BREAKING NEW GROUND

annual report 2003

transurban

breaking new ground

Transurban Group is breaking new ground in the development and management of fully electronic toll roads.

The company is generating strong cash flows and distributions for investors – and protecting future distribution flows as it grows the business.

This report covers a year in which we increased revenues from CityLink in Melbourne and began work on Westlink M7, the new Sydney toll road in which we hold a 40 per cent stake.

Transurban is at the forefront of an emerging new paradigm in the development of privately financed infrastructure projects – an approach that will pay off for governments, communities and investors.

Transurban Group

Transurban Holdings Limited
ABN 86 098 143 410
Transurban Holding Trust
ABN 30 169 362 255
Transurban Infrastructure Developments 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)

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The Transurban Group

The Transurban Group comprises the following companies and trusts:

- Transurban Holdings Limited;
- Transurban Holding Trust;
- Transurban Infrastructure Developments Limited;
- Transurban CARS Trust;
- Transurban Infrastructure Management Limited, responsible entity for the Transurban Holding Trust and the Transurban CARS Trust.

Shares in Transurban Holdings Limited, units in Transurban Holding Trust and shares in Transurban Infrastructure Developments Limited comprise a tripled stapled security which is quoted on the ASX. The individual securities comprising the triple stapled security cannot be traded separately.

Transurban Holding Trust holds all the ordinary units in Transurban CARS Trust. Transurban CARS Trust has preference units which are quoted on the ASX.

Breaking new ground sets the scene for growth – in both distributions to investors and the development of new business opportunities. 2002 – 03 saw Transurban continue to grow a flourishing business.

BREAKING NEW GROUND >

milestones 2002 – 03

distributions up

20 cents per stapled security in 2002 – 03, compared to 5.25 cents the year before

equity raising

$430 million raised for equity in Westlink M7 through the award-winning CARS issue

revenue growth

CityLink revenues top $230 million in 2002 – 03, 10.7 per cent higher than the year before

sydney debut

Transurban's consortium wins Sydney's $2.23 billion Westlink M7 project

video tolling

New video-based ACCESS tolling product launched on CityLink

e-tags interstate

Our e-TAG® devices now operate on NSW and Queensland toll roads

commitment

Integrating Corporate Social Responsibility programs throughout the business

new prospect

Bidding for the Mitcham-Frankston Freeway with experienced partners

BREAKING NEW GROUND

Laurence G Cox Chairman

Kim Edwards Managing Director

chairman & managing director's report

Delivering a secure distribution stream

2002 – 03 was a successful year for Transurban and distributions to security holders were delivered as promised.

Following a competitive tender, we won a 40 per cent share in Australia's premier new toll road project, Westlink M7, formerly known as the Western Sydney Orbital. $430 million was raised to fund our equity in the project through an award-winning hybrid security issue. The financing structure ensures that CityLink distributions will not be diluted during the construction period.

Traffic and revenue grew strongly on CityLink in Melbourne and customer service and marketing costs were further reduced. We continued new product development, and successfully introduced fully interoperability with other electronic toll roads along Australia's eastern seaboard. Customers can now travel on these roads and pay through their CityLink account.

CityLink is now regarded as the most efficient full electronic toll road in the world. We expect a steady flow of new toll road opportunities in the years ahead, and have a highly credentialled team to ensure we participate in this growth.

Our strategy aims to maintain a secure distribution stream for security holders and at the same time participate in carefully planned growth.

The potential for growth

The year demonstrated the significant growth potential in Australia's electronic toll road sector with new projects planned or foreshadowed by the NSW and Victorian governments. Transurban took part in that growth while protecting the flow of CityLink distributions to our investors.

Tax-deferred distributions were paid totalling 20 cents per stapled security for the year – 10 cents for each half year.

Transurban began life as a pioneer in the development of multi-lane, freeflow electronic toll roads. Seven years after listing on the Australian Stock Exchange, we are still breaking new ground:

- Our cornerstone asset, CityLink, is generating revenue of over $230 million a year and demonstrating higher growth than initially forecast
- We have established ourselves in Sydney, Australia's largest market for electronic toll roads
- In October 2002, our consortium won the bid to develop the Westlink M7, formerly known as the Western Sydney Orbital
- We will supply the tolling system and operate tolling and customer service on Westlink, in which we hold a 40 per cent stake
- And we are part of a consortium bidding for Melbourne's new toll road project, the Mitcham-Frankston Freeway.

Traffic and revenue grew strongly on CityLink in Melbourne and we won a new project in Sydney.

Financial results

Your company is generating strong free cash flows, but we will continue to report accounting losses for several years as we depreciate our major investment in CityLink. The depreciation charge is a non-cash item and does not affect our ability to pay distributions.

The Transurban Group reported a net loss of $83.6 million for the year ended 30 June 2003. The net loss for the prior corresponding period was $67.2 million, but is not comparable with this year's result as it only relates to the period from 18 December 2001 (when the group became a reporting entity) and 30 June 2002.

The net loss includes non-cash expenses of $180.9 million (for depreciation and amortisation and for Concession Fees relating to the CityLink asset) and consequently, does not reflect the capacity of the group to pay cash distributions to security holders. This capacity is more realistically represented by the profit before non-cash charges, which for the year ended 30 June 2003 was $97.3 million.

The contribution of CityLink to the profit before non-cash expenses was $109.6 million, compared to a loss of $23.3 million for the prior corresponding period. However, the previous result was impacted by two significant items of a non-recurring nature: revenue of $153.6 million through the settlement of our dispute with the CityLink contractor, TOJV, and costs of $235.5 million relating to the refinancing of CityLink's debt. Excluding these items, the CityLink result for the year ended 30 June 2002 was a profit before non-cash expenses of $58.6 million.

The increase of $51.3 million in CityLink's profit before non-cash expenses and excluding non-recurring items was driven by:

- Traffic growth of 6.8 per cent
- A 10.7 per cent increase in toll revenue, reflecting the increased traffic and toll increases
- A reduction of 12.4 per cent in customer service costs, achieved by renegotiating outsourcing contracts, the migration of customers to lower cost service channels and improved productivity
- A reduction of 23.8 per cent in net borrowing costs due to the refinancing of CityLink's debt on more favourable terms.

A more detailed review of the operations of the Group is provided in the Directors' Report on the Group Financial Report (see pages 42 to 52).

Distributions

The increased profit before non-cash expenses for CityLink allowed the payment of increased distributions. The total distribution of $103.0 milion for the year ended 30 June 2003 is 20 cents per stapled security, compared to $26.8 million, equivalent to 5.25 cents per stapled security for the prior corresponding period.

The final distribution for the year ended 30 June 2003 of 10 cents per stapled security will be paid on 8 October 2003.

The NSW market

The most significant development of the year was our success in winning the Westlink M7 project as part of the WestLink Motorway Limited consortium.

This road will change the face of Western Sydney, attracting people and businesses to what is already the fastest growing region in Australia.

We are confident that Westlink M7 will prove to be a very good project, delivering strongly growing revenues and profits over the 34-year concession period.

Winning the project helped establish Transurban in the NSW market and the company has set up an office in Sydney.

During the year, Transurban was also involved in a consortium which unsuccessfully bid for the Lane Cove Tunnel project in Sydney. While this was a disappointing outcome, the bid reflected our strict investment criteria. We will only invest in projects which we believe will add value for our security holders.

Distributions to investors for the year ended 30 June 2003 totalled $103 million.

Convertible Adjusting Rate Securities (CARS)

Transurban raised its capital contribution for the Westlink M7 project through a $430 million issue of reset preference securities, known as Convertible Adjusting Rate Securities ("CARS"). A total of 4.3 million securities of $100 each were issued. Holders of CARS received their first distribution in July 2003.

The securities were issued on 14 April 2003 at a price of $100 per security. They offer holders a cumulative preferred distribution fixed at the rate of 7.0 per cent per annum, paid semi-annually, for the period to the first reset date (14 April 2007). The distributions have a substantial tax-deferred component (expected to be 90 per cent) and will generally convert into Transurban securities at a discount of 2.5 per cent to the average sale price over 20 days preceding conversion.

Victoria

In Melbourne, Transurban is bidding for a new toll road project, the Mitcham-Frankston Freeway ("MFF"), which traverses the city's southern and eastern suburbs. Transurban heads the Mitcham Frankston Motorway Pty Ltd ("MFM") consortium, one of two groups competing for the right to develop and operate the new road. MFF is a 39-kilometre motorway incorporating two 1.5 kilometre-long tunnels. Our knowledge of Melbourne traffic and other synergies with CityLink will help ensure a robust bid from MFM. Tenders for the project are due by February 2004 and the successful bidder will be named in mid-2004.

Global opportunities

Transurban continues to explore opportunities beyond Australia, particularly in North America and Europe. However, our approach continues to be cautious and is based on building long-term relationships with established players in road infrastructure development and operation. If major investment is required, we will investigate raising funds in the relevant overseas market rather than committing large equity amounts from our Australian resources.

As a result of our success, Transurban is constantly being approached about new projects worldwide.

Such opportunities are carefully considered to ensure they fit with our overall business strategy and investment criteria, and that they can be resourced to ensure a successful outcome. To date, the Board has not felt that any offshore project meets these criteria.

CityLink

Transurban's senior management team has been restructured to ensure we maintain our focus on costs and revenue on CityLink. The continuing success of CityLink is crucial. It will drive distributions over the next few years as Westlink M7 is built and as we pursue further projects. Geoff Phillips was appointed Deputy Managing Director with overall responsibility for operating assets such as CityLink. Mr Phillips will retain his Finance Director duties pending recruitment of a Chief Financial Officer. Managing Director Kim Edwards retains overall management control, but the appointment of a deputy ensures he can focus on the implementation of the New Business strategy.

CityLink continued to make progress on cost reduction in 2002 – 03. Customer service costs were $30.4 million for the year, 12.4 per cent lower than the amount for the year before. The cost reductions were achieved through:

- Renegotiation of unit prices under outsourcing contracts
- Migration of customers to lower cost sales channels
- Systems integration and process improvements, leading to improved productivity.

The CityLink business continues to focus on increasing revenue by developing new products and services. 2002 – 03 saw the development of a new video based tolling product called ACCESS, aimed at infrequent travellers on CityLink, particularly tourists and visitors from regional Victoria. The new product has been well accepted. Other developments include:

- Extended payment periods for weekend passes – customers now have three days to pay
- Extension of the Touch network so customers can buy CityLink passes at more than 400 newsagents across Victoria
- The successful implementation of interstate roaming services – our e-TAGs now work on toll roads in NSW and Queensland so travel on them can be paid for through a CityLink account.

Corporate social responsibility

Transurban takes its environmental responsibilities seriously, meeting or exceeding the regulatory requirements that govern our activities. We have also played a positive role in the communities we serve with sponsorship and community development programs. In 2002 – 03, the Board and senior management identified a need for a more structured approach to these matters. Non-executive director Susan Oliver has been appointed to chair our Corporate Social Responsibility ("CSR") advisory committee. This committee will make recommendations to the Board on the integration of CSR programs throughout the business.

Our people

Transurban strives to be an employer of choice, offering a safe, rewarding workplace that empowers individual employees within a team environment. The company has a number of programs designed to ensure our staff are recognised for their achievements and share in our success. For example, over 98 per cent of our employees hold securities in the company as a result of the Transurban ShareLink plan.

There have been many changes within the company as it grows and moves into new markets. Our employees have a record of responding positively and successfully to new challenges. Their contribution helped ensure the company's success in 2002 – 03.

New director

David Ryan joined the Board in April 2003. Mr Ryan brings experience in commercial banking, investment banking and operational business management to the Board. He is Chairman of DJL Limited, Tooth & Co Limited and Industrial Equity Limited. He is also a Director of ABC Learning Centres Limited and a member of the advisory board of the Caliburn Partnership.

Conclusion

2002 – 03 was a very successful year for Transurban. Much has been achieved since our release from single-purpose status in December 2001 and the restructure of the company to participate in future growth opportunities.

On CityLink, we have also shown we can manage the risks of new projects during construction and ramp-up stages. Successfully managing those risks is the key to securing the benefits available for investors once a new road is fully operational and the asset has been effectively re-rated by the market.

Your Board is optimistic about the outlook and believes security holders can look forward to growing distributions from CityLink and carefully planned growth as suitable opportunities arise.

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

BREAKING NEW GROUND

... on CityLink

Maximising returns on our cornerstone asset

Traffic volumes continue to grow on Australia's first fully electronic toll road, CityLink, confirming its overwhelming acceptance by Melbourne drivers and its value to Transurban security holders.

CityLink is generating significant cash flows which underpin Transurban's distributions to investors. In 2002 – 03, toll and fee revenues reached $231.1 million (net of GST), up 11.2 per cent on the previous year. Average daily traffic was up 6.8 per cent. A record number of transactions for one day (725,019) was recorded on 13 December 2002.

The road has 610,000 account customers and attracts two and a quarter million casual users a year. After three full years of operation, CityLink still has major opportunities for further growth. This is primarily due to strong population and economic growth along the CityLink corridor. The road continues to attract new customers long after growth was expected to level off, demonstrating that toll roads are a very reliable long-term investment.

CityLink continues to break new ground in the development and application of new technologies such as video tolling, the roll-out of new and expanded customer service channels and the installation of improved operational systems. The road provides a test bed for new initiatives that maintain Transurban's position as an international leader in electronic toll road development and operation. Innovations developed on CityLink help give Transurban a competitive advantage in bidding for new toll road projects.

Video tolling product

The best way to attract new customers and maintain existing relationships is to continuously review and refine the range of tolling products and services to keep up with market needs.

A new product, ACCESS, has been developed for less frequent travellers. ACCESS uses video images of a number plate rather than an e-TAG for tolling. More than 850 ACCESS accounts were opened in a successful trial during the World Masters Games in October, prior to its launch on 1 July 2003.

Video tolling uses CityLink's existing image tolling technology to take a picture of a car's licence plate and then charge a toll against a customer's account. A $1.20 vehicle-matching fee is charged for this service.

New payment options

Customers can now make their CityLink payments using cash as well as credit and debit cards in over-the-counter transactions at more than 400 newsagents across Victoria following the roll out of a new network by Touch, one of our channel partners. The new network adds significantly to the number and geographic spread of outlets that accept CityLink payment. More than 1,000 outlets now sell CityLink passes.

In April 2003 CityLink introduced Electronic Bill Presentation and Payment facilities in partnership with both Australia Post and BPay, allowing customers to make payments and receive statements electronically. This enhances customer service and further reduces costs by eliminating the need for paper statements to be mailed to customers.

Melbourne CityLink

After three years of full operation, CityLink still has major opportunities for further growth.

Customers are also taking advantage of the option to view statements on-line via email rather than by post. This facility allows customers to receive free of charge, monthly statements, including full details of each CityLink trip whereas monthly statements provided through the mail attract a charge. Improved functionality has also been added to the website to allow better monitoring of account details. At 30 June 2003, more than 3,200 customers had signed up to receive statements on-line, just eight weeks after the facility was made available.

Interstate roaming

CityLink customers are taking advantage of interstate roaming available with their e-TAG. On 5 August 2002, interstate roaming was launched to CityLink customers on Queensland toll roads, and on 8 December 2002 roaming was extended to Sydney's Harbour Bridge and Harbour Tunnel. Roaming on all other New South Wales toll roads commenced 5 August 2003.

In the 12 months to the end of June 2003, CityLink customers showed their support for this new service by spending a total of $1.3 million in interstate tolls on their CityLink accounts.

Tunnel safety

In November 2002, CityLink completed a $2.5 million upgrade to the safety systems that automatically detect accidents and breakdowns in the Domain and Burnley tunnels. The upgrade involved increasing the number of automatic incident detection cameras in the tunnels from 26 to 88 and installing full colour cameras. Together with closed circuit television cameras, these systems now give the CityLink control room a view of every part of the 22-kilometre road.

During the year, a State Government review also acknowledged "the very high standard of safety achieved by CityLink and its contractors" in operating the road. The public safety review, commissioned by the Government and completed in October 2002, found that the CityLink tunnels exceed Australian and international safety standards.

BREAKING NEW GROUND

... in Sydney

Transurban established in Australia's largest toll road market

Transurban's decision to seek new business opportunities brought almost immediate results when the company and its partners secured the right to develop and operate Australia's premier new toll road project, the $2.230 billion Westlink M7, in Sydney's west. In July 2003, WestLink Motorway Limited began construction as the Western Sydney Orbital.

Transurban has a 40 per cent equity stake in Westlink M7 and holds the electronic tolling and customer service contracts for the new road. Our equity partners are Macquarie Infrastructure Group (40 per cent), Leighton Holdings (10 per cent) and Abigroup Limited (10 per cent).

Once the new road opens and the ramp-up of traffic is complete, Westlink M7 will begin producing substantial revenue streams for Transurban and its investors. Construction risks on the project for Leighton and Abigroup are considered low, given there are no major bridges or tunnels and no difficult geotechnical issues.

Westlink M7 will be Sydney's first fully electronically tolled motorway with distance-based tolling charges. Transurban will build on the expertise developed on CityLink to deliver and manage the tolling and customer service systems.

The consortium's success in winning the project means Transurban has arrived as a force in NSW, Australia's largest market for electronic toll roads. Transurban is expanding its office in Sydney to explore further opportunities in that market.

Westlink M7

The name Westlink M7 reflects the new motorway's role as the "western link" in Sydney's rapidly expanding orbital motorway network and its importance to the people of Western Sydney. It will be a vital link, improving transportation and bringing people and communities closer together in what is recognized as the fastest growing region in Australia.

From 2008, Westlink M7 will begin producing substantial revenue streams for investors.

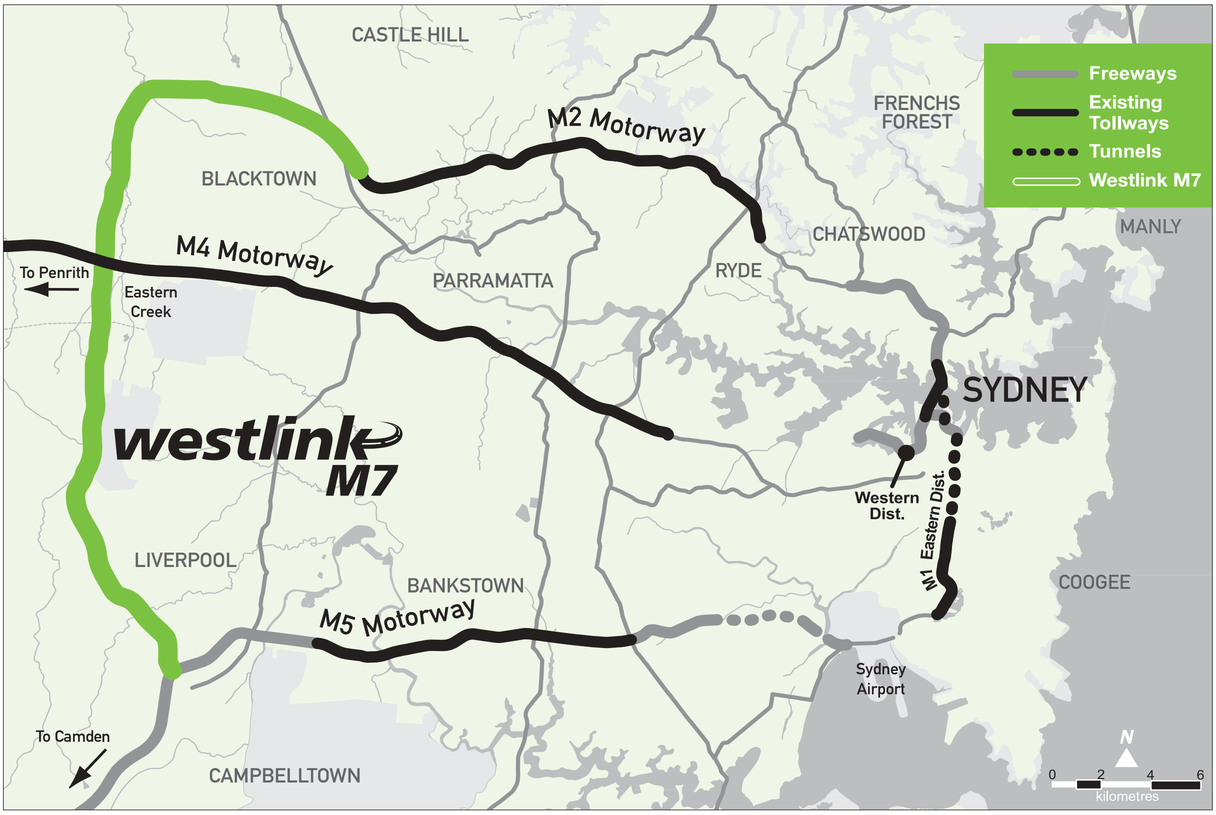
This 40-kilometre motorway, which links Sydney's M5, M4 and M2, is expected to be completed in late 2006. It will be a catalyst for further growth in an already expanding regional economy. Traffic forecasts for the new road reflect the fact that more than 75 per cent of all of Sydney's new residential growth is within the M7 catchment area. The road also serves over 2,000 hectares of vacant industrial land.

