assets at 30 June	**491,916**	437,236	**477,575**	437,247

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

Security Holdings

As at the date of this Directors' Report, 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 CARS	Number of Transurban Stapled Securities	Options issued over Transurban Stapled Securities
L G Cox	-	1,142,500	-
P C Byers	-	70,580	-
G O Cosgriff	121	31,110	-
J G A Davis	-	51,817	-
S M Oliver	-	68,009	-
C J S Renwick	-	-	-
D J Ryan	-	22,394	-
K Edwards	-	1,873,500	-

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 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.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 7.

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
22 August 2006

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Auditors' Independence Declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2006, 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 other than a contravention covered by ASIC Class Order 05/910, and

b) no contraventions of any applicable code of professional conduct in relation to the audit for the reporting period.

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

Tim Goldsmith
Partner

Melbourne
22 August 2006

The Transurban CARS Trust and Controlled Entities
Income statements for the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Revenue from continuing operations	6	**41,237**	26,030	**38,031**	26,030
Other income	7	**2,940**	-	**-**	-
Administration expenses		**(2,599)**	(3,843)	**(2,589)**	(3,832)
Finance costs	8	**(29,494)**	(31,126)	**(29,494)**	(31,126)
Share of net losses of associates and joint venture partnership accounted for using the equity method	28	**(8,634)**	-	**-**	-
Net profit/(loss) for the year attributable to the unit-holders of the Trust		**3,450**	(8,939)	**5,948**	(8,928)
Earnings per unit for profit/(loss) from continuing operations attributable to the ordinary unit holders:		**Dollars**	Dollars		
Basic earnings per ordinary unit		**287,500**	(744,917)		
Diluted earnings per ordinary unit		**287,500**	(744,917)		

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

The Transurban CARS Trust and Controlled Entities
Balance sheets as at 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
CURRENT ASSETS					
Cash and cash equivalents	10	**12,452**	32,531	**12,452**	32,531
Trade and other receivables	11	**201**	354	**73,123**	365
Total Current Assets		**12,653**	32,885	**85,575**	32,896
NON-CURRENT ASSETS					
Investments accounted for using the equity method	13	**9,496**	-	**-**	-
Held-to-maturity investments	14	**469,767**	392,000	**-**	-
Other financial assets	15	**-**	-	**392,000**	392,000
Other	16	**-**	12,351	**-**	12,351
Total Non-Current Assets		**479,263**	404,351	**392,000**	404,351
TOTAL ASSETS		**491,916**	437,236	**477,575**	437,247
CURRENT LIABILITIES					
Trade and other payables	17	**18,757**	17,119	**18,755**	17,119
Total Current Liabilities		**18,757**	17,119	**18,755**	17,119
NON-CURRENT LIABILITIES					
Borrowings	18	**482,537**	449,785	**482,529**	449,785
Total Non-Current Liabilities		**482,537**	449,785	**482,529**	449,785
TOTAL LIABILITIES		**501,294**	466,904	**501,284**	466,904
NET LIABILITIES		**(9,378)**	(29,668)	**(23,709)**	(29,657)
UNITHOLDERS' FUNDS					
Accumulated losses	20	**(9,378)**	(29,668)	**(23,709)**	(29,657)
TOTAL UNITHOLDERS' FUNDS		**(9,378)**	(29,668)	**(23,709)**	(29,657)

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

	Notes	Consolidated		Parent	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Total equity at the beginning of the financial year	20	**(29,668)**	(20,729)	**(29,657)**	(20,729)
Adjustment on adoption of AASB 132 and AASB 139:					
Retained Profits	34	**16,840**	-	**-**	-
Profit/(loss) for the year	20	**3,450**	(8,939)	**5,948**	(8,928)
Total equity at the end of the financial year attributable to Unit holders of the Trust	20	**(9,378)**	(29,668)	**(23,709)**	(29,657)

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

	Notes	Consolidated **2006** **$'000**	Consolidated 2005 $'000	Parent **2006** **$'000**	Parent 2005 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**270**	355	**270**	355
Payments to suppliers (inclusive of GST)		**(2,860)**	(4,503)	**(2,850)**	(4,492)
Interest received		**12,528**	26,051	**1,148**	1,473
Distributions received		**-**	-	**11,380**	24,578
Interest paid		**(30,100)**	(30,135)	**(30,100)**	(30,135)
Net cash (outflows) from operating activities	29	**(20,162)**	(8,232)	**(20,152)**	(8,221)
Cash flows from investing activities					
Payment for purchase of subsidiary, net of cash acquired		**(47,350)**	-	**-**	-
Loans to related parties		**-**	(92)	**(47,350)**	(103)
Net cash (outflows) from investing activities		**(47,350)**	(92)	**(47,350)**	(103)
Cash flows from financing activities					
Loans from related parties		**47,433**	171	**47,423**	171
Repayment of loans to related parties		**-**	(23)	**-**	(23)
Net cash inflows from financing activities		**47,433**	148	**47,423**	148
Net (decrease) in cash held		**(20,079)**	(8,176)	**(20,079)**	(8,176)
Cash at the beginning of the financial year		**32,531**	40,707	**32,531**	40,707
Cash at the end of the financial year		**12,452**	32,531	**12,452**	32,531

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for year ended 30 June 2006 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Where necessary, comparatives have been reclassified for consistency with current year disclosures. The financial report is presented in the Australian Currency.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). AGAAP differs in certain respects from AIFRS. When preparing the Group 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRSs on the Group's equity and its net income are given in note 34.

