

transurban

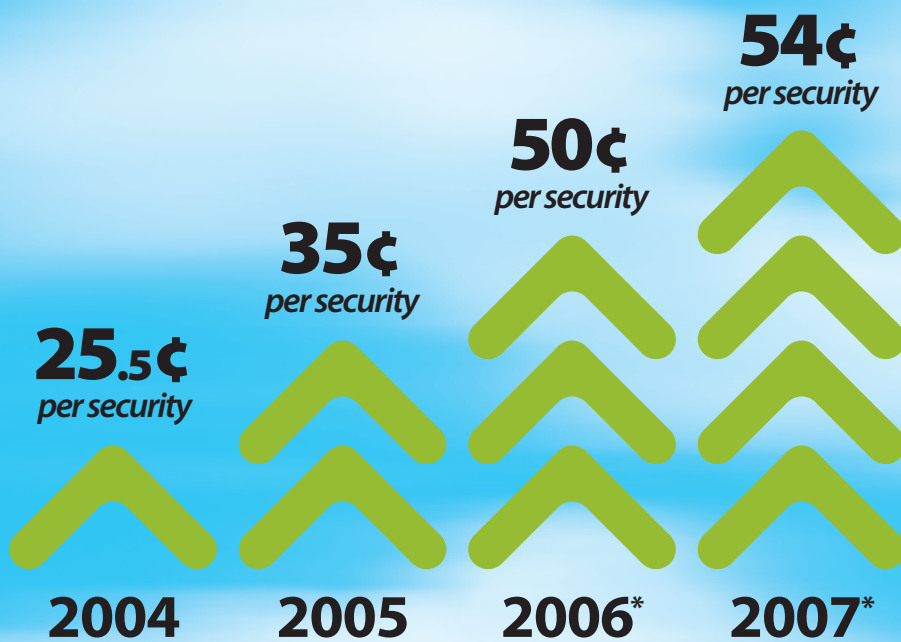
moving



Annual Report **2005**



distributions ...moving



*forecast



company ...moving



market capitalisation

**excluding CARS*

all figures at June 30 of the relevant year

delivering



for investors

Transurban's appeal to investors is based on:

- A low risk diversified portfolio of toll road assets generating strong cash flows over the long term
- The growing, predictable, inflation protected nature of those cash flows
- The significant opportunities for sustainable growth as governments increasingly turn to the private sector to fund and manage new roads
- Transurban's skills in actively managing the risks associated with those opportunities.

Our track record

Transurban listed on the Australian Stock Exchange in 1996 with a market capitalisation of \$510 million. Today it is a Top 50 company and one of Australia's largest infrastructure groups with a market cap of \$5.8 billion.

The company is committed to continually increasing distributions to investors – and we are delivering on that commitment with 25.5 cents per security in FY04, 35 cents in FY05, and forecasts of 50 cents per security in FY06 and 54 cents in FY07.

Our assets

Transurban's assets have been described by Sanjay Magotra of Citigroup as "all the bright jewels of the Australian toll road market".

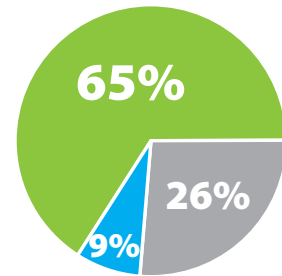
Our future

Transurban is a pioneer in a young, but rapidly growing global industry. In the next 10 years, McKinsey & Company estimates up to US\$200 billion worth of new toll projects will be privately funded.

With a healthy balance sheet and the core competencies developed in Sydney and Melbourne, Transurban is well placed to compete for carefully selected projects.

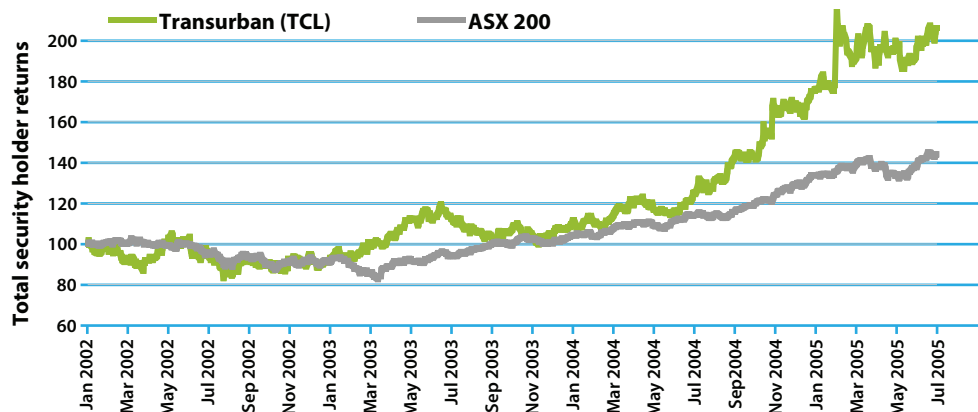
Our key selection criteria are simple:

- We will only invest in projects that add value for investors
- We will only take on risks we believe we can manage.



CityLink 100% Ownership and Operations
M2 100% Ownership
WM7 40% Ownership 100% Customer Service and Tolling

↑ Asset mix



achieving



in 2004/2005

Chairman and Managing Director's Overview

2004-05 was an excellent year for Transurban investors. Our company's security price increased significantly. Distributions grew strongly, and growth is set to continue.

On the last day of Financial Year 04, Transurban securities traded at \$4.87. One year later, they were at \$7.45. The company paid total distributions of 35 cents in FY2005, an increase of 37 per cent over FY2004. The forecast for FY2006 is 50 cents per security and for FY2007 it is 54 cents. That is a 54 per cent increase over the next two years.

With road congestion escalating in much of the world, governments are increasingly turning to the private sector to meet the demand for new infrastructure.

Our forecasts reflect more than the wealth of opportunities in a young, expanding industry. They are the result of careful, disciplined selection of the opportunities we pursue, a good understanding of the risks involved and active management of the assets we develop and manage. These are Transurban's core skills and the basis for our success in 2004-05.

Active management is a feature of the key events over the year:

- The announcement of a new capital management strategy
- Transurban's successful takeover of Hills Motorway, owner of the M2 in Sydney
- Continued progress in the development of Westlink M7, our 40 per cent owned new motorway in Sydney, which at the time of this report was scheduled to open in April next year
- Continued traffic growth and increased cost efficiencies on CityLink in Melbourne, still our cornerstone asset
- A ground breaking agreement with the State of Victoria to fund the upgrade of the Tullamarine/Calder interchange, a critical feeder on to CityLink
- Early success in pursuing new projects in the United States.



Westlink M7's Light Horse Interchange – the biggest interchange in the southern hemisphere →



achieving in 2004/2005

Chairman and Managing Director's Overview

Financial results

The key figure in our financial results is the free cash flow before non-cash items - \$182.8 million, up 35 per cent from \$135.4 million in the previous year. This is the figure that underwrites our capacity to pay distributions to security holders.

The accounting loss before tax was \$87.8 million, compared to \$61.5 million the year before. The higher loss reflects the additional depreciation of \$15.5 million due to the acquisition of the M2 Hills Motorway in Sydney. Non-cash items do not impact our ability to pay distributions.

Revenue was \$511.7 million, up from \$467.7 million the prior corresponding period. The \$511.7 million is made up of \$297.8 million from tolling and fees, \$3.6 million from outdoor advertising, \$185.7 million from interest and \$24.6 million in other revenue.

While tolls on existing assets generated the bulk of our revenue, the development teams delivered significant value for investors. In 2004-05, they were responsible for the takeover of Hills Motorway and the Tullamarine/Calder interchange agreement.

Operating costs were \$92.4 million, compared to \$77.1 million in the prior corresponding period.

Capital management structure

Transurban has always taken a conservative view of its capital structure. During the year, the Board conducted a review of the structure in the light of strong growth in both the value of our assets and the cash flows they generate.

As a result of the review, we carried out a conservative regearing of the business, using our growing debt capacity to deliver a share of future expected revenue growth to investors earlier than originally planned. The new structure allowed us to announce higher distribution forecasts for investors.

As part of the Hills acquisition, we announced an increase in our forecast distributions from the October 2004 regearing to 50 cents a stapled security in 2006 and 54 cents in 2007.

These announcements were well received by the market and by the ratings agencies. Our security price increased and we maintained our A- credit rating on our senior debt.

M2 Hills Motorway acquisition

Transurban's successful takeover bid for Hills Motorway, owner of the M2 in Sydney, was a company transforming event. The original offer was 1.47 Transurban securities for each Hills security. The offer was improved by adding a cash component of 25 cents for each Hills security. The increase amounted to just over 2 per cent and, as a result, the Hills Board of Directors supported the takeover.

As a result of the takeover, there are some 4,000 new investors on the Transurban register. We take this opportunity to welcome you and look forward to meeting many of you at our Annual General Meeting, to be held in Sydney on 25 October.

The merging of Hills and Transurban will extract substantial value for all investors. When we launched the takeover, we estimated the synergies and the cost savings they generate would be worth between \$5 million and \$6 million a year. We now believe these estimates are conservative.

Transurban will move the M2 to high speed electronic tolling as quickly as possible, allowing us to extract maximum value for investors. Transurban is working with the Roads and Traffic Authority (RTA) of NSW to have electronic express lanes without boom gates in operation by the end of December 2005.

Distributions grew strongly this year, and growth is set to continue.

Laurie Cox Chairman



Higher forecast distributions

The merger of Transurban and Hills has enabled a further increase in forecast distributions to investors.

Both companies had under-g geared balance sheets, allowing us to increase gearing and optimise the merged balance sheet. We again took a cautious approach, maintaining conservative debt covenants and an A-rating on senior debt.

Westlink M7

In 2003 Transurban invested \$400 million for a 40 per cent stake in Westlink M7, the new motorway currently under development in western Sydney. Successful management of the risks involved in the project should see the value of our investment significantly re-rated when the project is completed. As in all new toll roads, the major risks are construction, tolling and customer service, and traffic.

Transurban is the tolling contractor for the M7, ensuring lessons learned on CityLink are applied to the new project. Both the Westlink Board and the RTA have accepted our tolling, customer management and marketing plans. Tolling gantries and the tolling system have been installed and are undergoing acceptance testing.

The final risk is the traffic forecast. Since financial close, there has been enormous growth in the Westlink corridor. The project is attracting significant economic development, with major national companies moving to take advantage of the road. The NSW Government has announced that homes for 250,000 people will be built in growth areas near Westlink M7 within the next 30 years.

We are confident that the road will prove to be a very successful investment for our security holders.

CityLink

CityLink continues to deliver for our investors. In 2004-05, traffic on the road grew by 4.6 per cent and revenue by 8 per cent. This takes into account an extra day for the leap year.

CityLink's ongoing focus on cost control and improvement initiatives resulted in a 14 per cent cost efficiency improvement in the customer service business.

Tullamarine/Calder interchange agreement

In January 2005, Transurban and the Victorian Government reached an agreement to fund the upgrade of the Tullamarine/Calder interchange, a badly congested traffic blackspot that feeds directly on to CityLink. Transurban is bringing forward the payment of

Concession Fees payable to the State under the CityLink Concession Deed to pay for the upgrade.

The upgrade is scheduled for completion in July 2007 and Transurban will benefit from increased traffic on CityLink.



This upgrade will be done in cooperation with the State Government, which demonstrates the importance of active, ongoing management of toll road concessions. Transurban is committed to working with governments over the life of its concessions to ensure we continue to respond to changing community needs and expectations.

achieving in 2004/2005

Chairman and Managing Director's Overview

Mitcham-Frankston Freeway

One disappointing aspect of 2004-05 was our failure to win the concession to develop and manage the Mitcham-Frankston Freeway (since renamed Eastlink) in Melbourne.

We submitted a competitive offer which reflected our determination to protect the interests of investors. We are not interested in winning projects if there is a risk that they may undermine security holder value.

Transurban's share of our consortium's costs in bidding for Mitcham-Frankston was approximately \$9.4 million, less a reimbursement due from the State. This amount has been expensed in 2004-05, and includes \$7 million which had been deferred in prior periods.

International opportunities

In the US, we are targeting projects that play to our strengths - the acquisition of existing roads and High Occupancy Toll (HOT) lanes. HOT lanes are electronically tolled lanes constructed adjacent to congested motorways so drivers have the choice to pay for travel time savings. There is an added incentive in that cars with three or more passengers travel free of charge.

HOT lane projects on existing roads have relatively low traffic risk, as traffic patterns are already established.

Such projects require skills in traffic forecasting and tolling - skills we have demonstrated in Australia.

Transurban has established an office in New York and we are assessing three potential projects in the State of Virginia. Two of these are HOT lane projects and one is the acquisition of an existing road. We are in an exclusive negotiating position on two projects and are shortlisted for one.

If successful in these projects, Transurban will be involved in tolling and operations and will have the opportunity of investing equity if the projects meet our investment criteria.

In the United Kingdom, we have opened an office in London, where we are building relationships with potential partners and monitoring emerging project opportunities.

People

In previous years, we have paid tribute to the ability of Transurban employees to respond to new challenges. In 2004-05, they once again demonstrated that they thrive in an environment of change and growth. At year's end we had 490 employees, and this number is rising as we gear up for the opening of Westlink M7.

Employees have played a crucial role in the development of the company's Corporate Social Responsibility programs. They have been active in reviews to better understand our environmental and social impacts and the roll-out of programs to enhance our performance in these areas.

Deputy Managing Director, Geoff Phillips, retired in 2005. For over nine years he played a major role in our success. Geoff will continue to represent Transurban on the Westlink Motorway Board and will undertake consultancy work for us from time to time.

In anticipation of Geoff's retirement we recruited Chris Brant as Chief Finance Officer during the year. Before joining us, Chris had a long and successful career at Deloitte Touche Tohmatsu, where he most recently headed up the Asia Pacific Energy & Resources Industry Group. During his time with Deloitte, he was involved in a number of public floats, capital raisings and domestic and international financing for major Australian corporations.



Our successful takeover of M2 Hills Motorway was a company transforming event this year.

Kim Edwards Managing Director

Recently, Christopher J S Renwick joined the Transurban Board. Chris has a wealth of experience in mining, operational business management and law. He is the Chairman of Coal and Allied Industries Limited and the Rio Tinto Aboriginal Foundation. From 1969 to 2004, he held senior positions in CRA Limited and then Rio Tinto Limited.

Conclusion

Transurban is now a Top 50 company on the ASX. We are one of Australia's largest infrastructure groups with a market capitalisation of \$5.8 billion.

We have a low risk, diversified portfolio of three toll roads, widely recognised as the best in Australia and incorporating the main freight corridors in Sydney and Melbourne.

Our roads generate strong cash flows and underpin substantial funding capacity. We are well placed to win new projects in the United States. In the coming years, many new toll road projects will come on to the market in Australia, the United States and Europe. We have a cautious approach to competing for those projects. We will only participate where we are confident we can add value for our investors.

We will continue to actively manage our existing assets.

We are optimistic about the future. And our optimism is based on a sound understanding of the business we are in and the opportunities it provides.



Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

↓ Full electronic tolling – allowing traffic to flow freely



shaping



the Sydney road network

This year Transurban successfully acquired M2 Hills Motorway, a 21 kilometre motorway in Sydney that will link to our Westlink M7 project when it opens in 2006. This will create 61 kilometres of Transurban-operated motorway in Australia's highest growth transport corridor.

As a 40 per cent owner of the M7, 100 per cent owner of the M2 and the tolling operator for both motorways, Transurban now has a major stake in around half of Sydney's overall motorway network.

Our priority over the coming year is to provide motorists with a seamless journey from Liverpool in the south

to Lane Cove in the north. Transurban will introduce electronically tolled express lanes on the M2 by the end of 2005.

By operating both the M7 and M2 we will create one free-flowing corridor that will benefit motorists and local industry, and deliver value for investors.

M2 Hills Motorway

Transurban acquired the M2 in June 2005, just five months after announcing an offer to take over the company.

Transurban's current priority is to deliver immediate benefits from the acquisition

of the M2 to investors, motorists and the community. We expect to deliver significant synergies, savings and traffic growth through active management of the road.

Our forecasts indicate Transurban's integration of the M2 Hills Motorway will generate synergies and costs savings of about \$5-6 million per year.



Sydney Metropolitan Road Network

— Freeways
 — Arterial Roads
 Tunnels
 — Transurban Projects
— Motorways
 — Committed Motorways
 — Planned



M2 Hills Motorway – Key Facts

- ➔ 21 kilometre roadway in Sydney, Australia
- ➔ Acquired by Transurban June 2005
- ➔ Electronically tolled express lanes introduced by December 2005
- ➔ Concession until 2042
- ➔ Strong residential growth from the northwest
- ➔ Will link to the M7 and Lane Cove Tunnel

shaping the Sydney road network

Towards free flowing traffic on M2

Subject to government approval, the M2 will move to 100 per cent electronic tolling by 2007. This will bring it in line with the Westlink M7 and Lane Cove Tunnel motorways, which link directly to the M2.

Transurban plans to expand electronic tolling on the M2 by the end of 2005 by creating two new express lanes to reduce congestion at toll booths and reduce the need to slow down or stop to pay tolls.

The M2 express lanes will allow motorists to travel 61 kilometres along the M2 and Westlink M7 from Liverpool to Lane Cove without stopping at a single traffic light or toll booth.

Fully electronic express lanes on M2 will help create value for investors by increasing road capacity – and hence traffic revenue – and decreasing the number of uncollected tolls. A manual toll booth can handle approximately 600 vehicles per hour while one fully electronic toll lane can process around 2,200 vehicles per hour. Transurban will introduce a new robust enforcement system on the M2 to stem revenue leakage from current operations.

The development of a single customer service brand – soon to be operating across both M2 and Westlink M7 – will encourage even greater use of both roads as well as providing smooth connections to the surrounding road network.

Westlink M7

Westlink M7 can be described as the missing link in Sydney's orbital motorway network since it joins three motorways – M2, M4 and M5. It will be Sydney's first distance-based fully electronic toll road when it opens to traffic next year. Distance-based tolling means motorists only pay for the distance travelled. This is a new and fairer concept in Sydney and will require a strong emphasis on community education about cost and travel time benefits.

The M7 will significantly improve access to western Sydney and save motorists time and petrol by avoiding up to 48 sets of traffic lights. At the time of this report, the road was scheduled to open in April 2006.

Transurban will operate tolling and customer service functions on the M7, and the company is on schedule to have verified and tested tolling systems in place to do this well ahead of the road's opening date.

This early delivery was only possible due to the technical expertise we gained on CityLink's development.

The 40-kilometre M7 includes 17 access points, which is a real benefit for local businesses and commuters.

Westlink M7 - Key Facts

- **40 kilometre motorway in Sydney, Australia**
- **100 per cent electronically tolled**
- **Concession until 2037**
- **Toll increases in line with CPI**
- **Construction ahead of schedule**
- **Due for completion by April 2006**
- **Consumer marketing and brand launch last quarter of 2005**
- **Strong industrial and residential growth in corridor**
- **Links the M2, M4 and M5 motorways**



← M2 Hills Motorway meets Westlink M7 in Baulkham Hills

My job is to make sure Roam delivers an excellent customer experience...every time.