Westlink M7 will significantly reduce traffic congestion and the number of heavy vehicles on local roads, resulting in better air quality and less noise in residential areas. Motorists will bypass up to 56 sets of traffic lights, saving up to an hour on current journeys across Western Sydney. It will become a major freight corridor, linking the southeastern and northern seaboards.

Transurban looks forward to developing a close association with the communities of Western Sydney over the life of the 34-year concession.

Lane Cove Tunnel

Also in NSW, Transurban was part of a consortium that submitted a competitive tender for the Lane Cove Tunnel project. Our bid was structured to ensure added value for our security holders but was not successful.



Westlink M7

Further opportunities

A number of new opportunities are already emerging in Sydney and along Australia's eastern seaboard.

In 2002 the NSW Government announced its intention to develop the M4 East motorway between the M4 at Strathfield and the City West Link at Haberfield as a privately financed toll road. Presently the M4 ends at Strathfield, forcing commuters to travel along the heavily congested Parramatta Road to reach the Sydney central business district.

The Federal Government has also commissioned a study to investigate a link between the F3 Newcastle Freeway and the M2 and has released four route options for public consultation. The project is expected to cost between $1.5 and $2.2 billion.

In Queensland opportunities are being fuelled by economic growth and rapid population increases in the south east of the state. By 2016 South East Queensland's population is expected to reach more than three million, and the Brisbane metropolitan area more than two million. Consequently, there will be increasing demand on Queensland's transport system.

To meet this demand, the Queensland Government has foreshadowed duplication of the Gateway Bridge, the main thoroughfare through Brisbane linking the Gold Coast to the Sunshine Coast. The bridge carries freight travelling to and from Brisbane Airport to the south and the Port of Brisbane to the north. The cost of this project has been estimated between $1.2 and $1.6 billion.

Brisbane City Council has proposed a 4.7 kilometre tolled North-South Tunnel under the central business district, linking Woolloongabba and Bowen Hill, and the Federal Government is undertaking feasibility studies for a bypass around the Queensland city of Toowoomba.

The number of projects planned or under consideration along the eastern seaboard provide Transurban with significant growth opportunities. The trend towards fully electronic tolling on all Australian motorways makes Transurban an ideal participant in these projects. However, the company will continue to apply strict investment criteria in assessing each new investment opportunity.

New road projects will be carefully assessed before any investment decision.

BREAKING NEW GROUND

... in Melbourne

Bidding for Melbourne's new toll road

Transurban pioneered full electronic tolling in Victoria and is now bidding to develop, own and operate Melbourne's new toll road project, the Mitcham-Frankston Freeway ("MFF"). The new road will be completed by 2008 to meet the transport needs of 1.4 million people in the southern and eastern regions of Melbourne.

Transurban is part of the Mitcham Frankston Motorway consortium ("MFM"), one of two groups bidding for the project. The consortium consists of Transurban Infrastructure Developments Limited, Leighton Contractors Pty Limited, Abigroup Limited and Deutsche Bank AG. Equity ownership has not yet been finalised.

The project comprises 40 kilometres of road, including 1.5 kilometres of tunnel. It is expected to significantly reduce travel times, speeding the movement of people and goods along a rapidly growing transport corridor. The new road will join the Eastern Freeway at Park Road in Donvale and effectively extend the freeway connection from the city to Ringwood via two tunnels under the Mullum Mullum Creek. It will then turn south, crossing Burwood Highway, Monash Freeway and the Princes Highway before joining the Mornington Peninsula Freeway at Carrum Downs.

In August 2003, the Victorian Government formally invited MFM to develop a proposal for the design, construction, lease, maintenance and operation of the new road, including provision of a tolling system and customer service. Transurban believes the project will deliver significant economic, social and environmental benefits to the community and substantial returns to investors.

The consortium has put together a dedicated team to prepare the proposal which is due to be submitted to the State in December 2003. The State plans to select the successful proposal in the first half of 2004 and sign contracts so construction can begin later that year.

With an expected cost of over $2 billion, the MFF is the largest fully electronic toll road project currently being tendered in Australia. Transurban is uniquely placed to deliver the synergies offered by its ownership and operation of CityLink to the new road. CityLink provides Transurban with unparalleled experience in the development and operation of tunnels, including advanced safety and emergency evacuation systems.

The MFF will be delivered under the State's Partnerships Victoria policy, which is designed to encourage the private sector to develop innovative design, engineering and commercial solutions over the life of the project. Transurban's experience on CityLink and its focus on stakeholders, customers, and social, environmental and economic outcomes will stand it in good stead.

As with all projects the company pursues, Transurban will apply strict investment criteria when assessing its final bid for the Mitcham-Frankston Freeway.

The Mitcham-Frankston Freeway would deliver significant benefits to the community and investors.

BREAKING NEW GROUND

... in investment financing

CARS raises $430 million for Westlink M7

Transurban raised $430 million during the year via the offer of Convertible Adjusting Rate Securities ("CARS"). This innovative funding mechanism allowed the company to fully finance its 40 per cent contribution to the Westlink M7 toll road project while protecting the CityLink distribution flows being paid to security holders.

Transurban security holders were each entitled to one CARS at an issue price of $100 for about every 144 securities held at 5 March 2003. A large majority of security holders took up their entitlement – and have benefited from their investment. CARS have traded at a premium in the market, and in July 2003 were named 'Hybrid Debt/Equity Issue of the Year' by CFO magazine.

CARS paid their first distribution on 31 July 2003 of $1.467, which was 100 per cent tax deferred. The second distribution to security holders, on the record at 30 December 2003, will be paid at the end of January 2004.

The company was able to offer tax-deferred distributions to CARS holders by accessing Westlink's tax losses in the early years. This made CARS more attractive to investors and effectively lowered the cost of capital from a Transurban perspective.

Other key features of CARS include:

- A cumulative preferred distribution fixed at a rate of 7 per cent a year, paid semi-annually for the period of the First Reset Date (i.e.14 April 2007)
- A substantial tax deferred component on the distributions, expected to be 90 per cent over the life of the security
- Generally convertible into Transurban securities at a discount of 2.5 per cent to average sale price over 20 days preceding conversion
- Participation in any increases in Transurban's security price above $6.03, and
- A long-term investment grade credit rating of BBB provided by Standard & Poor's.

CARS have traded at a premium in the market, and in July 2003 were named 'Hybrid Debt/Equity Issue of the Year' by CFO magazine.

BREAKING NEW GROUND

... in corporate social responsibility

Aiming to exceed community expectations

All businesses have responsibilities to the communities they operate in, responsibilities that go beyond legal and regulatory requirements. People increasingly expect companies to play an active role in the community. This is particularly true of businesses like Transurban which provide infrastructure and services traditionally operated by the public sector. We are subject to a much greater level of scrutiny than most other businesses, and we are expected to deliver on social, environmental and economic objectives.

Throughout its short history, Transurban has funded a range of community development and environmental support programs. In mid-2003, the company boosted its commitment to corporate social responsibility. The Board endorsed the establishment of an advisory committee to oversee development of the company's first comprehensive corporate social responsibility program. The committee is chaired by a member of the Board. It includes independent members who provide specialist expertise to the company across its environmental, social and community-related policies and practices.

There is much work ahead to deliver our social responsibility agenda. We are committed to undertaking a comprehensive analysis of the impact of business operations and developing a proactive program to address these. Ultimately, the company's sustainability initiatives will reflect the intention of the Transurban Board, management and staff to position the company at the leading edge of corporate social responsibility. Our corporate social responsibility program will provide a framework for future business decisions that are both sustainable and in the best interest of shareholders.

It will document and formalise our commitment to social responsibility. We will operate in a way that exceeds the ethical, legal, environmental, commercial and community expectations that society has of the company. In 2002 – 03 Transurban started documenting these practices so it can set targets for its impact on the environment and the community, and measure its success against these targets.

There is much work ahead on our social responsibility agenda.

The corporate social responsibility program will help build Transurban's business over time. It will strengthen the company's brand and corporate reputation, making it an even more attractive partner for governments and communities. It will contribute to managing the full risk exposure of the company and ensure an ongoing 'licence to operate'.

Managing environmental impacts

During the year in review CityLink opened its state-of-the-art $1.4 million water treatment and recycling plant. This investment means that 100 per cent of water that CityLink injects into the deep water table around the Burnley and Domain tunnels is now recycled. Water extracted from the drainage systems in the tunnels is recycled and reinjected back into the water table at five locations across the city, from Southbank to Richmond.

The first phase of the project, which started in November 2002, involved construction of the treatment facility and installation of pipes from the plant at Swan Street to deep recharge wells at Morell Bridge, Alexandra Avenue and Birrarung Marr. The second phase, completed in March 2003, involved installing additional pipe work to connect two deep recharge wells in Southbank. Together these works have saved more than 130 million litres of water since November 2002.

CityLink is committed to ensuring that Melbourne's groundwater is protected, with groundwater quality being tested weekly to ensure compliance.

Both of Melbourne's CityLink tunnels have returned a clean bill of health from their ventilation stacks. A comprehensive EPA report in August 2002 gave the Burnley and Domain tunnel ventilation stacks the all clear, with no detrimental impact on local air quality.

This is the second independent study that supports CityLink's own finding that the tunnel ventilation stacks cause no negative impact on air quality. Average daily emissions are no greater than 10 per cent of EPA licence limits, and maximums rarely exceed 50 per cent of licence limits.

The corporate social responsibility program will help build Transurban's business over time.

Stack emission data is posted each day to the EPA internet site for viewing by the general public.

Together with Greening Australia, CityLink is funding 10 Melbourne state schools in a hands-on environmental education and planting program to help young people develop a better understanding of our environment. Schools have planted more than 2,000 indigenous species of grasses, shrubs and trees in their school grounds. CityLink and Greening Australia pioneered an innovative statewide forum for teachers to develop environmental curriculum activities and materials, as well as an award for the best environment teacher in the state.

Playing our part in communities

Transurban continued to support a broad range of arts, professional and community organisations in 2002 – 03 through a sponsorship program, in line with the company's commitment to being a strong community partner. A few of the programs and events Transurban supported during the year include the Sydney Festival, the Melbourne International Film Festival, the CityLink Schools Support Program and the Moonee Ponds Creek Public Art Strategy.

Monitoring air quality adjacent to the Domain Tunnel vent stack.

BREAKING NEW GROUND

from top left to right Laurence G Cox, Kim Edwards, Geoffrey R Phillips, Susan M Oliver
from bottom left to right Professor Jeremy G A Davis, David Ryan, Peter C Byers, Geoff O Cosgriff

… in corporate governance

Transurban is strongly committed to high standards of corporate governance. Many of the requirements of the "Principles and Best Practice Recommendations", published by the Corporate Governance Council of the Australian Stock Exchange ("ASX") in March 2003, have been part of Transurban's corporate governance practices for some time. As a result, the work required to achieve full compliance with the "Principles and Best Practice Recommendations" will mainly involve updating existing policies and enhancing disclosure by creating a "Corporate Governance" section of the corporate website at www.transurban.com.au.

In the following paragraphs, Transurban's corporate governance practices are described by reference to the "Principles and Best Practice Recommendations". This form of reporting will become mandatory under the ASX Listing Rules for the 2003 – 04 year.

This corporate governance statement is formulated on a collective basis and applies to all entities comprising the Transurban Group as described on page 41. References to the "Board" is a reference to the Board of each relevant entity unless otherwise stated.

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1: Formalise and disclose the functions reserved to the Board and those delegated to management.

Previous disclosures have set out the following principles of delineation of responsibilities between the Board and executive management:

- The Board of Directors, together with the entity's management, has the responsibility to plan and run the entity for the benefit of security holders. The Board is accountable to security holders for the performance of the entity.
- The Board has delegated responsibility for operation and administration of the entity to the managing director and executive management. A key function of the Board is to monitor the performance of the managing director and management in discharging this responsibility.
- The Board has retained responsibility for formulation of corporate strategy, remuneration and succession planning for directors and senior management and the integrity of the internal control and management information systems.

These principles will form the basis of a Board Charter, which will be published on the Transurban website.

Principle 2 – Structure the Board to add value

Recommendation 2.1: A majority of the Board should be independent directors.

At the date of this report, the composition of the Boards of the entities comprising the Group was:

	Non-executive directors	Managing Directors[2]	Other executive directors
Transurban Holdings Limited	6	1	1
Transurban Infrastructure Management Limited[1]	6	-	1
Transurban Infrastructure Developments Limited	6	1	1

[1] Transurban Infrastructure Management Limited is the Responsible Entity of the Transurban Holding Trust, the Transurban CARS Trust and the City Link Trust.

[2] The Managing Director is the chief executive officer of the relevant entity.

Information on each director is set out on pages 46 and 47.

The Board has determined that all non-executive directors are independent directors.

In considering the independence of each director, the Board considers whether his or her security holding in the Group, relationships with security holders, suppliers and competitors and tenure as a director of the Group would materially affect the director's ability to exercise unfettered and independent judgement in the interests of the Group's security holders.

Mr Cox is a non-executive director of Macquarie Bank Limited ("MBL"). MBL has given notice of a substantial holding of the Group's stapled securities of 10.73 per cent. This holding comprises:

- 10.61 per cent held by subsidiaries of MBL in their capacities as the responsible entities of the trusts which comprise Macquarie Infrastructure Group ("MIG") and the custodians of the assets of MIG; and
- 0.12 per cent held by the investment management subsidiary of MBL on behalf of investment funds managed by the subsidiary.

Although MBL is technically required to notify its substantial holding, the interests of MBL's subsidiaries in the Group's stapled securities (which trigger the technical requirement) must be managed for the benefit of parties other than MBL (i.e. the security holders of MIG and the ultimate beneficiaries of the investment funds). Moreover, the MBL group has only a nominal interest in MIG stapled securities.

Hence it is considered that Mr Cox's relationship with MBL does not have a material effect on his ability to exercise unfettered and independent judgement in the interests of the Group's security holders.

Over the past three years, the Group has paid MBL the following amounts:

	2000-01 $mill.	2001-02 $mill.	2002-03 $mill.
Advisory fees	1.02	6.82	8.57
Interest	nil	1.57	2.86

MBL has advised that each of these amounts represents less than 1 per cent of the total receipts of MBL in the relevant category in each period. As a result, the Board considers that these payments would not materially affect Mr Cox's ability to exercise unfettered and independent judgement in the interests of the Group's security holders.

In appointing new directors, the Board specifies the mix of qualifications, skills and experience it considers desirable and selects individuals who bring the characteristics required to achieve this mix. Once appointed, directors are required to seek the approval of the chairman prior to accepting any other directorships.

A procedure has been implemented whereby independent external professional advice is available to directors at the relevant entity's expense. Prior to seeking such advice, directors are required to consult with, and obtain the approval of, the chairman. The director must consult a suitably qualified adviser in the relevant field and inform the chairman of the fee payable for the advice. A copy of the advice obtained must be provided to the relevant Board.

Recommendation 2.2: The chairperson should be an independent director.

The chairman is an independent director (see discussion under Recommendation 2.1 above).

Recommendation 2.3: The roles of chairperson and chief executive officer should not be exercised by the same individual.

The roles of chairman and chief executive officer have been separate since the original formation of Transurban.

Recommendation 2.4: The Board should establish a nomination committee.

A Nomination and Remuneration committee was established at the original formation of Transurban. Following the formation of the Group, each entity has established a Nomination and Remuneration Committee. As membership of each committee is common, the committees meet jointly. However, the members of the committee are conscious of the separate responsibilities of the respective committees and matters not affecting all entities are separately considered and minuted.

The names of members of the Nomination and Remuneration committees and their attendance at meetings of the committees in 2002 – 03 are set out on page 48.

The Nomination and Remuneration committee recommends criteria for Board membership and appointments, screens candidates for Board membership and reviews remuneration and benefit policies and practices for directors and senior management.

The charter of the Nomination and Remuneration committee is presently being updated to ensure compliance with the requirements of the "Principles and Best Practice Recommendations". A summary of the updated charter will be included on the Transurban website.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1: Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:

1. the practices necessary to maintain confidence in the company's integrity; and
2. the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A Code of Conduct for directors was adopted at the original formation of Transurban. The code covers:

- Expectations with regard to ethical conduct generally;
- Notification of dealing in the stapled securities of the Group;
- Procedures to be adopted in respect of potential conflicts of interest; and
- Procedures for prior approval of contracts with directors.

This code is complemented by a Code of Conduct for employees. It is proposed to integrate the two codes into a single code covering both directors and employees, meeting the requirements of the "Principles and Best Practice Recommendations".

The revised Code of Conduct will be published on the Transurban website.

Recommendation 3.2: Disclose the policy concerning trading in company securities by directors, officers and employees.

The Group has in place a policy governing the purchase and sale of Transurban stapled securities, which complies with the requirements of the "Principles and Best Practice Recommendations".The policy is being reviewed and updated. Except for the provision restricting trading to periods immediately following release of the Group's financial results, the policy also applies to the purchase and sale of CARS. The restriction of trading is presently considered unnecessary in the case of CARS because CARS are essentially fixed interest securities.

This updated policy will be published on the Transurban website.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1: Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has adopted policies which require the managing director and the finance director to state in writing to the Board that that the entity's financial reports present a true and fair view, in all material respects, of the entity's financial condition and operational results and are in accordance with relevant accounting standards.

Recommendation 4.2: The Board should establish an audit committee.

An audit committee was established at the original formation of Transurban. Following the formation of the Group, each entity has established an audit committee. As membership of each committee is common, the committees meet jointly. However, the members of the committee are conscious of the separate responsibilities of the respective committees and matters not affecting all entities are separately considered and minuted.

The audit committee assists the Board in fulfilling its responsibilities related to the financial risks of the entity and to the accounting and reporting practices of the entity. The committee monitors internal and external audit activities and reviews the independence and performance of, and the fees paid to, the external auditors.

Recommendation 4.3: Structure the audit committee so that it consists of:

- Only non-executive directors
- A majority of independent directors
- An independent chairperson, who is not chairperson of the Board
- At least three members.

The audit committee is comprised of three non-executive directors. All the members of the committee are independent directors. The chairman of the Board is not chairman of the committee.

The names of members of the audit committees and their attendance at meetings of the committees in 2002 – 03 are set out on page 48.

Recommendation 4.4: The audit committee should have a formal charter.

The Board has approved a Charter, which sets out the audit committee's roles and responsibilities, composition, structure and membership requirements. The Charter is presently being updated to ensure compliance with the requirements of the "Principles and Best Practice Recommendations". The updated Charter will include the procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners.

A summary of the updated Charter will be published on the Transurban website.

Principle 5 – Make timely and balanced disclosures

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.

The Board and management have respectively established a policy and an internal control framework for the purpose of ensuring that the Group meets its continuous disclosure obligations of identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules.

The policy reflects the Group's commitment to the timely disclosure of all material information required to be notified to the ASX under the Listing Rules without preferential access to any individual or group.

The control framework includes:

- The nomination of the Company Secretary and the General Counsel as officers responsible to the ASX for continuous disclosure matters ("Responsible Officers");
- Provision of advice by executives to the Responsible Officers at the earliest possible time of matters or events which require or may require disclosure;
- The identification of any matters which require or may require disclosure being a standing agenda item at management and Board meetings;
- The provision by the Responsible Officers of advice to senior executives and the managing director in connection with continuous disclosure obligations;
- Reporting by the managing director at Board meetings on all aspects of compliance and risk management which have been brought to his attention and of which the Board needs to be apprised;
- The procedures to be followed in connection with discussions with individual investors and analysts; and
- Provision of education to executives in respect of the Group's continuous disclosure obligations and their role in ensuring compliance with these obligations.

The policy and control framework is presently being updated to ensure compliance with the requirements of the "Principles and Best Practice Recommendations".

A summary of the updated policy will be published on the Transurban website.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1: Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.

The key elements of the Group's strategy to communicate effectively with security holders are:

- All ASX announcements and media releases are published on the Group's website;
- All materials used in briefings of analysts or investors are released to the ASX and published on the Group's website; and
- The holding of briefings for security holders unable to travel to the annual general meeting, e.g. in 2002, a briefing was held in Sydney for security holders unable to travel to Melbourne to attend the annual general meeting.

This strategy will be published on the Transurban website.

Recommendation 6.2: Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

Transurban's external auditor is, as a matter of practice, invited to attend all annual general meetings to be available to answer any security holder questions regarding the conduct of the audit and the preparation and content of the auditor's report.

Principle 7 – Recognise and manage risk

Recommendation 7.1: The Board or appropriate Board committee should establish policies on risk oversight and management.

The Board has established a comprehensive risk management framework for the purpose of safeguarding the assets of the Group.