Early adoption of standards

The Trust has not elected to adopt any new accounting standards early.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

(a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transurban CARS Trust ("Trust" or "parent entity") as at 30 June 2006 and the results of all controlled entities for the year then ended. Transurban CARS Trust and its controlled entities together are referred to in this financial report as the consolidated entity or Group. 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 period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Associates and joint ventures

Associates are all entities over which the Trust has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Interests in joint ventures are where the Group jointly controls an entity with another party.

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. Similarly, the interest in the joint venture partnership is accounted for using the equity method.

The Trust's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates and joint ventures are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Trust's share of losses in an associate or joint venture equals or exceeds its interest in the associate the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(d) Income Tax

Income tax has not been brought to account in the financial statements of the Trust as under the terms of the Constitution and pursuant to the provisions of the Income Tax Legislation, the Trust is not liable to income tax provided that its taxable income (including assessable realised capital gains) is fully distributed to unit holders.

(e) Business combinations

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

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

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

(f) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(g) Investments and other Financial Assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139. For further information on previous AGAAP refer to the annual report for the year ended 30 June 2005.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loans and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves.

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(h) Trade and other payables

Trade and other payables 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.

(i) Borrowings

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

On issue of CARS, the fair value of the liability component, being the obligation to make future payments of principal and interest to security holders, is calculated using a market interest rate for an equivalent non-convertible security. The residual amount, representing the fair value of the conversion option, is included in equity as other equity securities with no recognition of any change in the value of the option in subsequent periods. The liability is included in borrowings and carried on an amortised cost basis with interest on the securities recognised as borrowing costs on an effective yield basis until the liability is extinguished on conversion or maturity of the securities.

(j) 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 qualifying assets in which case borrowing costs are capitalised into the cost of the asset. Borrowing costs include interest on short-term and long-term borrowings.

The capitalisation rate used to determine the amount of borrowing cost to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(k) Impairment of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and 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 impairment occurs.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(l) Distributions

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

(m) Earnings per Unit

(i) Basic Earnings per Unit

Basic earnings per unit is determined by dividing the profit after income tax attributable to shareholders by the weighted average number of units outstanding during the financial year.

(ii) Diluted Earnings per Unit

Diluted earnings per unit 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.

(n) Goods and Services Tax (GST)

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

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

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

(o) 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 or in certain cases the nearest dollar.

(p) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 *Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

(q) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 31 days from the date of revenue recognition.

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 established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

2. TRUST FORMATION AND TERMINATION

The Trust was established on 20 December 2002 through the issue of 12 ordinary units at $1 per unit to Transurban Holding Trust. The Trust was due to terminate on 20 December 2082 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the Finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(ii) Interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that transactions are made with customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group continually monitors the credit ratings and credit exposure of each counterparty.

(c) Liquidity risk

The Group maintains sufficient cash, uncommitted and overdraft facilities to maintain short-term flexibility and enable the Group to meet financial commitments in a timely manner.

(d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not have significant fixed rate exposures.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group has interest-bearing assets in the form of Term Loan Notes. The interest rate receivable on this facility is fixed and therefore the Group is not subject to risk arising from interest rate fluctuations.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

On adoption of AASB 139 options held to acquire an interest in the Westlink M7 project have been revalued at their fair value. These fair value calculations have been based on assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities of the M7. Gains or losses arising from changes in the fair value of the options are presented in the income statement in the period in which they arise.

5. SEGMENT INFORMATION

The Trust's sole business segment and geographic segment for the year ending 30 June 2006 was investing in the Westlink Motorway Partnership based in NSW, Australia. All revenues and expenses are directly attributable to this sole purpose. Internal financial reporting is based on this sole business segment.

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
6. REVENUE				
From continuing operations				
Interest	**41,237**	26,030	**1,090**	1,452
Trust distributions	**-**	-	**36,941**	24,578
	41,237	26,030	**38,031**	26,030
7. OTHER INCOME				
Fair value gains on other financial assets at fair value through profit or loss (note 12)	**2,940**	-	**-**	-
	2,940	-	**-**	-
8. EXPENSES				
Expenses				
Finance costs				
Interest and finance charges paid/payable	**(29,494)**	(31,126)	**(29,494)**	(31,126)
	(29,494)	(31,126)	**(29,494)**	(31,126)

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000

9. INCOME TAX

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Tax losses at beginning of period	**72,126**	36,403	**72,126**	36,403
Tax losses/(income) for the period	**(65,025)**	35,723	**(65,025)**	35,723
Tax losses at end of period	**7,101**	72,126	**7,101**	72,126

Potential future income tax benefits at 30 June 2006 for tax losses not brought to account for the consolidated entity are $2.1 million (2005: $21.6 million). These losses cannot be used directly by the consolidated entity for the reason outlined in note 1(d), but may be available for the benefit of unit holders in the future.

These benefits of tax losses will only be realised for the benefit of security holders in the consolidated 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; 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 to realise the benefit from the deductions for the losses.

10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Cash at bank	**12,452**	32,531	**12,452**	32,531
Balance per statement of cash flows	**12,452**	32,531	**12,452**	32,531

(a) Cash at bank and on hand

These are interest bearing. The weighted interest rate for the year was 5.65 per cent (2005: 4.81 per cent).