Jan Lewis Head of Customer Operations - Roam



Corridor of Growth

Strong industrial growth continues to exceed early forecasts for western Sydney, and Westlink M7 is becoming a magnet for economic development and accelerated investment in the area.

Over the next five years almost half of Sydney's industrial construction will occur around the M7's Light Horse Interchange at Eastern Creek.

Major national companies including LG Electronics, Coles, Coca Cola, Woolworths,

TNT and Bluescope Steel have already moved to take advantage of locations in the business and industrial parks in the M7 corridor.

Residential development is also gathering momentum. In December the NSW Government announced an additional 160,000 new homes will be built in the region over the next 30 years to accommodate at least 250,000 people. These new areas will contain 80 new neighbourhoods and represent

30 per cent of Sydney's growth over the next three decades.

The M7 will provide these communities with access to the rapidly growing industrial and business parks in western Sydney and the major employment centres, including Liverpool, Parramatta, Blacktown, Fairfield and Castle Hill.



← Transurban plans to expand full electronic tolling on the M2 (designer's impression)

Introducing Roam

This year Transurban will introduce a new customer-focused tolling brand in the NSW market.

We know from CityLink that customer service is vital for high road use. Our NSW tolling brand offers a single contact point for Sydney's multiple toll roads, an extensive range of easy-to-use products and 24-hour customer service

A new tolling brand in NSW

– all backed by clear and effective product information.

The new brand – Roam – has been developed well before opening the M7 and will be launched before the end of 2005.

Roam's products are tailored to each market segment and include e-TAGs

and a video-based tolling product called e-PASS. Roam will also provide specialised services for commercial customers to make managing large fleets easier, such as electronic billing and business account management.

Roam

moving



Melbourne motorists

Revenue up, costs down

CityLink showed strong growth in 2004-05, again demonstrating its value to Transurban investors. Average daily traffic was up 4.6 per cent and revenue increased by 8 per cent.

The company had further success in reducing operational costs while continuing to focus on refining its approach to customer service.

Over the year, CityLink reached several important milestones. The one millionth e-TAG® device was distributed, and there are now more than 700,000 customer accounts—a 7 per cent increase on last year.

A number of programs across the business contributed to CityLink's strong revenue growth and continued progress in lowering costs in 2004-05.

The video tolling product for occasional CityLink users—ACCESS—continues to attract new customers. After just two years, there are more than 60,000 ACCESS accounts, double the number 12 months ago.

ACCESS now makes up 35 per cent of all new CityLink accounts opened each month and has generated more than \$4.7 million in toll and fee revenue for the year. In 2005-06 CityLink will further increase the efficiency of video tolling by introducing rear image cameras—a move that will also boost revenue and reduce costs.

After five years, a new contract for CityLink's e-TAG retrieval, storage and dispatch was signed and commenced operation in August 2005. This is expected to deliver significant annual savings.



What a year - we reduced costs, improved our customer service and clocked over a million e-tags.

Bruce Anderson
Head of Operations - CityLink

↓ CityLink's Gateway entrance to Melbourne



moving Melbourne motorists

CityLink customers continue to move to electronic channels such as the web and B-Pay for service, and this will help to further reduce costs.

Overall, CityLink operating costs were 6 per cent lower than the previous year, driven by a 14 per cent improvement in customer service transaction cost.

CityLink - Key Facts

- **22 kilometre motorway in Melbourne, Australia**
- **Pioneer in full electronic tolling**
- **Concession until 2034**
- **Toll increases at 4.5 per cent or inflation***
- **Traffic up 4.6 per cent and revenue up 8 per cent in 2004-05**

* Higher of 4.5 per cent or CPI until 2015 and CPI for balance of concession

Putting the customer first

CityLink's 'Customer 1st' policy is designed to help the business deliver superior service and give it a competitive edge in tolling customer service for the future. This should help CityLink retain existing customers and attract new ones.

This year CityLink worked with the State Government to move toward invoicing motorists who use the road without first obtaining an e-TAG or pass or opening an ACCESS account. This is a significant improvement for customers, who previously received fines. A change in Victorian legislation was required to allow for the new approach, which was implemented in July 2005.

Several other Customer 1st initiatives had a positive impact on CityLink's operations. They include:

- **CityLink Customer Charter and Report Card** – In most cases CityLink met or exceeded its performance targets in each of the two reports released in 2004-05.

- **CityLink Customer Ombudsman** – An independent Customer Ombudsman was appointed in 2004—a first for an Australian toll road. In his first six-monthly report, the Ombudsman had received 35 complaints. Thirty-four of these were resolved, and one had a determination issued.
- **CityLink Plus** – This is a value-add program developed exclusively for CityLink customers. CityLink has teamed with AGL, Australian Unity, Shell autoserv, St John Ambulance and the TAC to create exclusive discount offers and special deals for customers.
- **SMS service** – The second stage of CityLink's SMS service—developed in partnership with Telstra—was launched in December 2004. Registered customers now have the option to top up their account via SMS.

CityLink continues to explore ways to offer customers more value from their e-TAGs. In November 2004, the company conducted a world-first trial using the e-TAG and a separate device known as an i-TAG[®] as a convenient, cashless way to shop and pay. CityLink customers volunteered over the website for the trial, which took place at two McDonald's sites in Melbourne. Transurban now has a patent pending for this system, which can be applied at other outlets such as car parks and service stations.





I like the interaction with customers. I always try to look at things from the customer's perspective and take on board what's happening in their life and how they're feeling.

Mark Halyburton Customer Service Officer, Infringement Assist Team - CityLink

Enhancing road operations

In January 2005, Transurban and the Victorian Government signed an agreement that will fund a solution to congestion problems at the Tullamarine/Calder Freeway interchange.

The upgrade is aimed at improving conditions for drivers approaching CityLink from Melbourne's northwest. Travel times are expected to fall by up to 10 minutes when the improvements are completed within three years. In addition, the work is expected to increase traffic volume—and revenue.

Under the deal, Transurban will provide \$150 million to VicRoads to fund the upgrade. In return, CityLink

Concession Fees payable to the State will be assigned to Transurban.

In August 2005, CityLink extended its existing incident response services to the VicRoads sections of freeway between the CityLink tunnels and the Westgate Freeway / Western Link interchange, and on the Tullamarine/Calder interchange. This is expected to significantly improve peak period performance.

Other improvements introduced during 2004-2005 include:

- Enhancements to business continuity through the establishment of an alternative traffic control room that can be activated within 24 hours

- Improvements to CityLink icons including the Gateway and Bolte Bridge and additional landscaping on the Western Link—part of CityLink's effort to create a positive impression of Melbourne during the Commonwealth Games
- Safety improvements to the in-tunnel radio re-broadcast system and the Bolte Bridge on-ramp from the Westgate Freeway.



Melbourne Metropolitan Road Network

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expanding



into new markets

The demand for infrastructure—including roads—is growing at a rapid rate throughout the world.

In the US, the funding shortfall for infrastructure has been estimated at US\$30 billion a year. Many states are now looking to privatise existing road infrastructure and develop new projects using private finance.

In the UK, the Government is looking at road user charging as a way of funding new projects over the next 10 years. In Europe, tolls are increasingly being introduced for trucks.

Australia is grappling with similar issues. We estimate congestion could cost the country as much as \$30 billion a year in lost productivity by 2015 unless infrastructure spending increases dramatically.

Over the past year, Transurban has further positioned itself to pursue some of the projects arising from this demand.

Australia

Transurban is considering several emerging developments along Australia's eastern seaboard.

In Queensland, the Brisbane City Council has selected two consortiums to bid for a 4.7 kilometre North South Bypass Tunnel under the Brisbane River.

Transurban elected not to take a sponsor role. This leaves us in a position to review equity investment opportunities.

Transurban is also examining the proposed 7 kilometre Airport Link project connecting the Inner City Bypass and proposed North South Bypass Tunnel with the Gateway Motorway at Brisbane Airport. This is a joint State Government and Brisbane City Council project. An Environmental Impact Statement (EIS) and business case are due for completion in 2006.

In New South Wales, the state government remains committed to the M4 East Motorway in Sydney, which will link the M4 at Strathfield and the Anzac Bridge. The state is expected to release an EIS for community consultation in 2006.

The Federal Government has announced its preferred option for a link between the F3 and the M2 connecting the Central Coast Region and the Sydney Motorway network. Funding was allocated in this year's federal budget and the proposal is expected to be subject to an EIS next year.



Managing the Risk

- **Transurban will continue to take a measured approach to any opportunities in Australia or overseas.**
- **The company is willing to forgo a project if acceptable returns cannot be obtained.**
- **With a healthy balance sheet and continuing growth, Transurban is in a strong position to select projects and consortia which add value for investors.**

expanding into new markets

Key Opportunities in Virginia, USA

Interstate Freeways Roads
Federal Motorways Transurban Opportunities



USA

Less than three years after setting up its first overseas office in New York, Transurban is already a preferred bidder for key projects in the state of Virginia.

- In June 2005 Transurban signed a Memorandum of Understanding with the Pocahontas Parkway Association and the Virginia Department of Transportation (VDOT). The memorandum gives Transurban the exclusive right to consider acquiring the association's rights and obligations to its nine mile (approximately 15 kilometre) toll road southeast of Richmond, Virginia's capital.
- Transurban entered into an agreement in May 2005 with VDOT and Fluor Enterprises to exclusively study the feasibility of introducing High Occupancy Toll (HOT) lanes along a 14 mile (approximately 23 kilometre) section of the Capital Beltway (I-495) in northern Virginia. The Capital Beltway is the ring road around Washington, DC. If the project reaches financial close, Transurban will act as toll operator and project investor.
- Transurban and Fluor have also submitted a detailed proposal to VDOT for a 56-mile (94-kilometre) Bus Rapid Transit / HOT Lane System on the I-95/395 in northern Virginia. One other consortium is bidding for the project. If successful, Transurban plans to deliver the tolling system design and handle operations. The I-95/395 crosses the Capital Beltway at the Springfield interchange, which creates significant synergies through operating both projects.

Transurban is increasingly looking to overseas markets for new business. The US and UK offer an exciting new direction for us, and I'm thrilled to be part of the journey.

Ken Daley Vice President International Development



UK

Transurban is also shortlisted on two projects in Dallas-Fort Worth, Texas.

- The SH-183 HOT Lane Project involves building managed lanes on a direct connection freeway between Dallas and Fort Worth that passes the major airport in the region.
- The SH-121 project involves completing a partially built freeway and converting it into a toll route to service the rapidly expanding area north of Dallas.

Transurban is in partnership with Fluor Enterprises on both these Texas projects.

Transurban has established a small office in the UK, where it is building relationships with clients and with potential consortium partners.

The company will closely monitor potential project opportunities there and throughout western Europe.



↓ View of the James River crossing on Virginia's Pocahontas Parkway



caring



for communities

Transurban believes working to protect the environment and developing strong relationships with stakeholders will help it further build its business.

Transurban continued to build on its commitment to corporate social responsibility in 2004-05, focusing on four key areas:

- **Environment** – minimising the impacts of our operations on the surrounding environment
- **Community** – contributing positively to the communities surrounding Transurban roads
- **Customers** – delivering on the promises set out in our 'Customer 1st' policy
- **Employees** – providing a 'workplace of choice' that ensures safety, equity and opportunity.

Our approach was recognised by four major corporate social responsibility ratings agencies this year:

- **FTSE 4 Good Global Index** – includes companies that meet Ethical Investment Research Service (EIRIS) corporate social responsibility standards
- **Reputex SRI Index** – lists Transurban as an A-rated company based on social, environmental, governance and workplace initiatives
- **AuSSI Index** – includes the leading 40 per cent of ASX-listed companies in terms of sustainability
- **Corporate Monitor's List of Ethical Funds** – includes ASX200 companies that have been assessed against environmental, social engagement and corporate governance criteria.

Environment

A comprehensive environmental review completed in late 2004 showed that Transurban has successfully addressed the most significant environmental issues for CityLink – tunnel vent stack emissions and groundwater recharge.

Over the past year, Transurban:

- Achieved 100 per cent compliance with EPA environmental requirements on CityLink
- Operated the CityLink water recycling and water treatment plant at more than 90 per cent efficiency
- Signed the company's fleet of vehicles to Greenfleet to help offset carbon emissions
- Became a founding member of E-Tree, an initiative that offers security holders the opportunity to receive all communications electronically
- Extended noise walls on sections of the CityLink Southern Link to far exceed compliance requirements
- Launched a company-wide 'green office' program
- Ensured the protection of local fauna during the construction of Westlink M7 by providing relocation and refuge for species such as the Eastern Long-Necked Turtle.

Transurban's recent environment review highlighted the company's positive environmental track record and found that its management of environmental issues could be improved by developing a company-wide environment strategy and management system.



Sustainability is not just about doing good - it's about doing good business. We've spent the past year better understanding our social and environmental impacts and developing CSR programs that will make a difference.

Carley Freeman

Corporate Social Responsibility Advisor

caring for communities

The first Transurban Environment Strategy was developed this year. The strategy articulates the environmental values that guide the company's decisions on asset acquisition, development and operation. It also identifies practical initiatives to improve environmental performance and impacts.

↓ *Eastern Long-Necked Turtle*



Planned 05/06 initiatives

- Develop an organisation-wide environmental management system
- Adopt environmental purchasing procedures
- Undertake a study of the greenhouse gas risks and opportunities associated with our business
- Develop a model for measuring storm water run-off from road assets.

Community

Review

During the first half of 2005, Transurban conducted a comprehensive community review to identify and measure company impacts on the community. The outcomes of the community review will assist in the development of company-wide community relations policies and practices and help direct the focus of Transurban's community partnership program.

04/05 Partnerships

Transurban invests in projects that deliver real benefits to the communities in which it operates and help it to respond to local issues.

Over the past year, examples of community partnerships include:

- **CityLink Schools for the Environment** – delivering an environmental education program in partnership with Greening Australia



- **CityLink School Support Program**
– funding student support programs at 10 schools along the CityLink corridor
- **Community art projects** – involving local schools, councils, artists and community groups
- **Community sponsorships**
– supporting local cultural festivals and community initiatives
- **Red Cross support** – Transurban donated \$50,000 to the Red Cross as part of the Tsunami Disaster Appeal
- **Transurban Excellence in Engineering Awards** – awarding prizes to recognise outstanding students at Melbourne, Monash and RMIT universities
- **Western Chances** – funding a program that provides scholarships for talented young people in Melbourne’s western suburbs who may not have the support to achieve their goals
- **Western Sydney Industry Awards**
– supporting business and industry in the Westlink M7 and M2 corridor.



Strategy

As Transurban moves from operating a single asset to being the long term owner and manager of multiple assets, there is a growing need to formalise our corporate-wide approach to stakeholder management. Over the coming year, Transurban will focus on developing a Community Management Framework to co-ordinate community relations policies, procedures and initiatives and manage community issues from a company-wide perspective across all Transurban assets.

- ← *CityLink joined with the City of Moonee Valley on a unique strategy to tackle graffiti on walls along CityLink*



caring for communities

Customers

Our commitment

Transurban is committed to providing a consistently high standard of service and safety on our roads and ensuring fairness in all our dealings with customers.

To increase accountability and transparency, Transurban has introduced a Customer Charter on CityLink and will introduce a similar charter for Westlink M7 customers once the road has opened. CityLink appointed an independent ombudsman in September 2004, making it the first Australian toll road with this position. A similar independent complaints resolution framework will be introduced for WestLink M7 and M2 customers.

↓ *Transurban has consistently exceeded its Customer Service Charter goals*

Our performance

Since CityLink began measuring its performance against targets set out in the Customer Charter, the business has consistently exceeded its goals.

Initiatives

Transurban introduced a safety net for customers who travel on CityLink without valid arrangements to pay from 1 July 2005. Instead of an infringement, customers who use the road without being registered with CityLink will now receive an invoice. This system will be in place from Westlink M7's road opening and from the first day that electronic tolling is introduced on the M2 (before the end of 2005).

Employees

Overview

Transurban continues to focus on attracting and retaining high calibre employees and being an employer of choice. The company provides learning and development opportunities for individual career growth and offers a reward and recognition program that rewards successful individuals in line with business performance.

The company delivered several key programs this year covering employee safety, health and wellbeing, workplace equity, privacy and security. We also focused on improving employee communication to create a shared knowledge environment through regular newsletters, updated online information and more detailed employee information forums.

Highlights

- Transurban won the Australian Human Resources Institute's state award for excellence in people management for a private enterprise with 200-1000 employees
- The ASX200 Blue Ribbon list (October 04) acknowledged Transurban as a leading organisation following the results of a census of women in leadership positions conducted by the Equal Opportunity for Women in the Workplace Agency (EOWA)
- The company offered 77 different internal and external learning and development programs for employees, with 75 per cent participating throughout the year



The staff Good Company Group helps employees contribute to the community and environment. The amazing response to our workplace giving program is proof of the compassionate, generous staff we have.



Stuart Webb Systems Architect and Good Company Group member

- Many employees participated in the company's Health & Wellbeing programs, including the Corporate Games (115 participants), Healthy Eating, Quit Smoking, Employee Assistance, and the Walking and Exercise Club
- The company's employee share ownership scheme continued to be very popular, with 98 per cent of eligible employees holding Transurban securities.

Over the year, Transurban employees have contributed to:

- Tsunami volunteering – 30 CityLink customer service officers volunteered at the Oxfam call centre in the days following the Asian tsunami
- Workplace giving – developing a regular charitable giving program through the payroll system

- Green office – establishing an ongoing campaign to reduce office waste and support initiatives such as sustainable transport to work and green purchasing.



- ← The company works together with the local community on environmental programs
- ← Many Transurban employees participate in workplace giving
- ↓ Seventy-five per cent of employees took part in learning and development programs this year

Staff initiatives

Transurban employees have played an active role in the company's corporate social responsibility initiatives through the staff 'Good Company Group'. The group is made up of employees from across the company who help communicate corporate social responsibility to the business and engage their colleagues in related projects.



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Corporate Governance

Transurban is committed to high standards of corporate governance. The Group's corporate governance framework was developed in the light of the 'Principles and Best Practice Recommendations' published by the Corporate Governance Council of the Australian Stock Exchange in March 2003. (See page 41 for a list of the 10 core principles.)

The Board and management continue to monitor developments in this important area to ensure best practice standards are maintained.

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

The relationship between the Board and management is critical to the achievement of the Group's objectives. The directors are responsible to the security holders for the performance of the Group and their key tasks are to enhance the interests of the security holders and other key stakeholders and to ensure the Group is properly managed.

Day to day management of the Group's affairs and the implementation of strategic and policy decisions made by the Board are delegated to the Managing Director and senior executives.

The Group's main corporate governance practices are described in the following paragraphs. Unless otherwise stated, these practices were in operation for the entire year.