The primary business risks faced by the Group are:

- The risks assumed by Transurban Holdings Limited and Transurban Holding Trust ("Holdings entities") under the Melbourne City Link Concession Deed ("Concession Deed risks");
- The risks assumed by the Holdings entities as a result of the acquisition of new assets ("new asset risks"). These risks largely relate to the operation of such assets and in many cases will be similar in nature to the Concession Deed risks to which the Holdings entities are exposed (see above);

- The risks to which Transurban Infrastructure Developments Limited is exposed as a result of its activities in the areas of business development, project development and technology application ("development risks"); and

- The risks arising from non-compliance with statutory and contractual obligations ("compliance risks"). Each of the entities is exposed to risks of this type.

Concession Deed and compliance risks are managed by a process involving:

- Identification of risks and the development of strategies to mitigate and manage such risks;

- Allocation of the responsibility for monitoring and managing each identified risk to an individual executive; and

- Monthly reporting by executives on the discharge of their risk management responsibilities.

The exposures of the Holdings entities to new asset and development risks are managed by investment committees established by Transurban Holdings Limited and Transurban Infrastructure Management Limited (the Responsible Entity of the Transurban Holding Trust). The investment committees consist of the non-executive directors of the relevant entity, advised by an independent person qualified in investment valuation. The purpose of the investment committees is to evaluate investment proposals presented by Transurban Infrastructure Developments Limited for compliance with the investment criteria established by the Boards of the relevant entities.

The exposure of Transurban Infrastructure Developments Limited to development risks is managed by a structured process for evaluation of investment opportunities.

Comprehensive systems of management and financial accounting and internal control have also been established. The integrity of these systems is assured through regular reviews by the internal and external auditors.

During the year, the risk management and compliance framework was further strengthened by:

- The establishment by each entity of a Board committee responsible for risk management and compliance. As membership of each committee is common, the committees meet jointly, however the members of the committee are conscious of the separate responsibilities of the respective committees and matters not affecting all entities are separately considered and minuted. The names of members of the Risk and Compliance committees and their attendance at meetings of the committees in 2002 – 03 are set out on page 48.

- The establishment of an internal audit function.

A summary description of the Group's risk management policy and internal compliance and control systems will be published on the Transurban website.

Recommendation 7.2: The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:

1. the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

2. the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The representations given by management pursuant to Recommendation 4.1 are underpinned by a system of sign-offs by various levels of management throughout the business on the existence and effectiveness of the entity's internal controls. During the year, the Group established an internal audit function, which has been outsourced to an external service provider. The internal audit plan is approved by the audit committee and all findings of internal audit reviews and follow up by management are reported directly to the audit committee.

Future representations made by management pursuant to Recommendation 4.1 will be modified to meet the requirements of Recommendation 7.2.

Principle 8 – Encourage enhanced performance

Recommendation 8.1: Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives.

Each year, the Board conducts a formal review of its effectiveness. In addition, the chairman conducts a formal review each year of the performance of each director. For 2003 – 04, these processes will be expanded to include performance evaluations of the committees of the Board.

The Board also conducts a formal review each year, which assesses the performance of the managing director and those executives reporting directly to him.

A summary description of these performance evaluation processes will be published on the Transurban website.

Principle 9 – Remunerate fairly and responsibly

Recommendation 9.1: Provide disclosure in relation to the company's remuneration policies to enable investors to understand (i) the costs and benefits of those policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.

Directors' fees

Under the constitutions of the entities comprising the Group, the aggregate of the total remuneration paid in a year to non-executive directors by individual entities may not exceed $950,000. The aggregate amount paid in the 2002 – 03 year was $653,966.

Aggregate annual directors' fees at the date of this report are:

Chairman:	$256,000
Non-executive director entitled to retirement benefits:	$ 90,000
Non-executive director not entitled to retirement benefits:	$110,000

With effect from 1 January 2003, the following annual fees are payable for attendance at committee meetings:

	Audit Committee	Other Committees
Chairman	$15,000	$8,000
Member	$8,000	$4,000

Liability for the Superannuation Guarantee Contribution is met from the above fees.

Non-Executive directors' retirement benefits

In 1997, the Board implemented a policy on non-executive directors' retirement allowances. 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 during the year and it was resolved to continue the policy for directors having present entitlements under the policy, but not to extend the policy to new appointments. Non-executive directors not entitled to retirement benefits receive an additional director's fee. At present, this additional annual fee is $20,000 (see above). Pursuant to this decision, Mr Ryan, who was appointed on 29 April 2003, is not entitled to retirement benefits.

Executive remuneration

Executives are remunerated through a combination of a base salary, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI") provided by the Executive Option Plan. The appropriate amount for each component is established by reference to remuneration survey data for comparable companies. In the case of senior executives reporting to the Managing Director, the amounts are subject to approval by the Nomination and Remuneration Committee.

STI amounts are expressed as a percentage of base salary, but are also subject to further adjustment using Economic Value Added ("EVA") methodology for the variance between a target EVA and the EVA actually achieved. The purpose of the EVA adjustment is to ensure that STI payments reflect management's performance in adding security holder value.

Details of the Executive Option Plan are provided on page 74.

Details of executive remuneration payments are provided on page 50 and page 72.

A statement summarising the Group's remuneration policies will be published on the Transurban website.

Recommendation 9.2: The Board should establish a remuneration committee.

See response on Recommendations 2.4 and 9.1 above.

Recommendation 9.3: Clearly distinguish the structure of non-executive directors remuneration from that of executive directors.

The remuneration of non-executive directors consists entirely of directors' fees, committee fees and (subject to eligibility) retirement benefits, as described above in the response to Recommendation 9.1.

Recommendation 9.4: Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders.

The issue of 2,000,000 options to the executive directors under the Executive Option Plan ("EOP") was approved at general meetings of the Group entities held on 29 November 2001. The approved terms of the EOP were identical to those under which 4,350,000 options were issued to senior executives in April 2001. Under the terms of the EOP, one-third of these options (excluding those lapsed as a result of resignation of participants) vested on 28 April 2003. Pursuant to the Exercise Condition of the EOP, 95.7 per cent of the vested options are exercisable. At the date of this report, no options had been exercised.

Between February and May 2002, a further 2,350,000 options were issued to executives under the EOP. None of these options have vested.

Details of the Executive Option Plan are provided on page 74.

Principle 10 – Recognise the legitimate interests of stakeholders

Recommendation 10.1: Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders.

As indicated earlier in this statement, the Group's Code of Conduct is currently being updated to comply with the "Principles and Best Practice Recommendations".

The Group is also developing a policy in respect of corporate social responsibility. When finalised, this policy will be published on the Transurban website.

the transurban group financial report consisting of the aggregate financial statements of transurban holdings limited and controlled entities (ABN 86 098 143 429) and transurban holding trust and controlled entities (ABN 30 169 362 255) and transurban infrastructure developments limited and controlled entities (ABN 96 098 143 410)

for the year ended 30 june 2003

The Transurban group consists of Transurban Holdings Limited, Transurban Holding Trust and Transurban Infrastructure Developments Limited and their controlled entities as described in Note 1 to the Financial Statements.

The equity securities of the parent entities are stapled and cannot be traded separately.

All entities within the group are domiciled in Australia. The Group's registered office and principal place of business is:

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 press releases, financial reports and other information are available on our website: www.transurban.com.au

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Directors' report

The directors of Transurban Infrastructure Developments Limited, Transurban Infrastructure Management Limited and Transurban Holdings Limited present their report on the Transurban Group Accounts for the year ended 30 June 2003.

Group accounts

These Group Accounts have been prepared as an aggregation of the financial statements of Transurban Holdings Limited and controlled entities ("THL"), Transurban Holding Trust and controlled entities ("THT"), and Transurban Infrastructure Developments Limited and controlled entities ("TIDL") as if all entities operate together. They are therefore treated as a combined entity ("the combined entity"), notwithstanding that none of the entities controls any of the others.

The financial statements have been aggregated in recognition of the fact that the securities issued by THL, THT and TIDL are stapled into parcels ("Stapled Securities"), comprising one share in THL, one share in TIDL and one unit in THT. None of the components of the Stapled Security can be traded separately.

Directors – Transurban Holdings Limited

The following persons were directors of Transurban Holdings Limited during the whole of the financial year and up to the date of this report:

Executive Directors
Kimberley Edwards
Geoffrey R Phillips

Non-executive Directors
Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver

David J Ryan was appointed a non-executive director on 29 April 2003 and continues in office at the date of this report.

Directors – Transurban Infrastructure Developments Limited

The following persons were directors of Transurban Infrastructure Developments Limited during the whole of the financial year and up to the date of this report:

Executive Directors
Kimberley Edwards
Geoffrey R Phillips

Non-executive Directors
Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver

David J Ryan was appointed a non-executive director on 29 April 2003 and continues in office at the date of this report.

Directors – Transurban Infrastructure Management Limited

The following persons were directors of Transurban Infrastructure Management Limited during the whole of the financial year and up to the date of this report:

Executive Directors
Geoffrey R Phillips

Non-executive Directors
Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis

David J Ryan, Susan M Oliver and Peter C Byers were appointed as non-executive directors on 29 April 2003, and continue in office at the date of this report.

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Principal activities

During the year the principal continuing activities of the group were:

(a) Operation of the Melbourne City Link ("CityLink");

(b) Tendering for participation in other toll road and transport infrastructure concessions; and,

(c) Development of electronic tolling and other intelligent transport systems for implementation in both the domestic and international markets.

As a result of the group's participation in the WestLink M7 Motorway project (see Review of Operations below), from 14 February 2003, the principal activities of the group included the following additional activities related to the WestLink M7 Motorway:

(d) participation in the direction of the entities directly responsible for development of the project;

(e) provision of the tolling system; and

(f) preparation for the operation of the tolling and customer management system.

Results

The result of operations for the financial year ended 30 June 2003 was an operating loss of $83.6 million (2002: $67.2 million).

Distributions

During the year, Transurban introduced a Distribution Reinvestment Plan ("DRP") which entitled security holders to receive additional Stapled Securities in substitution for some or all cash distributions in respect of their Stapled Securities. Stapled Securities issued pursuant to the DRP were subject to a discount to market price of 2.5 per cent and were free of all brokerage, commission or other transaction costs, stamp duty or other duties.

Distributions made during the period consisted of:

	2003	2002
	$'000	$'000
Final distribution for 2002 financial year of 3.0 cents per Stapled Security paid 8 October 2002.	**15,300**	-
Interim distribution for 2003 financial year of 10.0 cents (2002 – 2.25 cents) per Stapled Security paid 26 March 2003.	**51,163**	11,475
Total distributions paid	**66,463**	11,475

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the year ended 30 June 2003 and the period ended 30 June 2002 were as follows:

	2003	2002
	$'000	$'000
Paid in cash	**32,409**	11,475
Satisfied by issue of Stapled Securities	**34,054**	-
	66,463	11,475

In addition to the above distributions, since the end of the financial year the directors' have resolved to pay a final distribution of $51.8 million (10 cents per Stapled Security) to be paid on 8 October 2003. The record date for eligibility to receive the distribution is 24 September 2003.

Review of operations

(a) CityLink traffic

Transaction volume for the year ended 30 June 2003 was 205.3 million (excluding motorcycle images), representing a 6.6 per cent increase on the prior year. Excluding the effect of Melbourne Cup Day, for which tolls were charged in 2001, but which was free in 2002, transaction growth was 6.8 per cent. Growth was strong in the first half of the year at 7.7 per cent moderating over the second half of the year to 5.8 per cent. The light commercial vehicle class experienced the strongest transaction growth at 9.4 per cent with heavy commercial vehicle transactions growing at 7.7 per cent and car transactions at 6.2 per cent.

The 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 $231.1 million, an increase of 10.7 per cent over the previous year.

(b) CityLink customer service

Continuing the favourable trend of previous years, further reductions of $4.3 million were achieved in customer service costs. The reductions were achieved in an environment of increased transaction volume and continued growth in customer accounts and e-TAG's on issue. At year end, there were 609,471 accounts and 879,596 e-TAGs with customers, representing rises of 10% and 11% respectively, on the previous year.

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Cost reductions have resulted from planned initiatives that included:

- Contract renegotiations on unit pricing for call handling and agency arrangements for account payments and CityLink pass sales.
- Shift in customer contact to lower cost channels, such as the internet.
- Improved systems integration, coupled with work process improvements to provide productivity gains.

The cost reductions were achieved while maintaining customer service standards. Additional costs were incurred as a result of replacing warning notices for first time offences with a $40 fine. This resulted in additional customer contacts and associated costs, although it was offset by an increase in administration fees on paid fines.

Customer service costs are now at a stable level with all of the major cost reduction initiatives implemented. Future operational improvements will be aimed at mitigating transaction volume and CPI impacts.

(c) Infrastructure Group operations

A number of construction defects remain outstanding with the Transfield Obayashi Joint Venture ("TOJV"). CityLink is managing the rectification of these defects while negotiating with the TOJV a financial settlement of this issue. CityLink has been joined in legal action by VicRoads against the TOJV in relation to alleged construction-related damage to the Swan Street Bridge.

CityLink has established comprehensive systems for the management of groundwater following the hand-over of responsibilities for this activity from the TOJV. Other responsibilities assumed by CityLink during the year included the management and support of traffic and tunnel management systems.

As a result of these additional responsibilities, Infrastructure Group costs were $3.2 million higher than in the prior corresponding period. It is expected that the level of Infrastructure Group costs in real terms in future years will be similar to the level incurred in FY03.

(d) Business development

During the year, Transurban Infrastructure Developments Limited has focused its activities on opportunities for the group, in both the domestic and international markets, based on leveraging the knowledge and experience gained through the delivery of CityLink. Opportunities pursued during the period included:

(i) Westlink M7

Financial Close of the Westlink M7 Motorway project, in which the Group is a 40 per cent participant, was achieved on 14 February 2002. In addition to being an equity participant in the project, the Group (through Transurban Infrastructure Developments Limited) will provide the electronic tolling system under a sub-contract to the project's main contractors and will operate the tolling and customer management systems during the operating phase. These outcomes represent major achievements for the Group and provide early vindication of the strategy to restructure the Group to leverage the knowledge and experience gained through the delivery of CityLink for the benefit of security holders.

Wholly owned entities of the Group have granted to and have been granted by each of Leighton and Abigroup put and call options over 25 per cent of the interest in the project held by each of those parties. These put and call options are each exercisable by either party at completion of the project at a price of $24.255 million. Macquarie Infrastructure Group has granted and has been granted put and call options on substantially the same terms.

(ii) Mitcham – Frankston Freeway Project

Following the decision by the State of Victoria to develop the proposed Mitcham – Frankston Freeway ("MFF") as a privately-financed toll road, Transurban Infrastructure Developments Limited joined with Leighton Contractors, Abigroup and Deutsche Bank to form the MFM consortium. In June 2003, the consortium responded to the State's invitation to submit Expressions of Interest. One other Expression of Interest was submitted. The formal Request for Proposals is expected to be issued shortly, requiring proposals to be submitted in early 2004.

(iii) Lane Cove Tunnel

The proposal of The Lane Cove Expressway Consortium, in which the Group is a participant, was not short-listed by the RTA.

(iv) Overseas opportunities

In Europe, the Group is in discussion with major road concession and construction companies regarding potential global relationships. In the United States, the Group is working with a number of state road authorities interested in electronic billing and customer service systems. Longer term opportunities may also exist in relation to public/private sector partnerships.

The nature of the overseas opportunities presently being pursued is such that any capital commitment made by the Group is likely to take the form of seed capital which

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can be funded from the Group's existing credit facilities. Should Transurban identify investment opportunities that require the provision of longer-term equity it will investigate raising the capital in a fund in the region of the asset. It is intended that Transurban would manage this fund.

Business Development costs of $11.1 million were expensed during FY03. A further $7.5 million, principally relating to the Westlink M7 and MFF projects, was capitalised in accordance with the Group's accounting policy relating to costs incurred in relation to successful proposals and those for which an outcome has not been determined.

(e) Income tax

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Group Accounts have been prepared on this basis. Deductions in respect of concession fees account for $700.5 million of the Group's carried forward taxable loss of $1,112.8 million at 30 June 2003.

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 appealed against the ATO's decision to disallow its objection to the assessment. The appeal was heard in the Federal Court on 3 October 2002. Justice Merkel has deferred judgement.

If the ATO's position on deductibility of the Concession Notes is confirmed, the after tax internal rate of return for an investor subject to the corporate tax rate will be reduced to approximately 85 per cent of the return which would have been achieved if the Concession Fees were immediately deductible.

Significant changes in the state of affairs

(a) Westlink M7

As described above (see Review of Operations), on 14 February 2003, the Group became a 40 per cent equity participant in the WestLink M7 Motorway project and entered into contracts to supply the electronic tolling system and to operate the tolling and customer management systems.

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

During the year Transurban CARS Trust, (wholly owned subsidiary of Transurban Holding Trust), raised $430 million through the issue of new securities called Convertible Adjusting Rate Securities ("CARS") to fund the Group's contribution to the Westlink M7 Project.

The securities which were issued on 14 April 2003 at an issue price of $100 per security, offer holders a cumulative preferred distribution fixed at the rate of 7.0 per cent per annum, paid semi-annually for the period to the first reset date (14 April 2007). The distributions have a substantial tax deferred component (expected to be 90 per cent) and will generally convert into Transurban securities at a 2.5 per cent discount.

The CARS issue was fully underwritten by the Joint Lead Managers and Underwriters Macquarie Equity Capital Markets Limited and Salomon Smith Barney Australia Securities Pty Limited.

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.

(c) Refinancing

Documentation of the refinancing of Transurban's debt was completed on 28 June 2002. Draw down of new facilities was completed in August 2002. The refinancing involved the repayment of the group's existing borrowings (consisting of a $927 million syndicated bank facility, a $350 million CPI Bond facility and a $200 million Mezzanine Note facility) with a $510 million syndicated bank facility and $1,190 million of bonds issued in the debt capital markets.

The new facilities have maturities of 3, 5 and 7 years and require no principal repayments prior to maturity.

The average margin payable on the $1,700 million of refinanced debt is 53 basis points. The corresponding base rate is 5.93 per cent per annum, of which 95 per cent is presently fixed for three years, resulting in an overall interest cost on the refinanced debt of 6.46 per cent per annum.

Immediate benefits realised from the refinancing have been a reduction in aggregate debt service costs for the year of $75 million. These benefits relate to reduced interest costs and the elimination of amortisation payments and transfers to debt service reserves.

(d) CityLink water treatment and recycling plant

The CityLink water treatment and recycling plant commenced operation in November 2002. The plant removes the contaminants from the groundwater which infiltrates the Domain and Burnley tunnels, allowing it to be used in place of drinking water for pressure maintenance in the aquifers surrounding the tunnels.

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(e) Other changes

In the opinion of the Directors there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

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 2003 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the Group in financial years subsequent to 30 June 2003.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group 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 Group.

Environmental regulation

Transurban Group must ensure it complies with EPA regulations. To meet this obligation, Transurban Group has contracted several specialist organisations to monitor emissions of carbon monoxide, oxides of nitrogen and particulate matter from the Domain and Burnley Tunnel ventilation stacks. Ambient air quality in the vicinity of the ventilation stacks is also monitored. The monitoring organisations are certified by the National Association of Testing Authorities.

The monitoring contracts are administered by the CityLink operator, Translink Operations Pty Ltd ("TLO"). The detailed monitoring requirements are contained in the Waste Discharge Licence for the tunnels (EPA Licence EA41502) which has been issued to TLO. Current monitoring indicates emission levels from the stacks are well below the EPA licence limits, and that there has been an improvement in ambient air quality since the tunnels opened.

CityLink also operates a Groundwater Recharge system to maintain the water table around the CityLink tunnels. Groundwater quality is tested weekly to ensure that compliance with EPA requirements is achieved. Current monitoring indicates that the quality of groundwater around the tunnels is within the requirements set by the EPA.

Information on directors

Laurence G Cox AO, B Com, FCPA, FSIA – Non-Executive Chairman

Mr Laurie Cox has had many years' experience in Australian and international financial markets. He was the Chairman of the Australian Stock Exchange Limited from 1989 to 1994. Prior to joining Transurban, Mr Cox was Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. He is a director of Macquarie Bank Limited and Smorgon Steel Group Ltd and Chairman of The Murdoch Childrens Research Institute and SMS Management and Technology Ltd. Age 64.

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

Mr Kim Edwards has extensive experience managing major commercial and infrastructure projects in Australia, UK and the Middle East. Prior to joining Transurban, he was General Manager - Projects for Transfield, and was responsible for assembling the successful bid for the Melbourne City Link Project. He was Project Director for Jennings Group's $650 million Southgate development in Melbourne and has worked overseas on large port infrastructure projects. Age 52.