(b) Funds not for general use

The amount shown in Cash at Bank includes $12.4 million (2005: $20.1 million) which is held in a reserve account to fund future CARS distributions and was not available for general use at 30 June 2006.

11. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Loans to related parties	**92**	92	**73,014**	103
Other receivables	**109**	262	**109**	262
	201	354	**73,123**	365

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(b) Fair values

The fair values and carrying values of receivables of the Group are the same.

(c) Effective Interest rates

Trade and other receivables are non-interest bearing.

(d) Credit risk

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

12. CURRENT ASSETS – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
At beginning of year	**-**	-	**-**	-
Adjusted on adoption of AASB 139	**16,840**	-	**-**	-
Revaluation	**2,940**	-	**-**	-
Exercise of option	**(19,780)**	-	**-**	-
At end of year	**-**	-	**-**	-

Transition to AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption* of Australian Equivalents to *International Reporting Standards* to apply AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to this standard at 1 July, the Group recognised the fair value of options held to acquire an additional 5 per cent interest in the Westlink M7. The effect was the recognition of a financial asset of $16,840,000 and an increase in retained earnings of the same amount.

These options were revalued and exercised on 16 December 2005.

13. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Interest in joint venture partnership and associates (note 28)	**9,496**	-	**-**	-
	9,496	-	**-**	-

(a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are carried at cost (refer to note 28).

(b) Interest in joint venture partnership

The interest in the Westlink Motorway Partnership is accounted for using the equity method of accounting and is carried at cost (refer to note 28).

14. NON-CURRENT ASSETS – HELD-TO-MATURITY INVESTMENTS

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Investment in Construction Phase Loan Notes	**-**	392,000	**-**	-
Investment in Term Loan Notes	**469,767**	-	**-**	-
	469,767	392,000	**-**	-

Investment in Term Loan Notes ("TLN")

On the construction completion of the WestLink M7 motorway in December 2005, the Group's Construction Phase Loan Notes ("CPLN") converted to TLN. The notes current and former state represent Transurban's funding contribution to the Westlink Motorway Partnership. On conversion the interest receivable on these notes increased to 11.93 per cent from 6.27 per cent. Any unpaid interest capitalises into additional TLN. In the period to 30 June 2006 $28.8 million of interest capitalised into additional TLN, and a further $49.0 million were acquired though a business combination (refer to note 26).

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

15. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

Non traded investments				
Units in controlled entities	**-**	-	**392,000**	392,000
	-	-	**392,000**	392,000

16. NON-CURRENT ASSETS – OTHER

Deferred Borrowing Costs	**-**	12,351	**-**	12,351
	-	12,351	**-**	12,351

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 139 and AASB 132 from 1 July 2005. At the date of transition to these standards, costs incurred in the raising of debt "Deferred borrowing costs" valued at $12,351,000 that were classified in the balance sheet under previous AGAAP as other non-current assets were re-classified as a reduction in non-current liabilities – borrowings.

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

17. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	**1**	4	**3**	4
CARS coupon payable	**13,924**	14,926	**13,924**	14,926
Loans from related parties	**4,812**	2,178	**4,808**	2,178
Other payables	**20**	11	**20**	11
	18,757	17,119	**18,755**	17,119

(a) CARS coupon payable

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 per annum for the period 1 January 2006 to 30 June 2006 totalling $13.9 million has been charged to the income statement as a borrowing cost because the CARS are classified as a liability. This coupon was paid to CARS holders on 31 July 2006. The coupon payments to CARS holders are guaranteed by Transurban Holding Trust (THT), a related entity.

(b) Fair value

No disclosure of fair value is required given the carrying amount of trade payables is a reasonable approximation of its fair value.

18. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Secured				
Loan from related parties	**120,760**	19,785	**120,752**	19,785
Convertible Adjusting Rate Securities	**361,777**	430,000	**361,777**	430,000
	482,537	449,785	**482,529**	449,785

Convertible Adjusting Rate Securities ("CARS")

$430.0 million was raised in April 2003 via the issue of 4.3 million CARS. 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.

Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of CARS. The term of this guarantee is until the first reset date, 14 April 2007, at which time the guarantee may or may not be extended. The option in 2007 is purely for conversion to equity and there is no intention to repay the debt and as a result non-current disclosure has been adopted.

During the year CARS holders had two opportunities to convert their holdings to Transurban Stapled Securities:

31 December 2005, when 288,711 CARS were converted, and

30 June 2006, when 273,953 CARS were converted.

Reconciliation of the movement in the CARS liability.

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**430,000**	430,000	**430,000**	430,000
Adjustment on adoption of AASB 139 and 132 (refer to note 16)	**(12,351)**	-	**(12,351)**	-
Amortisation of deferred borrowing costs under effective interest rate method	**394**	-	**394**	-
Conversion on 31 December 2005 at the rate of 17.0679 stapled securities	**(28,871)**	-	**(28,871)**	-
Conversion on 30 June 2006 at the rate of 17.4966 stapled securities	**(27,395)**	-	**(27,395)**	-
Balance at 30 June	**361,777**	430,000	**361,777**	430,000

Loan from related parties

The loan from related parties does not have any fixed date for repayment and is non-interest bearing.