Material relating to the corporate governance practices of the Group is published on the corporate governance section of the Group's website at www.transurban.com.au. The material now available comprises summaries of the following:

- Board Charter
- Nomination and Remuneration Committee Charter
- Audit Committee Charter
- Remuneration Policy
- Code of Conduct
- Dealing in Securities Policy

- Continuous Disclosure Policy
- Shareholder Communication Strategy
- Risk Management Framework
- Corporate Social Responsibility Program.



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corporate governance



Laurence G Cox

Kim Edwards

Board of Directors

The Board operates in accordance with the broad principles set out in its charter which is available in summary form on the Group's website. The charter covers the following matters:

Board Responsibilities

(Principal 1, Recommendation 1.1)

To ensure the efficient undertaking of its overall responsibilities, the Board has delegated certain aspects of them (in particular, those relating to day-to-day operations of the entity) to the executive management of the entity.

The following responsibilities have been retained by the Board:

- Reviewing and ratifying the entity's business strategies and monitoring their implementation
- Appointing and removing the Managing Director, regularly evaluating his/her performance and determining his/her remuneration
- Appointing and removing the Company Secretary and regularly evaluating his/her performance
- Ratifying the appointment of executives reporting to the Managing Director, reviewing the Managing Director's assessment of the performance of such executives and determining their remuneration based on the Managing Director's recommendations
- Developing and approving succession plans for the Managing Director and reviewing and approving succession plans for those executives reporting to him
- Reviewing the entity's financial reports and certifying that they comply with Australian Accounting Standards and present a true and fair view of the affairs of the entity
- Ensuring the financial integrity of the entity through
 - Overseeing the entity's systems of internal control and financial reporting
 - Establishing and reviewing financial performance objectives
 - Approving operating and capital budgets.
- Approving distribution payments
- Approving capital management activities, including the issue and redemption of equity and the increase or reduction in borrowings
- Approving significant changes to the Group's organisation structure
- Reviewing and ratifying systems of risk management and legal compliance
- Ensuring that the entity complies with all disclosure requirements
- Approving changes to the authorities delegated to management
- Assessing the performance of each individual director and of the Board collectively
- Selecting nominees for election as directors
- Providing strong leadership of the entity on a continuing basis
- Fostering a culture of compliance with the highest legal, ethical and environmental standards and business practices.

Board Composition

The maximum and minimum number of directors is currently set by the Board at eight and three, respectively. The entity's constitution allows a maximum of 12.

The Board seeks to ensure that its membership provides the mix of qualifications, skills and experience to effectively fulfill its responsibilities and that its size facilitates effective discussion and efficient decision making.

Board Members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence are set out in the Directors' Report under the heading "Information on Directors" (refer to page 51).



Geoff R Phillips
(retired 26 July 2005)



Jeremy G A Davis



Peter C Byers



Susan M Oliver



Geoff O Cosgriff



David Ryan



Chris Renwick
(appointed 26 July 2005)

Directors' Independence (Principal 2, Recommendation 2.1)

It is the Board's policy that a majority of directors should be independent directors and the Chairman should be an independent director. The Board regularly determines which directors are considered to be independent directors in the light of their interests as disclosed to the Board. In making this determination, the Board considers whether a director's security holding in the entity, his or her relationship with security holders, suppliers and competitors and tenure as a director would materially affect the director's ability to exercise unfettered and independent judgment in the interests of the entity's security holders.

In considering whether a director's business or other relationships give rise to any conflict, the Board believes it is inappropriate to solely apply arbitrary dollar, profit or turnover percentage tests to define the material impact of those business or other interests. Instead, the Board seeks to determine whether the director is generally free of any interest and any business or other

relationship which could materially interfere with the director's ability to act in the best interests of the Group.

With regard to these factors, the Board has determined that all non-executive directors are independent directors.

Mr L G Cox is an executive director of Macquarie Bank Limited ('MBL').

It is considered 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 amounts shown in the table below.

MBL has advised that each of these amounts are not material in the context 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 judgment in the interests of the Group's security holders.

In addition Transurban Limited is entitled to receive management fees of \$6.5 million from MBL in relation to the extension of the term of the Infrastructure Borrowing Facilities provided by Macquarie Bank.



	2002 - 03 \$mill.	2003 - 04 \$mill.	2004 - 05 \$mill.
Advisory fees	0.37	Nil	12.65
Underwriting fees	7.21	Nil	Nil
Interest	3.85	Nil	Nil

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This fee was recognised during the year ended 30 June 2004. During this year \$1.4 million was received with the remainder due to be received quarterly over the next two years. The Transurban Group also contributes to the costs of Mr Cox's personal assistant and office facilities.

Roles of the Chairman and the Managing Director (Principle 2, Recommendation 2.2 and 2.3)

The Chairman is responsible for leading the Board, ensuring all directors are properly briefed in all matters relevant to their role and responsibilities, facilitating effective discussion of matters considered by the Board and managing the Board's relationship with the entity's executive management.

The Managing Director is the Chief Executive Officer of the entity and is responsible to the Board for implementation of strategies and policies determined by the Board.

The roles of Chairman and Managing Director are undertaken by separate people.

Commitment (Principle 2, Recommendation 2.5)

The Boards of the entities comprising the Group held 57 meetings during the year. Most of these meetings were held concurrently. The number of meetings held by the Boards of each individual entity and by Board committees is disclosed in the Directors'

Report (*refer to pages 54-55*). In addition, a corporate strategy workshop was held.

The commitments of non-executive directors are reviewed by the Nomination and Remuneration Committee prior to their appointment and annually thereafter to ensure that non-executive directors are able to meet the Board's expectations concerning time commitment. Directors are required to consult with the Chairman prior to accepting appointment as a director of a non-Group entity.

Conflicts of Interest (Principle 2, Recommendation 2.1)

The Group entities have developed protocols, consistent with the Corporations Act and ASX listing rules, to require each director to disclose contracts, offices held, interests in transactions and other directorships to signal any potential conflict.

Procedures have been adopted to ensure that, where the possibility of a material conflict arises, information is not provided to the director, and the director does not participate in, or vote at, the meeting where the matter is considered. Further information on this matter is set out in the Board Charter summary.

Entities connected with Mr L G Cox and Mr P C Byers had business dealings with Group entities during the year (*as described in note 25 to the Group financial statements*). The Group entered into contractual arrangements with entities

connected with Mr Cox in relation to the provision of corporate advisory services on the takeover of the Hills Motorway Group. In addition, the entities connected with Mr Cox were party to a pre-bid agreement with a Transurban Group entity regarding acceptance of the Transurban Group's offer for the Hills Motorway Group.

In accordance with the Board Charter, Mr Cox declared his interest in these dealings and took no part in the decisions made or in the discussions preceding the decisions. Mr Byers was excluded from the Hills Motorway Review Committee overseeing the takeover of the Hills Motorway Group due to a perceived conflict of interest arising from his position as a director of Hills. No information was provided to Mr Byers in relation to the Hills acquisition and he did not attend Board meetings dealing with this issue.

Independent External Advice (Principle 2, Recommendation 2.5)

Independent external professional advice in relation to their roles and responsibilities 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.



Our acquisition of the M2 Hills Motorway this year created a challenge for us: we had to integrate the new entities' compliance obligations with Transurban's own governance requirements.

Mark Licciardo Company Secretary

Performance Assessment

(Principle 8, Recommendation 8.1)

Each year, the following reviews of performance are undertaken:

- A review of the performance of the Board against the requirements of the Board Charter and any other objectives arising from previous reviews of performance
- A review of the performance of each Committee against the requirements of its Charter and of the continuing need for the Committee
- A review by the Chairman with each director of the individual performance of the director
- A review of the performance of the Chairman by a non-executive director nominated by the Board
- An external evaluation of the performance and effectiveness of the Board was undertaken during July and August 2005. The results of this review will be discussed by the Board in September 2005.

Induction and Training

(Principle 1, Recommendation 1.1)

New directors are provided with an induction program to familiarise them with all aspects of the business and each Group entity's operations, and they are kept informed of other programs available to them. The Board has given the Nomination and Remuneration Committee responsibility for recommending training and further education it considers necessary to enable the Board to meet its responsibilities.

Certification of Financial

Reports and Risk

Management Systems

(Principle 4, Recommendation 4.1)

(Principle 7, Recommendation 7.2)

The Managing Director and the Chief Finance Officer have provided the following certifications to the Board in connection with the approval by the Board of the financial reports for the Group and the individual entities comprising the Group for the year ended 30 June 2005:

- The financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the entity and the Group and are in accordance with relevant accounting standards
- The above statement is founded on sound systems of risk management and internal compliance and control which implement the policies of the Board
- The systems of risk management and internal compliance and control are operating efficiently and effectively in all material respects.



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Board Committees

(Principle 4, Recommendation 4.4)

The Board has presently established the following committees of directors to assist it in carrying out its responsibilities and to allow detailed consideration of complex issues:

- Audit Committee
- Risk Management and Compliance Committee
- Nomination and Remuneration Committee
- Special purpose Committees are established where deemed necessary to deal with specific projects such as the Mitcham–Frankston Freeway Project and the takeover of the Hills Motorway Group.

The Board has also established a committee consisting of directors and external representatives to advise it on matters relating to Corporate Social Responsibility.

Each Committee operates under a Committee Charter, approved by the Board, which sets out the authority, membership and responsibilities of the committee, together with any relevant administrative arrangements and any other matters considered appropriate by the Board. The Audit Committee Charter and summaries of the Charters of the Risk Management and Compliance Committee and of the Nomination and Remuneration Committee are available on the Group's website.

At least once each year the Board reviews the appropriateness of the existing committee structure. For those committees considered necessary, it also reviews the membership and the Committee Charter.

Minutes of committee meetings are recorded by the Company Secretary and circulated with the papers for the next Board meeting. At the Board meeting, the Chairman of the committee highlights key issues under consideration by the committee.

Audit Committee

(Principle 4, Recommendation 4.2, 4.3 and 4.5)

The Audit Committee consists of the following non-executive directors:

P C Byers (Chairman)
L G Cox
J G A Davis
D J Ryan

Details of the qualifications of these directors and of their attendance at meetings of the Committee are set out in the Directors' Report (*refer to page 51*).

All members of the Audit Committee have appropriate financial expertise and an appropriate understanding of the industry in which the Group operates.

The Managing Director, other members of the management team and representatives of the external and internal auditor attend meetings of the Committee by invitation.

The external auditor meets with the Committee without management present on a regular basis.

The duties and responsibilities of the Audit Committee are set out in its Charter, which is available on the Group's website. The primary responsibility of the Committee is to oversee the entity's financial reporting process on behalf of the Board and to recommend to the Board appropriate actions to ensure high quality financial reporting, sound practices to manage risks and ethical behaviour.

In discharging this responsibility, the Committee:

- Assesses the accounting, financial and internal control systems used by the entity and recommends to the Board changes considered appropriate on the basis of such assessments
- Reviews the statutory financial reports of the entity and management's representations in relation to them and provides advice for consideration by the Board in connection with adoption of the statutory financial reports
- Makes recommendations to the Board for the appointment, remuneration and removal of the external auditor and agrees the terms of the auditor's engagement
- Ratifies all non-audit services provided by the external auditor
- Reviews the objectives, competence and resourcing of the internal audit function (including determining

whether the internal audit function is to be provided by an internal or external party)

- Monitors the program of internal audit activity each financial year.

Risk Management and Compliance Committee

(Principle 7, Recommendation 7.1)

The Risk Management and Compliance Committee consists of the following directors:

S M Oliver (Chairman)
G O Cosgriff
D J Ryan
G R Phillips (Executive Director, until his retirement on 26 July 2005)

Details of the qualifications of these directors and of their attendance at meetings of the Committee are set out in the Directors' Report (*refer to page 51*).

The duties and responsibilities of the Risk Management and Compliance Committee are set out in its Charter, a summary of which is available on the Group's website. The primary responsibility of the Committee is to assist the Board to:

- Understand the nature of the risks to which the entity is exposed
- Prioritise those risks for management
- Mitigate those risks to an acceptable level
- Communicate its performance in managing risk to interested stakeholders.

Nomination and Remuneration Committee

(Principle 2, Recommendation 2.4)
(Principle 9, Recommendation 9.1, 9.2, 9.3, 9.4 and 9.5)

The Nomination and Remuneration Committee consists of the following non-executive directors:

L G Cox (Chairman)
G O Cosgriff
J G A Davis

Details of the qualifications of these directors and of their attendance at meetings of the Committee are set out in the Directors' Report (*refer to page 51*).

The duties and responsibilities of the Nomination and Remuneration Committee are set out in its Charter, a summary of which is available on the Group's website.

The primary responsibilities of the Committee are to provide advice to the Board in connection with the appointment of new directors, the measurement of Board performance and the remuneration of directors and senior executives.

In discharging this responsibility, the Committee:

- Makes recommendations on the size and composition of the Board and on procedures for identifying and screening candidates for appointment to the Board



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- Implements these identification and screening procedures when required
- Reviews at least annually the time commitments of non-executive directors to provide a basis for assessing whether candidates for appointment as directors can (having regard to other commitments) meet these commitments
- Develops and oversees an orientation and education program for new directors
- Makes recommendations regarding succession plans for the Board
- Recommends processes for the review of the performance of individual directors and the Board as a whole
- Makes recommendations on the remuneration policies and practices to be introduced and maintained by the entity for the benefit of directors and employees. To assist in making these recommendations, the Committee consults as necessary with external remuneration consultants.

The remuneration of non-executive directors consists entirely of directors' fees, committee fees and (subject to eligibility) retirement benefits. Directors appointed after 25 March 2003 are not eligible for retirement benefits, but receive an additional director's fee.

A summary of the Group's remuneration policies is available on the Group's website. Further information on directors' and executives' remuneration is set out in the Remuneration Report, as part

of the Directors' Report (*refer to page 56*) and in note 25 to the Group financial statements (*refer to page 98*).

Mitcham–Frankston Freeway Project Committee

The Mitcham–Frankston Freeway Project Committee consisted of all directors except Mr L G Cox.

Details of the attendance of these directors at meetings of the Committee are set out in the Directors' Report (*refer to page 55*).

An entity connected with Mr L G Cox was a member of the ConnectEast consortium. That consortium was a respondent during the year to a Request for Proposals ("RFP") issued by the Southern and Eastern Integrated Transport Authority ("SEITA")—an authority of the State of Victoria—for the Mitcham–Frankston Freeway project. Under information protocols agreed with SEITA, the Group was required to:

- Establish a committee of the Board, of which Mr Cox was not a member, to consider all matters relating to the response to the RFP
- Ensure that no information relating to the response to the RFP was provided to Mr Cox.

Compliance with these requirements was subject to audit by a probity auditor appointed by SEITA.

Hills Motorway Project Review Committee

The Hills Motorway Project Review Committee consisted of all directors except Mr P C Byers.

Details of the attendance of these directors at committee meetings are set out in the Directors' Report (*refer to page 55*).

Mr Byers was a director of the Hills Motorway Group during the takeover bid by the Transurban Group. The Board established a committee, of which Mr Byers was not a member. No information relating to the takeover was provided to Mr Byers.

External Auditors

(Principle 6, Recommendation 6.2)

The policy of the Group is to appoint external auditors who are suitably qualified and whose independence is unequivocal.

The performance of the external auditors is reviewed annually by the Audit Committee, which is responsible for making recommendations to the Board in relation to the appointment, remuneration and removal of the external auditors.

PricewaterhouseCoopers was initially appointed as the Group's external auditor in 1996 and was subsequently re-appointed in December 2001.

Good corporate governance is about looking after stakeholders' interests and ensuring decisions are sound and enhance business performance. I think Transurban clearly demonstrates its commitment to those ideals.

Susan Oliver Board member



The appointment of the external auditors has been approved by security holders as required by the Corporations Act. PricewaterhouseCoopers is required to rotate audit engagement partners on listed entities at least every five years. In accordance with that policy, a new audit engagement partner was introduced for the year ended 30 June 2003.

Details of the fees paid to the external auditors, including a break down of fees paid for non-audit services, are set out in note 26 to the Group financial statements (refer to page 112).

All non-audit services provided by the external auditors are reported to the Audit Committee. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee. The Board has considered the non-audit services provided by the external auditors and is satisfied they are compatible with the general standard of independence of auditors.

The external auditors attend the Annual General Meeting and are available to answer questions raised by security holders in relation to the conduct of the audit and the preparation and content of the audit report.

Risk Assessment and Management

(Principle 7, Recommendation 7.1 and 7.3)

The Board—assisted by the Risk Management and Compliance Committee—is responsible for ensuring that the Group has an effective framework for managing the risks to which the Group is exposed and that the elements of the framework are operating efficiently.

A summary of the Group's Risk Management Framework is available on the Group's website. The framework is consistent with the Australian/New Zealand Standard for Risk Management AS/NZS 4360:2004 and is subject to regular review by the internal and external auditor.

Oversight of the Group's risk management and compliance systems is handled by the Risk Management Group, which consists of senior executives and is chaired by the Group's General Counsel. Key responsibilities of the Risk Management Group are:

- Ensuring that the Group's risk management and compliance systems are operating in a comprehensive and efficient manner
- Monitoring the activities of specialised risk management and compliance working groups
- Promoting a culture of risk awareness across the Group.

The Working Group provides quarterly reports to the Risk Management and Compliance Committee.

All major proposals submitted to the Board for decision include a comprehensive risk assessment and a description of the strategies proposed to mitigate the identified risks.



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Information on the Group's compliance with the environmental regulation to which it is subject is set out in the Directors' Report (refer to page 50).

Code of Conduct

(Principle 3, Recommendation 3.1, 3.2 and 3.3)
(Principle 10, Recommendation 10.1)

The purpose of the Code is to nurture the values underpinning the corporate culture which has played an important role in the success achieved by the Group to date and in the establishment of its reputation.

The Code is discussed with each new employee as part of his or her induction training and "refresher" training is provided on a regular basis.

In summary, the Code requires that all employees act with integrity, fairness and respect for others and in compliance with the letter and spirit of all relevant laws and Group policies. The Code is available on the Group's website.

The Code specifies the procedures for dealing by directors and employees in securities issued by the Group and securities of entities with whom the Group has an existing or potential business relationship. Dealing in Transurban stapled securities and CARS is only permitted during the thirty day periods following the release of the annual and half year results to the ASX and following the Annual General Meeting.

Transactions proposed to be undertaken in Transurban stapled securities, CARS and in the securities of other entities specified from time to time under the policy must be notified to the Company Secretary in advance. A summary of the securities trading policy is available on the Group's website.

The Code requires employees who become aware of unethical behaviour or breaches of the securities trading policy to report these to senior management. The Code provides protection for employees who report such occurrences.

The directors are satisfied that during the year ended 30 June 2005 the Group has complied with the requirements of the Code, including the securities trading policy.

Continuous Disclosure and Shareholder Communication

(Principle 5, Recommendation 5.1 and 5.2)
(Principle 6, Recommendation 6.1)

The Board's policy on information disclosure covers:

- Continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of Transurban stapled securities or CARS
- Arrangements to promote communication with security holders.

A summary of this policy is available on the Group's website.