Peter C Byers B Com (Hons) – Non-Executive Director

Mr Peter Byers is a director of Airport Motorway Management Ltd, Hills Motorway Management Limited, Hills Motorway Ltd, Foundation Capital Ltd and a director of the Responsible Entity for Hills Motorway Trust. He is an alternate director for Hancock Victorian Plantations Holdings Ltd. He was formerly business manager and deputy principal of the University of Tasmania, former director of Adelaide Airport Ltd, the Blair Athol Group and a founding director and chairman of the Investment Committee of the Superannuation Scheme for Australian Universities. Age 62.

Geoffrey O Cosgriff BAppSc, Company Director Diploma, FIE(Aust), FAICD – Non-Executive Director

Mr Geoff Cosgriff is an Executive Director for Logica CMG Pty Ltd (Australian Subsidiary of UK listed company Logica CMG) following the sale of the MITS business to Logica Pty Ltd. Mr Cosgriff was the founding Managing Director of MITS Limited when the company commenced operation in 1990. Over the intervening period, MITS grew to 600 staff and nearly $100 million in sales of information technology solutions. He is also a non-executive director of UXC Limited, Skilltech Consulting Services and a Council Member for Leadership Victoria. Previously Geoff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry. Age 50.

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Jeremy G A Davis BEc, MBA, MA, FAICD – Non-Executive Director

Professor Jeremy Davis holds the AMP Chair of Management in the Australian Graduate School of Management at the University of NSW and is the Chairman of Gradipore Limited. His academic interests are in the fields of business policy and corporate performance. He is a Fellow of the Australian Institute of Company Directors. Professor Davis is a former chairman of Capral Aluminium Ltd, former vice-president and director of the Boston Consulting Group, and a former director of the Australian Stock Exchange, AIDC Ltd and Nucleus Ltd. Age 60.

Susan M Oliver BP&C, MAICD – Non-Executive Director

Ms Susan Oliver is a director of Medical Benefits Fund, Programmed Maintenance Services Ltd, Methodist Ladies College Ltd and The Smith Family Ltd. She retired as chair of Screen Sound Australia – The National Screen and Sound Archive on 30 June 2003. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd. Age 52.

Geoffrey R Phillips BE (Chem), MBA, MAICD – Executive Director

Mr Geoffrey Phillips joined Transurban in 1996 and was appointed Finance Director on 28 August 1998. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as director in both the Corporate Finance and Fixed Interest Divisions. He is currently a director of Yarra Valley Water Limited. Age 59.

David J Ryan B.Bus, FCPA, FAICD, AO – Non-Executive Director

Mr David Ryan was appointed director on 29 April 2003. He is Chairman of Residual Assco Limited, DJL Limited, Tooth & Co Limited and Industrial Equity Limited. He is also a director of ABC Learning Centres Limited and a member of the Advisory Board of the Caliburn Partnership. Mr Ryan's experience covers commercial banking, investment banking and operational business management in the transportation services sector. From 1992 to 2002, Mr Ryan held various senior positions in the Adelaide Steamship Group and from 1997 to 2002 he was the foundation Managing Director of Adsteam Marine Limited. In this latter role, he built Adsteam Marine into the largest towage operation in Australia and the largest independent harbour towage operator in the world. Age 51.

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Meetings of directors

The number of meetings of the board of directors of Transurban Holdings Limited and each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Name	Directors' Meeting	
	Eligible to attend	Attended
L G Cox	10	10
K Edwards	10	10
P C Byers	10	10
J G A Davis	10	9
S M Oliver	10	10
G R Phillips	10	10
G O Cosgriff	10	10
D J Ryan	2	2

The number of meetings of the board of directors of Transurban Infrastructure Developments Limited and each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Name	Directors' Meeting		Audit Committee[2]		Nomination & Remuneration Committee[2]		Risk Management & Compliance Committee[2]	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L G Cox	15	15	3	3	4	4	-	-
K Edwards[1]	15	15	-	-	-	-	-	-
P C Byers	15	14	3	3	-	-	-	-
G O Cosgriff	15	14	-	-	-	-	3	3
J G A Davis	15	14	3	3	4	4	-	-
S M Oliver	15	15	-	-	-	-	3	3
G R Phillips[1]	15	14	-	-	-	-	-	-
D J Ryan	4	3	-	-	-	-	-	-

[1] K Edwards and G R Phillips are not members of the Audit and Nomination & Remuneration Committees but have been in attendance at all of these meetings. G R Phillips is not a member of the Risk Management & Compliance Committee but has been in attendance at all meetings.

[2] Meetings of Board committees of
- Transurban Holdings Limited;
- Transurban Infrastructure Developments Limited; and
- Transurban Infrastructure Management Limited, are held jointly.

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The number of meetings of the board of directors of Transurban Infrastructure Management Limited and each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Name	Directors' Meeting	
	Eligible to attend	Attended
L G Cox	12	12
J G A Davis	12	11
G R Phillips	12	11
G O Cosgriff	12	11
P C Byers	3	3
S M Oliver	3	3
D J Ryan	3	3

Directors' interests

The following are particulars of directors' interests in Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group as at the date of this Directors' Report in which directors of the Group have disclosed a relevant interest.

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	775,000	-	4,000
K Edwards	61,000	1,500,000	348
P C Byers	50,000	-	-
J G A Davis	40,000	-	150
S M Oliver	59,375	-	-
G R Phillips	-	500,000	-
G O Cosgriff	17,360	-	121
D J Ryan	20,000	-	300

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Directors' and executives' emoluments

The Nomination and Remuneration Committee has two members who recommend and review remuneration and benefit packages for directors and senior executives.

Directors are paid an annual fee, the total of which does not exceed the amount specified in the Constitution of the Group. In addition to the annual fee, directors receive fees for attendance at committee meetings. Liability for Superannuation Guarantee Contributions is met out of the annual fee. Directors are permitted to make additional superannuation contributions through sacrifice of a corresponding amount of their annual fee.

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, whichever is the lesser. In determining entitlement, service as a director to CityLink Melbourne Limited has been taken into account.

Details of the nature and amount of each element of the emoluments of each director of the entities within the Transurban Group and each of the 5 officers of the Transurban Group receiving the highest emoluments are set out in the following tables.

Non-executive directors of the Transurban Group

Name	Directors' Fee $	Superannuation $	Total $
L G Cox	231,102	20,799	251,901
P C Byers	98,638	8,877	107,515
J G A Davis	83,500	7,515	91,015
S M Oliver	81,665	7,350	89,015
G O Cosgriff	79,830	7,185	87,015
D J Ryan	25,234	2,271	27,505

Executive directors of the Transurban Group

Name and Position	Base Salary $	Bonus $	Superannuation $	Options[1] $	Other Benefits $	Total $
K Edwards – Managing Director	912,857	725,000	87,000	183,999	7,300	1,916,156
G R Phillips – Deputy Managing Director	419,253	240,000	10,519	61,333	7,300	738,405

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Other executives of the Transurban Group

Name and Position	Base Salary $	Bonus $	Superannuation $	Options[1] $	Other Benefits $	Total $
K Reynolds – General Manager, Major Projects	229,436	305,000	19,829	31,853	7,300	593,418
P O'Shea – General Counsel	227,754	305,000	20,820	31,853	7,300	592,727
B Bourke – CEO, CityLink Melbourne Limited	283,071	160,000	24,239	43,545	7,300	518,155
K Daley – Executive General Manager	281,738	147,500	24,536	37,162	7,300	498,236
F Browne – General Manager, Global Business Development	335,417	71,000	29,367	47,667	7,300	490,751

[1] No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Directors and Executives in prior financial years. In accordance with Transurban Group policy, the total value of the options issued through the Transurban Group Executive Option Plan have been previously disclosed as remuneration in the 30 June 2001 and 30 June 2002 Directors' Report.

Pursuant to ASIC guidelines released in 2003 and ED 2 "Share Based Payments", the amounts disclosed as remuneration in the current year is that part of the total value of the options which is attributable to the current year portion of the vesting period.

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, the risk free rate of interest over the term of the options and exercise conditions in relation to total shareholder return.

Stapled securities under option

Unissued Stapled Securities of the Transurban Group under option at the date of this report are as follows. No options were granted during the year and no Stapled Securities were issued during the period on the exercise of options.

Date Options Granted	Expiry Date	Issue Price of Stapled Securities	Number under Option
26 April 2001	April 2006	$3.817	2,100,000
23 October 2001	October 2006	$4.404	2,000,000
1 February 2002	April 2007	$4.280	400,000
9 April 2002	April 2007	$4.030	300,000
20 May 2002	April 2007	$4.220	1,550,000

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Indemnification and insurance

The officers of the Group are indemnified against liability incurred by the person in their capacity as an officer unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Group also indemnifies each person who is or has been an officer against liability for costs or expenses incurred by the person in his or her capacity as an officer 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.

Pursuant to this indemnification, the individual entities of the Group have paid premiums, for an insurance policy for the benefit of directors, secretaries and executive officers and related bodies corporate of the Group, in the case of the Trusts within the Group the officers are indemnified out of the assets of the Trusts. 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 Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & 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.

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 AO Chairman	**Kimberley Edwards** Managing Director

Melbourne 27 August 2003

statement of financial performance

for the year ended 30 June 2003

	Notes	**2003**	2002[1]
		$'000	$'000
Revenue from ordinary activities	2	**410,868**	191,922
Expenses from ordinary activities:			
Operational costs		**(65,040)**	(37,383)
Administration		**(23,178)**	(8,012)
Concession Fees		**(95,600)**	(51,195)
Net Valuation adjustment on Concession Notes	18	**62,896**	87,323
Depreciation and amortisation expenses	3	**(148,233)**	(79,267)
Borrowing costs expense	3	**(225,291)**	(170,553)
Loss from ordinary activities before income tax		**(83,578)**	(67,165)
Income tax on operating loss	4	**-**	-
Loss from ordinary activities after income tax	22	**(83,578)**	(67,165)
		Cents	Cents
Basic earnings per Stapled Security	36	**(16.3)**	(13.2)
Diluted Earnings per Stapled Security	36	**(16.1)**	(13.0)

[1]The Transurban Group gained effective control of the Melbourne CityLink entities on 18 December 2001 and commenced trading on the Australian Stock Exchange as a Stapled Security on 19 December 2001. As a result, the comparative information is for the period 18 December 2001 to 30 June 2002.

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

statement of financial position

as at 30 June 2003

	Notes	2003 $'000	2002 $'000
Current Assets			
Cash assets	5	**172,277**	132,063
Receivables	6	**24,926**	29,416
Other	7	**2,605**	2,283
Total Current Assets		**199,808**	163,762
Non-Current Assets			
Property, plant and equipment	8	**3,728,251**	3,856,090
Intangible assets	9	**9,252**	9,752
Financial assets	10	**392,000**	-
Investments accounted for using the equity method	11	**5,888**	-
Other	12	**19,573**	660
Total Non-Current Assets		**4,154,964**	3,866,502
Total Assets		**4,354,772**	4,030,264
Current Liabilities			
Payables	13	**54,471**	50,144
Interest bearing liabilities	14	**8,000**	8,000
Non-interest bearing liabilities	15	**28,049**	133,365
Provisions	16	**5,072**	2,758
Total Current Liabilities		**95,592**	194,267
Non-Current Liabilities			
Interest bearing liabilities	17	**2,131,897**	1,620,169
Non-interest bearing liabilities	18	**173,846**	146,772
Provisions	19	**974**	596
Total Non-Current Liabilities		**2,306,717**	1,767,537
Total Liabilities		**2,402,309**	1,961,804
Net Assets		**1,952,463**	2,068,460
Equity			
Contributed equity	20	**2,181,144**	2,147,100
Accumulated losses	22	**(228,681)**	(78,640)
Total Equity		**1,952,463**	2,068,460

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

statement of cash flows

for the year ended 30 June 2003

	Notes	2003 $'000	2002[1] $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**260,718**	109,451
Payments to suppliers (inclusive of GST)		**(113,291)**	(39,429)
Interest received		**154,384**	72,534
Other revenue		**20,788**	25,044
Deposits refunded		**-**	2,667
Borrowing costs		**(227,306)**	(116,474)
Net cash inflows from operating activities	35	**95,293**	53,793
Cash flows from investing activities			
Payments for property, plant and equipment		**(19,261)**	(8,663)
Payments for investments		**(7,514)**	-
Payment for single purpose		**(3,700)**	-
Investment in CPLN's		**(392,000)**	-
Net cash acquired on purchase of controlled entities		**-**	1,361,215
Net cash (outflow)/inflow from investing activities		**(422,475)**	1,352,552
Cash flows from financing activities			
Proceeds from issue of CARS		**430,000**	-
Repayment of borrowings		**(2,958,872)**	(13,330)
Proceeds from borrowings		**3,040,000**	8,000
Payment of interest rate swap termination		**(90,573)**	-
Payment of premium on mezzanine debt termination		**(20,750)**	-
Distributions paid		**(32,409)**	(19,952)
Net cash inflow/(outflow) from financing activities		**367,396**	(25,282)
Net increase in cash at bank and cash collateral		**40,214**	1,381,063
Cash at bank and cash collateral at the beginning of the financial year		**1,381,063**	-
Cash at bank and cash collateral at the end of the financial year	5	**1,421,277**	1,381,063
Less cash collateral		**(1,249,000)**	(1,249,000)
Cash at bank at the end of the financial year	5	**172,277**	132,063
Financing arrangements and credit facilities	17		

[1]The Transurban Group gained effective control of the Melbourne City Link entities on 18 December 2001 and commenced trading on the Australian Stock Exchange as a Stapled Security on 19 December 2001. As a result, the comparative information is for the period 18 December 2001 to 30 June 2002.

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 2003

1. Summary of significant accounting policies

(a) Basis of accounting

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.

The Group Financial Report consists of the aggregated financial statements of the combined entity comprising Transurban Holdings Limited and controlled entities, Transurban Holding Trust and controlled entities and Transurban Infrastructure Developments Limited and controlled entities, notwithstanding that none of the entities controls the other. The aggregated accounts incorporate an elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the Group Accounts except as otherwise indicated.

The financial statements have been aggregated in recognition of the fact that the securities issued by the parent entities were stapled into parcels during the year ended 30 June 2003. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban Infrastructure Developments Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security are able to be traded separately.

Where control of an entity is obtained during a financial year, its results are included in the combined statement of financial performance 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.

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.

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

(c) Revenue recognition

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

(d) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present value using a market-referenced, risk-adjusted discount rate.

Where net cash inflows are derived from a group of assets working together, the recoverable amount is applied to the relevant group of assets. Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

(e) Fair value of CityLink asset

The CityLink asset has been assessed at fair value on the basis of the aggregate amount of the deemed consideration paid by Transurban Holdings Limited and Transurban Holding Trust to acquire the net assets of CityLink Melbourne Limited and CityLink Trust respectively in December 2001.

(f) 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 the Group to operate CityLink (32 years), or the assets estimated useful lives, whichever is less. Amortisation by the combined entity commenced on 18 December 2001 and is calculated on a straight line basis. The period of amortisation will be assessed annually.

Other Plant and Equipment

Depreciation is calculated on a straight line basis so as to write off the net cost 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	3 – 15 years

notes to the financial statements

for the year ended 30 June 2003

(g) Leased non-current assets

Leases of plant and equipment where the combined 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 combined 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.

(h) Income tax

Income tax is brought to account in respect of the Group, which has adopted the liability method of tax effect accounting. Income tax expense is calculated on the operating profit of the Group, 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 income 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.

The tax losses are shown in aggregate for the Group, however, the losses remain with the legal entities and cannot be transferred between entities comprising the Stapled Security.

(i) 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.

(j) Trade and other creditors

Trade and other creditors represent liabilities for goods and services provided to the combined 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) Infrastructure loan facilities

The Group has two Infrastructure Loan facilities. Under the terms of these facilities, cash collateral equal to the utilised amounts of the facilities must be provided. 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 combined entity.

(l) Concession notes

Non-interest bearing long term debt represented by the Concession Notes has been included in the Accounts 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 which recognises their subordinated nature.

(m) Employee entitlements

The Group contributes the statutory minimum to superannuation plans as nominated by the employee. The superannuation plans are all accumulation funds.

Liabilities for current and deferred employee compensation and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The above policy was adopted with effect from 1 July 2002 to comply with AASB 1028 Employee Benefits. In previous years, these liabilities were measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This change in accounting policy did not result in a material effect in the current year compared with what would have been reported had the previous accounting policy continued to be applied.

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

(n) 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, and 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.

notes to the financial statements

for the year ended 30 June 2003

(o) Cash flows

For the purpose of the statement of cash flows, cash includes cash on hand, deposits held at call with banks, investments in money market instruments and amounts held on deposit as collateral for the Infrastructure Loan facilities.

(p) Earnings per Stapled Security

(i) Basic Earnings per Stapled Security

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

(ii) Diluted earnings per Stapled Security

Diluted earnings per Stapled Security adjusts the figures used in the determination of basic earnings per Stapled Security by taking into account the weighted average number of Stapled Securities assumed to have been issued for no consideration in relation to dilutive potential Stapled Securities.

(q) Intangible assets

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.

(r) 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.

(s) 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 1f. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

(t) 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.

(u) Distributions

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. This policy was adopted with effect from 1 July 2002 to comply with AASB 1044: Provisions, Contingent Liabilities and Contingent Assets, released in October 2001. The change in policy has no impact on the prior year financial statements.

(v) Joint venture entity

The interest in a 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 32.

(w) 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 capitalised.

(x) Financial instruments

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

Gains and losses on interest rate 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

(y) Rounding of amounts

The combined 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 to the nearest thousand dollars in accordance with that Class Order.

notes to the financial statements

for the year ended 30 June 2003

	2003 $'000	2002 $'000
2. Revenue		
Revenue from operating activities		
Toll revenue	**223,162**	109,260
Fee revenue	**7,923**	3,914
Advertising revenue	**3,378**	1,742
Equity commitment fee	**10,500**	-
	244,963	114,916
Revenue from outside operating activities		
Interest	**162,564**	76,046
Other	**3,341**	960
	165,905	77,006
Revenue from ordinary activities	**410,868**	191,922

3. Operating loss from ordinary activities

Expenses

Losses from ordinary activities before income tax expense includes the following specific expenses:

	2003 $'000	2002 $'000
Depreciation and amortisation		
CityLink	**142,603**	74,807
Other fixed assets	**5,130**	4,212
Amortisation		
Goodwill	**500**	248
Total depreciation/amortisation	**148,233**	79,267
Bad and doubtful debts – trade debtors	**1,057**	737
Borrowing costs		
Interest and finance charges paid/payable	**210,033**	159,616
Interest rate hedging charges paid/payable	**15,258**	10,937
Total borrowing costs	**225,291**	170,553
Provision for employee entitlements	**2,692**	2,295
Rental expenses relating to operating leases	**1,700**	466

notes to the financial statements

for the year ended 30 June 2003

	2003 $'000	2002 $'000
4. 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	**(83,578)**	(67,165)
Income tax calculated at 30% (2002 – 30%)	**(25,073)**	(20,149)
Tax effect of permanent differences:		
Infrastructure borrowing facility interest not deductible	**26,288**	14,988
Income tax adjusted for permanent differences	**1,215**	(5,161)
Benefit of (tax losses of prior year recouped)/tax losses not recognised	**(1,215)**	5,161
Income tax expense	**-**	-
(b) Transurban Holding Trust		
Tax losses at beginning of year	**173,861**	-
Tax Losses of controlled entity acquired during the year	**-**	159,722
Tax (Profit)/Losses for the year	**(35,524)**	14,139
Tax Losses at end of year	**138,337**	173,861
Transurban Holdings Limited		
Tax losses at beginning of year	**835,423**	-
Tax Losses of controlled entity acquired during the year	**-**	745,929
Tax Losses for the year	**138,833**	89,494
Tax Losses at end of year	**974,256**	835,423
Transurban Infrastructure Developments Limited		
Tax losses at beginning of year	**1,625**	-
Tax (Profit)/Losses for the year	**(1,376)**	1,625
Tax Losses at end of year	**249**	1,625

notes to the financial statements

for the year ended 30 June 2003

Potential future income tax benefits at 30 June 2003 for tax losses not brought to account for the combined entity are $333.8 million (gross $1,112.8 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements of note 1h. The gross tax losses in relation to the Trust are $138.3 million as at 30 June 2003. These losses can not be used directly by the Trust for the reason outlined in note 1h, but may be available for the benefit of unit holders in the future.

The benefit of tax losses will only be realised by each individual entity if:

(i) the 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 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.

The above tax position is based on 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 should be immediately deductible expenditure. The Financial Report has been prepared on this basis. Deductions in respect of concession fees account for $700.5 million of the combined entity's carried-forward loss of $1,112.8 million at 30 June 2003.

The 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 lodged an objection to this assessment on 16 August 2000 and on 17 November 2000 the ATO disallowed the objection. On 21 December 2000, Transurban lodged an appeal in the Federal Court against the ATO decision to disallow the objection. The appeal was heard in the Federal Court on 3 October 2002. Justice Merkel has deferred judgement.