Fair Value

The carrying amount and fair values of interest bearing liabilities at balance date are the same.

19. CONTRIBUTED EQUITY

	Consolidated				Parent			
	2006	**2006**	2005	2005	**2006**	**2006**	2005	2005
	Units	**$'000**	Units	$'000	**Units**	**$'000**	Units	$'000
Units fully paid	**12**	**-**	12	-	**12**	**-**	12	-

The Trust has issued 12 ordinary units at $1 each. Each unit represents a right to an individual unit in the Trust and does not extend to a right to the underlying assets of the scheme. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust. There were no movements in the number of units during the financial year.

20. ACCUMULATED LOSSES

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent 2006 $'000	Parent 2005 $'000
Balance at 1 July	**(29,668)**	(20,729)	**(29,657)**	(20,729)
Adjustment on adoption of AASB 139 note 12	**16,840**	-	**-**	-
Net profit/(loss) for the year	**3,450**	(8,939)	**5,948**	(8,928)
Balance at 30 June	**(9,378)**	(29,668)	**(23,709)**	(29,657)

21. DISTRIBUTIONS

	2006 $'000
Convertible Adjusting Rate Securities	
Distribution payment for the period 1 January 2005 to 30 June 2005 of 7.0 per cent per annum paid on 29 July 2005	**14,926**
Distribution payment for the period 1 July 2005 to 31 December 2005 of 7.0 per cent per annum paid on 31 January 2006	**15,174**
	30,100

The coupon payment for the half year ended 30 June 2006 of $13.9 million was paid on 31 July 2006.

22. REMUNERATION OF AUDITORS

During the year the following services were paid to the auditor, PricewaterhouseCoopers Australian Firm:

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$	$	**$**	$
Assurance services				
Audit or review of financial reports	**22,000**	14,900	**22,000**	14,900
Other assurance services	**95,810**	-	**95,810**	-
	117,810	14,900	**117,810**	14,900
Taxation Services				
Review of income tax returns	**13,240**	12,705	**13,240**	12,705
	13,240	12,705	**13,240**	12,705

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important.

23. DIRECTOR DISCLOSURES

The following persons were directors of Transurban Infrastructure Management Limited, the responsible entity of the Trust, 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

Executive directors
Kimberley Edwards
Geoffrey R Phillips

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

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

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

Key management personnel

The directors of Transurban Infrastructure Management Limited are the key management personnel.

Remuneration Report

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

A. Principles used to determine the nature and amount of non-executive director remuneration

B. Details of remuneration

C. Share-based compensation

The information provided under headings A-C includes remuneration disclosures that are required under Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures have been audited.

A. Principles used to determine the nature and amount of non-executive directors remuneration

Non-Executive Directors

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

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

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provided for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director completed a minimum of three years service. The lump sum was equivalent to the total emoluments received during the Relevant Period. The Relevant Period was one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever was the lesser. This policy was reviewed in September 2005 when it was resolved to discontinue retirement benefits for all participating non-executive directors with effect from 30 September 2005 such that future directors are not entitled to this benefit. The value of benefits accrued up to this date will attract interest from 1 October 2005 at the statutory FBT rate (currently 7.05%). The accrued `frozen' retirement benefits plus interest will be paid to directors upon their retirement.

B. Details of remuneration

Details of the remuneration of the directors who are also the key management personnel of Transurban Infrastructure Management Limited are set out in the following tables. Executive directors are remunerated by Transurban Limited and associated remuneration is not included in the tables below. Share-based payments relate to the Transurban Group as a whole and are disclosed as a reasonable basis of apportionment is not available.

2006

	Short-term Benefits	Post-employment benefits		Share-based payment			
Name	Cash salary and fees	Super-annuation	Retirement benefits	Options	Executive Loan Plan	Long term incentives	Total
	$	$	$	$	$	$	$
L G Cox	72,523	2,428	13,305	-	-	-	88,256
P C Byers	28,882	2,599	5,112	-	-	-	36,593
J G A Davis	16,999	11,900	5,212	-	-	-	34,111
S M Oliver	27,351	2,462	5,143	-	-	-	34,956
G O Cosgriff	24,322	3,590	3,873	-	-	-	31,785
D J Ryan	29,023	2,612	-	-	-	-	31,635
C J S Renwick	8,318	20,117	-	-	-	-	28,435
K Edwards	-	-	-	57,972	93,151	512,111	663,234
G R Phillips	-	-	-	19,324	-	-	19,324
Total	207,418	45,708	32,645	77,296	93,151	512,111	968,329

2005

	Short-term Benefits	Post-employment benefits		Share-based payment			
Name	Cash salary and fees	Super-annuation	Retirement benefits	Options	Executive Loan Plan	Long term incentives	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

C. Share-based compensation

Options

Options were issued at no cost to the Option holder and vested in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise of the options was subject to an Exercise Condition. The Exercise Condition involved a comparison between Total 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 had been in the S&P/ASX 200 Industrials for the full term of the Exercise Condition Test Period ("Test Companies") measured over the same period.

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

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

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

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

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

Details of options over ordinary units provided as remuneration to each director of Transurban Infrastructure Management Limited are set out below.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
G R Phillips	**-**	-	**-**	166,667
K Edwards	**-**	-	**-**	500,000

Executive long term incentives ("ELTI") plans

The executive long term incentive plan ("ELTIP") was introduced in 2003 to provide long term incentives to executive directors and executives in the period after issued options had fully vested.