The Company Secretary is the person with primary responsibility for operation of the Continuous Disclosure Policy and for all communication with the ASX in relation to the continuous disclosure obligations of Group entities.

The Group publishes information on its website as soon as it is disclosed to the ASX. All material used in briefing analysts on the Group's operations is released to the ASX and placed on the Group's website.

The Group's notices of security holder meetings provide all relevant information consistent with best practice. Security holders are encouraged to participate at these meetings.

International Financial Reporting Standards (“IFRS”)

The Australian Accounting Standards Board (“AASB”) is adopting International Financial Reporting Standards (“IFRS”) for application to reporting periods beginning on or after 1 January 2005.

The adoption of the Australian equivalents to IFRS will be first reflected in the consolidated entities’ financial statements for the half year ending

31 December 2005 and the year ending 30 June 2006.

The known or predictable impacts on the financial report for the year ending 30 June 2005 had it been prepared using the Australian equivalents to IFRS are set out in note 36 to the Group financial statements (*refer to page 124*).



ASX Principles of Good Corporate Governance

- Principle 1 **Lay solid foundations for management and oversight**
- Principle 2 **Structure the board to add value**
- Principle 3 **Promote ethical and responsible decision-making**
- Principle 4 **Safeguard integrity in financial reporting**
- Principle 5 **Make timely and balanced disclosure**
- Principle 6 **Respect the rights of shareholders**
- Principle 7 **Recognise and manage risk**
- Principle 8 **Encourage enhanced performance**
- Principle 9 **Remunerate fairly and responsibly**
- Principle 10 **Recognise the legitimate interests of stakeholders**

financials



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 Limited (formerly Transurban Infrastructure Developments Limited) and Controlled Entities (ABN 96 098 143 410)

For the Year Ended 30 June 2005

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This financial report covers the Transurban Group which consists of Transurban Holdings Limited, Transurban Holding Trust and Transurban 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. 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 releases to the ASX and the media, financial reports and other information are available on our website: www.transurban.com.au

Directors' Report

The directors of Transurban Limited (formerly Transurban Infrastructure Developments Limited), Transurban Infrastructure Management Limited as Responsible Entity for Transurban Holding Trust and Transurban Holdings Limited present their report on the Transurban Group Accounts for the year ended 30 June 2005.

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 Limited and controlled entities ("TL") as if all entities operate together. They are therefore treated as a combined entity ("the combined entity" or "Group"), 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 TL are stapled into parcels ("Stapled Securities"), comprising one share in THL, one share in TL and one unit in THT. None of the components of the Stapled Security can be traded separately.

Directors

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

	Transurban Limited	Transurban Holdings Limited	Transurban Infrastructure Management Limited
Non-executive Directors			
Laurence G Cox	√	√	√
Peter C Byers	√	√	√
Geoffrey O Cosgriff	√	√	√
Jeremy G A Davis	√	√	√
Susan M Oliver	√	√	√
David J Ryan	√	√	√
Christopher J S Renwick ⁽¹⁾	√	√	√
Executive Directors			
Kimberley Edwards ⁽²⁾	√	√	√
Geoffrey R Phillips ⁽³⁾	√	√	√

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

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

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

Directors' Report

Principal Activities

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

- (a) Operation of the Melbourne CityLink ("CityLink") and the M2 Hills Motorway ("M2") following its successful acquisition;
- (b) Participation in the direction of the activities responsible for the development of the Westlink M7 Motorway project;
- (c) Provision of the tolling and customer management system for the Westlink M7 Motorway project;
- (d) Tendering for participation in and/or acquisition of other toll roads;
- (e) Development of electronic tolling and other intelligent transport systems for implementation in both the domestic and international markets; and
- (f) Identification and development of infrastructure projects in accordance with the investment strategies of Transurban Holdings Limited and Transurban Holding Trust.

Results

The result of operations for the financial year ended 30 June 2005 was an operating loss of \$87.8 million (2004: \$61.5 million).

Distributions

Distributions paid to members during the financial year were as follows:

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

Directors' Report

Review of Operations

a) CityLink Melbourne

Traffic

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

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 \$274.8 million, an increase of 8.0 per cent over the previous year.

Customer Service

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

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

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

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

Infrastructure Group Operations

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

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

The Infrastructure group continues to review the operations and maintenance of the road and has renegotiated this contract achieving ongoing savings of up to \$1.0 million per annum, along with improvements in service level. Recycling of water drained from the tunnels continues to meet the 95 per cent reuse targets.

b) Hills Motorway Group

Transurban achieved effective control of the Hills Motorway Group ("Hills") on 12 April 2005. The net contribution of Hills to the result was a loss of \$10.7 million. The loss represents Hills operational contribution from the date of deemed control (12 April 2005) to 30 June 2005. Included in this result is additional depreciation of \$15.5 million as a result of the reflection of the revaluation of the Hills asset on acquisition of the Hills Motorway Group recorded in the financial statements of Transurban Holdings Limited and Transurban Holding Trust. Excluding the effect of the additional depreciation, Hills net contribution for the period was a profit of \$4.8 million.

c) Westlink M7

The Westlink M7 Project, in which the Transurban Group has a 40 per cent interest, is now expected to be fully operational no later than April 2006.

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

Transurban contracts for the development and implementation of the GATe electronic tolling system and the tolling and customer management ("TCM") system for the Westlink project continue to be on target for completion in line with the expected April 2006 completion date. TCM have finalised

Directors' Report

development of the product suite and approvals for the marketing and implementation plans have been received from the NSW RTA.

d) ROAM

During the year ROAM was selected as the retail brand for the Westlink M7 Motorway.

e) Business Development

During the year Transurban Limited has continued to pursue new business development opportunities on both the domestic and international markets. Opportunities pursued during the period include:

(i) I95 Virginia USA Proposal

Transurban is a part of a consortium headed by Fluor Corporation that has been selected as one of two consortiums by The Virginian Department of Transportation ("VDOT") for the provision of Bus Rapid Transit ("BRT")/High Occupancy Toll ("HOT") lanes for the I95 Motorway in Virginia.

The two selected consortiums are currently in the process of preparing required submissions to VDOT and if successful Transurban would undertake the design and operation of the tolling system.

(ii) Tullamarine / Calder Freeway Interchange Upgrade

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

Under the agreement, Transurban will provide \$151.0 million to VicRoads which will be used to fund the upgrade. The agreement provides the amount be payable to Vic Roads in two installments on 1 July 2005 (\$100.8 million) and 1 July 2006 (\$50.2 million).

In exchange, the State will assign to Transurban \$305.3 million (\$328.0 million pending the outcome of the appeal to the High Court of Australia on deductibility of concession fees) of the Concession Notes issued by CityLink to the State under the provisions of the Melbourne CityLink Concession Deed.

The State also received on 1 July 2005 an upfront benefit of \$11.0 million dollars representing the estimated net present value of the State's share of the expected increase in net tolling revenue following completion. The quantum of the benefit to the State will be reviewed 30 months after completion with any additional revenue realised to be paid to the State.

(iii) Transurban Takeover of the Hills Motorway Group

The Transurban Group announced a takeover offer for all the stapled securities in Hills Motorway Group ("Hills") on 31 January 2005. A Bidders Statement was subsequently issued to the holders of ordinary stapled securities in the Hills Motorway Group in February 2005. Transurban's offer to Hills holders of 1.47 Transurban securities for each Hills security together with a cash component of 25 cents per Hills security was unanimously recommended by the independent directors of Hills on 12 April 2005.

The final offer closed on 20 May 2005 and from 10 June 2005, Hills Motorway became a 100 per cent owned subsidiary of the Transurban Group.

(iv) Participation in Capital Beltway project – Virginia USA

Transurban, through its wholly owned subsidiary Transurban USA Inc, has joined a consortium lead by Fluor Corporation for the provision of High Occupancy Toll ("HOT") lanes along a 22.4 kilometre segment of the Capital Beltway (I 495) in Northern Virginia, USA.

The Virginia Department of Transportation ("VDOT") estimates the project will cost approximately US \$900 million (A\$1,200 million). It is expected that Transurban's contribution to the project will approximate A\$200 million.

Directors' Report

Currently an environmental impact study is being undertaken prior to commencement of a full financial feasibility evaluation of the project.

In the event that a Financial Close is achieved in late 2006 Transurban will provide support for the design and operation of the tolling system.

(v) **Pocahontas Parkway-Memorandum of Understanding-Virginia USA**

On 17 June 2005 Transurban (USA), Inc. and DEPFA Bank, Plc. announced they had entered into a confidential Memorandum of Understanding ("MOU") with the Pocahontas Parkway Association ("PPA") and VDOT.

PPA was created in August 1997 for the financing and operation of the Pocahontas Parkway (route 895) which was fully opened to traffic in September 2002. The Parkway is a nine mile (approximately 15 kilometre), four lane toll road located southeast of the city of Richmond in Virginia which provides a crossing of the James River and facilities access to the Richmond International Airport.

The MOU provides for the exclusive investigation of the feasibility of acquiring PPA's rights and obligations in relation to the Parkway and in the event of a favorable outcome of such investigation, the negotiation of an agreement to transfer the PPA's rights and obligations to

Transurban and DEPFA. Transurban has commenced due diligence on the project as it is contemplated that any such agreement would be expected to be completed before the end of 2005.

(vi) **Mitcham Frankston Freeway ("MFF") Project**

On 14 October 2004, the State of Victoria advised the Mitcham Frankston Motorway ("MFM") Consortium of which Transurban was a sponsor, that the consortium's proposal for the Mitcham Frankston Freeway project had not been accepted.

In accordance with the Group's accounting policies, \$9.4 million, representing costs incurred in preparation of the proposal less a reimbursement due from SEITA, has been charged to expense in the period. This amount includes \$7.0 million which had been capitalised in the prior year.

f) **Income Tax**

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

The Australian Taxation Office ("ATO") and Transurban have been unable to agree on the treatment to be applied to

concession fees and as a consequence, the ATO issued an assessment in respect of CityLink Melbourne's income tax return for the year ended 30 June 1998.

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

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

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

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

Directors' Report

Item	Current \$000	Amended \$000
Statement of Financial Performance		
Concession Note Valuation Adjustment (Expense)/Benefit	(41,121)	6,476
Statement of Financial Position		
Non-interest bearing non-current liabilities	127,277	79,830
Accumulated losses	(747,975)	(668,595)
Carried forward tax loss at 30 June 2005	891,883	229

Significant Changes in the State of Affairs

a) Refinancing

During the year Transurban entered into refinancing arrangements to replace existing medium and short term debt facilities. The Group completed the following debt issues:

- A US private placement of USD \$247.5 million and AUD \$72.0 million to US institutional investors. The placement consisted of four tranches with maturities ranging from December 2014 to December 2019, providing a weighted average maturity of 12.9 years
- An issue of AUD \$150.0 million of medium term notes maturing in December 2009 to domestic institutional investors

→ \$600.0 million working capital facility, comprising \$150.0 million for a three year term from March 2005, \$255.0 million for a three year term from June 2005 and \$195.0 million for a five year term from June 2005. \$252.5 million was drawn down as at 30 June 2005

→ In addition, Transurban announced plans in May 2005 to issue USD \$380.0 million (AUD \$500.0 million) of senior debt into the US private placement market. The proceeds of the issue have been used to repay bonds issued in the debt capital markets which matured on 8 August 2005.

b) Enhanced Distribution Profile

The Bidders Statement issued to Hills security holders as part of the acquisition of the Hills Motorway Group outlined an enhanced distribution profile for the Transurban Group. The distribution forecast for the financial year ended 30 June 2006 is 50.0 cents per stapled security. This represents an 11.0 cent

increase on the previous estimate of 39.0 cents per stapled security outlined in an Australian Stock Exchange release on 29 October 2004.

c) Mitcham Frankston Freeway ("MFF") Project

Refer to Item (e)(vi) of Review of Operations.

d) Tullamarine / Calder Freeway Interchange Upgrade

Refer to Item (e)(ii) of Review of Operations.

e) Transurban Takeover of Hills Motorway Group

Refer to Item (e)(iii) of Review of Operations

f) Participation in Capital Beltway project (Virginia USA)

Refer to item (e) (iv) of Review of Operations.

Directors' Report

g) Pocahontas Parkway – Memorandum of Understanding (Virginia USA)

Refer to item (e) (v) of Review of Operations.

Matters Subsequent to the End of the Financial Year

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors' Report

Information on Directors

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

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

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

Date of initial appointment

13 February 1996

Special responsibilities

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

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

Experience and expertise

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

Other current directorships

None

Former directorships in last 3 years

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

Date of initial appointment

29 October 1996

Special responsibilities

Managing Director

Peter C Byers B Com (Hons). Independent non-executive director

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

Alternate non-executive director of Hancock Victorian Plantations Holdings Limited (1995 to 2005). Non-executive director of The Hills Motorway Group (1995 to 2005).

Date of initial appointment

2 January 1996

Special responsibilities

Chairman of Audit Committee

Directors' Report

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

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

None

Date of initial appointment

19 December 2000

Special responsibilities

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

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

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

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

Date of initial appointment

16 December 1997

Special responsibilities

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

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

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

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

Date of initial appointment

25 June 1996

Special responsibilities

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

Directors' Report

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

Experience and expertise

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

Other current directorships

Non-executive director and Deputy Chairman of Yarra Valley Water Limited.

Former directorships in last 3 years

None

Date of initial appointment

28 August 1998

Special responsibilities

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

Date of retirement

26 July 2005

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

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

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

Date of initial appointment

26 July 2005

Special responsibilities

None

David J Ryan AO, BBus, FCPA, FAICD. Independent non-executive director

Experience and expertise

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

Other current directorships

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

Former directorships in last 3 years

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

Date of initial appointment

23 April 2003

Special responsibilities

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

Directors' Report

Company Secretary

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

Mr Licciardo was appointed to the position of Company Secretary with effect from 17 January 2005. Before joining Transurban he held the position of company secretary with a group of listed investment companies, the major one being Australian Foundation Investment Company Limited, for just over 7 years. Prior to that he held various finance roles with investment companies and major banks.

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

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

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

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

Meetings of directors

The number of meetings of the board of directors of Transurban Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2005, and the numbers of meetings attended by each director were:

Name	Board of Directors Transurban Limited		Board of Directors Transurban Holdings Limited		Board of Directors Transurban Infrastructure Management Limited	
	A	B	A	B	A	B
L G Cox	18	19	16	18	18	20
P C Byers ⁽¹⁾	14	19	13	18	15	20
G O Cosgriff	19	19	18	18	20	20
J G A Davis	18	19	18	18	19	20
S M Oliver	19	19	17	18	19	20
D J Ryan	18	19	17	18	19	20
K Edwards	18	19	17	18	x	x
G R Phillips	19	19	18	18	20	20

A = Number of meetings attended

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

x = Not a director of the relevant company

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

Directors' Report

The number of meetings of each board committee of Transurban Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2005, and the numbers of meetings attended by each director are set out in the following table. All meetings were held jointly.

Name	Audit Committee		Mitcham Frankston Freeway Committee		Nomination & Remuneration Committee		Risk Management & Compliance Committee		Hills Motorway Review Committee	
	A	B	A	B	A	B	A	B	A	B
L G Cox ⁽⁵⁾	4	5	x	x	3	3	x	x	4	4
P C Byers ⁽¹⁾	5	5	4	4	x	x	x	x	x	x
G O Cosgriff	x	x	4	4	3	3	3	3	4	4
J G A Davis	5	5	4	4	3	3	x	x	4	4
S M Oliver ⁽²⁾	x	x	3	4	x	x	3	3	4	4
D J Ryan ⁽³⁾	2	2	4	4	x	x	2	3	4	4
K Edwards ⁽⁴⁾	x	x	4	4	x	x	x	x	4	4
G R Phillips ⁽⁴⁾	x	x	4	4	x	x	3	3	4	4

A = Number of meetings attended

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

x = Not a member of the relevant committee

⁽¹⁾ Mr Byers did not participate in the Hills Review Committee due to a conflict of interest arising from his position as a Hills director.

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

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

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

⁽⁵⁾ Mr Cox did not participate in the Mitcham-Frankston freeway Committee due to a conflict of interest arising from his position as a director of Macquarie Bank Limited.

Directors' Report

Directors' Interests

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

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

Remuneration Report

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

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

The constitutions of the entities comprising the Transurban Group ("the Group") provides that the total remuneration paid in a year to non-executive directors may not exceed \$950,000 per entity. Subject to this

limit, remuneration structure and amounts for non-executive directors are recommended to the Board by the Nomination & Remuneration Committee with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 January 2005.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director has completed a minimum of three years service. The lump sum is equivalent to the total emoluments received during

the Relevant Period. The Relevant Period is one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever is the lesser. This policy was reviewed in April 2003 and it was resolved to continue the policy for directors appointed prior to 29 April 2003, but not to extend the policy to appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

- To secure employees with the skills and experience necessary to meet business objectives

Directors' Report

- To motivate employees to the highest levels of performance
- To align employee incentives with increased shareholder value.

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

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

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

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

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

The incentive component of executive remuneration is primarily determined by financial performance relative to short-term profitability targets and by Total Shareholder Return ("TSR") relative to the companies comprising the ASX200 index over the longer term. Over the past five years Total Shareholder Return ("TSR") for the Transurban Group was 149.4 per cent compared with the Standard and Poors / ASX 200 accumulation index of 57.0 per cent for the same period. Distributions paid from commencement of operations have risen consistently, evidenced in the final result for the financial year ended 30 June 2005 of 35.0 cents per security ("cps") representing a 25.0 per cent increase over that recorded for the prior corresponding period (28.0 cps).

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

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

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

reporting to the Managing Director is established by the Nomination and Remuneration Committee, based on the recommendation of the Managing Director.

The components of executive remuneration are described below:

Base Pay

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

Benefits

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

Short-term Incentives

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

Directors' Report

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

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

The adjustment ensures that STI payments are only made when value has been created for security holders and profit is consistent with the business plan.

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

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

Long Term Incentives

Two forms of Long-term Incentives ("LTI") are currently in operation. The Executive Option Plan ("EOP") provides equity rewards, while the Executive Long Term Incentive Plan ("ELTIP") provides cash rewards linked to equity performance. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period when all options issued under the EOP had vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Options" (Note 25).

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

Business Generation Incentive Plan

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

Employee Security Ownership Plan

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

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of the Transurban Group and each of the 5 officers of the Group receiving the highest emoluments for the year ended 30 June 2005 are set out in the following tables.