If the ATO's position on deductibility of the Concession Notes is confirmed, the after tax internal rate of return for an investor subject to the corporate tax rate will be reduced to approximately 85 per cent of the return which would have been achieved if the Concession Fees were immediately deductible.

Tax consolidation legislation

The Transurban Group is currently considering the implementation of tax consolidation legislation. The introduction of the tax consolidation legislation may impact on the Group's carried forward tax losses. The financial effect of the proposed legislation, if any, will be determined during the 30 June 2004 financial year. No impact has been recognised in the financial statements for the year ended 30 June 2003.

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$'000	$'000
5. Cash assets – current assets		
Cash at bank	**172,277**	132,063
	172,277	132,063

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

	2003	2002
Cash at bank – as above	**172,277**	132,063
Cash collateral, Infrastructure Loan Facility (note 1k)	**795,000**	795,000
Cash collateral, Infrastructure Note Facility (note 1k)	**454,000**	454,000
	1,421,277	1,381,063

The amount shown in Cash at Bank includes $36.1 million comprising the amount required under the CityLink Concession Deed to be held in the maintenance reserve account and the amount held in the CARS funding reserve. These amounts were not available for general use at 30 June 2003 (2002: $17.0 million).

	2003	2002
6. Receivables – current assets		
Trade Debtors	**8,755**	8,672
Less: Provision for Doubtful Debts	**(706)**	(521)
	8,049	8,151
Other Debtors	**16,877**	21,265
	24,926	29,416
7. Other – current assets		
Prepayments	**2,605**	2,283
	2,605	2,283

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$'000	$'000

8. Property, plant and equipment – non-current assets

(a) CityLink Fixed Assets

	2003 $'000	2002 $'000
CityLink at cost	**3,910,607**	3,902,966
Less: Accumulated depreciation	**(217,959)**	(74,807)
	3,692,648	3,828,159

Equipment and fittings

	2003 $'000	2002 $'000
Equipment and fittings at cost	**52,224**	39,978
Less: Accumulated depreciation	**(16,621)**	(12,047)
	35,603	27,931
Total Property, plant and equipment	**3,728,251**	3,856,090

Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

(b) Reconciliations

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

	CityLink	**Equipment and Fittings**	**Total**
	$'000	**$'000**	**$'000**
2003			
Carrying amount at 1 July 2002	**3,828,159**	**27,931**	**3,856,090**
Additions	**2,141**	**17,761**	**19,902**
Disposals	**-**	**(8)**	**(8)**
Transfers between asset classes	**4,951**	**(4,951)**	**-**
Depreciation/amortisation expense charged to statement of financial performance	**(142,603)**	**(5,130)**	**(147,733)**
Carrying amount at 30 June 2003	**3,692,648**	**35,603**	**3,728,251**
2002			
Carrying amount at the start of the period	-	-	-
Additions through acquisition	3,907,580	18,340	3,925,920
Additions	141	13,803	13,944
Disposals	(4,755)	-	(4,755)
Depreciation/amortisation expense charged to statement of financial performance	(74,807)	(4,212)	(79,019)
Carrying amount at period end	3,828,159	27,931	3,856,090

notes to the financial statements

for the year ended 30 June 2003

	2003 $'000	2002 $'000
9. Intangible assets – non-current assets		
Goodwill	**10,000**	10,000
Less: Accumulated amortisation	**(748)**	(248)
	9,252	9,752
10. Financial assets – non-current assets		
Investment in Construction Phase Loan Notes	**392,000**	-
	392,000	-
11. Investments accounted for using the Equity Method		
Interest in joint venture partnership (note 32)	**5,888**	-
Shares in associates (note 31)	**-**	-
	5,888	-
12. Other – non-current assets		
Prepayments	**4,812**	660
Deferred borrowing costs	**13,135**	-
Project development	**1,626**	-
	19,573	660
13. Payables – current liabilities		
Trade creditors	**1,823**	9,189
CARS coupon payment	**6,350**	-
Other creditors	**46,298**	40,955
	54,471	50,144

CARS coupon payment represents the first interest payment due to holders of CARS. The distribution on these securities of 7 per cent for the period 14 April to 30 June 2003, totalling $6.4 million, has been charged to the statement of financial performance as a borrowing cost because the CARS are clasified as a liability. This coupon was paid to CARS holders on 31 July 2003.

notes to the financial statements

for the year ended 30 June 2003

	2003 $'000	2002 $'000
14. Interest bearing liabilities – current liabilities		
Secured		
Bank loan	**8,000**	8,000
	8,000	8,000
15. Non-interest bearing liabilities – current liabilities		
Prepaid tolls	**18,044**	16,595
Unearned income	**6,855**	2,297
Mezzanine debt termination	**-**	20,750
Interest rate swap termination	**-**	90,573
Release from Single Purpose	**3,150**	3,150
	28,049	133,365
16. Provisions – current liabilities		
Employee entitlements	**5,072**	2,758
	5,072	2,758
17. Interest bearing liabilities – non-current liabilities		
Secured		
Infrastructure Loan facility	**795,000**	795,000
Less: Cash collateral (note 1k)	**(795,000)**	(795,000)
Infrastructure Note facility	**454,000**	454,000
Less: Cash collateral (1k)	**(454,000)**	(454,000)
Land Transport Notes	**1,897**	1,297
CPI Bonds	**-**	466,490
Project Debt – Tranche A	**-**	738,268
Project Debt – Tranche B	**510,000**	98,241
Project Debt – Tranche C	**-**	90,873
Mezzanine Debt	**-**	200,000
Subordinated debt	**-**	25,000
Capital Markets Debt	**1,190,000**	-
Convertible Adjusting Rate Securities	**430,000**	-
	2,131,897	1,620,169

notes to the financial statements

for the year ended 30 June 2003

Set-off of assets and liabilities

A legal right of set-off exists in respect of the specific cash deposits of $795 million, representing collateralisation of liabilities under the Infrastructure Loan facility and $454 million, representing collateralisation of liabilities under the Infrastructure Note facility.

Financing arrangements and credit facilities

Credit facilities are provided as part of the overall debt funding structure of the Transurban Group.

Details of each facility are as follows:

(a) Infrastructure loan facility
$795 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 December 2004. The facility was fully drawn as at 30 June 2003.

(b) Infrastructure note facility
$454 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 December 2004. The facility was fully drawn as at 30 June 2003.

(c) Land Transport Notes
$94.5 million facility is subject to an Infrastructure Borrowing Taxation Offset Agreement with the Federal Department of Transport and Regional Services. The Noteholders qualify for an income tax rebate on interest received. The Land Transport Notes are to be repaid 30 June 2004.

(d) Tranche B bank debt
$510 million facility which is for a term of 5 years from 28 June 2002. The facility was fully utilised at 30 June 2003. The facility is secured by a first ranking charge over the cash flows of the Melbourne CityLink Project.

(e) Subordinated debt facility
$80 million facility which is for a term of 1 year from 28 June 2003. The facility was unused at 30 June 2003.

(f) Cash advance facility
$50 million facility which is for a term of 3 years from 28 June 2002. The facility was unused at 30 June 2003.

(g) Convertible Adjusting Rate Securities
$430 million raised via the issue of 4.3 million securities. Semi annual interest is paid at a fixed rate of 7 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.

(h) Bank loan
$8 million facility which was fully utilised at 30 June 2003. The facility is for a term of 1 year from 5 June 2003.

notes to the financial statements

for the year ended 30 June 2003

(i) Capital markets debt

Comprises bonds issued by Transurban Finance Company with terms of 3, 5, and 7 years from 8 August 2002. The facilities are secured by a first ranking charge over the cash flows of the Melbourne CityLink Project.

	Maturing 3 years '000	Maturing 5 years '000	Maturing 7 years '000	Total '000
Fixed interest rate				
Credit wrapped	175,000	-	-	175,000
Non-credit wrapped	260,000	-	-	260,000
	435,000	-	-	435,000
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	360,000	1,190,000

[1]The Group has the option to cancel the 5 year and 7 year maturity after 3 years

	2003 $'000	2002 $'000
Loans		
Total facilities	**3,087,000**	2,893,549
Used at balance date	**2,957,000**	2,893,549
Unused at balance date	**130,000**	-

Re-financing of the Transurban Group's debt was completed on 28 June 2002 with subsequent draw down finalised during July and August 2002. The re-financing involved the repayment of the group's existing borrowings (consisting of Project Debt, CPI Bonds, Mezzanine Debt and Subordinated Debt) with a $510 million syndicated bank facility and $1,190 million of bonds issued in the debt capital markets.

18. Non-interest bearing liabilities – non-current liabilities

	2003 $'000	2002 $'000
Release from Single Purpose	**3,150**	6,850
Unearned Income	**-**	1,931
Concession Notes	**170,696**	137,991
	173,846	146,772

notes to the financial statements
for the year ended 30 June 2003

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 per cent per annum. Once the threshold rate of return is achieved, subsequent Concession Note redemption payments are limited to not more than 30 per cent of the distributable cash flow for the previous year. Based on forecast cash flows, 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 per cent which recognises their subordinated nature.

The face value of Concession Notes on issue at 30 June 2003 is $700.5 million. The Net Present Value at 30 June 2003 of the redemption payments relating to these Concession Notes is $170.7 million. The indicative timing of these redemption payments is set out in the following table.

	2003	2002
	$'000	$'000
Concession note redemption		
Estimated Concession Note payments		
Within five years	**-**	-
Later than 5 years but not later than 10 years	**104,212**	55,969
Later than 10 years but not later than 15 years	**463,717**	404,558
Later than 15 years but not later than 20 years	**132,524**	144,326
	700,453	604,853
Reconciliation		
Reconciliation of movement in the Concession Note liability.		
Concession Note Liability at beginning of period	**137,992**	174,120
Concession Notes issued during the year	**95,600**	51,195
Valuation adjustments for the year:		
Charge/(Credit) for Concession Notes on issue at beginning of period	**16,559**	(44,283)
Credit for Concession Notes issued during the year	**(79,455)**	(43,040)
Concession Note Liability at end of period	**170,696**	137,992

19. Provisions – non-current liabilities

Directors' retirement	**974**	596
	974	596

notes to the financial statements
for the year ended 30 June 2003

	2003	2002	**2003**	2002
	Number	Number		
	'000	'000	**$'000**	$'000
20. Equity				
(a) Stapled Securities				
Paid up capital				
fully paid	**518,473**	510,028	**2,181,144**	2,147,100
	518,473	510,028	**2,181,144**	2,147,100

Date	**Details**	**Notes**	**Number of Stapled Securities $'000**	**Issue Price**	**$'000**
(b) Movements in Stapled Securities					
1 July 2002	Opening Balance		510,028	-	2,147,100
8 October 2002	Distribution reinvestment plan issues	d	1,564	$3.7925	5,931
26 February 2003	Employee share scheme issues	e	35	-	-
28 March 2003	Distribution reinvestment plan issues	d	6,846	$4.1065	28,113
30 June 2003	Closing Balance		518,473		2,181,144

(c) Stapled Securities

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

On a show of hands every holder of Stapled Securities 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. Distributions paid during the current year remaining to be applied through the issue of Stapled Securities to individual investors in future DRP's total $10,000.

(e) Employee share scheme

Information relating to the employee share scheme, including details of Stapled Securities issued under the plan, are set out in note 28(b).

notes to the financial statements
for the year ended 30 June 2003

	2003	2002
	$'000	$'000
21. Distributions		
Stapled Securities		
Final distribution for 2002 financial year of 3.0 cents per fully paid Stapled Security paid 8 October 2002.	**15,300**	-
Interim distribution for 2003 financial year of 10.0 cents (2002 – 2.25 cents) per fully paid Stapled Security paid 26 March 2003.	**51,163**	11,475
Total distributions paid	**66,463**	11,475
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the year ended 30 June 2003 and the period ended 30 June 2002 were as follows:		
Paid in cash	**32,409**	-
Satisfied by issue of Stapled Securities	**34,054**	-
	66,463	-

In addition to the above distibutions, since the end of the financial year the directors have resolved to pay a final distribution of $51.8 million (10.0 cents per Stapled Security) to be paid on 8 October 2003. The record date for eligibility to receive the distribution is 24 September 2003.

22. Accumulated losses

	2003	2002
Accumulated losses at the beginning of the year	**(78,640)**	-
Net losses incurred during the year	**(83,578)**	(67,165)
Trust distributions to security holders	**(66,463)**	(11,475)
Accumulated losses at the end of year	**(228,681)**	(78,640)

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$	$
23. Remuneration of directors		
Income paid or payable, or otherwise made available, to directors by entities in the combined entity and related parties in connection with the management of affairs of the group.	**3,063,197**	2,049,479

Options are granted to executive directors under the Transurban Executive Option Plan, details of which are set out in note 28(a). A summary of the number of options granted to, exercised and held by executive directors during the year ended 30 June 2003 is set out below.

Outstanding 30 June 2002	**Granted**	**Exercised**	**Lapsed**	**Outstanding 30 June 2003**
2,000,000	-	-	-	2,000,000

The number of directors whose income was within the specified bands are as follows:

			2003	2002
			Number	Number
$20,000	-	$29,999	**1**	-
$60,000	-	$69,999	**-**	4
$80,000	-	$89,999	**2**	-
$90,000	-	$99,999	**1**	-
$100,000	-	$109,999	**1**	-
$170,000	-	$179,999	**-**	1
$250,000	-	$259,999	**1**	-
$500,000	-	$509,999	**-**	1
$670,000	-	$679,999	**1**	-
$1,100,000	-	$1,109,999	**-**	1
$1,730,000	-	$1,739,999	**1**	-

Total director remuneration and the remuneration banding does not include amounts in relation to the grant of options under the Transurban Executive Option Plan. The options are not included as they were issued at no cost to the entity.

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$	$
24. Remuneration of executives		
Remuneration received, or due and receivable from entities in the group and related parties by executive officers (including directors) whose remuneration was at least $100,000	**6,606,276**	3,887,156

Options are granted to executive officers under the Transurban Executive Option Plan, details of which are set out in note 28(a). A summary of the number of options granted to, exercised and held by executive officers (with income of at least $100,000) during the year ended 30 June 2003 is set out below.

Outstanding 30 June 2002	**Granted**	**Exercised**	**Lapsed**	**Outstanding 30 June 2003**
4,450,000	-	-	-	4,450,000

The number of executive officers whose remuneration was within the specified bands are as follows:

			2003 Number	2002 Number
$140,000	-	$149,999	**-**	1
$210,000	-	$219,999	**-**	1
$250,000	-	$259,999	**-**	1
$260,000	-	$269,999	**-**	1
$270,000	-	$279,999	**1**	-
$280,000	-	$289,999	**-**	1
$290,000	-	$299,999	**1**	-
$310,000	-	$319,999	**1**	1
$320,000	-	$329,999	**-**	1
$390,000	-	$399,999	**1**	-
$410,000	-	$419,999	**1**	1
$440,000	-	$449,999	**1**	-
$460,000	-	$469,999	**1**	-
$470,000	-	$479,999	**1**	-
$500,000	-	$509,999	**-**	1
$560,000	-	$569,999	**2**	-
$670,000	-	$679,999	**1**	-
$1,100,000	-	$1,109,999	**-**	1
$1,730,000	-	$1,739,999	**1**	-

Total executive remuneration and the remuneration banding does not include amounts in relation to the grant of options under the Transurban Executive Option Plan. The options are not included as they were issued at no cost to the entity.

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$'000	$'000
25. Remuneration of auditors		
During the period the auditor of the group and its related parties earned the following remuneration:		
Audit or review of the financial reports of the group	**250**	207
Other assurance services	**127**	148
Total audit and other assurance services	**377**	355
Taxation	**242**	32
Financial due diligence	**242**	111
Other	**-**	8
Total remuneration	**861**	506

It is the Group's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the combined entity are important. These assignments are principally tax advice and financial due diligence. It is the Group's policy to seek competitive tenders for all major consulting projects.

26. Contingent liabilities

(a) 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 per cent per annum on an amount of $430 million.

(b) In May 2003, VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately $5 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 June, VicRoads and the Minister for Transport ("the plaintiffs") filed a writ in the Supreme Court of Victoria, claiming certain damage was sustained by the Swan Street Bridge. The plaintiffs 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 entities forming the Transfield-Obayashi Joint Venture are also defendants. The writ has not been served and therefore, no litigation has been instituted. CityLink Melbourne Limited is facilitating discussions between the parties.

(c) The Transurban Group has established a bank guarantee of $5 million in favour of a controlled entity in a form prescribed by ASIC to accommodate the net tangible asset conditions of the controlled entity's dealers licence. The controlled entity is unable to act as a Responsible Entity for certain Transurban Group entities if the bank guarantee conditions are not satisfied.

notes to the financial statements

for the year ended 30 June 2003

27. Commitments for expenditure

	2003	2002
	$'000	$'000
Lease commitments		
Commitments for minimum payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:		
Within one year	**1,577**	1,037
Later than one year but not later than 5 years	**2,433**	928
Later than 5 years	**-**	-
	4,010	1,965

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 18 for details of concession notes.

Option over further interest in Westlink M7 Motorway project

Wholly owned entities of the Group have granted to and have been granted by each of Leighton and Abigroup put and call options over 25 per cent of the interest in the Westlink M7 Project held by each of those parties. These put and call options are each exercisable by either party at completion of the project at a price of $24.255 million.

	2003	2002
	Number	Number
28. Employee entitlements		
Employee numbers		
Average number of employees during the financial period	**349**	298
	349	298

(a) Transurban Group Executive Option Plan

Options are issued at no cost to the Option holder. Options 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 will be 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% 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.

No Stapled Securities were issued during the year ended 30 June 2003 pursuant to the exercise of options.

notes to the financial statements

for the year ended 30 June 2003

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

Grant date	Expiry date	Exercise price of year	Balance at start the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of
2003							
26 April 2001	April 2006	$3.817	2,350,000	-	-	250,000	2,100,000
23 October 2001	October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	April 2007	$4.220	1,650,000	-	-	100,000	1,550,000
2002							
26 April 2001	April 2006	$3.817	2,350,000	-	-	-	2,350,000
23 October 2001	October 2006	$4.404	-	2,000,000	-	-	2,000,000
1 February 2002	April 2007	$4.280	-	400,000	-	-	400,000
9 April 2002	April 2007	$4.030	-	300,000	-	-	300,000
20 May 2002	April 2007	$4.220	-	1,650,000	-	-	1,650,000

	2003 Number	2002 Number
Options vested at the reporting date	1,307,900	-

(b) Employee share scheme

A scheme under which Stapled Securities may be issued by the Group to employees for no cash consideration was approved by the directors on 29 January 2002. 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, which is determined by the Transurban Group's success and market performance.

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

Each participant was issued with 120 Stapled Securities (2002 – 100 Stapled Securities) at a value of $4.25 per Stapled Security (2002 – $4.03).

	2003 Number	2002 Number
Stapled Securities issued under the plan to participating employees on 26 February 2003	**34,560**	28,300

notes to the financial statements

for the year ended 30 June 2003

29. Related party information

Directors

The names of persons who were directors of entities within the Group at any time during the financial year is as follows:

Laurence G Cox, Kimberley Edwards, Peter C Byers, Geoffrey O Cosgriff, Jeremy G A Davis, Susan M Oliver, Geoffrey R Phillips and David J Ryan. All of these persons were directors for the entire financial year except for David J Ryan who was appointed on 29 April 2003.

Remuneration and service agreements

Information on remuneration of directors is disclosed in notes 23.

Transactions of directors and their director-related entities concerning securities issued by the Transurban Group

Aggregate numbers of securities of the Transurban Group acquired or disposed of by directors of the Group or their director-related entities:

	2003 Number	2002 Number
Acquisitions		
Convertible Adjusting Rate Securities ("CARS") from the initial public offering	**6,019**	-
Transurban Group Stapled Securities[1]	**40,100**	46,890
Disposals		
Convertible Adjusting Rate Securities	**1,100**	-
Securities held		
CARS	**4,919**	-
Transurban Group Stapled Securities	**1,022,735**	982,635
Transurban Group Options	**2,000,000**	2,000,000

[1]Includes 20,000 Stapled Securities held by Mr David J Ryan, which were acquired prior to his appointment as a non-executive director.

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

Other transactions with directors and director related entities

Mr Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Ltd), which during the year provided financial advice pursuant to specific mandates.

Macquarie Bank Ltd was involved in the financial arrangements concerning the Land Transport Notes. Mr Cox holds 1.97 million Land Transport Notes.

Mr Ryan holds $0.5 million of Infrastructure Bonds issued by CityLink Melbourne Limited.

notes to the financial statements

for the year ended 30 June 2003

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

	2003 **$'000**	2002 $'000
Consulting fees	**372**	8,394
Reimbursement of out of pocket expenses	**21**	32
Underwriting services	**7,208**	-
Interest	**3,849**	-
Loans provided and repaid	**250,000**	-

All of the above amounts represent payments on normal commercial terms made in relation to the provision of goods and services.