Under the ELTIP, participants were allocated "ELTI units". Each ELTI unit entitled the holder to a cash payment on the maturity date, approximately two years after the date of allocation. The cash payment per unit is 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	-	$0.46	-	30 Nov 2005
30 Sept 2004	30 Sept 2006	$5.45	800,000	$0.54	$1.01	30 Nov 2006

Name	Number of ELTIs granted during the year		Number of ELTIs paid during the year	
	2006	2005	**2006**	2005
K Edwards	-	800,000	850,000	-

Executive Loan Plan ("ELP")

The Executive Loan plan ("ELP") was introduced in 2005 as it offered payoff characteristics similar to those of an option-based plan and thus rewarded TSR out performance. The ELP, similar to those which had been introduced by a number of other companies whose equity securities were stapled, was also more cost effective than an option-based plan in terms of cost to the Group for a given amount of incentive. (The cost referred to above was in the form of fringe benefits tax that was payable by the Group on the allocation of Options.)

The ELP is structured as a performance loan plan which is linked to improvements in the price of stapled securities over a three year period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns.

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

Stapled securities will vest in the executive if:

(a) the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and

(b) the performance hurdle relevant to the offer is met.

If the stapled securities vest in the executive:

(a) then the executive can either pay the amount of the loan which needs to be repaid and which is attributable to those vested stapled securities, in which case they will be free to deal with those stapled securities as they see fit; or

(b) The Group will otherwise sell the vested securities and apply for the proceeds of sale in discharge of the amount of the loan which is repayable attributable to those stapled securities, with any surplus to be provided to the executive.

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

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

If the executive does not meet the hurdle identified, and remains employed by the Transurban Group for a period of 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide, no stapled securities will vest in the executive and all stapled securities will be sold with the proceeds being applied in repayment of the repayable portion of the loan, with no surplus being provided to the executive.

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

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

The performance hurdle attached to stapled securities has been set to ensure that both executives and stapled security holders generally benefit from the allocation of stapled securities to executives under the Plan.

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

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

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

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

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

The allocation of ELP units is determined by the following:

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

(i) The number of stapled securities an executive is entitled to is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account the fact that the loan will need to be repaid along with performance and other conditions. By dividing the remuneration value or number by this adjusted valuation, the number of stapled securities is derived;

(ii) the stapled securities are acquired and transferred to each participant;

(iii) the purchase price per stapled security is the average market price of stapled securities weighted by reference to volume over the week leading up to and including the date of commencement of the Plan; and

(iv) the amount of the loan provided to a participant is equal to the purchase price per stapled security multiplied by the participant's stapled securities entitlement.

2006 Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
K Edwards	-	312,500	-	-	312,500	-

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

2006					
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received during the year via the Executive Loan Plan**	**Other changes during the year**	**Balance at the end of the year**
L G Cox	1,142,500	-	-	-	1,142,500
P C Byers	70,580	-	-	-	70,580
G O Cosgriff	24,910	-	-	6,200	31,110
J G A Davis	50,000	-	-	1,817	51,817
S M Oliver	62,540	-	-	5,469	68,009
D J Ryan	21,577	-	-	817	22,394
C J S Renwick	-	-	-	-	-
K Edwards	61,000	1,500,000	312,500	-	1,873,500

2005					
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received during the year via the Executive Loan Plan**	**Other changes during the year**	**Balance at the end of the year**
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
K Edwards	61,000	-	-	-	61,000

CARS

2006				
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**
L G Cox	-	-	-	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
C J S Renwick	-	-	-	-
K Edwards	-	-	-	-

2005				
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**
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	-	-	-	-
K Edwards	-	-	-	-

Company directors and their director-related entities received normal distributions on these securities. All transactions relating to securities were on the same basis as similar transactions with other security holders.

24. CONTINGENT LIABILITIES

As at the reporting date there are no contingent liabilities.

25. RELATED PARTIES

(a) Parent Entity

The ultimate parent entity within the Group is Transurban Holding Trust.

(b) Subsidiaries

Interests in subsidiaries are set out in note 27.

(c) Directors

Disclosures relating to directors are set out in note 23.

(d) Other related parties

Related party transactions have occurred with the following entities who are related parties of Transurban CARS Trust and controlled entities:

- Transurban Holding Trust;
- Transurban Ltd;
- ROAM Tolling Pty Ltd;
- Transurban Holdings Ltd;
- Transurban Finance Company;
- Transurban Asset Management Pty Ltd; and

- Transurban Infrastructure Management Ltd

Fees have been paid to Transurban Infrastructure Management Limited in its capacity as Responsible Entity of the Transurban CARS Trust.

The Responsible Entity is also the Responsible Entity for the Transurban Holding Trust which provides financial assistance and acts as guarantor to the consolidated entity.