Directors' Report

Directors of the Transurban Group

Name	Cash salary and fees	Primary		Non-monetary benefits	Post-employment		Equity	Total
		Cash Bonus	Long Term Incentive ⁽¹⁾		Super-annuation	Retirement benefits	Options ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors								
L G Cox <i>Chairman</i>	265,718	-	-	-	20,331	168,992	-	455,041
P C Byers	100,935	-	-	-	9,085	78,822	-	188,842
J G A Davis	77,013	-	-	-	80,000	79,311	-	236,324
S M Oliver	97,918	-	-	-	8,812	82,340	-	189,070
G O Cosgriff	101,852	-	-	-	9,167	47,078	-	158,097
D J Ryan	117,566	-	-	-	10,581	-	-	128,147
Executive directors								
K Edwards <i>Managing Director</i>	1,154,259	1,000,000	2,545,620	7,300	95,940	-	183,999	4,987,118
G R Phillips <i>Deputy Managing Director</i>	538,509	262,500	-	7,300	11,585	-	61,333	881,227
Total	2,453,770	1,262,500	2,545,620	14,600	245,501	456,543	245,332	7,223,866

Directors' Report

Other executives of the Transurban Group

Name	Primary			Post-employment		Equity	Total
	Cash salary and fees	Cash bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Options ⁽²⁾	
	\$	\$	\$	\$	\$	\$	\$
B Bourke CEO CityLink Melbourne Limited	385,342	230,000	485,490	7,300	46,660	35,791	1,190,583
K Daley Vice President, International Development	321,352	230,000	482,286	6,083	27,337	30,544	1,097,602
V Howard General Manager, Corporate Finance	254,315	432,500	350,699	7,300	15,000	21,817	1,081,631
P O'Shea General Counsel	304,319	225,000	387,751	7,300	27,312	26,181	977,863
L Hunt General Manager NSW	305,473	137,000	375,935	13,400	26,511	11,742	870,061
Total	1,570,801	1,254,500	2,082,161	41,383	142,820	126,075	5,217,740

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

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

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

Cash Bonuses and options

Remuneration of the Group's executives includes a short term incentive ("STI") component and each executive has the potential to receive 100 per cent of his or her target STI payment. The actual STI payment received by each executive is determined by the extent to which the executive's KPIs are met.

Cash bonuses aggregating \$3.8 million were incurred*- under the Business Generation Incentive Plan in relation to the takeover offer for the Hills Motorway Group and the project to upgrade the interchange between the Tullamarine and Calder Freeways.

For each cash bonus paid to the directors and executives listed in the above tables, the percentage of the available bonus that was paid in the financial year and the percentage that was not paid because the person did not meet his or her performance criteria is set out below. No part of the cash bonuses are payable in future years.

Directors' Report

Name	Cash Bonus	
	Paid %	Not Paid %
K Edward	100	-
G R Phillips	87	13
B Bourke	102	-
K Daley	92	8
V Howard	100	-
P O'Shea	105	-
L Hunt	85	15

Options

All options issued to the executives and directors listed in the above tables and which were due to vest during the current year have now vested. No options which were due to vest during the current year have been forfeited.

For options issued under the EOP and vesting in the current year, the rank of Transurban's TSR relative to the TSRs of the companies comprising the ASX 200 index over the relevant Exercise Condition Test Period was at the 69.6th percentile. As this rank was above the threshold required for 100 per cent vesting, all options which vested in the current year, together with options which had vested in prior periods but whose exercise had been precluded by operation of the Exercise Condition, became exercisable.

Long Term Incentive Units

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

Service agreements

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

Executive Directors

K Edwards, Managing Director

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

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

G R Phillips, Deputy Managing Director

- Term of Agreement – until 31 July 2005
- Base salary, including superannuation, for the year ended 30 June 2005 of \$550,000
- On 25 July 2005, Mr Phillips' service agreement was varied to provide for a termination benefit of \$990,000 in recognition of his long service to the Group and his non-participation in the Executive Long Term Incentive Plan.

Directors' Report

Other Executives

The major provisions contained in the service agreements of the other executives listed in the table in the section headed "Details of Remuneration" are the same for all executives except for the base salary component. These provisions are:

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

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 issued during the year.

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

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

Issued Long Term Incentives

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

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

Directors' Report

Further details relating to options and long term incentives are set out below.

Name	A Remuneration consisting of options/ELTI %	B Value at grant date \$	C Value at grant date \$	D Value at lapse date \$	E Total of columns B to D \$
K Edwards – options	-	-	-	-	-
K Edwards – ELTI	35	437,500	-	-	437,500
G R Phillips – options	-	-	1,483,000	-	1,483,000
G R Phillips – ELTI	-	-	-	-	-
B Bourke – options	-	-	1,069,550	-	1,069,550
B Bourke – ELTI	20	84,000	-	-	84,000
K Daley – options	-	-	181,300	-	181,300
K Daley – ELTI	20	66,000	-	-	66,000
V Howard – options	-	-	716,706	-	716,706
V Howard – ELTI	20	55,000	-	-	55,000
P O'Shea – options	-	-	730,039	-	730,039
P O'Shea – ELTI	20	66,000	-	-	66,000
L Hunt – options	-	-	-	-	-
L Hunt – ELTI	20	64,000	-	-	64,000

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

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

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

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

Shares issued on the exercise of options

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

Directors' Report

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

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.

Non-audit Services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 26 of the financial report.

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations

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

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

A copy of the auditor's independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 66.

Auditor

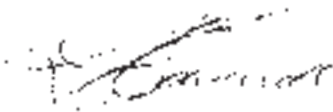
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

Directors' Report

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Directors' Report



PricewaterhouseCoopers
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Auditors' Independence Declaration

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

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

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

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

Tim Goldsmith

Partner

Melbourne

23 August 2005

Statements of financial performance for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Revenue from ordinary activities	3	511,652	467,666
Expenses from ordinary activities:			
Operational costs		(74,222)	(67,899)
Corporate costs		(26,730)	(18,504)
Business Development		(18,158)	(9,172)
Corporate and Community Relations		(3,523)	(2,454)
Concession Fees		(95,600)	(95,600)
Net valuation adjustment on Concession Notes		54,179	58,615
Net valuation adjustment on Promissory Notes		(541)	-
Depreciation and amortisation expenses	4	(179,396)	(152,400)
Borrowing costs expense	4	(255,054)	(241,742)
Loss from ordinary activities before income tax		(87,393)	(61,490)
Income tax expense	5	(444)	-
Loss from ordinary activities after income tax		(87,837)	(61,490)
		Cents	Cents
Basic earnings per Stapled Security	35	(14.8)	(11.7)
Diluted earnings per Stapled Security	35	(6.4)	(4.1)

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

financials

Statements of financial position as at 30 June 2005

	Notes	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash assets	6	395,561	207,452
Receivables	7	25,394	25,757
Other	8	9,178	6,914
Total Current Assets		430,133	240,123
NON-CURRENT ASSETS			
Property, plant and equipment	9	5,943,389	3,604,281
Intangible assets	10	8,252	8,752
Financial assets	11	392,000	486,419
Investments accounted for using the equity method	12	6,236	6,236
Other	13	35,061	29,920
Total Non-Current Assets		6,384,938	4,135,608
TOTAL ASSETS		6,815,071	4,375,731
CURRENT LIABILITIES			
Payables	14	104,301	79,422
Current tax liabilities	5	5,429	-
Interest bearing liabilities	15	8,000	8,000
Non-Interest bearing liabilities	16	129,578	25,585
Provisions	17	157,601	5,570
Total Current Liabilities		404,909	118,577
NON-CURRENT LIABILITIES			
Deferred tax liabilities	5	5,024	-
Interest bearing liabilities	18	2,865,976	2,210,248
Non-Interest bearing liabilities	19	206,796	207,681
Provisions	20	3,999	2,036
Total Non-Current Liabilities		3,081,795	2,419,965
TOTAL LIABILITIES		3,486,704	2,538,542
NET ASSETS		3,328,367	1,837,189
EQUITY			
Contributed equity	21	4,127,228	2,242,030
Accumulated losses	22	(798,861)	(404,841)
TOTAL EQUITY		3,328,367	1,837,189

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

Statements of cash flows for the year ended 30 June 2005

	Notes	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		379,532	309,806
Payments to suppliers (inclusive of GST)		(171,174)	(146,034)
Interest received		223,554	173,553
Other revenue		15,258	15,687
Income taxes paid		(2,720)	-
Borrowing costs		(297,478)	(214,768)
Net cash inflows from operating activities	33	146,972	138,244
Cash flows from investing activities			
Net cash acquired from purchase of controlled entities		332,024	-
Payments for property, plant and equipment		(29,361)	(22,602)
Payments for project development		(4,400)	(5,334)
Payments for deferred borrowing costs		(10,394)	-
Payments for investments		-	(96,347)
Payment for release from single purpose		(3,150)	(3,150)
Distributions received		4,650	-
Proceeds from sale of assets		-	6
Loans to related parties		(2,576)	(2,801)
Repayment of loans by related parties		3,778	909
Net cash inflows/(outflows) from investing activities		290,571	(129,319)
Cash flows from financing activities			
Proceeds from issue of stapled securities		11,559	365
Security issue transaction costs		(146)	-
Unclaimed compulsory acquisition funds		556	-
Interest capitalised against cash collateral		35,007	-
Proceeds from borrowings		810,321	80,000
Repayment of borrowings		(590,000)	-
Distributions paid		(131,686)	(54,145)
Net cash inflows from financing activities		135,611	26,220
Net increase in cash at bank and cash collateral		573,154	35,145
Cash at bank and cash collateral at the beginning of the financial year		1,456,452	1,421,277
Effects of exchange rate changes on cash		30	30
Cash at bank and cash collateral at the end of the financial year	6	2,029,636	1,456,452
Less cash collateral		(1,634,075)	(1,249,000)
Cash at bank at the end of the financial year	6	395,561	207,452

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

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

1 Summary of Significant Accounting Policies

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

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

a) Principles of aggregation

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 Limited and controlled entities, notwithstanding that none of the entities controls the others. 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 2005. A Stapled Security comprises one share in Transurban Holdings Limited, one share

in Transurban 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) 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.

Tax consolidation legislation

The Transurban Group has completed an analysis of the tax consolidation legislation and its applicability to the Group. In reaching a decision on the extent to which it would adopt the provisions of the legislation, the Group considered the following:

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

- the ability of entities comprising the stapled security to consolidate
- the effect of the legislation on each entity's carry-forward loss position, and
- transitional concessions available to entities electing to consolidate at 1 July 2004.

Based on its analysis, the Group has elected to implement tax consolidation legislation for Transurban Limited and its wholly owned entities with effect from 1 July 2003.

As a consequence, Transurban Limited, as the head entity in the tax consolidated group recognises events and transactions of its wholly owned entities as if those transactions were its own.

Transurban Holdings Limited has elected not to participate in the tax consolidation legislation.

The impact on the income tax expense for the year is disclosed in note 5.

d) Foreign currency translation

Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at the date. Resulting exchange differences

are recognised in determining the profit or loss for the year.

e) 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.

f) Revenue recognition

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

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

g) 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 reasonable doubt as to collection exists.

h) Recoverable Amount of Non-Current Assets

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

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

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

i) 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 Company to operate CityLink (32 years), or the estimated useful lives of the assets, 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.

M2 Motorway Fixed Assets

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

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

Other Plant and Equipment

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

The expected useful lives are as follows:
Plant and Equipment 2.5 – 20 years

j) Leased Non-Current Assets

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

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.

k) Non-current assets constructed by the consolidated entity

The cost of non-current assets constructed by the consolidated entity includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of directly attributable variable and fixed overheads.

l) 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. This period is presently estimated to be 20 years.

m) Trade and other creditors

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

n) 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.

o) Deferred Expenditure

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

p) Infrastructure Loan Facilities

The consolidated entity has three Infrastructure Loan facilities. Under the terms of these facilities, the consolidated entity must provide cash collateral equal to the utilised amounts of the facilities. This cash collateral has been set-off against the outstanding infrastructure borrowing facilities so that no asset or liability in respect of those facilities has been recorded in the balance sheet of the consolidated entity. (refer note 18).

q) Concession and RTA Promissory Notes

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

r) Employee Entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognized in other creditors in respect of employees' services up to the reporting date and are measured at

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

the amounts expected to be paid when the liabilities are settled. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wages and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 29.

No accounting entries are made in relation to the Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 25 include the assessed fair value of options at the date they were granted.

(iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long Term Incentive Plan. Information relating to this plan is set out in note 29.

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

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

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

(v) Superannuation

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

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

s) 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.

t) 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.

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

u) 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 1i. Other routine operating maintenance, repair and minor renewal costs are also charged as expenses as incurred.

v) Borrowing Costs

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

w) Cash

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

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

Costs meeting these criteria are deferred.

y) Financial Instruments

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

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

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

z) Earnings per Share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

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

aa) 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.

ab) Trust Formation

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

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

2 Segment Information

The Combined Entity's primary business segment for the year ending 30 June 2005 was the operation of the toll roads being Melbourne City Link and the Hills Motorway M2 in Sydney following the acquisition of Hills Motorway Group and a 40 per cent interest in the Westlink M7 project.

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

	Segment Revenues		Segment Assets		Segment Liabilities	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Victoria	436,749	431,033	3,843,061	3,960,431	2,482,680	2,091,096
New South Wales	74,903	36,633	2,970,082	415,300	1,004,024	447,446
Other	-	-	1,928	-	-	-
	511,652	467,666	6,815,071	4,375,731	3,486,704	2,538,542

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

	2005 \$'000	2004 \$'000
3 Revenue		
Revenue from operating activities		
Toll revenue	291,138	248,097
Fee revenue	6,672	6,361
Advertising revenue	3,594	3,451
IT development fees	12,206	9,245
Other	943	-
	314,553	267,154
Revenue from outside operating activities		
Interest	185,704	180,480
Proceeds from sale of non-current assets	-	6
Equity investment distributions	2,025	1,044
Foreign exchange gains (net) (note 4)	714	59
Other	8,656	18,923
	197,099	200,512
Revenue from ordinary activities	511,652	467,666

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

2005
\$'000

2004
\$'000

4 Operating Loss from Ordinary Activities

Net gains and expenses

Loss from ordinary activities before income tax expense includes the following specific net gains and expense:

Net gains

Net gain on disposal of property, plant and equipment	-	6
Net foreign exchange gains recognised in the profit from ordinary activities for the year (as either revenue or expense)	714	59

Expenses

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

Depreciation and amortisation

CityLink	140,871	141,200
M2 Motorway	23,161	-
Other fixed assets	14,864	10,700

Amortisation

Goodwill	500	500
Total depreciation/amortisation	179,396	152,400

Bad and doubtful debts – trade debtors	1,287	635
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Mitcham Frankston Freeway bid costs	9,423	-
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Borrowing costs

Interest and finance charges paid/payable	245,828	230,650
Interest rate hedging charges paid/payable	9,226	11,092
Total borrowing costs	255,054	241,742

Rental expenses relating to operating leases	2,555	2,284
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Notes to the financial statements for the year ended 30 June 2005

5 Income Tax

Tax consolidation legislation

The Transurban Group has elected to implement tax consolidation legislation for Transurban Limited and its wholly owned entities with effect from 1 July 2003. The accounting policy on implementation of the legislation is set out in note 1(c).

The impact on the income tax expense for the year is disclosed in the tax reconciliation below.

Transurban Holdings Limited has elected not to adopt the tax consolidation legislation.

	2005	2004
	\$'000	\$'000
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	(87,393)	(61,490)
Income tax calculated at 30% (2004-30%)	(26,218)	(18,447)
Tax effect of permanent differences:		
Infrastructure borrowing facility interest not deductible	27,561	26,439
Non-deductible depreciation and amortisation	150	150
Other	732	170
Income tax adjusted for permanent differences	2,225	8,312
Benefit of (tax losses of prior year recouped)/tax losses not recognised	(1,781)	(8,312)
Income tax expense	444	-

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

	2005 \$'000	2004 \$'000
b) Transurban Holding Trust		
Tax losses at beginning of year	152,903	197,957
Tax (income) for the year	(50,554)	(45,054)
Tax losses at end of year	102,349	152,903
Transurban Holdings Limited		
Tax losses at beginning of year	824,236	830,722
Tax (income)/losses for the year	(34,855)	(6,486)
Tax losses at end of year	789,381	824,236
Transurban Limited		
Tax losses at beginning of year	17,267	12,178
Tax (income) for the year	(17,114)	5,089
Tax losses at end of year	153	17,267
Income tax liabilities		
Current tax payable	5,429	-
Current tax liabilities	5,429	-
Future income tax benefit – non-current	(2,022)	-
Provision for deferred income tax non-current	7,046	-
Deferred tax liabilities	5,024	-

Potential future income tax benefits at 30 June 2005 for tax losses not brought to account for the combined entity are \$267.6 million (2004: \$298.3 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements described in note 1c. The gross tax losses in relation to the Trust are \$102.3 million as at 30 June 2005 (2004: \$152.9 million). These losses can not be used directly by

the Trust for the reason outlined in note 1c, 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; and

- (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 entity in realising the benefit from the deductions for the losses.

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

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

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Group Accounts have been prepared on this basis for the year ended 30 June 2005 and all prior years. Deductions in respect of concession fees account for \$891.7 million of the combined entity's carried forward loss of \$891.9 million at 30 June 2005.

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

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

Transurban lodged a Notice of Appeal against the dismissal which was heard before a Full Court of the Federal Court on 12 October 2004. The Full Court of the Federal Court unanimously ruled

in favor of Transurban confirming that concession fees are deductible.

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

Until a definitive resolution of this matter has been achieved, Transurban intends to continue preparing the Group financial statements on the basis that the concession fees are deductible. If the finding of Mr Justice Merkel is finally confirmed, certain items in the Group financial statements will require amendment.

6 Current Assets – Cash Assets

	2005 \$'000	2004 \$'000
Cash at bank	395,561	207,452
	395,561	207,452

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

Cash at bank – as above	395,561	207,452
Cash collateral, Infrastructure Loan Facility (note 1p)	795,000	795,000
Cash collateral, Infrastructure Note Facility (note 1p)	454,000	454,000
Cash collateral, Refinancing Infrastructure Bonds (note 1p)	385,075	-
	2,029,636	1,456,452

The amount shown in Cash at Bank includes \$28.1 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 2005 (2004: \$36.2 million).

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

	2005 \$'000	2004 \$'000
7 Current Assets – Receivables		
Trade Debtors	12,509	11,508
Less: Provision for Doubtful Debts	(1,429)	(755)
	11,080	10,753
Other Debtors	14,314	15,004
	25,394	25,757

8 Current Assets – Other

Prepayments	3,792	3,627
Deferred expenditure	1,898	-
Debtors from related parties	3,488	3,287
	9,178	6,914

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

CityLink at cost	3,937,269	3,910,616
Less: Accumulated depreciation	(500,031)	(359,160)
	3,437,238	3,551,456

M2 Motorway Fixed Assets

M2 at cost	2,446,819	-
Less: Accumulated depreciation	(23,161)	-
	2,423,658	-

Equipment and Fittings

Equipment and fittings at cost	124,625	80,116
Less: Accumulated depreciation	(42,132)	(27,291)
	82,493	52,825
Total Property, plant and equipment	5,943,389	3,604,281

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

Non-current assets pledged as security

Refer to note 18 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 is set out below:

	CityLink \$'000	Equipment & Fittings \$'000	M2 \$'000	Total \$'000
2005				
Carrying amount at 1 July 2004	3,551,456	52,825	-	3,604,281
Additions	26,653	44,532	2,446,819	2,518,004
Depreciation/amortisation expense charged to statement of financial performance	(140,871)	(14,864)	(23,161)	(178,896)
Carrying amount at 30 June 2005	3,437,238	82,493	2,423,658	5,943,389
2004				
Carrying amount at 1 July 2003	3,692,648	35,603	-	3,728,251
Additions	8	27,922	-	27,930
Depreciation/amortisation expense charged to statement of financial performance	(141,200)	(10,700)	-	(151,900)
Carrying amount at 30 June 2004	3,551,456	52,825	-	3,604,281
			2005 \$'000	2004 \$'000

10 Non-current Assets – Intangible Assets

Goodwill	10,000	10,000
Less: Accumulated amortisation	(1,748)	(1,248)
	8,252	8,752

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

2005 2004
\$'000 \$'000

11 Non-current Assets – Other Financial Assets

Investments traded on organised markets

Shares in other corporations	-	94,419
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Other financial assets

Investment in Construction Phase Loan Notes	392,000	392,000
	392,000	486,419

During the year, the Transurban Group acquired the remaining 91.9 per cent interest in the Hills Motorway Group, creating a wholly owned Group subsidiary. The 2004 comparison is the investment in the Hills Motorway Group held by Transurban Holding Trust prior to the takeover (refer note 30).