Aggregate amounts payable to director related entities at balance date:

Current liabilities – Macquarie Bank Limited	**5**	7,973

30. Investment in controlled entities

Name of Entity	**Country of Incorporation**	**Class of Security**	**Equity Holding 2003 %**	**Equity Holding 2002 %**	**Date Acquired**
The CityLink Trust	Australia	Ordinary	100	100	-
CityLink Melbourne Limited	Australia	Ordinary	100	100	-
City Link Extension Pty Ltd	Australia	Ordinary	100	100	-
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100	-
Transurban Collateral Security Pty Ltd	Australia	Ordinary	100	100	-
Transurban Finance Trust	Australia	Ordinary	100	100	-
Transurban Finance Company Pty Ltd	Australia	Ordinary	100	100	-
Transurban Nominees Pty Ltd	Australia	Ordinary	100	-	03/12/2002
Transurban Nominees 2 Pty Ltd	Australia	Ordinary	100	-	22/01/2003
Transurban WSO Pty Ltd	Australia	Ordinary	100	-	03/12/2002
Transurban AL Trust	Australia	Ordinary	100	-	23/01/2003
Transurban CARS Trust	Australia	Ordinary	100	-	20/12/2002
Transurban WSO Trust	Australia	Ordinary	100	-	12/12/2002
Transurban Infrastructure Developments WSO Pty Ltd	Australia	Ordinary	100	-	17/12/2002

notes to the financial statements

for the year ended 30 June 2003

Acquisition of controlled entities

All new controlled entities were acquired for a book value of $12 each, except Transurban WSO Trust where Transurban CARS Trust as sole unit holder subscribed for $392 million in units for cash consideration.

31. Investment in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Information relating to the associates is set out below.

	Ownership interest		Combined entity carrying amount	
Name of company	**2003**	2002	**2003**	2002
	%	%	**$'000**	$'000
WSO Company Pty Limited	**40**	-	**-**	-
Westlink Motorway Limited	**40**	-	**-**	-
WSO Finance Company	**40**	-	**-**	-

WSO Company Pty Limited, Westlink Motorway Limited 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 2007. Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and WSO Finance Company will arrange debt facilities for the Westlink Motorway Project. The associates will not have any impact on the combined entity's equity accounted profits until the road operations commence following completion.

32. Interest in joint ventures

	Ownership interest		Combined entity carrying amount	
Name of partnership	**2003**	2002	**2003**	2002
	%	%	**$'000**	$'000
Westlink Motorway Partnership	**40**	-	**5,888**	-

The combined entity has a 40% interest in the Westlink Motorway Partnership, the principal activity of which is the construction of the Westlink M7 Motorway in Sydney. The M7 is presently in the construction phase and is due for completion 2007. The partnership will have no impact on the combined entity's equity accounted profits until the road operations commence following completion.

notes to the financial statements

for the year ended 30 June 2003

	2003	2002
	$'000	$'000
Share of partnership assets and liabilities		
Current assets	**1,741**	-
Non-current assets	**235,059**	-
Total assets	**236,800**	-
Current liabilities	**-**	-
Non-current liabilities	**236,800**	-
Total liabilities	**236,800**	-
Net assets	**-**	-
Share of profits	**-**	-
Share of partnership commitments		
Capital commitments	**564,266**	-

33. Financial instruments disclosure

The combined 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.

Interest rate swap contracts

It is Transurban Group's policy to protect floating rate facilities from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts. 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 92 per cent of the floating rate loan principal outstanding.

notes to the financial statements

for the year ended 30 June 2003

At 30 June 2003, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2003 $'000	2002 $'000
4 – 5 years	**1,160,000**	-
	1,160,000	-

Interest rate risk

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

2003	**Note**	**Floating interest rate $'000**	**Fixed Interest Rate Maturity: 1 year or less $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
Financial assets							
Cash	5	172,277	-	-	-	-	172,277
Debtors	6	-	-	-	-	24,926	24,926
Other	7,12	-	-	-	-	20,552	20,552
Advance to related party	10	-	-	392,000	-	-	392,000
Cash collateral	5	-	-	1,249,000	-	-	1,249,000
Total financial assets		172,277	-	1,641,000	-	45,478	1,858,755
Weighted average interest rate		4.47%	-	10.02%	-	-	-
Financial liabilities							
Creditors	13	-	-	-	-	54,471	54,471
Prepaid tolls	15	-	-	-	-	18,044	18,044
Release from single purpose	15,18	-	-	-	-	6,300	6,300
Land Transport Notes	17	-	-	1,897	-	-	1,897
Concession Notes	18	-	-	-	-	170,696	170,696
Bank loan	14	8,000	-	-	-	-	8,000
Tranche B Debt	17	510,000	-	-	-	-	510,000
Capital Markets Debt	17	755,000	-	435,000	-	-	1,190,000
Infrastructure loan facility	17	-	-	1,249,000	-	-	1,249,000
CARS	17	-	-	430,000	-	-	430,000
Interest rate swaps	33	(1,160,000)	-	1,160,000	-	-	-
Total financial liabilities		113,000	-	3,275,897	-	249,511	3,638,408
Weighted average interest rate		4.98%	-	6.60%	-	-	-
Net financial assets/(liabilities)		59,277	-	(1,634,897)	-	(204,033)	(1,779,653)

notes to the financial statements

for the year ended 30 June 2003

2002	Note	Floating interest rate $'000	Fixed Interest Rate Maturity 1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash	5	132,063	-	-	-	-	132,063
Debtors	6	-	-	-	-	29,416	29,416
Other	7	-	-	-	-	2,283	2,283
Cash collateral	5	-	-	-	1,249,000	-	1,249,000
Total financial assets		132,063	-	-	1,249,000	31,699	1,412,762
Weighted average interest rate		4.72%	-	-	11.20%	-	-
Financial liabilities							
Creditors	13,15,18	-	-	-	-	60,144	60,144
Prepaid tolls	15	-	-	-	-	16,595	16,595
Land Transport Notes	17	-	-	1,297	-	-	1,297
Concession Notes	18	-	-	-	-	137,991	137,991
Bank loan	14	8,000	-	-	-	-	8,000
Interest rate swap termination	15	-	-	-	-	90,573	90,573
Mezzanine debt termination	15	-	-	-	-	20,750	20,750
CPI Bonds	17	-	-	-	466,490	-	466,490
Project debt borrowings	17	1,152,382	-	-	-	-	1,152,382
Infrastructure loan facility	17	-	-	-	1,249,000	-	1,249,000
Total financial liabilities		1,160,382	-	1,297	1,715,490	326,053	3,203,222
Weighted average interest rate		6.81%	-	-	8.25%	-	-
Net financial liabilities		(1,028,319)	-	(1,297)	(466,490)	(294,354)	(1,790,460)

	Notes	**2003 $'000**	2002 $'000
Reconciliation of net financial assets/(liabilities) to net assets			
Net financial liabilities as above		**(1,779,653)**	(1,790,460)
Non-financial assets and liabilities			
Property, plant and equipment	8	**3,728,251**	3,856,090
Other assets	9,11,12	**16,766**	10,412
Other liabilities	15,16,19	**(12,901)**	(7,582)
Net assets per balance sheet		**1,952,463**	2,068,460

notes to the financial statements

for the year ended 30 June 2003

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.

The aggregate net fair value of interest rate swaps not recognised in the balance sheet (refer note 1x) held at 30 June 2003 is a liability of $61.6 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 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 2003.

34. Segment information

The Combined Entity's primary business segment for the period ending 30 June 2003 was the operation of the Melbourne City Link toll road. The acquisition of a 40 per cent interest in the Westlink M7 project during the period has not resulted in a change to the primary segment of the Group. The Westlink M7 project is presently non-operational and is scheduled for completion in 2007.

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

	Segment Revenues		Segment Assets		Segment Liabilities	
	2003	2002	**2003**	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Victoria	**390,606**	191,922	**3,907,325**	4,030,264	**1,965,796**	1,961,803
New South Wales	**20,262**	-	**447,447**	-	**436,513**	-
	410,868	191,922	**4,354,772**	4,030,264	**2,402,309**	1,961,803

notes to the financial statements

for the year ended 30 June 2003

35. Reconciliation of operating loss after income tax to net cash flow from operating activities

	2003 $000	2002 $000
Operating loss after income tax	**(83,578)**	(67,165)
Depreciation and amortisation	**148,233**	79,267
Deferred borrowing costs	**(13,134)**	-
Change in operating assets and liabilities		
Increase/(Decrease) in Concession Note liabiility	**32,704**	(36,128)
Increase in loans from related parties	**599**	-
(Increase)/Decrease in prepayments	**(4,473)**	425
Increase in creditors	**6,146**	19,222
Decrease in debtors	**3,476**	26,071
Increase in provisions	**2,693**	555
(Decrease)/Increase in interest rate swap termination	**-**	4,724
(Decrease)/Increase in Mezzanine debt termination	**-**	20,750
Increase/(Decrease) in unearned income	**2,627**	(1,766)
(Decrease)/Increase in CPI Bonds	**-**	7,838
Net cash inflow from operating activities	**95,293**	53,793

36. Earnings per Stapled Security

	2003	2002
Basic earnings per Stapled Security	**(16.3 cents)**	(13.2 cents)
Diluted earnings per Stapled Security	**(16.1 cents)**	(13.0 cents)
Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	**512,976,259**	510,028,300
Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	**519,326,259**	516,728,300

Information concerning the classification of securities

(a) Stapled Securities

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

(b) Options

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

Director's Declaration

for the year ended 30 June 2003

The directors declare that the financial statements and notes set out on pages 53 to 83.

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the combined entity's financial position as at 30 June 2003 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the directors' opinion

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with separate resolutions of the directors of Transurban Holdings Limited, Transurban Infrastructure Management Limited and Transurban Infrastructure Developments Limited.

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne 27 August 2003

independent audit report

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Transurban Group

Audit opinion

In our opinion, the financial report of Transurban Group:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Group representing the aggregation of the combined entities of Transurban Holdings Limited (THL), Transurban Infrastructure Development Limited (TIDL) and the Transurban Holding Trust (THT) as at 30 June 2003, 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 the Transurban Group (the Group), for the year ended 30 June 2003.

The directors of THL, TIDL and Transurban Infrastructure Management Limited as responsible entity of THT 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 Group. 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.

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 Group's financial position, and of its performance as represented by the results of its 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.

When this audit report is included in an Annual Report, 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

PricewaterhouseCoopers

Tim Goldsmith
Partner

Melbourne
27 August 2003

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

shareholder information

The security holder information set out below was applicable as at 29 August 2003.

(a) Distribution of Stapled Securities

1. The number of holders of Stapled Securities, which comprise one share in Transurban Holdings Limited, one share in Transurban Infrastructure Developments Limited and one unit in Transurban Holding Trust, was 17,507.
2. The voting rights are one vote per Stapled Security.
3. At 29 August 2003 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 69.26 per cent.
4. The distribution of holders was as follows:

Share Grouping	Number of Holders	Stapled Securities Held	%
1 - 1,000	3,618	2,560,605	0.49
1,001 - 5,000	9,937	26,502,049	5.11
5,001 - 10,000	2,387	17,966,963	3.47
10,001 - 100,000	1,413	32,352,269	6.24
100,001 - and over	152	438,940,678	84.69
Total	17,507	518,322,564	100.00

There were 222 holders of less than a marketable parcel of ordinary shares.

5. Substantial Securityholders in the group are set out below:

Name	Number of Stapled Securities	% of Total
Commonwealth Bank of Australia Limited	118,650,390	22.89
Macquarie Bank Limited	54,257,956	10.46
ING Australia Holdings Limited	33,806,340	6.52

shareholder information

The security holder information set out below was applicable as at 29 August 2003.

(b) Twenty largest holders of Stapled Securities

	Number of Stapled Securities Held	Percentage of Issued Stapled Securities
Trust Company of Australia Limited	55,000,000	10.61
National Nominees Limited	45,130,957	8.71
JP Morgan Nominees Australia Limited	44,422,946	8.57
Citicorp Nominees Pty Limited	30,291,379	5.84
Westpac Custodian Nominees Limited	23,463,356	4.53
Citicorp Nominees Pty Limited	20,515,477	3.96
ANZ Nominees Limited	17,742,888	3.42
Citicorp Nominees Pty Limited	17,660,170	3.41
Citicorp Nominees Pty Limited	14,119,879	2.72
Queensland Investment Corporation	12,148,652	2.34
Citicorp Nominees Pty Limited	11,223,363	2.17
Citicorp Nominees Pty Limited	10,549,806	2.04
Commonwealth Custodial Services Limited	10,511,994	2.03
RBC Global Services Australia Nominees Pty Limited	8,532,025	1.65
RBC Global Services Australia Nominees Pty Limited	8,487,400	1.64
AMP Life Limited	6,621,827	1.28
Citicorp Nominees Pty Limited	6,418,052	1.24
Zurich Investment Management Limited	5,635,010	1.09
RBC Global Services Australia Nominees Pty Limited	5,619,902	1.08
Cogent Nominees Pty Ltd	4,836,086	0.93
Total	**358,931,169**	**69.26**

the annual concise report of the melbourne citylink project consisting of the aggregated concise financial report of citylink melbourne limited and controlled entity (ABN 65 070 810 678) and the citylink trust (ABN 17 859 104 122)

for the year ended 30 june 2003

The CityLink Project (as defined in note 1 to the concise financial report) is a combined entity, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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 press releases, financial reports and other information are available on our website: www.transurban.com.au

This concise financial report has been derived from the full financial reports of CityLink Melbourne Limited and The CityLink Trust for the year ended 30 June 2003.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities as the full financial report.

directors' report

The directors of CityLink Melbourne Limited ("the Company") present their report on the Melbourne CityLink Project Concise Financial Report for the year ended 30 June 2003.

Project accounts

These Project Accounts have been prepared as an aggregation of the consolidated financial statements of the Company and the financial statements of The CityLink Trust ("the Trust") as if both entities operate together. They are therefore treated as a combined entity ("the combined entity"), notwithstanding that neither entity controls the other.

Directors

The following persons were directors of CityLink Melbourne Limited during the whole of the financial year and up to the date of this report:

Executive Directors
Kimberley Edwards
Geoffrey R Phillips

Non-executive Directors
Laurence G Cox
Susan M Oliver
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis

David J Ryan was appointed a non-executive director on 29 April 2003 and continues in office as at the date of this report.

On 30 June 2003, Transurban Infrastructure Management Limited was appointed the Responsible Entity of the CityLink Trust. Prior to this, the Responsible Entity duties were undertaken by Perpetual Trustee Company Limited.

The following persons held office as directors of Perpetual Trustee Company Limited, the responsible entity of the Trust from the beginning of the financial year until 30 June 2003:

Gai M McGrath
Rohan W Mead
Michael J Stefanovski
Phillip A Vernon

The following persons held office as directors of Transurban Infrastructure Management Limited from 30 June 2003 until the date of this report:

Executive Directors
Geoffrey R Phillips

Non-executive Directors
Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis
Peter C Byers
Susan M Oliver
David J Ryan

Principal activities

The principal activities of the combined entity during the year were the financing and operation of the Melbourne CityLink Project ("CityLink").

Distributions

Distributions made during the year consisted of:

	2003	2002
	$'000	$'000
Stapled Securities		
Final distribution for 2002 financial year of 3 cents per fully paid stapled security paid 2 October 2002.	**15,300**	-
Interim distribution for 2003 financial year of 10 cents (2002 – 2.25 cents) per fully paid stapled security paid 24 January 2003.	**51,000**	11,475
Equity Infrastructure Bonds ("EIBs")		
The final interest payment on EIBs issued by CityLink Melbourne which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002.	**-**	8,277
Total distributions paid	**66,300**	19,752

directors' report

Review of operations

(a) CityLink traffic

Transaction volume for the year ended 30 June 2003 was 205.3 million transactions (excluding motorcycle images), representing a 6.6 per cent increase on the prior year. Excluding the effect of Melbourne Cup Day, for which tolls were charged in 2001 but was free in 2002, transaction growth was 6.8 per cent. Growth was strong in the first half of the year at 7.7 per cent moderating over the second half of the year to 5.8 per cent. The light commercial vehicle class experienced the strongest transaction growth at 9.4 per cent with heavy commercial vehicle transactions growing at 7.7 per cent and car transactions at 6.2 per cent.

The 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 $231.1 million, an increase of 10.7 per cent over the previous year.

(b) CityLink customer service

Continuing the favourable trend of previous years, further reductions of $4.3 million were achieved in customer service costs. The reductions were achieved in an environment of increased transaction volume and continued growth in customer accounts and e-TAG's on issue. At year end, there were 609,471 accounts and 879,596 e-TAGs with customers, representing rises of 10 per cent and 11 per cent respectively, on the previous year.

Cost reductions have resulted from planned initiatives that included:

- Contract renegotiations on unit pricing for call handling and agency arrangements for account payments and CityLink pass sales.
- Shift in customer contact to lower cost channels, such as the internet.
- Improved systems integration, coupled with work process improvements to provide productivity gains.

The cost reductions were achieved while maintaining customer service standards. Additional costs were incurred as a result of replacing warning notices for first time offences with a $40 fine. This resulted in additional customer contacts and associated costs, although it was offset by an increase in administration fees on paid fines.

Customer service costs are now at a stable level with all of the major cost reduction initiatives implemented. Future operational improvements will be aimed at mitigating transaction volume and CPI impacts.

(c) Infrastructure group operations

A number of construction defects remain outstanding with the Transfield Obayashi Joint Venture ("TOJV"). CityLink is managing the rectification of these defects while negotiating with the TOJV a financial settlement of this issue. CityLink has been joined in legal action by VicRoads against the TOJV in relation to alleged construction-related damage to the Swan Street Bridge.

CityLink has established comprehensive systems for the management of groundwater following the hand over of responsibilities for this activity from the TOJV. Other responsibilities assumed by CityLink during the year included the management and support of traffic and tunnel management systems.

As a result of these additional responsibilities, Infrastructure Group costs were $3.2 million higher than in the prior corresponding period. It is expected that the level of Infrastructure Group costs in real terms in future years will be similar to the level incurred in FY03.

(d) Income tax

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Project Accounts have been prepared on this basis.

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 the Company's income tax return for the year ended 30 June 1998.

Transurban appealed against the ATO's decision to disallow its objection to the assessment. The appeal was heard in the Federal Court on 3 October 2002. Justice Merkel has deferred judgement.

If the ATO's position on deductibility of the Concession Notes is confirmed, the after tax internal rate of return for an investor subject to the corporate tax rate will be reduced to approximately 85 per cent of the return which would have been achieved if the Concession Fees were immediately deductible.

directors' report

Significant changes in the state of affairs

(a) Refinancing

Refinancing of Transurban's debt was completed on 28 June 2002 with the subsequent draw down finalised during July and August 2002. The refinancing involved the repayment of the group's existing borrowings (consisting of a $927 million syndicated bank facility, a $350 million CPI Bond facility and a $200 million Mezzanine Note facility) with a $510 million syndicated bank facility and $1,190 million of bonds issued in the debt capital markets.

The new facilities have maturities of 3, 5 and 7 years and require no principal repayments prior to maturity.

Based on the terms achieved for the bond issues, the average margin payable on the $1,700 million of refinanced debt is 53 basis points. The corresponding base rate is 5.93 per cent per annum, of which 95 per cent is presently fixed for three years, resulting in an overall interest cost on the refinanced debt of 6.46 per cent per annum.

Immediate benefits realised from the refinancing have been a reduction in aggregate debt service costs for the year of $75 million. These benefits relate to reduced interest costs and the elimination of amortisation payments and transfers to reserves.

(b) CityLink water treatment and recycling plant

The CityLink water treatment and recycling plant commenced operation in November 2002. The plant removes the contaminants from the groundwater which infiltrates the Domain and Burnley tunnels, allowing it to be used in place of drinking water for pressure maintenance in the aquifers surrounding the tunnels.

(c) Other changes

In the opinion of the Directors there were no other significant changes in the state of affairs of the combined entity that occurred during the financial year under review.

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 2003 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the combined entity in financial years subsequent to 30 June 2003.

Likely developments and expected results of operations

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2003 that has significantly affected, or may significantly affect:

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

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

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

Information on the expected results of operations has not been included in this report because the directors believe such information would be likely to result in unreasonable prejudice to the combined entity.

Environmental regulation

Transurban Group must ensure it complies with EPA regulations. To meet this obligation, Transurban Group has contracted several specialist organisations to monitor emissions of carbon monoxide, oxides of nitrogen and particulate matter from the Domain and Burnley Tunnel ventilation stacks. Ambient air quality in the vicinity of the ventilation stacks is also monitored. The monitoring organisations are certified by the National Association of Testing Authorities.

The monitoring contracts are administered by the CityLink operator, Translink Operations Pty Ltd ("TLO"). The detailed monitoring requirements are contained in the Waste Discharge Licence for the tunnels (EPA Licence EA41502) which has been issued to TLO. Current monitoring indicates emission levels from the stacks are well below the EPA licence limits, and that there has been an improvement in ambient air quality since the tunnels opened.