Aggregate amounts of each of the above types of other transactions with directors of the consolidated entity and their director related entities:

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Transactions with related parties				
Distribution revenue				
Subsidiaries	**-**	-	**36,941**	**24,578**
Share of net losses				
Associates	**(8,634)**	-	**-**	-
Interest	**-**	685	**-**	685
Responsible entity fees	**2,309**	3,500	**2,309**	3,500
Aggregate amounts payable at balance date				
Current liability	**4,812**	2,178	**4,808**	2,178
Aggregate amounts receivable at balance date				
Current assets	**92**	92	**73,014**	103

(e) Responsible entity's fees

Transurban Infrastructure Management Limited ("TIML") is the Responsible Entity of the Trust and is entitled to receive a fee calculated at the rate of up to 2.0 per cent per annum of the Gross Asset Value of the Trust. For the 2006 financial year, the responsible entity fee paid by the Trust was calculated at a rate of 0.5 per cent (2005: 0.8 per cent) of the value of the Trust's assets at 30 June 2006.

	2006 $000 Responsible Entity	2005 $000 Responsible Entity
Fees for the year paid by the Trust	**2,309**	3,500
Fees earned by the responsible entity in respect of its role as responsible entity of other entities within the Transurban Group	**2,091**	2,009
Management fees earned by the responsible entity which are reimbursed in accordance with the Constitution	**12,814**	25,949
Aggregate amounts payable to the responsible entity at reporting date	**1,935**	26,783

	Consolidated		Parent	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000
(f) Outstanding balances arising from distributions				
Current receivables	**-**	-	**25,561**	-
(g) Loans to and from related parties				
Loans to subsidiaries				
Beginning of the year	**-**	-	**11**	-
Loans advanced	**-**	-	**72,911**	11
Loan repayments received	**-**	-	**-**	-
End of year	**-**	-	**72,922**	11
Loans to associate				
Beginning of the year	**392,000**	392,000	**-**	-
Loans advanced	**49,000**	-	**-**	-
Interest capitalised	**28,767**	-	**-**	-
End of year	**469,767**	392,000	**-**	-
Loans from other related parties				
Beginning of the year	**19,785**	21,516	**19,785**	21,516
Loans advanced	**106,245**	448	**106,237**	448
Loan repayments received	**(5,270)**	(2,179)	**(5,270)**	(2,179)
End of year	**120,760**	19,785	**120,752**	19,785

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

(h) Loan to associate

The "loan to associate" is via Term Loan Notes ("TLN") (formerly Construction Phase Loan Notes ("CPLN")). The CPLN represent the Group's funding contribution to the Westlink Motorway Partnership and on completion of the Westlink M7 Motorway the CPLN converted to TLN. The TLN earn interest at a fixed rate of 11.93 per cent from 16 December 2005 (the completion date of Westlink M7) until the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Traffic Authority of New South Wales and Westlink Motorway Limited.

Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The TLN have not been affected by equity accounting losses from the associate.

26. BUSINESS COMBINATION

On 16 December 2005 Transurban AL Trust, a subsidiary of Transurban CARS Trust exercised an option which allowed it to acquire 100 per cent of the issued capital of the following entities:

LMI Westlink Partner Holding No. 4 Pty Limited and its subsidiary LMI Westlink Partner No. 4 Pty Limited

Abigroup Westlink Partner Holding No. 4 Pty Limited and its subsidiary Abigroup Westlink Partner No. 4 Pty Limited.

The acquired entities contributed $3,195,802 of net profit to the Group for the period 16 December 2005 to 30 June 2006.

At the date of acquisition, the acquired entities held a contingent asset which allowed them to subscribe for subordinated term loan notes. This was exercised by Transurban AL Trust and an additional $49.0 million of term loan notes were issued.

Details of the fair value of assets and liabilities acquired are as follows:

	$'000
Purchase consideration	
Cash paid	47,350
Fair value of option exercised	19,780
Total purchase consideration	67,130
Fair value of net identifiable assets acquired	67,130
Goodwill	-

The assets and liabilities arising from the acquisition are as follows:

	$'000
Term loan notes	49,000
Investment in associate entities	18,130
	67,130

27. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(a).

Name of Entity	**Country of Incorporation**	**Class of Security**	**Equity Holding 2006**	**Equity Holding 2005**	**Date Acquired**
Transurban WSO Trust	Australia	Ordinary	100%	100%	
Transurban AL Trust	Australia	Ordinary	100%	100%	
LMI WestLink Partner Holding No.4 Pty Limited	Australia	Ordinary	100	-	16/12/2005
LMI WestLink Partner No.4 Pty Limited	Australia	Ordinary	100	-	16/12/2005
Abigroup WestLink Partner Holding No.4 Pty Limited	Australia	Ordinary	100	-	16/12/2005
Abigroup WestLink Partner No.4 Pty Limited	Australia	Ordinary	100	-	16/12/2005

28. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

(a) Carrying amount

	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
	2006 %	2005 %	**2006 $'000**	2005 $'000	**2006 $'000**	2005 $'000
Westlink Motorway Limited	**45**	40	**-**	-	**-**	-
WSO Finance Pty Limited	**45**	40	**-**	-	**-**	-
Westlink Motorway Partnership	**45**	40	**9,496**	-	**-**	-

Each of the above is a member of the Westlink Motorway Group, established to invest in, construct and operate the Westlink M7 toll road in Sydney. All were incorporated in Australia.

Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and is carried at cost of $90.

WSO Finance Pty Limited is the financier of the Westlink M7 toll road and is carried at a cost of $90.

Westlink Motorway Partnership was responsible for the construction of the Westlink M7 Motorway in Sydney. The M7 opened for operation on 16 December 2005.