Investment in Construction Phase Loan Notes (“CPLN”)

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

12 Investments Accounted for Using the Equity Method

2005 2004
\$'000 \$'000

Interest in joint venture partnership (note 32)	6,236	6,236
Shares in associates (note 31)	-	-
	6,236	6,236

13 Non-current Assets – Other

Debtor from related party	2,114	5,128
Prepayments	1,973	2,913
Project development	8,163	9,139
Deferred borrowing costs	22,811	12,740
	35,061	29,920

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

	2005 \$'000	2004 \$'000
14 Current Liabilities – Payables		
Trade creditors	29,434	7,355
CARS coupon payment	14,926	15,009
Other creditors	59,941	57,058
	104,301	79,422

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

Other Creditors

Other creditors represents accruals for operating expenses and interest on the Group's borrowings.

15 Current Liabilities – Interest Bearing Liabilities

	2005 \$'000	2004 \$'000
Secured		
Bank loan	8,000	8,000
	8,000	8,000

This loan facility was fully utilised at 30 June 2005.

16 Current Liabilities – Non-interest Bearing Liabilities

Prepaid tolls	21,083	20,121
Unearned income	7,677	2,314
Release from Single Purpose	-	3,150
Tullamarine/Calder freeway upgrade	100,818	-
	129,578	25,585

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

	2005 \$'000	2004 \$'000
17 Current Liabilities – Provisions		
Employee entitlements	15,146	5,570
Distribution to security holders	142,455	-
	157,601	5,570

18 Non-current Liabilities – Interest Bearing Liabilities**Secured**

Infrastructure Loan facility	795,000	795,000
Less: Cash collateral (note 1p)	(795,000)	(795,000)
Infrastructure Note facility	454,000	454,000
Less: Cash collateral (note 1p)	(454,000)	(454,000)
Refinancing Infrastructure Bonds	385,075	-
Less: Cash collateral (note 1p)	(385,075)	-
Term Debt	440,000	-
U.S. Private Placement	396,080	-
Working Capital Facilities	259,500	-
Land Transport Notes	396	248
Project Debt - Tranche B	-	510,000
Capital Markets Debt	1,340,000	1,190,000
Convertible Adjusting Rate Securities	430,000	430,000
Subordinated Debt Facility	-	80,000
	2,865,976	2,210,248

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

Set-off of Assets and Liabilities

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

Financing Arrangements and Credit Facilities

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

Details of each facility are as follows:

a) Infrastructure Loan Facility

\$795.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax

Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the Infrastructure Loan facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2005.

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 April 2007. The facility was fully drawn as at 30 June 2005.

c) Refinancing Infrastructure Bonds

\$385.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The

bonds are secured by cash collateral equal to the amount of the loan which is set off against the loan facility, the principal of the refinancing bonds will be repaid from the cash collateral on 31 December 2009. The facility was fully drawn down as at 30 June 2005.

d) Term Debt

\$440 million bank facility, maturing in June 2009. The facility was fully utilised at 30 June 2005. This facility is fully secured against the respective rights of Hills Motorway Ltd and Hills Motorway Trust in the M2 Motorway and their assets.

e) U.S. Private Placement

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

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

The composition of the US Private Placement is outlined below:

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

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

f) Working Capital Facilities

During the year, the following facilities were entered into:

- \$150.0 million facility which is for a term of 3 years from 18 March 2005. At 30 June 2005, \$82.5 million of this facility was drawn-down
- \$450.0 million facility which is composed of two Tranches from 27 June 2005. Tranche A (\$255.0 million) which is for a term of 3 years and Tranche B (\$195.0 million) which is for a term of 5 years. At 30 June 2005, \$170.0 million of the Tranche A facility was drawn-down. The Tranche B facility remained unused

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

The \$150.0 million and \$450.0 million facilities are secured by a first ranking charge over the cash flows of the Group.

g) Land Transport Notes

The class A land Transport Notes were repaid on 30 June 2004. The class B Land Transport Notes are carried at a present value of \$0.4 million and will be repaid no later than 30 days prior to the last day of the concession period.

h) Capital Markets Debt

Comprises bonds issued by Transurban Finance Company with terms of 3, 5, and 7 years from 8 August 2002. An additional \$150.0 million was raised in December 2004 through the issuance of non-credit wrapped fixed rate Medium Term Notes.

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

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

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

⁽¹⁾ The Group has the option to redeem the 5 year and 7 year facilities after 3 years.

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

i) Convertible Adjusting Rate Securities

\$430.0 million raised via the issue of 4.3 million securities. Semi annual interest is paid at a fixed rate of 7.0 per cent per annum until the first re-set date on 14 April 2007. These securities are generally convertible into Transurban Securities at a discount of 2.5 per cent and rank ahead of Transurban Stapled Securities on a winding up of Transurban in conjunction with a winding up of Transurban CARS Trust.

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.

	2005 \$'000	2004 \$'000
Loans		
Total facilities	4,448,155	3,087,000
Used at balance date	4,077,655	3,037,000
Unused at balance date	370,500	50,000

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

2005 2004
\$'000 \$'000

19 Non-current Liabilities – Non-interest Bearing Liabilities

Forward exchange contract	11,741	-
Concession notes	127,277	207,681
Promissory notes	22,116	-
Tullamarine/Calder freeway upgrade	45,662	-
	206,796	207,681

Concession Notes

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 which assume that concession fees are deductible as incurred, the first Concession Note payment is presently expected to occur in the 2012 financial year.

Concession Notes have been included in the Financial Report as non interest bearing liabilities at the present value of the expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of CityLink, the present value of the expected future repayments is determined using a discount rate of 12 per cent which recognises their subordinated nature.

The face value of Concession Notes on issue at 30 June 2005 is \$586.4 million (2004: \$796.1 million). The Net Present Value at 30 June 2005 of the redemption payments relating to these Concession Notes is \$127.3 million (2004: \$207.7 million). The indicative timing of these redemption payments is set out in the following table.

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

	2005 \$'000	2004 \$'000
Concession Note Redemption		
Estimated Concession Note payments		
Later than 5 years but not later than 10 years		
Payable to the State	263,334	155,152
Receivable from the State	(263,334)	-
Later than 10 years but not later than 15 years		
Payable to the State	628,320	525,903
Receivable from the State	(41,920)	-
Later than 15 years but not later than 20 years		
Payable to the State	-	114,999
Receivable from the State	-	-
	586,400	796,054

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

Under the agreement, Transurban will provide \$151.0 million to VicRoads which will be used to fund the upgrade. The agreement provides the amount be payable to VicRoads in two installments on 1 July 2005 (\$100.8 million, as per note 16) and 1 July 2006 (\$50.2 million being a present value of \$45.7 million, as per note 19). In exchange, the State will assign to Transurban \$305.3 million of the Concession Notes issued by CityLink to the State under the provisions of the Melbourne CityLink Concession Deed.

	2005 \$'000	2004 \$'000
Reconciliation		
Reconciliation of movement in the Concession Note liability.		
Concession Note liability at the start of the year	207,681	170,696
Concession Notes issued during the year	95,600	95,600
Valuation adjustments for the year:		
Charge/(credit) for Concession Notes on issue at beginning of period	24,851	20,483
Credit for Concession Notes issued during the year	(79,029)	(79,098)
Tullamarine/Calder freeway upgrade adjustment	(121,826)	-
Concession Note liability at the end of the year	127,277	207,681

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

Promissory Notes

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

\$69.2 million have been issued by the Trust since the beginning of the M2 operations.

Promissory Notes have been included in the Financial Report as non-interest bearing liabilities at the present value of expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of the M2 Motorway, the present value of the expected future repayments is determined using a discount rate of 12 per cent which recognises their subordinated nature.

The face value of promissory Notes on issue at 30 June 2005 is \$69.2 million. The Net Present Value at 30 June 2005 of the redemption payments relating to these Concession Notes is \$22.1 million. The indicative timing of these redemption payments is set out in the following table.

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

Reconciliation

Reconciliation of movement in the Promissory Note liability.

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

20 Non-current Liabilities – Provisions

Employee entitlements	3,999	2,036
	3,999	2,036

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

21 Contributed Equity

	2005 Number	2004 Number	2005 \$'000	2004 \$'000
a) Stapled Securities	'000	'000	\$'000	\$'000
fully paid	791,416	532,630	4,127,228	2,242,030
	791,416	532,630	4,127,228	2,242,030

b) Date	Details	Notes	Number of Securities	Issue Price	\$'000
1 July 2004	Opening Balance		532,630	-	2,242,030
7 Sep 2004	Exercise of April 2001 Options	e	449	\$3.8170	1,714
7 Sep 2004	Exercise of April 2002 Options	e	63	\$4.0300	253
7 Sep 2004	Exercise of May 2002 Options	e	63	\$4.2200	265
8 Oct 2004	Dividend Reinvestment Plan Issue	d	6,024	\$5.3194	32,042
26 Nov 2004	Exercise of April 2001 Options	e	60	\$3.8170	229
26 Nov 2004	Exercise of May 2002 Options	e	30	\$4.2200	128
24 Dec 2004	Exercise of February 2002 Options	e	90	\$4.2800	385
21 Jan 2005	Exercise of April 2001 Options	e	129	\$3.8170	492
16 Feb 2005	Exercise of April 2001 Options	e	132	\$3.8170	505
16 Feb 2005	Exercise of May 2002 Options	e	10	\$4.2200	44
12 Apr 2005	Hills Motorway Group Acquisition	f	249,901	\$7.3699	1,841,743
1 June 2005	Exercise of May 2002 Options	e	46	\$4.2200	193
2 June 2005	Exercise of April 2001 Options	e	150	\$3.8170	573
2 June 2005	Exercise of May 2002 Options	e	46	\$4.2200	193
7 June 2005	Exercise of May 2002 Options	e	142	\$4.2200	600
8 June 2005	Exercise of October 2001 Options	e	500	\$4.4042	2,202
8 June 2005	Exercise of May 2002 Options	e	99	\$4.2200	419
8 June 2005	Exercise of April 2001 Options	e	121	\$3.8170	462

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

Date	Details	Notes	Number of Securities	Issue Price	\$'000
9 June 2005	Exercise of April 2001 Options	e	250	\$3.8170	954
9 June 2005	Exercise of May 2002 Options	e	46	\$4.2200	193
15 June 2005	Exercise of April 2001 Options	e	202	\$3.8170	770
15 June 2005	Exercise of May 2002 Options	e	233	\$4.2200	985
	Less: Transaction costs arising on stapled security issues				146
30 June 2005	Closing Balance		791,416		4,127,228

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 Security holders.

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 had established a distribution reinvestment plan under which holders of Stapled Securities elect to have all or part of their distribution entitlements satisfied by the issue of new Stapled Securities rather than by cash. Securities were issued under the plan at a 2.5 per cent discount to the market price. A decision to suspend the plan until further notice was made and reported to the ASX on 23 February 2005.

e) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 29.

f) Hills Motorway Group Acquisition

The consideration given to holders of Hills Motorway Group securities on acquisition by the Transurban Group consisted of 1.47 Transurban Group stapled securities and a cash component of 25 cents per Hills Motorway Group security.

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

	2005 \$'000	2004 \$'000
22 Accumulated Losses		
Accumulated losses		
Accumulated losses at the beginning of the year	(404,841)	(228,681)
Net losses incurred during the year	(87,837)	(61,490)
Trust distributions to security holders	(306,183)	(114,670)
Accumulated losses at the end of year	(798,861)	(404,841)

23 Distributions

Distributions proposed

Final distribution payable and recognised as a liability: 18.0 cents per fully paid stapled security payable 2 September 2005	142,455	-
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Distributions paid during the year

Final distribution for 2004 financial year of 13.5 cents (2003 – 10.0 cents) per fully paid Stapled Security paid 8 October 2004	71,983	51,847
Interim distribution for 2005 financial year of 17.0 cents (2004 – 12.0 cents) per fully paid Stapled Security paid 25 March 2005	91,745	62,823
Total distributions paid	163,728	114,670

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

Paid in cash	131,686	54,145
Satisfied by issue of Stapled Securities	32,042	60,525
	163,728	114,670

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

24 Financial Instruments

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 and exchange rate fluctuations. These instruments are not included in assets or liabilities.

Interest rate swap contracts

It is Transurban Group policy to protect floating rate facilities from exposure to increasing interest rates. Accordingly, the consolidated entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

Swaps currently in place cover approximately 81 per cent (2004: 86 per cent) of the floating rate loan principal outstanding.

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

	2005 \$'000	2004 \$'000
1 - 5 years	132,000	-
Greater than 5 years	1,380,021	1,160,000
	1,512,021	1,160,000

Cross-currency interest rate swap contracts

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

fixed rates and to pay AUD interest at floating rates.

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

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

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

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

	2005 \$'000	2004 \$'000
Notional Amount	335,821	-
Unrealised loss (note 19)	(11,741)	-
	324,080	-

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

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.

2005		Floating interest rate	Fixed Interest Maturity in: 1 year or less	between 1 and 5 years	more than 5 years	Non interest bearing	Total
	Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash	6	395,561	-	-	-	-	395,561
Debtors	7	-	-	-	-	25,394	25,394
Debtors from related party	8, 13	-	-	-	-	5,602	5,602
Construction Phase Loan Notes	11	-	392,000	-	-	-	392,000
Total Financial Assets		395,561	392,000	-	-	30,996	818,557
Weighted average interest rate		4.60%	6.27%	-	-		
Financial Liabilities							
Creditors	14	-	-	-	-	104,301	104,301
Prepaid tolls	16	-	-	-	-	21,083	21,083
Tullamarine/Calder freeway upgrade	16,19	-	-	-	-	146,480	146,480
Land Transport Notes	18	-	-	-	396	-	396
Concession Notes	19	-	-	-	-	127,277	127,277
Promissory Notes	19	-	-	-	-	22,116	22,116
Bank loan	15	8,000	-	-	-	-	8,000
Term Debt	18	440,000	-	-	-	-	440,000
Working Capital Facilities	18	259,500	-	-	-	-	259,500
Capital Markets Debt	18	755,000	435,000	150,000	-	-	1,340,000
US Private Placement	18	72,000	-	-	324,080	-	396,080
Cross-currency interest rate swaps	24	335,821	-	-	(335,821)	-	-
Forward Exchange Contract	19	-	-	-	11,741	-	11,741
Infrastructure loan facility	18	-	-	1,634,075	-	-	1,634,075
Cash collateral	18	-	-	(1,634,075)	-	-	(1,634,075)
CARS	18	-	-	430,000	-	-	430,000
Interest rate swaps	24	(1,512,021)	-	132,000	1,380,021	-	-
Total Financial Liabilities		358,300	435,000	712,000	1,380,417	421,257	3,306,974
Weighted average interest rate		6.23%	6.25%	7.40%	6.08%		
Net Financial Assets / (Liabilities)		37,261	(43,000)	(712,000)	(1,380,417)	(390,261)	(2,488,417)

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

2004	Note	Floating	Fixed Interest Maturity in:			Non	Total
		interest rate	1 year or less	between 1 and 5 years	more than 5 years	interest bearing	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial Assets							
Cash	6	207,452	-	-	-	-	207,452
Debtors	7, 13	-	-	-	-	30,885	30,885
Other	8, 13	-	-	-	-	6,540	6,540
Debtors from related party	8	-	-	-	-	3,287	3,287
Construction Phase Loan Notes	11	-	-	392,000	-	-	392,000
Total Financial Assets		207,452	-	392,000	-	40,712	640,164
Weighted average interest rate		5.05%	-	6.27%	-		
Financial Liabilities							
Creditors	14	-	-	-	-	79,722	79,722
Prepaid tolls	16	-	-	-	-	20,121	20,121
Release from single purpose	16	-	-	-	-	3,150	3,150
Land Transport Notes	18	-	-	-	248	-	248
Concession Notes	19	-	-	-	-	207,681	207,681
Bank loan	15	8,000	-	-	-	-	8,000
Tranche B Debt	18	510,000	-	-	-	-	510,000
Capital Markets Debt	18	755,000	-	435,000	-	-	1,190,000
Subordinated Debt Facility	18	80,000	-	-	-	-	80,000
Infrastructure loan facility	18	-	-	1,249,000	-	-	1,249,000
Cash collateral	18	-	-	(1,249,000)	-	-	(1,249,000)
CARS	18	-	-	430,000	-	-	430,000
Interest rate swaps	24	(1,160,000)	-	1,160,000	-	-	-
Total Financial Liabilities		193,000	-	2,025,000	248	310,674	2,528,922
Weighted average interest rate		5.97%	-	3.76%	6.50%		
Net Financial Assets / (Liabilities)		14,452	-	(1,633,000)	(248)	(269,962)	(1,888,758)

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

	Notes	2005 \$'000	2004 \$'000
Reconciliation of Net Financial Liabilities to Net Assets			
Net financial liabilities as above	24	(2,488,417)	(1,888,458)
Non-financial assets and liabilities			
– Property, plant and equipment	9	5,943,389	3,604,281
– Other assets	8, 10, 12, 13	53,125	131,286
– Other liabilities	5, 16, 17, 19	(179,730)	(9,920)
Net assets per balance sheet		3,328,367	1,837,189

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 1y) held at 30 June 2005 is a liability of \$49.8 million (2004: \$0.3 million).

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

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

25 Director and Executive Disclosures

Directors

The following persons were directors of entities within the Transurban Group during the financial year:

Chairman – non-executive

Laurence G Cox

Non-executive directors

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

Executive directors

Kimberley Edwards ⁽²⁾,
Geoffrey R Phillips ⁽³⁾

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

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

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

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

Specified Executives

The following persons were the 6 executives with the greatest authority for the strategic direction and management of the Group ("specified executives") during the financial year.