CityLink also operates a Groundwater Recharge system to maintain the water table around the CityLink tunnels. Groundwater quality is tested weekly to ensure that compliance with EPA requirements is achieved. Current monitoring indicates that the quality of groundwater around the tunnels is within the requirements set by the EPA.

directors' report

Information on directors

Laurence G Cox AO, B Com, FCPA, FSIA – Non-Executive Chairman
Mr Laurie Cox has had many years' experience in Australian and international financial markets. He was the Chairman of the Australian Stock Exchange Limited from 1989 to 1994. Prior to joining Transurban, Mr Cox was Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. He is a director of Macquarie Bank Limited and Smorgon Steel Group Ltd and Chairman of The Murdoch Childrens Research Institute and SMS Management and Technology Ltd. Age 64.

Kimberley Edwards BE, MAdmin (Bus), FIE (Aust), MAICD – Managing Director
Mr Kim Edwards has extensive experience managing major commercial and infrastructure projects in Australia, UK and the Middle East. Prior to joining Transurban, he was General Manager - Projects for Transfield, and was responsible for assembling the successful bid for the Melbourne City Link Project. He was Project Director for Jennings Group's $650 million Southgate development in Melbourne and has worked overseas on large port infrastructure projects. Age 52.

Peter C Byers B Com (Hons) – Non-Executive Director
Mr Peter Byers is a director of Airport Motorway Management Ltd, Hills Motorway Management Limited, Hills Motorway Ltd, Foundation Capital Ltd and a director of the Responsible Entity for Hills Motorway Trust. He is an alternate director for Hancock Victorian Plantations Holdings Ltd. He was formerly business manager and deputy principal of the University of Tasmania, former director of Adelaide Airport Ltd, the Blair Athol Group and a founding director and chairman of the Investment Committee of the Superannuation Scheme for Australian Universities. Age 62.

Geoffrey O Cosgriff BAppSc, Company Director Diploma, FIE(Aust), FAICD – Non-Executive Director
Mr Geoff Cosgriff is an Executive Director for Logica CMG Pty Ltd (Australian Subsidiary of UK listed company Logica CMG) following the sale of the MITS business to Logica Pty Ltd. Mr Cosgriff was the founding Managing Director of MITS Limited when the company commenced operation in 1990. Over the intervening period, MITS grew to 600 staff and nearly $100 million in sales of information technology solutions. He is also a non-executive director of UXC Limited, Skilltech Consulting Services and a Council Member for Leadership Victoria. Previously Geoff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry. Age 50.

Jeremy G A Davis BEc, MBA, MA, FAICD – Non-Executive Director
Professor Jeremy Davis holds the AMP Chair of Management in the Australian Graduate School of Management at the University of NSW and is the Chairman of Gradipore Limited. His academic interests are in the fields of business policy and corporate performance. He is a Fellow of the Australian Institute of Company Directors. Professor Davis is a former chairman of Capral Aluminium Ltd, former vice-president and director of the Boston Consulting Group, and a former director of the Australian Stock Exchange, AIDC Ltd and Nucleus Ltd. Age 60.

Susan M Oliver BP&C, MAICD – Non-Executive Director
Ms Susan Oliver is a director of Medical Benefits Fund, Programmed Maintenance Services Ltd, Methodist Ladies College Ltd and The Smith Family Ltd. She retired as chair of Screen Sound Australia – The National Screen and Sound Archive on 30 June 2003. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd. Age 52.

Geoffrey R Phillips BE (Chem), MBA, MAICD – Executive Director
Mr Geoffrey Phillips joined Transurban in 1996 and was appointed Finance Director on 28 August 1998. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as director in both the Corporate Finance and Fixed Interest Divisions. He is currently a director of Yarra Valley Water Limited. Age 59.

David J Ryan B.Bus, FCPA, FAICD, AO – Non-Executive Director
Mr David Ryan was appointed director on 29 April 2003. He is Chairman of Residual Assco Limited, DJL Limited, Tooth & Co Limited and Industrial Equity Limited. He is also a director of ABC Learning Centres Limited and a member of the Advisory Board of the Caliburn Partnership. Mr Ryan's experience covers commercial banking, investment banking and operational business management in the transportation services sector. From 1992 to 2002, Mr Ryan held various senior positions in the Adelaide Steamship Group and from 1997 to 2002 he was the foundation Managing Director of Adsteam Marine Limited. In this latter role, he built Adsteam Marine into the largest towage operation in Australia and the largest independent harbour towage operator in the world. Age 51.

directors' report

Meetings of directors

The numbers of meetings of the board of directors of CityLink Melbourne and each board committee held during the year ended 30 June 2003, and the numbers of meetings attended by each director were:

Name	Directors' Meeting		Audit Committee		Nomination & Remuneration Committee		Risk Management & Compliance	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L G Cox	10	10	3	3	4	4	-	-
K Edwards[1]	10	10	-	-	-	-	-	-
P C Byers	10	10	3	3	-	-	-	-
G O Cosgriff	10	9	-	-	-	-	3	3
J G A Davis	10	9	3	3	4	4	-	-
S M Oliver	10	9	-	-	-	-	3	3
G R Phillips[1]	10	10	-	-	-	-	-	-
D J Ryan[2]	1	1	-	-	-	-	-	-

[1]K Edwards and G R Phillips are not members of the Audit and Nomination & Remuneration Committees, but have been in attendance at all of these meetings. G R Phillips is not a member of the Risk Management & Compliance Committee but has been in attendance at all meetings.

[2]D J Ryan was appointed as a non-executive director on 29 April 2003.

Directors' interests

The following are particulars of directors' interests in Stapled Securities and Convertible Adjusting Rate Securities ("CARS") of the Transurban Group as at the date of this Directors' Report in which directors of the Company have disclosed a relevant interest.

Name	Number of Stapled Securities	Options Over Stapled Securities	Number of CARS
L G Cox	775,000	-	4,000
K Edwards	61,000	1,500,000	348
P C Byers	50,000	-	-
J G A Davis	40,000	-	150
S M Oliver	59,375	-	-
G R Phillips	-	500,000	-
G O Cosgriff	17,360	-	121
D J Ryan	20,000	-	300

Directors' and executives' emoluments

Directors receive their remuneration from Transurban Infrastructure Developments Limited. This remuneration is disclosed in that entity's financial report and the financial report of the Transurban Group.

directors' report

Details of the nature and amount of each element of the emolument of the sole executive officer of the combined entity is set out in the following table.

Other executives of the combined entity

Name and Position	Base Salary $	Bonus $	Superannuation $	Options[1] $	Other Benefits $	Total $
B Bourke – CEO, CityLink Melbourne Limited	283,071	160,000	24,239	43,545	7,300	518,155

[1] No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Directors and Executives in prior financial years. In accordance with Transurban Group policy, the total value of the options issued through the Transurban Group Executive Option Plan have been previously disclosed as remuneration in the 30 June 2001 and 30 June 2002 Directors' Report.

Pursuant to ASIC guidelines released in 2003 and ED 2 "Share Based Payments", the amounts disclosed as remuneration in the current year is that part of the total value of the options which is attributable to the current year portion of the vesting period.

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, the risk free rate of interest over the term of the options and exercise conditions in relation to total shareholder return.

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 the combined entity shall be indemnified against liability incurred by the person in his capacity as an officer of the Company and the combined entity 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 combined entity 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 policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

Rounding of amounts to nearest thousand dollars

The combined 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 Directors' Report. Amounts in the Directors' Report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

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

Laurence Cox.

Laurence G Cox AO
Chairman

K. Edwards

Kimberley Edwards
Managing Director

Melbourne 27 August 2003

statement of financial performance

for the year ended 30 June 2003

	Notes	2003 $'000	2002 $'000
Revenue from ordinary activities	3	**389,234**	520,499
Expenses from ordinary activities:			
Operational costs		**(62,027)**	(54,766)
Administration		**(8,742)**	(22,569)
Concession Fees		**(95,600)**	(95,600)
Net Valuation adjustment on Concession Notes		**62,896**	93,290
Depreciation and amortisation		**(141,914)**	(112,045)
Borrowing costs		**(208,892)**	(466,400)
Loss from ordinary activities before income tax		**(65,045)**	(137,591)
Income tax on operating loss		**-**	-
Loss from ordinary activities after income tax		**(65,045)**	(137,591)
Net increase in asset revaluation reserve		**-**	2,107,485
Total changes in equity other than those resulting from transactions with owners as owners		**(65,045)**	1,969,894
		Cents	Cents
Basic earnings per Stapled Security	5	**(12.8)**	(27.0)
Diluted Earnings per Stapled Security	5	**(12.8)**	(27.0)

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

statement of financial position

as at June 30 2003

	2003	2002
	$'000	$'000
Current Assets		
Cash assets	**133,836**	129,396
Receivables	**19,933**	28,419
Other	**11,699**	11,692
Total Current Assets	**165,468**	169,507
Non-Current Assets		
Property, plant and equipment	**3,713,203**	3,842,398
Other	**4,812**	660
Total Non-Current Assets	**3,718,015**	3,843,058
Total Assets	**3,883,483**	4,012,565
Current Liabilities		
Payables	**18,676**	43,534
Non-interest bearing liabilities	**44,442**	130,214
Provisions	**1,451**	1,059
Total Current Liabilities	**64,569**	174,807
Non-Current Liabilities		
Interest bearing liabilities	**1,701,897**	1,620,169
Non-Interest bearing liabilities	**170,696**	139,923
Total Non-Current Liabilities	**1,872,593**	1,760,092
Total Liabilities	**1,937,162**	1,934,899
Net Assets	**1,946,321**	2,077,666
Equity		
Contributed equity	**261,071**	327,371
Accumulated losses	**(422,235)**	(357,190)
Asset revaluation reserve	**2,107,485**	2,107,485
Total Equity	**1,946,321**	2,077,666

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

statement of cash flows
for the year ended 30 June 2003

	2003 $'000	2002 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**257,089**	209,815
Payments to suppliers (inclusive of GST)	**(93,486)**	(79,320)
Interest received	**143,544**	144,667
Other revenue	**10,270**	27,132
Deposits refunded	**-**	2,667
Borrowing costs	**(204,176)**	(242,507)
Net cash inflow from operating activities	**113,241**	62,454
Cash flows from investing activities		
Payments for property, plant and equipment	**(11,887)**	(11,675)
Loans to related parties	**(44,699)**	(16,270)
Loans from related parties	**23,289**	-
Repayment of loans by related parties	**55,232**	5,874
Repayment of loans to related parties	**(34,241)**	-
Net cash outflow from investing activities	**(12,306)**	(22,071)
Cash flows from financing activities		
Proceeds from borrowings	**-**	25,000
Payment of interest rate swap termination	**(90,573)**	-
Payment of premium on mezzanine debt termination	**(20,750)**	-
Repayment of borrowings	**(1,618,872)**	(20,237)
Loans from related parties	**2,892,610**	-
Repayment of loans to related parties	**(1,192,610)**	-
Repayment of lease liability	**-**	(434)
Distributions paid	**(66,300)**	(19,952)
Net cash outflow from financing activities	**(96,495)**	(15,623)
Net increase in cash at bank and cash collateral	**4,440**	24,760
Cash at bank and cash collateral at the beginning of the financial year	**1,378,396**	1,353,636
Cash at bank and cash collateral at the end of the financial year	**1,382,836**	1,378,396
Less cash collateral	**1,249,000**	1,249,000
Cash at bank at the end of the financial year	**133,836**	129,396

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

discussion and analysis

Statement of financial performance

The result for the year was a loss before tax of $65.0 million and represents the first full year of operations for the Melbourne CityLink Project since the Group's restructure in December 2001 and subsequent debt refinance finalised in June 2002.

The result for the year and that of the previous corresponding period is not readily comparable as prior year figures include the effects of:

- Additional revenue attributable to the settlement reached with the Transfield Obayashi Joint Venture of $153.6 million.
- Recognition of $235.5 million of non-recurrent costs associated with the debt refinancing.
- Depreciation expense associated with the revaluation of the CityLink asset recognised during the year of $35.0 million representing the six-month period from the date of revaluation (18 December 2001) to 30 June 2002. A full year's depreciation on the revalued component is $65.9 million.
- Changes in the assumptions used to value the Concession Note liability.

Taking into account the net effect of these adjustments, the comparative result for 2002 was a loss of $85.6 million.

Significant items that contributed to the improved result for the year include:

- The combined effect of increased revenue resulting from a 6.8 per cent increase in traffic volume for the period and revenue from toll escalation provided for in the Concession Deed.
- An overall decrease in operating expenditure for the year of $6.7 million. This decrease represents a combination of successful cost reduction initiatives introduced during the year and the impact of costs associated with the restructure of the Transurban Group on the results of the prior year.

  As part of the restructure a new entity called Transurban Infrastructure Developments Limited ("TIDL") was incorporated to manage the development and operational activities of the group. TIDL, in its capacity as the management entity for the group, assumed all management costs previously borne by the project. In exchange for assuming these costs TIDL charges management fees to the project.
- The remaining contribution to the favorable result has arisen from the net benefit in finance costs as a result of the debt refinance completed in June 2002.

Statement of financial position

The Projects net assets decreased during the period by 6.3 per cent to $1,946.3 million representing an overall decrease in total assets of $129.1 million and an increase in total liabilities of $2.3 million.

The decrease in total assets for the period is principally comprised of:

- The diminution in the value of property, plant and equipment relating to amortisation of the CityLink asset and the associated revaluation component recognised during the year ended 30 June 2002. Total depreciation for the year was $141.9 million. Asset acquisitions made during the period totalled $12.7 million comprised mainly of e-Tags ($6.2 million) and major projects undertaken during the year such as Automatic Incident Detection System ($2.1 million) and Ground Water Reuse Project ($1.9 Million).
- Repayment of a short-term loan by Transurban Infrastructure Developments Limited.

These decreases were in part offset by increased non-current prepayments of $4.2 million relating to costs associated with the debt refinancing and increases to cash generated during the period of $4.4 million.

Total liabilities increased marginally during the period. This increase belies the effect of the debt refinancing finalised during the year, which significantly changed the Group's debt profile. Bond issues, totalling $1,190.0 million, were made in the debt capital markets during the year to replace the bridge facilities drawn as part of the refinancing of the group's debt of $1,700.0 million.

The new facilities represent the quantum of the non-current portion of interest bearing liabilities at 30 June 2003. In the comparative period interest bearing liabilities included a $927.0 million syndicated bank facility, a $467.0 million CPI bond facility and a $200.0 million Mezzanine Note facility. The remainder represented a $25.0 million subordinated debt facility drawn down in December 2001.

The current portion of non-interest bearing liabilities decreased during the period, again a result of the debt refinance, with swap obligations of $90.6 million and mezzanine debt of $20.8 million being replaced by the new facilities. The non-current portion of non-interest bearing liabilities increased during the period to reflect the valuation adjustment on concession notes for the year of $30.8 million.

Payables recognised at 30 June 2002 included $19.9 million of trade creditors connected with the debt refinance.

discussion and analysis

Statement of cash flows

Operating activities generated $113.2 million for the period, compared to $62.5 million in the prior corresponding period. However, these results are not readily comparable for the following reasons:

- The prior corresponding period includes: $11.5 million of mezzanine debt interest due on 15 June 2001 but paid on 31 July 2001; the payment of $22.5 million received as part of the settlement with the TOJV; and $6.1 million in payments in connection with the refinancing.
- The result for the current period includes payments of $19.0 million made in connection with the refinancing, a further $4.0 million received under the TOJV settlement and $16.8 million due to a deferral of interest payments as a result of changes to the interest payment schedule as a result of the refinancing.

Capital expenditure for the period remains largely unchanged. The main components of capital expenditure for the year include new projects finalised during the year such as the Automatic Incident Detection Project ($2.1 million) and The Ground Water reuse project ($1.9 million) and road improvements ($0.6 million).

Cash flows from investing activities reflects the debt refinance completed during the year which involved the repayment of the groups existing borrowings (consisting of a $927.0 million syndicated bank facility, a $350.0 million CPI Bond facility and a $200.0 million Mezzanine Note facility) with a $510.0 million syndicated bank facility and $1,190.0 million of bonds issued in the debt capital markets. Excluding the effect of the debt refinance, the remaining movement for the year is primarily due to Trust distributions.

notes to the financial statements

for the year ended 30 June 2003

1. Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with Accounting Standard AASB 1039 Concise Financial Reports and applicable Urgent Issues Group Consensus Views and the Corporations Act 2001.

The Project Accounts consist of the aggregated concise statements of the combined entity comprising CityLink Melbourne Limited and Controlled Entity ("the Company") and The CityLink Trust ("the Trust"), not withstanding that neither entity controls the other. The aggregated accounts incorporate an elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the Project Accounts except as otherwise indicated.

The accounting policies adopted are consisted with those of the previous financial year.

2. Segment information

The Combined Entity's sole business segment for the year ending 30 June 2003 was the operation of the Melbourne CityLink toll road. All revenues and expenses are directly attributable to this sole purpose and geographical location. The Combined Entity's management structure and internal financial reporting are based on this single business segment.

	2003	2002
	$'000	$'000
3. Revenue		
Revenue from operating activities		
Toll revenue	**223,162**	201,335
Fee revenue	**7,923**	7,426
Advertising revenue	**3,378**	3,231
	234,463	211,992
Revenue from outside the operating activities		
Interest	**151,604**	153,352
Other	**3,167**	155,155
	154,771	308,507
Total revenue	**389,234**	520,499

notes to the financial statements

for the year ended 30 June 2003

	2003 $'000	2002 $'000
4. Distributions		
Stapled Securities		
Final distribution for 2002 financial year of 3.0 cents per fully paid Stapled Security paid 2 October 2002.	**15,300**	-
Interim distribution for 2003 financial year of 10.0 cents (2002 – 2.25 cents) per fully paid Stapled Security paid 24 January 2003.	**51,000**	11,475
Equity Infrastructure Bonds ("EIBs")		
The final interest payment on EIBs issued by CityLink Melbourne which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002.	**-**	8,277
Total distributions paid	**66,300**	19,752

All distributions were paid in cash.

	2003	2002
5. Earnings per share		
Basic Earnings per Stapled Security	**(12.8 cents)**	(27.0 cents)
Diluted Earnings per Stapled Security	**(12.8 cents)**	(27.0 cents)
Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	**510,000,001**	510,000,000
Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	**510,000,001**	510,000,000

6. Contingent liabilities

In May 2003 VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately $5 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 June, VicRoads and the Minister for Transport ("the plaintiffs") filed a writ in the Supreme Court of Victoria, claiming certain damage was sustained by the Swan Street Bridge. The plaintiffs 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 entities forming the Transfield-Obayashi Joint Venture are also defendants. The writ has not been served and therefore no litigation has been instituted. CityLink Melbourne Limited is facilitating discussions between the parties.

directors' declaration

for the year ended 30 June 2003

The directors declare that in their opinion, the concise financial report of the combined entity for the year ended 30 June 2003 as set out on pages 90 to 102 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2003 of CityLink Melbourne Limited and The CityLink Trust.

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

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne 27 August 2003

independent audit report

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of CityLink Melbourne Limited and The CityLink Trust

Audit opinion

In our opinion, the concise financial report of the Melbourne CityLink Project representing the aggregation of the combined entities of CityLink Melbourne Limited (the Company) and the CityLink Trust (the Trust) for the year ended 30 June 2003 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 aggregated statement of financial position, aggregated statement of financial performance, aggregated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for Melbourne CityLink Project (the Company and the Trust) for the year ended 30 June 2003.

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

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 Company and 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.

We also performed an independent audit of the full financial report of the Company and the Trust for the financial year ended 30 June 2003. Our audit reports on the full financial reports of each entity were signed on 27 August 2003, and were 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 reports, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial report.

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial reports.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
27 August 2003

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

the financial report of transurban CARS trust and controlled entity ABN 81 656 633 158

for the period 20 December 2002 to 30 june 2003

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 press releases, financial reports and other information are available on our website: www.transurban.com.au

Transurban CARS Trust was formed on 20 December 2002 and therefore has no comparative information.

directors' report

Directors report

The directors of Transurban Infrastructure Management Limited, the Responsible Entity of Transurban CARS Trust, present their report on the consolidated entity consisting of Transurban Cars Trust ('the Trust"), and the entity it controlled at the end of, and during, the period ended 30 June 2003.

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

The following persons were directors of Transurban Infrastructure Management Limited during the whole of the financial period and up to the date of this report:

Executive directors
Geoffrey R Phillips

Non-executive directors
Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis

David J Ryan, Susan M Oliver and Peter C Byers were appointed non-executive directors on 29 April 2003 and continue in office at the date of this report.

Principal activities and operations

The principal activity of the Trust is to invest in the Westlink Motorway Partnership formed to undertake the Westlink M7 Motorway Project in Sydney NSW.