	Consolidated	
	2006	2005
	$'000	$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	**-**	-
Additional investment acquired (refer to note 26)	**18,130**	-
Share of loss after income tax	**(8,634)**	-
Carrying amount at the end of the financial year	**9,496**	-

(c) Share of losses

Loss before income tax	**(8,634)**	-
Income tax expense	**-**	-
Loss after income tax	**(8,634)**	-

(d) Summarised financial information

	Assets $'000	Liabilities $'000	Revenue $'000	Result $'000
2006				
Westlink Motorway Limited	**-**	**-**	**-**	**-**
WSO Finance Pty Limited	**6,810**	**6,810**	**48,616**	**-**
Westlink Motorway Partnership	**856,437**	**865,071**	**41,798**	**(8,634)**
	863,247	**871,881**	**90,414**	**(8,634)**
2005				
Westlink Motorway Limited	-	-	-	-
WSO Finance Pty Limited	272,400	272,400	10,800	-
Westlink Motorway Partnership	585,934	585,934	-	-
	858,334	858,334	10,800	-

	Consolidated	
	2006	2005
	$'000	$'000

(e) Share of expenditure commitments

Capital commitments	**-**	522,288

(f) Contingent liabilities of associates

As at the reporting date there are no contingent liabilities.

29. RECONCILIATION OF LOSS TO NET CASH (OUTFLOW) FROM OPERATING ACTIVITIES

	Consolidated		Parent	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Net profit/(loss) from ordinary activities	**3,450**	(8,939)	**5,948**	(8,928)
Deferred borrowing costs	**394**	388	**394**	388
Related party loans	**(92)**	300	**(25,653)**	300
Fair value gains on other financial assets at fair value through profit or loss	**(2,940)**	-	**-**	-
Share of loss of associates and joint venture partnership	**8,634**	-	**-**	-
Change in operating assets and liabilities				
(Decrease)/increase in creditors	**(994)**	(85)	**(994)**	(85)
Decrease in debtors	**153**	104	**153**	104
Increase in loan to joint venture	**(28,767)**	-	**-**	-
Net cash (outflow) from operating activities	**(20,162)**	(8,232)	**(20,152)**	(8,221)

30. NON-CASH INVESTING AND FINANCING ACTIVITIES

Conversion of CARS to Transurban stapled securities	**56,266**	-	**56,266**	-

31. ECONOMIC DEPENDENCY

Transurban CARS Trust is reliant on the receipt of distributions from Transurban WSO Trust for its ongoing viability. Transurban CARS Trust has $12.4 million (2005: $20.1 million) in reserve to fund future Convertible Adjusting Rate Securities ("CARS") coupon payments which is not available for general use. The CARS coupon payments are guaranteed by Transurban Holding Trust (parent entity) until the first reset date 14 April 2007.

32. EARNINGS PER UNIT

	Consolidated **2006**	2005
Net tangible asset backing per ordinary unit	**($781,500)**	($2,472,333)
Basic earnings per unit	**$287,500**	($744,917)
Diluted earnings per unit	**$287,500**	($744,917)
Weighted average number of units used as the denominator in calculating basic earnings per unit	**12**	12
Weighted average number of unit and potential units used as the denominator in calculating diluted earnings per unit	**12**	12

33. EVENTS OCCURRING AFTER BALANCE DATE

Transurban has exercised its pre-emptive right to purchase an additional 2.5 per cent equity interest in the Westlink M7 for $34.3 million. This will increase Transurban's holding in the Westlink M7 from 45 per cent to 47.5 per cent. Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 5 per cent held by Leighton Holdings Limited.

34. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENT TO IFRSs

1. Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS).

(a) At the date of transition to AIFRS: 1 July 2004

		Consolidated			Parent		
	Notes	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000
CURRENT ASSETS							
Cash assets		40,707	-	40,707	40,707	-	40,707
Receivables		366	-	366	366	-	366
Total Current Assets		41,073	-	41,073	41,073	-	41,073
NON-CURRENT ASSETS							
Financial assets		392,000	-	392,000	392,000	-	392,000
Other		12,740	-	12,740	12,740	-	12,740
Total Non-Current Assets		404,740	-	404,740	404,740	-	404,740
TOTAL ASSETS		445,813	-	445,813	445,813	-	445,813
CURRENT LIABILITIES							
Payables		15,026	-	15,026	15,026	-	15,026
Non-interest bearing liabilities		2,420	-	2,420	2,420	-	2,420
Total Current Liabilities		17,446	-	17,446	17,446	-	17,446
NON-CURRENT LIABILITIES							
Borrowings		449,096	-	449,096	449,096	-	449,096
Total Non-Current Liabilities		449,096	-	449,096	449,096	-	449,096
TOTAL LIABILITIES		466,542	-	466,542	466,542	-	466,542
NET ASSETS		(20,729)	-	(20,729)	(20,729)	-	(20,729)
UNITHOLDERS' FUNDS							
Accumulated losses		(20,729)	-	(20,729)	(20,729)	-	(20,729)
TOTAL UNITHOLDERS' FUNDS		(20,729)	-	(20,729)	(20,729)	-	(20,729)