Name	Position
Chris Brant	Chief Finance Officer
Brendan Bourke	CEO CityLink Melbourne Limited
Ken Daley	Vice President International Development
Paul O'Shea	General Counsel
Lisa Hunt	General Manager, New South Wales
Vic Delosa	General Manager, Victoria/New Zealand

All of the above persons were also specified executives of the Transurban Group during the year ended 30 June 2004, except for Chris Brant who commenced employment on 22 November 2004.

The specified executives identified above, differ from those disclosed in the Financial Report for the year ended 30 June 2004 due to changes in responsibility for the strategic and operational direction of the Group. Management considers the changes to be appropriate due to the extent of growth and maturity of the group in the past 12 months.

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

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

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

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

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

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

appointments made after that date. Non-executive directors not entitled to retirement benefits receive an additional director's fee.

Executive Directors and Executives

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

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

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

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

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

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

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

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

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

The components of executive remuneration are described below:

Base Pay

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

Benefits

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

Short-term Incentives

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

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

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

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

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

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

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

Business Generation Incentive Plan

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

Long Term Incentives

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

No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out below under the heading "Share-based Options".

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

Employee Security Ownership Plan

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

Details of remuneration

Details of the remuneration of each director of the Transurban Group and each specified executives of the Group for the financial year, including their personally related entities, are set out in the following tables:

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

Directors of the Transurban Group

2005	Primary			Post-employment		Equity		
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits	Options ⁽²⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	265,718	-	-	-	20,331	168,992	-	455,041
P C Byers	100,935	-	-	-	9,085	78,822	-	188,842
J G A Davis	77,013	-	-	-	80,000	79,311	-	236,324
S M Oliver	97,918	-	-	-	8,812	82,340	-	189,070
G O Cosgriff	101,852	-	-	-	9,167	47,078	-	158,097
D J Ryan	117,566	-	-	-	10,581	-	-	128,147
K Edwards	1,154,259	1,000,000	2,545,620	7,300	95,940	-	183,999	4,987,118
G R Phillips	538,509	262,500	-	7,300	11,585	-	61,333	881,227
Total	2,453,770	1,262,500	2,545,620	14,600	245,501	456,543	245,332	7,223,866

2004	Primary			Post-employment		Equity		
Name	Cash salary and fees	Cash Bonus	Long Term Incentive ⁽¹⁾	Non-monetary benefits	Super-annuation	Retirement benefits	Options ⁽²⁾	Total
	\$	\$	\$	\$	\$	\$	\$	\$
L G Cox	250,043	-	-	-	22,504	157,393	-	429,940
P C Byers	96,347	-	-	-	8,671	47,705	-	152,723
J G A Davis	89,997	-	-	-	12,020	37,767	-	139,784
S M Oliver	95,429	-	-	-	8,589	44,186	-	148,204
G O Cosgriff	86,253	-	-	-	7,763	105,774	-	199,790
D J Ryan	100,935	-	-	-	9,084	-	-	110,019
K Edwards	1,013,000	550,000	204,528	7,300	87,000	-	184,503	2,046,331
G R Phillips	463,998	225,000	-	7,300	11,002	-	61,501	768,801
Total	2,196,002	775,000	204,528	14,600	166,633	392,825	246,004	3,995,592

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

Specified executives of the Group

2005 Name	Primary			Post-employment		Equity	Total \$
	Cash salary and fees \$	Cash Bonus \$	Long Term Incentive ⁽¹⁾ \$	Non- monetary \$	Super- annuation \$	Options ⁽²⁾ \$	
C Brant	265,936	220,000	114,060	4,867	23,934	-	628,797
B Bourke	385,342	230,000	485,490	7,300	46,660	35,791	1,190,583
K Daley	321,352	230,000	482,286	6,083	27,337	30,544	1,097,602
P O'Shea	304,319	225,000	387,751	7,300	27,312	26,181	977,863
L Hunt	305,473	137,000	375,935	13,400	26,511	11,742	870,061
V Delosa	263,121	217,500	73,804	7,300	48,860	29,355	639,940
Total	1,845,543	1,259,500	1,919,326	46,250	200,614	133,613	5,404,846

2004 Name	Primary			Post-employment		Equity	Total \$
	Cash salary and fees \$	Cash Bonus \$	Long Term Incentive ⁽¹⁾ \$	Non- monetary \$	Super- annuation \$	Options ⁽²⁾ \$	
B Bourke	332,057	150,000	38,499	15,942	42,943	43,664	623,105
K Daley	218,851	100,000	40,906	18,532	91,149	37,264	506,702
P O'Shea	193,851	130,000	31,281	9,778	91,149	31,940	487,999
K Reynolds	261,469	90,000	30,078	18,434	23,531	31,940	455,452
F Browne	348,530	-	-	18,585	31,470	47,798	446,383
L Hunt	261,379	100,000	30,078	15,110	23,621	11,774	441,962
V Delosa	261,379	90,000	-	18,527	23,621	29,435	422,962
J Barber	203,246	100,000	24,062	18,520	36,754	26,617	409,199
M Roberts	229,270	100,000	-	18,821	20,730	29,435	398,256
C Tizi	229,270	-	-	12,187	20,730	31,940	294,127
Total	2,539,302	860,000	194,904	164,436	405,698	321,807	4,486,147

⁽¹⁾ The amount disclosed as Long Term Incentive remuneration is that part of the value of the incentive which is attributable to the current year portion of the vesting period for each current allocation.

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

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

Service agreements

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

→ Fixed remuneration including base salary and superannuation, for the year ended 30 June 2005 of \$1,250,000 to be reviewed annually by the remuneration committee and the Board

→ On 25 July 2005, the terms of Mr Edwards' service agreement was varied to provide for a payment of one year's fixed remuneration upon termination.

G R Phillips, Deputy Managing Director

→ Term of Agreement – until 31 July 2005

→ Base salary, including superannuation, for the year ended 30 June 2005 of \$550,000

→ On 25 July 2005, Mr Phillips' service agreement was varied to provide for a termination benefit of \$990,000 in recognition of his long service to the Group and his non-participation in the Executive Long Term Incentive Plan.

Other Executives

The major provisions contained in the service agreements of the other executives listed in the table in the section headed 'Details of Remuneration' are the same for all executives except for the base salary component. These provisions are:

→ Term of agreement – permanent, subject to termination on 3 months notice by either party

→ Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long Term Incentive Plan

→ Total Employment Cost is reviewed annually by the Nomination and Remuneration Committee.

The components of Total Employment Cost, comprising base salary, superannuation and benefits for these executives for the year ended 30 June 2005 is set out in the above tables.

Executive Directors

K Edwards, Managing Director

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

Share-based compensation – options

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

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

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

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

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

The exercise price of options is the volume weighted average price of the Group's stapled securities over a period of 5 business days immediately prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

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

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

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

Under the ELTIP, participants are allocated "ELTI units". Each ELTI unit entitles the holder to a cash payment on the maturity date, which will be approximately two years after the date of allocation. The cash payment per unit will be equal to the increase in the stapled security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on the Transurban Group's ranking in the Total Shareholder Returns ("TSRs") of the companies within the ASX 200 Industrials over the two years prior to maturity. If Transurban's TSR ranking is below the 40th percentile, no payment will be made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25 per cent to 100 per cent. If Transurban's TSR ranking is above the 70th percentile, the proportion is 100 per cent.

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

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

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

Name	Number of ELTIs granted during the year	Number of ELTIs paid during the year
Directors of the Transurban Group		
K Edwards	800,000	-
G Phillips	-	-
Specified executives of the Transurban Group		
C Brant	170,000	-
B Bourke	160,000	-
K Daley	120,000	-
P O'Shea	120,000	-
L Hunt	120,000	-
V Delosa	110,000	-

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over stapled securities provided as remuneration to each director of the Transurban Group and each specified executives of the Group are set out below.

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

Name	Number of options granted during the year	Number of options vested during the year
Directors of the Transurban Group		
K Edwards	-	500,000
G R Phillips	-	166,667
Specified executives of the Transurban Group		
C Brant	-	-
B Bourke	-	116,667
K Daley	-	116,667
P O'Shea	-	100,000
L Hunt	-	33,333
V Delosa	-	83,333

Stapled Securities provided on exercise of remuneration options

Details of stapled securities provided as a result of the exercise of remuneration options to each director of the Transurban Group and each specified executives of the Group are set out below.

Name	Date of exercise of options	Number of stapled securities issued on exercise of options during the year
Directors of Transurban Limited		
K Edwards	-	-
G R Phillips	8 June 2005	500,000
Specified executives of the consolidated entity		
C Brant	-	-
B Bourke	7 September 2004 9 June 2005	100,000 250,000
K Daley	7 September 2004	100,000
P O'Shea	16 February 2005 8 June 2005	83,231 121,069
L Hunt	-	-
V Delosa	15 June 2005	166,667

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

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

Exercise date	Amount paid per stapled security
7 September 2004	\$3.817
16 February 2005	\$3.817
8 June 2005	\$4.404
8 June 2005	\$3.817
9 June 2005	\$3.817
15 June 2005	\$3.817
15 June 2005	\$4.220

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

Option holdings

The number of options over stapled securities held during the financial year by each director of the Transurban Group and each specified executive of the Group, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
Directors of Transurban Group					
K Edwards	1,500,000	-	-	1,500,000	1,500,000
G R Phillips	500,000	-	500,000	-	-
Specified executives of the combined entity					
C Brant	-	-	-	-	-
B Bourke	350,000	-	350,000	-	-
K Daley	350,000	-	100,000	250,000	250,000
P O'Shea	204,300	-	204,300	-	-
L Hunt	100,000	-	-	100,000	100,000
V Delosa	250,000	-	166,667	83,333	-

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

Stapled Security holdings

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

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Limited				
L G Cox	775,000	-	367,500	1,142,500
P C Byers	50,000	-	20,580	70,580
G O Cosgriff	24,910	-	-	24,910
J G A Davis	50,000	-	-	50,000
S M Oliver	60,993	-	1,547	62,540
D J Ryan	21,043	-	534	21,577
K Edwards	61,000	-	-	61,000
G R Phillips	-	500,000	8,820	508,820
Specified executives of the consolidated entity				
C Brant	-	-	-	-
B Bourke	5,493	350,000	2,217	357,710
K Daley	14,536	100,000	3,028	117,564
P O'Shea	179,055	204,300	(2,616)	380,739
L Hunt	1,964	-	-	1,964
V Delosa	4,475	166,667	2,159	173,301

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

CARS

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Limited				
L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
G R Phillips	-	-	-	-
Specified executives of the consolidated entity				
C Brant	-	-	-	-
B Bourke	400	-	-	400
K Daley	750	-	(750)	-
P O'Shea	400	-	(400)	-
L Hunt	200	-	-	200
V Delosa	-	-	-	-

Other transactions with directors and specified executives

Mr Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Limited). Transurban Limited is entitled to receive management fees of \$6.5 million from Macquarie Bank in relation to the extension of the term of the Infrastructure Borrowing Facilities provided by

Macquarie Bank. This fee was recognised during the year ended 30 June 2004. During this year \$1.4 million was received with the remainder due to be received quarterly over the next 2 years. The Transurban Group also shares the cost of Mr Cox's personal assistant.

Macquarie Bank Limited acted as principal financial advisor during the acquisition of the Hills Motorway Group by the Transurban Group and was involved in

the financial arrangements concerning the Land Transport Notes of which Mr Cox holds 51,188 Class B Land Transport Notes.

Mr Byers is a director of Hills Motorway Limited, in which Transurban Holding Trust held a 8.1 per cent interest until the Transurban Group gained control on 12 April 2005 (refer note 30).

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

Aggregate amounts of each of the above types of other transactions with directors of the Transurban Group:

	2005	2004
	\$'000	\$'000
Amounts recognised as revenue		
Management fees	-	6,523
Distribution from Hills Motorway Group	2,025	1,044
	2,025	7,567
Amounts recognised as expenses		
Assistant fees	31	-
	31	-
Amounts recognised as acquisition costs		
Current liabilities – Macquarie Bank Limited	12,649	-
	12,649	-

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 or receivable from director related entities of the Transurban Group at balance date relating to the above types of transactions.

	2005	2004
	\$'000	\$'000
Current assets – Hills Motorway Group	-	2,625
Current assets – other related parties	690	-
Current assets – Macquarie Bank Limited	2,798	1,395
Non-current assets – Macquarie Bank Limited	2,114	5,128
	5,602	9,148

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

26 Remuneration of Auditors

During the year the following services were paid to the auditor of the Transurban Group and its related practices:

	2005 \$	2004 \$
Assurance services		
1 Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001.	335,750	297,150
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports	40,000	-
Total remuneration for audit services	375,750	297,150
2 Other assurance services		
Due diligence	432,500	168,430
Compliance plan audit	24,700	21,200
Other assurance services	-	20,100
IFRS accounting services	115,000	-
Fees paid to non-PricewaterhouseCoopers audit firms	12,360	-
Total remuneration for other assurance services	584,560	209,730
Taxation services		
Tax compliance services, including review of income tax returns	191,865	200,320
Indirect taxes services	619,530	-
Fees paid to non-PricewaterhouseCoopers audit	26,436	-
Total remuneration for taxation services	837,831	200,320

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

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

27 Contingent Liabilities/Assets

Contingent Liabilities

(a) In May 2003, VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately \$5.0 million for rectification works associated with the Swan Street Bridge. CityLink Melbourne Limited does not believe that it has any liability to VicRoads to pay those costs. In January 2005, VicRoads served a writ in the Supreme Court of Victoria on CityLink Melbourne Limited and the entities forming the Transfield Obayashi joint venture, claiming certain damage was sustained by the Swan Street Bridge. VicRoads claim that this

damage was due to tunnelling, roadworks and associated infrastructure works on and in the vicinity of the Swan Street Bridge, arising from the Melbourne CityLink project. The parties are currently discussing the claim.

(b) The Transurban Group has established a bank guarantee of \$5.0 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 Australian Financial Services 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.

Contingent Asset

CityLink Melbourne Limited ("CML") is seeking compensation from the State of Victoria, claiming that Wurundjeri Way (Docklands) has had a Material Adverse Effect on the toll revenue earning capacity by CML. The claim is approximately \$36.0 million (net present value at the time of the initial claim under the Concession Deed). CML has appealed against the Expert Determination handed down on 3 July 2002. The appeal will be heard by a panel of arbitrators.

2005	2004
\$'000	\$'000

28 Commitments for Expenditure

Lease commitments

Commitments for minimum payments in relation to non-cancellable operating lease contracted for at the reporting date but not recognised as liabilities payable:

Within one year	2,706	1,905
Later than one year but not later than 5 years	9,354	8,488
Later than 5 years	-	-
	12,060	10,393

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

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 \$1.0 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 19 for details.

Promissory Notes

The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into leases with the Roads and Traffic Authority of New South Wales ("RTA"). Annual lease liabilities under these leases total \$7.0 million indexed annually to the Consumer Price Index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. Refer to note 19 for details.

Options Over Further Interest in Westlink M7 Motorway Project

Wholly-owned entities of the Transurban Group have options to acquire an additional 10.0 per cent interest (5.0 per cent for \$49.0 million and 5.0 per cent at market value) in the Westlink M7 project, which would take its overall holding to 50.0 per cent. These options are with Leighton Group and Abigroup, the construction partners in the project. Macquarie Infrastructure Group has similar options to take their holding to 50.0 per cent.

29 Employee Entitlements

Employee benefit and related on-costs liabilities

	2005	2004
	\$'000	\$'000
Current (note 17)	15,146	5,570
Non-current (note 20)	3,999	2,036
	19,145	7,606

Employee numbers

	2005	2004
	Number	Number
Average number of employees during the financial year	460	407

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

a) Transurban Group Executive Option Plan

Refer to note 25 for details of the Transurban Group Executive Option plan.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
2005							
26 April 2001	April 2006	\$3.817	2,004,300	-	1,493,231	121,069	390,000
23 October 2001	October 2006	\$4.404	2,000,000	-	500,000	-	1,500,000
1 February 2002	April 2007	\$4.280	400,000	-	89,867	310,133	-
9 April 2002	April 2007	\$4.030	300,000	-	62,700	-	237,300
20 May 2002	April 2007	\$4.220	1,500,000	-	715,598	39,550	744,852
Total			6,204,300	-	2,861,396	470,752	2,872,152
2004							
26 April 2001	April 2006	\$3.817	2,100,000	-	95,700	-	2,004,300
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	1,550,000	-	-	50,000	1,500,000
Total			6,350,000	-	95,700	50,000	6,204,300

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

Options exercised during the financial year and number of stapled securities issued to employees on the exercise of options.

Exercise date	Fair value of issue shares at issue date	Number 2005	Number 2004
26 February 2004	\$4.465	-	95,700
7 September 2004	\$5.630	574,510	-
26 November 2004	\$5.410	90,300	-
24 December 2004	\$6.540	89,867	-
21 January 2005	\$6.760	128,931	-
21 February 2005	\$7.420	142,791	-
15 June 2005	\$7.370	1,834,997	-
		2,861,396	95,700

The fair value of stapled securities issued on the exercise of options is the week weighted extra space average price at which the Transurban Group's stapled securities were traded on the Australian Stock Exchange during the week prior to the exercise of the options.

Options vested since commencement of the scheme to the reporting date	2005 Number	2004 Number
	5,316,667	2,100,000
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	2005 \$	2004 \$
	11,558,898	365,287
Fair value of shares issued to employees on the exercise of options as at their issue date	2005 \$'000	2004 \$'000
	19,859	427

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

b) Employee share scheme

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

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

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

In December 2004, each participant was issued 100 stapled securities (2004 - 120 stapled securities) at a value of \$7.65 per stapled security (2004 - \$4.44).

	2005 Number	2004 Number
Shares purchased on market under the plan and provided to participating employees on 18 February 2005	37,000	40,440

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

Refer to note 25 for details of the Transurban ELTI Plan.

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

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

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

30 Investment in Controlled Entities

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2005 %	Equity Holding 2004 %	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	100	
Transurban Nominees 2 Pty Ltd	Australia	Ordinary	100	100	
Transurban WSO Pty Ltd	Australia	Ordinary	100	100	
Transurban AL Trust	Australia	Ordinary	100	100	
Transurban CARS Trust	Australia	Ordinary	100	100	
Transurban WSO Trust	Australia	Ordinary	100	100	
Transurban Infrastructure Developments WSO Pty Ltd	Australia	Ordinary	100	100	
Transurban MF 1 Pty Ltd	Australia	Ordinary	100	100	
Transurban MF 2 Pty Ltd	Australia	Ordinary	100	100	
Transurban Asset Management Pty Ltd	Australia	Ordinary	100	100	
Transurban Operations Pty Ltd	Australia	Ordinary	100	100	
Transurban MF Holdings Pty Ltd	Australia	Ordinary	100	100	5/04/2004
Transurban Investments Pty Ltd	Australia	Ordinary	100	-	25/01/2005
Transurban (USA) Inc	USA	Ordinary	100	-	26/04/2005
The Hills Motorway Ltd	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Management Ltd	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Construction Company Pty Ltd	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Underwriting No.1 Pty Ltd	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Underwriting No.2 Pty Ltd	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Trust	Australia	Ordinary	100	8.1	12/04/2005
Hills Motorway Holdings Trust	Australia	Ordinary	100	8.1	12/04/2005

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

Acquisition of Controlled Entities

On 12 April 2005 the Transurban Group gained control of The Hills Motorway Group. This occurred through the acquisition of the remaining 91.9 per cent of the stapled securities of The Hills Motorway Group for a total consideration of \$1,907.8 million. This was satisfied by the issue of 249.9 million Transurban Group stapled securities for \$1,841.7 million, a cash component of \$42.5 million being 25 cents per stapled security acquired and the incidental costs of acquisition.