Results

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

	2003 $'000
Revenue from ordinary activities	9,762
Net loss from ordinary activities	(12,644)

Review of operations

(a) Construction Phase Loan Notes ("CPLN")
During the period, Transurban CARS Trust's ("TCT") wholly owned entity, Transurban WSO Trust ("TWT") funded Transurban's contribution to the Westlink Motorway Partnership by acquiring CPLN's. The CPLN's are subordinated loan notes which pay interest to TWT at 6.27 per cent per annum. All income received from CPLN's is distributed to TCT.

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

(b) Convertible Adjusting Rate Securities ("CARS")
During the period TCT raised $430 million through the issue of new securities called Convertible Adjusting Rate Securities ("CARS") to fund its contribution to the Westlink M7 Project.

The securities were issued on 14 April 2003 at an issue price of $100 per security and offer holders a cumulative preferred distribution fixed at the rate of 7.0 per cent per annum, paid semi-annually for the period to the first reset date 14 April 2007. The distributions have a substantial tax deferred component (expected to be 90 per cent) and will generally convert into Transurban Group Stapled Securities at a 2.5 per cent discount.

The CARS issue was fully underwritten by the Joint Lead Managers and Underwriters Macquarie Equity Capital Markets Limited and Salomon Smith Barney Australia Securities Pty Limited.

Significant changes in the state of affairs

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 period under review other than those described in the review of operations.

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 2003 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 2003.

directors' report

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 directors believe 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 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

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

The number of securities held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 17 to the financial statements.

	Consolidated	Parent
	2003	**2002**
	Units	**Units**
Interests in the Trust issued during the financial period		
Ordinary units on issue at the beginning of the period	**-**	**-**
Ordinary units issued during the period	**12**	**12**
Ordinary units on issue at the end of the period	**12**	**12**
CARS on issue at the beginning of the period	**-**	**-**
CARS issued during the period	**4,300,000**	**4,300,000**
CARS on issue at the end of the period	**4,300,000**	**4,300,000**

Value of assets

	Consolidated	Parent
	2003	**2003**
	$'000	**$'000**
Value of Trust assets at 30 June	**441,316**	**441,316**

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

directors' report

Directors' interests

The following are particulars of directors' interests in Stapled Securities and Convertible Adjusting Rate Securities ("CARS") of the Transurban Group as at the date of this Directors' Report in which directors of the Trust have disclosed a relevant interest.

Name	Number of CARS	Number of Transurban Stapled Securities	Options issued over Transurban Stapled Securities
L G Cox	4,000	775,000	-
P C Byers	-	50,000	-
J G A Davis	150	40,000	-
S M Oliver	-	59,375	-
G R Phillips	-	-	500,000
G O Cosgriff	121	17,360	-
D J Ryan	300	20,000	-

Rounding off

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.

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 AO
Chairman

Geoffrey O Cosgriff
Director

27 August 2003

statement of financial performance

for the period 20 December 2002 to 30 June 2003

	Notes	Consolidated 2003 $'000	Parent 2003 $'000
Revenue from ordinary activities	4	**9,762**	**9,762**
Expenses from ordinary activities:			
Administration		**(667)**	**(667)**
Borrowing costs	5	**(21,739)**	**21,739**
Net loss from ordinary activities		**(12,644)**	**(12,644)**

		Dollars
Basic earnings per ordinary unit	23	**(1,053,666)**
Diluted earnings per ordinary unit	23	**(1,053,666)**

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

statement of financial position

as at 30 June 2003

	Notes	Consolidated 2003 $'000	Parent 2003 $'000
Current Assets			
Cash assets	7	**35,239**	**35,239**
Receivables	8	**943**	**943**
Total Current Assets		**36,182**	**36,182**
Non-Current Assets			
Financial assets	10	**392,000**	**392,000**
Other	11	**13,134**	**13,134**
Total Non-Current Assets		**405,134**	**405,134**
Total Assets		**441,316**	**441,316**
Current Liabilities			
Payables	12	**6,513**	**6,513**
Total Current Liabilities		**6,513**	**6,513**
Non-Current Liabilities			
Interest bearing liabilities	13	**447,447**	**447,447**
Total Non-Current Liabilities		**447,447**	**447,447**
Total Liabilities		**453,960**	**453,960**
Net Assets		**(12,644)**	**(12,644)**
Unitholders' Funds			
Accumulated losses	14	**(12,644)**	**(12,644)**
Total Unitholders' Funds		**(12,644)**	**(12,644)**

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

statement of cash flows

for the period 20 December 2002 to 30 June 2003

	Notes	Consolidated 2003 $'000	Parent 2003 $'000
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		**(542)**	**(542)**
Interest received		**9,658**	**500**
Distributions received		**-**	**9,158**
Borrowing costs		**(20,268)**	**(20,268)**
Net cash outflow from operating activities	21	**(11,152)**	**(11,152)**
Cash flows from investing activities			
Payment for purchase of controlled entity, net of cash acquired		**-**	**(392,000)**
Loans to related parties		**(392,000)**	**-**
Net cash outflow from investing activities		**(392,000)**	**(392,000)**
Cash flows from financing activities			
Proceeds from issue CARS		**430,000**	**430,000**
Loans from related parties		**157,968**	**157,968**
Repayment of loans to related parties		**(149,577)**	**(149,577)**
Net cash inflow from financing activities		**438,391**	**438,391**
Net increase in cash held		**35,239**	**35,239**
Cash at the beginning of the financial period		**-**	**-**
Cash at the end of the financial period	7	**35,239**	**35,239**

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

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

1. Summary of significant accounting policies

(a) Basis of accounting

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, the Corporations Act 2001 and the Constitution dated 20 December 2002.

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 2003 and the results of all controlled entities for the period then ended. Transurban CARS Trust and its controlled entity 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 period, its results are included in the consolidated statement of financial performance from the date on which control commences.

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

(c) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. The expected net cash flows included in determining recoverable amounts of non-current assets are discounted to their present value using a market-referenced, risk-adjusted discount rate.

Where net cash inflows are derived from a group of assets working together, the recoverable amount is applied to the relevant group of assets. Where the carrying amount of a non-current asset is greater than its recoverable amount the asset is revalued to its recoverable amount.

(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) 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, and include:

- Interest on short term, long term borrowings and amotisation of deferred borrowing costs.

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

(f) 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 period and which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition.

(g) Distributions

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 period but not distributed at balance date.

(h) Joint venture partnership

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 19.

(i) 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 period.

(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.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

j) 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.

2. Trust formation and termination

The Trust was established on 20 December 2002 through the issue of $12 of ordinary units to Transurban Holding Trust ("THT").

3. Segment information

The Trust's sole business segment for the period ending 30 June 2003 was investing in the Westlink Motorway Partnership. All revenues and expenses are directly attributable to this sole purpose. Internal financial reporting is based on this single business segment.

	Consolidated	Parent
	2003	**2003**
	$'000	**$'000**
4. Revenue		
Revenue from operating activities		
Interest	**9,762**	**604**
Trust Distributions	**-**	**9,158**
Revenue from ordinary activities	**9,762**	**9,762**
5. Operating loss from ordinary activities		
Expenses		
Borrowing costs		
Interest and finance charges paid/payable	**21,739**	**21,739**
	21,739	**21,739**

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

	Consolidated	Parent
	2003	**2003**
	$'000	**$'000**
6. Income tax		
Tax Losses at beginning of period	**-**	-
Tax Losses/(Income) for the period	**13,204**	13,204
Tax Losses at end of period	**13,204**	13,204

Potential future income tax benefits at 30 June 2003 for tax losses not brought to account for the consolidated entity are $13.2 million. These losses cannot be used directly by the consolidated entity for the reason outlined in note 1d, but may be available for the benefit of unit holders in the future.

Benefits of tax losses will only be realised for the benefit of security holders in the consolidated entity if:

(i) the consolitated 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 entity to realise the benefit from the deductions for the losses.

	Consolidated	Parent
	2003	**2003**
	$'000	**$'000**
7. Cash assets – current assets		
Cash at bank	**35,239**	**35,239**
	35,239	**35,239**

Included in the above amount is $26.1 million which is held in a reserve account to fund future CARS distributions and was not available for general use at 30 June 2003.

8. Receivables – current assets		
Sundry debtors	**943**	**943**
	943	**943**

9. Investments accounted for using the Equity Method – non-current assets		
Interest in Westlink Motorway Partnership	**-**	**-**
	-	**-**

The investment in the partnership is carried at cost of $80. Refer note 19 for details.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

	Consolidated 2003 $'000	Parent 2003 $'000
10. Financial assets – non-current assets		
Non traded investments		
Units in controlled entity	**-**	**392,000**
Construction Phase Loan Notes	**392,000**	**-**
	392,000	**392,000**

The investment in controlled entity represents 100% of the ordinary units of The Transurban WSO Trust (registered in Australia).

	Consolidated 2003 $'000	Parent 2003 $'000
11. Other – non-current assets		
Deferred borrowing costs	**13,134**	**13,134**
	13,134	**13,134**
12. Payables – current liabilities		
Trade creditors	**23**	**23**
CARS coupon payment	**6,350**	**6,350**
Other creditors	**140**	**140**
	6,513	**6,513**

CARS coupon payment represents the first interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7 per cent for the period 14 April to 30 June 2003 totalling $6.4 million has been charged to the statement of financial performance as a borrowing cost because the CARS are classified as a liability. This coupon was paid to CARS holders on 31 July 2003.

	Consolidated 2003 $'000	Parent 2003 $'000
13. Interest bearing liabilities – non-current liabilities		
Loan from related parties	**17,447**	**17,447**
Convertible Adjusting Rate Securities ("CARS")	**430,000**	**430,000**
	447,447	**447,447**

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

Financing arrangements and credit facilities

Convertible Adjusting Rate Securities ("CARS")

$430 million raised via the issue of 4.3 million securities. Semi annual interest is paid at a fixed rate of 7 per cent per annum until the first reset 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 interest payments are guaranteed by Transurban Holding Trust until the first reset date, at which time the guarantee may or may not be extended.

14. Unitholders' funds

	Consolidated		Parent	
	2003	**2003**	**2003**	**2003**
	Units	**$'000**	**Units**	**$'000**
a) Paid up shares				
Fully paid	**12**	**-**	**12**	**-**

The Trust has issued ordinary units to the value of $12.

	Consolidated	Parent
	2003	**2003**
	$'000	**$'000**
b) Distribution		
Undistributed income bought forward	**-**	**-**
Net loss from ordinary activities	**(12,644)**	**(12,644)**
Available for distribution	**(12,644)**	**(12,644)**
Distributions to unitholders	**-**	**-**
Undistributed loss carried forward	**(12,644)**	**(12,644)**

	Consolidated	Parent
	2003	**2003**
	$	**$**
15. Remuneration of auditors		
During the period the auditor of the parent entity and its related parties earned the following remuneration:		
Audit or review of the financial reports	**8,000**	**8,000**
Total Remuneration	**8,000**	**8,000**

16. Contingent liabilities

As at the reporting date there are no contingent liabilities.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

17. Related party information

Directors

The name of persons who were directors of the Responsible Entity during the financial period are as follows:

Geoffrey R Phillips, Laurence G Cox, Geoffrey O Cosgriff, Jeremy G A Davis were directors for the entire period. David J Ryan, Susan M Oliver and Peter C Byers were appointed directors on 29 April 2003.

Transactions of directors and director-related entities concerning securities

Aggregate number of securities of Transurban CARS Trust and the Transurban Group acquired or disposed of by directors of the Responsible Entity and consolidated entity or their director-related entities:

	2003 Number
Acquisitions	
CARS securities from the initial public offering	**5,671**
Transurban Group Stapled Securities[1]	**40,100**
Disposals	
CARS securities from the initial public offering	**1,100**
Securities held	
CARS	**4,571**
Transurban Group Stapled Securities	**961,735**
Transurban Group Options	**500,000**

[1]Includes 20,000 Stapled Securities held by Mr David J Ryan, which were acquired prior to his appointment as a director.

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.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

Other transactions with directors and director-related entities

Mr Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Ltd), which acted as underwriter of the initial public offering of the Transurban CARS Trust securities and provided a short term loan to assist with the investment in Transurban WSO 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
	2003	**2003**
	$'000	**$'000**
Underwriting services	**7,208**	**7,208**
Guarantee fee	**8,000**	**8,000**
Interest	**6,118**	**6,118**
Loans	**267,448**	**267,448**

Aggregate amounts payable to director-related entities at balance date:

Interest bearing non-current liability	**17,448**	**17,448**

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:

CPLN's interest revenue	**9,158**	-

Aggregate amounts receivable from other related parties balance date:

Non-current receivable	**392,000**	-

Wholly-owned group

The wholly-owned group consists of Transurban CARS Trust and its wholly-owned controlled entity, Transurban WSO Trust. Details of this controlled entity are set out in note 18.

Transactions between Transurban CARS Trust and the other entity in the wholly-owned group during the period ended 30 June 2003, consisted of:

(a) Loans from Transurban WSO Trust

(b) Distribution paid to Transurban CARS Trust

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

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
	2003
	$'000
Distribution revenue	**9,158**

Controlling entities

The ultimate parent entity is Transurban Holding Trust.

18. Investments in controlled entity

Name of Entity	**Country of Incorporation**	**Class of Security**	**Equity Holding 2003 %**
Transurban WSO Trust	Australia	Ordinary	100

Acquisition of controlled entity

On 20 December 2002 the parent entity acquired 100% of the issued capital of Transurban WSO Trust for $12. The operating result of this newly controlled entity has been included in the consolidated statement of financial performance since the date of acquisition.

19. Interest in joint venture

The consolidated entity has a 40 per cent 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 2007. The partnership will have no impact on the consolidated entity's equity accounted profits until the road operations commence following completion.

	Ownership interest		Combined entity carrying amount	
Name of partnership	**2003**	2002	**2003**	2002
	%	%	**$'000**	$'000
Westlink Motorway Partnership	**40**	-	**5,888**	-

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

	Consolidated 2003 $'000	Parent 2003 $'000
Share of partnership assets and liabilities		
Current assets	**1,741**	-
Non-Current assets	**235,059**	-
Total assets	**236,800**	-
Current Liabilities	**-**	-
Non-Current Liabilities	**236,800**	-
Total Liabilities	**236,800**	-
Net assets	**-**	-
Share of profits	**-**	-
Share of partnership commitments		
Capital commitments	**564,266**	-

20. Financial instruments disclosure

Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

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.

2003			Fixed Interest Rate Maturity				
	Note	Floating Interest Rate $'000	1 year or less $'000	between 1 to 5 years $'000	more than 5 years $'000	Non interest bearing $'000	TOTAL $'000
Financial assets							
Cash	7	35,239	-	-	-	-	35,239
Sundry debtors	8	105	-	-	-	838	943
Construction phase loan notes	10	-	-	392,000	-	-	392,000
Total financial assets		35,344	-	392,000	-	838	428,182
Weighted average interest rate		4.45%	-	6.27%	-	-	-
Financial liabilities							
Creditors	12	-	-	-	-	6,513	6,513
CARS	13	-	-	430,000	-	-	430,000
Loan from related parties	13	17,447	-	-	-	-	17,447
Total financial liabilities		17,447	-	430,000	-	6,513	453,960
Weighted average interest rate		7.05%	-	7.00%	-	-	-
Net financial liabilities		17,897	-	(38,000)	-	(5,675)	(25,778)

	Notes	2003 $'000
Reconciliation of net financial assets (liabilities) to net liabilities		
Net financial liabilities as above		**(25,778)**
Non-financial assets		
Deferred borrowing costs	11	**13,134**
Net liabilities per balance sheet		**(12,644)**

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.

notes to the financial statements

for the period 20 December 2002 to 30 June 2003

	Consolidated 2003 $'000	Parent 2003 $'000
21. Reconciliation of net loss from ordinary activities to net cash outflow from operating activities		
Net loss from ordinary activities	**(12,644)**	**(12,644)**
Deferred borrowing costs	**(13,134)**	**(13,134)**
Change in operating assets and liabilities		
Increase in creditors	**6,513**	**6,513**
Increase in debtors	**(943)**	**(943)**
Increase in loans from related parties	**9,056**	**9,056**
Net cash outflow from operating activities	**(11,152)**	**(11,152)**

22. Economic dependency

Transurban CARS Trust is reliant on the receipt of distributions from Transurban WSO Trust for its ongoing viability.

23. Earnings per unit

	Consolidated
Net tangible asset backing per ordinary unit	**($1,053,666)**
Basic earnings per unit	**($1,053,666)**
Diluted earnings per unit	**($1,053,666)**
Weighted average number of units used as the denominator in calculating basic earnings per unit	**12**
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**12**

Information concerning the classification of units

(a) Units

Units are fully paid and have been recognised in the determination of basic earnings per unit.

directors' declaration

The directors of Transurban Infrastructure Management Limited, the Responsible Entity for Transurban CARS Trust, declare that the financial statements and notes set out on pages 109 to 122:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) give a true and fair view of the Trust and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial period ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

Laurence G Cox AO
Chairman

Geoffrey O Cosgriff
Director

Melbourne 27 August 2003

independent audit report to the members

PricewaterhouseCoopers
333 Collins Street
MELBOURNE VIC 3000
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
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Telephone 61 3 8603 1000
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Independent audit report to the members of The Transurban CARS Trust

Audit opinion

In our opinion, the financial report of the Transurban CARS Trust:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Transurban CARS Trust and the Transurban CARS Trust Group (defined below) as at 30 June 2003, 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 the Transurban CARS Trust (the Trust) and the CARS Trust Group (the consolidated entity), for the year ended 30 June 2003. The consolidated entity comprises both the Trust and the entity 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.

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.

When this audit report is included in an Annual Report, 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 the Responsible Entity'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.

Independence

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

PricewaterhouseCoopers
PricewaterhouseCoopers

Tim Goldsmith
Tim Goldsmith
Partner

Melbourne
27 August 2003

CARS holder information

The security holder information set out below was applicable as at 29 August 2003.

(a) Distribution of Convertible Adjusting Rate Securities ("CARS")

1. The number of holders of Convertible Adjusting Rate Securities, which are preference units in Transurban CARS Trust ("TCT"), was 7,239.
2. The voting rights are one vote per security.
3. At 29 August 2003 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 58.58 per cent.
4. The distribution of holders was as follows:

Share Grouping	Number of Holders	Securities Held	%
1 - 1,000	7,065	1,158,222	26.94
1,001 - 5,000	127	261,301	6.08
5,001 - 10,000	12	87,376	2.03
10,001 - 100,000	29	1,076,465	25.03
100,001 - and over	6	1,716,636	39.92
Total	7,239	4,300,000	100.00

There were 4,166 holders of less than a marketable parcel of preference units.

5. Substantial Holder notices have been received as follows:

Name	Number of Stapled Securities	% of Total
Credit Suisse First Boston Australia (Holdings) Limited	455,244	10.59

CARS holder information

(b) Twenty largest holders of Convertible Adjusting Rate Securities ("CARS")

	Number of CARS Held	Percentage of Issued CARS
Westpac Custodian Nominees Limited	916,191	21.31
JP Morgan Nominees Australia Limited	203,748	4.74
RBC Global Services Australia Limited	167,501	3.90
Citicorp Nominees Pty Limited	165,664	3.85
Citicorp Nominees Pty Limited	147,728	3.44
National Nominees Limited	115,804	2.69
Citicorp Nominees Pty Limited	96,450	2.24
RBC Global Services Australia Limited	90,250	2.10
Commonwealth Custodial Services Limited	69,054	1.61
Citicorp Nominees Pty Limited	60,605	1.41
Hastings Funds Management Limited	60,000	1.40
UBS Private Clients Australia Nominees Pty Limited	57,459	1.34
Australian Foundation Investment Company Limited	52,700	1.23
Citicorp Nominees Pty Limited	47,400	1.10
Woodross Nominees Pty Limited	46,955	1.09
ANZ Nominees Limited	45,794	1.06
Tower Trust Limited	45,020	1.05
Citicorp Nominees Pty Limited	44,825	1.04
J B Were Capital Markets Limited	44,021	1.02
AMP Life Limited	41,485	0.96
Total	**2,518,654**	**58.58**

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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.
Level Twelve
565 Bourke Street
Melbourne Victoria 3000

Enquiries
(within Australia) 1300 850 505
(outside Australia) 61 3 9615 5970
Facsimile 61 3 9611 5710

Enquiries About Transurban

Contact Transurban's Investor Relations:

Manager, Investor Relations
Telephone 61 3 9612 6999
Facsimile 61 3 9649 7380

Or write to:
Manager, Investor Relations
Transurban Group
Level 43 Rialto South Tower
525 Collins Street
Melbourne Victoria 3000

Emails may be sent via our web-site: www.transurban.com.au

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").

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 her or his registered address or name.

LISTED ON AUSTRALIAN STOCK EXCHANGE

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6914 PARAMOUNT (61 3) 9654 8255

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