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

		Consolidated			Parent		
	Notes	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000
CURRENT ASSETS							
Cash assets		32,531	-	32,531	32,531	-	32,531
Receivables		354	-	354	365	-	365
Total Current Assets		32,885	-	32,885	32,896	-	32,896
NON-CURRENT ASSETS							
Financial assets		392,000	-	392,000	392,000	-	392,000
Other		12,351	-	12,351	12,351	-	12,351
Total Non-Current Assets		404,351	-	404,351	404,351	-	404,351
TOTAL ASSETS		437,236	-	437,236	437,247	-	437,247
CURRENT LIABILITIES							
Payables		17,119	-	17,119	17,119	-	17,119
Total Current Liabilities		17,119	-	17,119	17,119	-	17,119
NON-CURRENT LIABILITIES							
Borrowings		449,785	-	449,785	449,785	-	449,785
Total Non-Current Liabilities		449,785	-	449,785	449,785	-	449,785
TOTAL LIABILITIES		466,904	-	466,904	466,904	-	466,904
NET ASSETS		(29,668)	-	(29,668)	(29,657)	-	(29,657)
UNITHOLDERS' FUNDS							
Accumulated losses		(29,668)	-	(29,668)	(29,657)		(29,657)
TOTAL UNITHOLDERS' FUNDS		(29,668)	-	(29,668)	(29,657)	-	(29,657)

2. *Reconciliation of profit for the year ended 30 June 2005*

		Consolidated			Parent		
	Notes	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000	Previous AGAAP $'000	Effect of change $'000	AIFRS $'000
Revenue from ordinary activities		26,030	-	26,030	26,030	-	26,030
Expenses from ordinary activities							
Administration		(3,843)	-	(3,843)	(3,832)	-	(3,832)
Borrowing costs		(31,126)	-	(31,126)	(31,126)	-	(31,126)
Net loss from ordinary activities		(8,939)	-	(8,939)	(8,928)	-	(8,928)

3. *Reconciliation of cash flow statement for the year ended 30 June 2005*

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

4. *Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement: 1 July 2005*

		Consolidated			Parent		
	Notes	Existing GAAP $'000	Effect of change $'000	AIFRS $'000	Existing GAAP $'000	Effect of change $'000	AIFRS $'000
CURRENT ASSETS							
Cash assets		32,531		32,531	32,531	-	32,531
Receivables		354		354	365	-	365
Other financial assets at fair value through profit and loss	a	-	16,840	16,840	-	-	-
Total Current Assets		32,885	16,840	49,725	32,896	-	32,896
NON-CURRENT ASSETS							
Held-to-maturity investments		392,000	-	392,000	-	-	-
Other financial assets		-	-	-	392,000	-	392,000
Other	b	12,351	(12,351)	-	12,351	(12,351)	-
Total Non-Current Assets		404,351	(12,351)	392,000	404,351	(12,351)	392,000
TOTAL ASSETS		437,236	4,489	441,725	437,247	(12,351)	424,896
CURRENT LIABILITIES							
Payables		14,941	-	14,941	14,941	-	14,941
Non-interest bearing liabilities		2,178	-	2,178	2,178	-	2,178
Total Current Liabilities		17,119	-	17,119	17,119	-	17,119
NON-CURRENT LIABILITIES							
Borrowings	b	449,785	(12,351)	437,434	449,785	(12,351)	437,434
Total Non-Current Liabilities		449,785	(12,351)	437,434	449,785	(12,351)	437,434
TOTAL LIABILITIES		466,904	(12,351)	454,553	466,904	(12,351)	454,553
NET ASSETS		(29,668)	16,840	(12,828)	(29,657)	-	(29,657)
UNITHOLDERS' FUNDS							
Accumulated losses	a	(29,668)	16,840	(12,828)	(29,657)	-	(29,657)
TOTAL UNITHOLDERS' FUNDS		(29,668)	16,840	(12,828)	(29,657)	-	(29,657)

5. *Notes to the reconciliations*

(a) Financial Assets

Options held to acquire an additional 5 per cent interest in the Westlink M7 project have been recognised and recorded at fair value on the adoption of AASB 139. The effect on the consolidated entity is:

1 July 2005

The recognition of a financial asset of $16,840,000 and an increase in retained earnings of the same amount.

(b) Re-classification of capitalised borrowing costs

Costs incurred with the issue of CARS has been re-classified as a reduction in interest bearing liabilities as required by AASB 139, rather than a non-current asset. The effect on both the parent and consolidated entity is:

1 July 2005

A reduction in non-current assets of $12,351,000 and a reduction of non-current interest bearing liabilities of the same amount.

In the directors' opinion:

a) The financial statements and notes set out on pages 8 to 48 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 Trust's financial position as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, 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 financial 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

Laurence G Cox
Chairman

K. Edwards

Kimberley Edwards
Managing Director

Melbourne
22 August 2006

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Independent audit report to the members of Transurban CARS Trust

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the concise financial report of Transurban CARS Trust (the Trust) for the financial year ended 30 June 2006 included on Transurban CARS Trust's web site. The Trust's directors are responsible for the integrity of the Transurban CARS Trust's website. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of Transurban CARS Trust for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Transurban CARS Trust for the year ended 30 June 2006.

The directors of Transurban Infrastructure Management Limited, the Responsible Entity of the Trust, are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

PRICEWATERHOUSECOOPERS

Audit approach

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

We also performed an independent audit of the full financial report of the Trust for the financial year ended 30 June 2006. Our audit report on the full financial report was signed on 22 August 2006, and was not subject to any qualification.

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

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

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

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

T. Goldsmith

Tim Goldsmith
Partner

Melbourne
22 August 2006