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

Details of the acquisition are as follows:

	2005 \$'000
Fair value of identifiable net assets of controlled entities acquired	
M2 Motorway	2,445,306
Equipment & fittings	9,621
Cash	27,425
Prepayments	1,738
Other debtors	47,211
Deferred expenditure	324
Trade creditors	(7,723)
Unearned income	(638)
Accrued interest	(10,757)
Other creditors	(32,389)
Employee provisions	(9)
Tax provisions	(10,882)
Promissory notes	(20,001)
Bank debt	(447,000)
Refinancing Infrastructure Bonds	(350,068)
Cash collateral	350,068
	2,002,226
Less: existing investment of 8.1 per cent	(94,419)
Deemed consideration paid	1,907,807

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

**2005
\$'000**

Total consideration comprised:

Units issued	1,841,744
Cash consideration paid to Hills security holders	42,500
Incidental costs settled by cash	2,969
Incidental costs included in current liabilities	20,594
	1,907,807

Net cash acquired from purchase of controlled entity

Cash consideration	45,469
Less: Balances acquired	(377,493)
Inflow of cash	(332,024)

31 Investment in Associates

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

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

WSO Company, 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 April 2006. 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 are not expected to have an impact on the combined entity's equity accounted profits until operations commence.

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

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

32 Interest in Joint Ventures

Name of company	Ownership interest		Combined entity carrying amount	
	2005 %	2004 %	2005 \$'000	2004 \$'000
Westlink Motorway Partnership	40	40	6,236	6,236

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 in April 2006. The partnership is unlikely to have an impact on the combined entity's equity accounted profits until operations commence.

	2005 \$'000	2004 \$'000
Share of partnership assets and liabilities		
Current assets	5,225	2,932
Non-current assets	580,709	355,834
Total Assets	585,934	358,766
Current liabilities	28	31,306
Non-current liabilities	585,906	327,460
Total Liabilities	585,934	358,766
Net Assets	-	-
Share of Profits	-	-
Share of partnership commitments		
Capital commitments	522,288	327,484

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

33 Reconciliation of Operating Loss After Income Tax to Net Cash Flow from Operating Activities

	2005 \$'000	2004 \$'000
Operating loss after income tax	(87,837)	(61,490)
Depreciation and amortisation	179,396	152,400
Net exchange differences	(714)	-
Project expenses written off	9,423	-
Change in operating assets and liabilities		
Increase in Concession Note liability	43,537	36,985
(Decrease)/increase in creditors	(74,818)	13,290
Decrease/(increase) in debtors	66,884	(4,501)
Increase in provisions	11,101	1,560
Net cash inflow from operating activities	146,972	138,244

34 Non-cash Financing and Investing Activities

Pre-acquisition portion of distribution receivable from Hills Motorway Group Ltd offsetting the cash purchase price	-	1,581
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	32,042	60,525

Issue of stapled securities to acquire the Hills Motorway Group (refer note 30).

Agreement with the State of Victoria and VicRoads in relation to the Tullamarine/Calder Freeway Interchange (refer note 19).

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

35 Earnings per Stapled Security

	2005	2004
Basic earnings per Stapled Security	(14.8) cents	(11.7) cents
Diluted earnings per Stapled Security	(6.4) cents	(4.1) cents
Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	591,871,852	524,512,875
Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	1,044,264,422	985,000,351

Reconciliation of earnings used in calculating diluted earnings per stapled security

	2005 \$'000	2004 \$'000
Net loss	(87,837)	(61,490)
Interest savings on CARS	21,128	21,128
Earnings used in calculating diluted earnings per stapled security	(66,709)	(40,362)

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 security. The options have not been included in the determination of basic earnings per stapled security.

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

CARS on issue are convertible to stapled securities at a maximum conversion ratio of 105, at the first reset date 14 April 2007. CARS are considered to be potential stapled securities and have been included in the determination of diluted earnings per stapled security at their maximum conversion ratio. This ratio will be applicable if the volume weighted average price of stapled securities during the period over which the price

for the purpose of conversion of CARS is determined to be less than \$0.98. The directors consider conversion of this basis to be a highly unlikely event. The CARS have not been included in the calculation of basic earnings per stapled security.

36 Event Occuring After Reporting Date

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

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

36 Impacts of Adopting Australian Equivalents to International Financial Reporting Standards ("IFRS")

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

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

The Group established an AIFRS transition project team in October 2003. The project team prepared a plan to manage the transition to AIFRS and reports regularly on progress to the audit committee. The project plan

was on schedule for completion by 30 June 2005 until the acquisition of Hills Motorway Group added a further level of complexity that has not yet been fully determined. It is now expected that the project will be completed (including the calculation of the impact of AIFRS) by the first AIFRS reporting date being the period ending on 31 December 2005.

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

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

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be issued by the AASB and the IASB.

Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

(i) Income Tax

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

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

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

- Treatment of the difference between the carrying value and tax value of the CityLink asset

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

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

(ii) Intangible Assets – Goodwill

The Group has recognised goodwill, which is presently being amortised over a 20 year period, which arose upon the payment of an amount to the Victorian State Government to be released from the Single Purpose Entity restrictions. The treatment upon adoption of AIFRS is still being determined.

(iii) Employee Entitlements – Executive Option Plan

Under AASB 2 Share-based Payments, equity based compensation to employees under the Executive Option Plan will be recognised as an expense in respect of the services provided.

This will result in a change in accounting policy, under which no expense is currently recognised. However, the Group will be taking advantage of the exemption under AASB 1 whereby AASB 2 does not have to be applied to options granted prior to 7 November 2002. Therefore, in relation to the options currently on issue, there would be no impact if the policy required by AASB 2 had been applied during the year ended 30 June 2005.

(iv) Employee Entitlements – Long Term Incentive Plan

Under AASB 2, share-based compensation to employees under the Long Term Incentive Plan will be recognised as an expense in respect of the services provided.

The Group currently adopts the requirements of AASB 2 and therefore there would be no impact if the policy required by AASB 2 had been applied during the year ended 30 June 2005.

(v) Financial Instruments

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

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

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

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

- Financial assets held by the consolidated entity will be classified as either fair value through profit and loss, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost
- The Group enters into interest rate swaps to hedge the Group's exposure to interest rate movements. Presently the fair value of the hedges is not recognised in the financial statements. Under AASB 139, the fair value of the hedges will be recognised on the balance sheet at each reporting date and the change in fair value during the reporting period reflected directly in equity to the extent hedging criteria are met, or in profit and loss if the hedging criteria are not met

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

- Under AGAAP, units in fixed life trusts are considered to be contributed equity of the trust. Under AASB 132, fixed life trusts will be required to classify units on issue as a financial liability rather than equity. This would result in the distributions to unit holders being classified as interest expense rather than as distributions to equity holders.

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

The Group has amended the trust deeds of all of its trusts from a fixed life to a perpetuity so that this potential change in practice will have no impact

- Under AIFRS, borrowings must be measured at fair value net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

(vi) Accounting for Associates

Under AASB 128 Investments in Associates, a long term loan to an associate can be considered as part of the investment. This is a change in present accounting policy where only the equity component of the investment is included in equity accounting and long term loans are a separate class of asset subject to recoverable amount testing. This will affect the Group's investment in the Westlink project which is presently equity accounted. The investment is substantially represented by a long term loan rather than an equity investment. If the Westlink project incurs accounting losses from the commencement of operations greater than the Group's equity investment, the receivable balance may be reduced to the extent of the Group's remaining share of accounting losses. This may occur despite the recoverable amount of the long term loan not being impaired due to the expected cashflow from the Westlink project. If the policy required by

AASB 128 had been applied during the year ended 30 June 2005, there would be no financial impact as Westlink has not yet commenced operations. However, it may lead to greater volatility in earnings in future reporting periods.

(vii) Business Combinations

(Pre AIFRS Transition Date)

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

(Post AIFRS Transition Date)

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

(viii) Identifying the Parent

Upon the adoption of AIFRS, the Group must apply the requirements of UIG Interpretation 1013 "Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements".

UIG 1013 requires that where a stapling arrangement is effected prior to the date of transition, one of the combining entities shall be identified as the parent for the purposes of preparing consolidated financial reports. Further, it requires that the consolidated financial report of the "parent" under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS. As such, there will be no financial impact as a result of this upon the adoption of AIFRS.

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

(ix) Service Concession Arrangements

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

Directors' Declaration

In the directors' opinion:

- a) The financial statements and notes set out on pages 67 to 126 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the combined entity's financial position as at 30 June 2005 and of its performance, as represented by the results of its operations and its cashflows, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the combined entity will be able to pay its debts as and when they become due and payable.

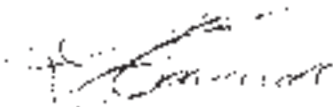
The directors have been given the declarations by the chief executive officer and chief finance officer required by section 295A of the Corporations Act 2001.

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



Laurence G Cox

Chairman



Kimberley Edwards

Managing Director

Melbourne

23 August 2005

Independent audit report to the members



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ABN 52 780 433 757

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Independent audit report to the members of

Transurban 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 Limited (TL, formerly Transurban Infrastructure Development Limited) and the Transurban Holding Trust (THT) as at 30 June 2005, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Transurban Group (the Group), for the year ended 30 June 2005.

The directors of THL, TL 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. For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

Independent audit report to the members



We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the 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.

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

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

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

Independence

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


PricewaterhouseCoopers


Tim Goldsmith
Partner

Melbourne
23 August 2005

Security Holder Information

The security holder information set out below was applicable as at 31 August 2005.

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 Limited and one unit in Transurban Holding Trust, was 46,369.
2. The voting rights are one vote per Stapled Security.
3. At 31 August 2005 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 63.03 per cent.
4. The distribution of holders was as follows:

Security Grouping	Number of Holders	Stapled Securities Held	%
1 – 1,000	9,748	6,580,615	0.83
1,001 – 5,000	27,481	70,521,787	8.91
5,001 – 10,000	5,865	42,800,341	5.41
10,001 – 100,000	3,055	67,491,763	8.53
100,001 – and over	220	604,021,042	76.32
Total	46,369	791,415,548	100

There were 205 holders of less than a marketable parcel of ordinary shares.

5. Substantial Shareholder's as at 31 August 2005 are as follows:

Name	Number of Stapled Securities	% of Total
Commonwealth Bank of Australia	107,188,884	13.54
Ontario Teacher's Pension Plan Board	48,153,103	6.08

Security Holder Information

B Twenty Largest Holders of Stapled Securities

	Number of Stapled Securities Held	% of Issued Stapled Securities
WESTPAC CUSTODIAN NOMINEES LIMITED	118,207,692	14.94
NATIONAL NOMINEES LIMITED	75,645,378	9.56
J P MORGAN NOMINEES AUSTRALIA LIMITED	64,337,783	8.13
CITICORP NOMINEES PTY LIMITED	24,198,938	3.06
RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	23,225,615	2.93
TRUST COMPANY OF AUSTRALIA LIMITED	22,050,000	2.79
CITICORP NOMINEES PTY LIMITED	21,080,894	2.66
CITICORP NOMINEES PTY LIMITED	21,053,835	2.66
QUEENSLAND INVESTMENT CORPORATION	18,669,443	2.36
CITICORP NOMINEES PTY LIMITED	16,044,024	2.03
ANZ NOMINEES LIMITED	13,018,140	1.64
COGENT NOMINEES PTY LIMITED	12,702,787	1.60
CITICORP NOMINEES PTY LIMITED	11,842,238	1.50
ANZ NOMINEES LIMITED	11,810,313	1.49
WESTPAC FINANCIAL SERVICES LIMITED	9,724,422	1.23
CITICORP NOMINEES PTY LIMITED	8,988,534	1.13
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	8,471,554	1.07
COGENT NOMINEES PTY LIMITED	6,378,507	0.81
UBS PRIVATE CLIENTS AUSTRALIA NOMINEES PTY LTD	6,320,211	0.80
RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	5,030,380	0.64
Total	498,800,688	63.03



financials

**The Financial Report of
Transurban CARS Trust and Controlled Entity (ABN 81 656 633 158)**

For the Year Ended 30 June 2005

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

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

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

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

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 year ended 30 June 2005.

Responsible Entity

Transurban CARS Trust is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001 and as a result, requires a Responsible Entity. Transurban Infrastructure Management Limited ("TIML") is the Responsible Entity of Transurban CARS Trust and is responsible for performing all functions that are required under the Corporations Act 2001.

Distributions

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

	2005 \$'000
Convertible Adjusting Rate Securities	
Distribution payment for the period 1 January 2004 to 30 June 2004 of 7.0 per cent paid on 31 July 2004	15,009
Distribution payment for the period 1 July 2004 to 31 December 2004 of 7.0 per cent paid on 31 January 2005	15,091
	30,100

A further distribution for the period 1 January 2005 to 30 June 2005 of \$14.9 million was paid on 31 July 2005.

Directors

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

Non-executive directors

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

Executive directors

Kimberley Edwards ⁽²⁾
Geoffrey R Phillips ⁽³⁾

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

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

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

Principal Activities and Operations

During the year, the Trust continued to hold the investment in the Westlink Motorway Partnership which it made in February 2003. The Trust holds a 40% interest in the partnership which was formed to undertake the Westlink M7 Motorway Project in Sydney NSW.

There were no significant changes in the nature of the Trust's activities during the year.

Directors' Report

Review of Operations

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

During the year CARS became eligible for conversion to Transurban triple stapled securities after the second anniversary of the issue date on 14 April 2005. To participate in the conversion, CARS holders were required to submit an exchange notice not less than 35 business days prior to the record date of 30 June 2005.

No exchange notices were submitted during the period.

Results

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	26,030	26,259	26,030	26,259
Net loss from ordinary activities	(8,939)	(8,085)	(8,928)	(8,085)

a) Construction Phase Loan Notes ("CPLN")

During the period, Transurban CARS Trust ("TCT") received distributions from its wholly owned entity, Transurban WSO Trust ("TWT").

The distributions are funded from interest received by TWT from the CPLN's which it acquired to fund Transurban's contribution to the Westlink Motorway Partnership. The CPLN's are subordinated loan notes which pay interest at the rate of 6.27 per cent per annum.

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

b) Convertible Adjusting Rate Securities ("CARS")

During the period, TCT paid distributions to CARS holders at the fixed rate of 7.0 per cent per annum. The distributions which are

paid twice annually with payment dates of 31 July and 31 January respectively were 100 per cent tax deferred for the year ended 30 June 2005.

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 year.

Directors' Report

Subsequent to the End of the Financial Period

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2005 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations

have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

No significant environmental regulations apply.

Insurance and Indemnification of officers

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

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

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in Note 21.

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

The number of securities held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 19 of the financial statements.

Interests in the Trust issued during the financial year

	Consolidated		Parent	
	2005	2004	2005	2004
CARS on issue at the beginning of the year	4,300,000	4,300,000	4,300,000	4,300,000
CARS issued during the year	-	-	-	-
CARS on issue at 30 June 2005	4,300,000	4,300,000	4,300,000	4,300,000

Directors' Report

	Consolidated		Parent	
	2005 Units	2004 Units	2005 Units	2004 Units
Ordinary units on issue at the beginning of the year	12	12	12	12
Ordinary units issued during the year	-	-	-	-
Ordinary units on issue at the end of the year	12	12	12	12

Value of Assets

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Value of Trust assets at 30 June	437,236	445,813	437,247	445,813

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

Directors' Interests

Security Holdings

As at the date of this Directors' Report, the directors of the Responsible Entity have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group as follows:

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

financials

Directors' Report

Rounding of amounts

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

Auditor

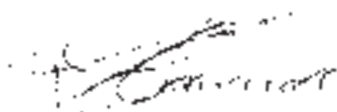
PricewaterhouseCoopers continues in office in accordance with the Corporations Act 2001.

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



Laurence G Cox

Chairman



Kimberley Edwards

Managing Director

Melbourne

23 August 2005

Directors' Report



PricewaterhouseCoopers
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Auditors' Independence Declaration

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

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

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

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

Tim Goldsmith

Partner

Melbourne
23 August 2005

financials

Statements of financial performance for the year ended 30 June 2005

	Notes	Consolidated		Parent	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Revenue from ordinary activities	4	26,030	26,259	26,030	26,259
Expenses from ordinary activities					
Administration		(3,843)	(2,483)	(3,832)	(2,483)
Borrowing costs	5	(31,126)	(31,861)	(31,126)	(31,861)
Net loss from ordinary activities		(8,939)	(8,085)	(8,928)	(8,085)
		Dollars	Dollars		
Basic earnings per ordinary unit	27	(744,917)	(673,750)		
Diluted earnings per ordinary unit	27	(744,917)	(673,750)		

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

Statements of financial position as at 30 June 2005

	Notes	Consolidated		Parent	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
CURRENT ASSETS					
Cash assets	7	32,531	40,707	32,531	40,707
Receivables	8	262	366	262	366
Other	9	92	-	103	-
Total Current Assets		32,885	41,073	32,896	41,073
NON-CURRENT ASSETS					
Financial assets	10	392,000	392,000	392,000	392,000
Other	11	12,351	12,740	12,351	12,740
Total Non-Current Assets		404,351	404,740	404,351	404,740
Total Assets		437,236	445,813	437,247	445,813
CURRENT LIABILITIES					
Payables	12	14,941	15,026	14,941	15,026
Non-interest bearing liabilities	13	2,178	2,420	2,178	2,420
Total Current Liabilities		17,119	17,446	17,119	17,446
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	449,785	449,096	449,785	449,096
Total Non-Current Liabilities		449,785	449,096	449,785	449,096
Total Liabilities		466,904	466,542	466,904	466,542
NET ASSETS		(29,668)	(20,729)	(29,657)	(20,729)
UNITHOLDERS' FUNDS					
Accumulated losses	15	(29,668)	(20,729)	(29,657)	(20,729)
Total Unitholders' Funds		(29,668)	(20,729)	(29,657)	(20,729)

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

Statements of cash flows for the year ended 30 June 2005

	Notes	Consolidated		Parent	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		355	838	355	838
Payments to suppliers (inclusive of GST)		(4,503)	(431)	(4,492)	(431)
Interest received		26,051	26,221	1,473	1,575
Distributions received		-	-	24,578	24,646
Borrowing costs		(30,135)	(21,528)	(30,135)	(21,528)
Net cash (outflows)/inflows from operating activities	25	(8,232)	5,100	(8,221)	5,100
Cash flows from investing activities					
Loans to related parties		(92)	-	(103)	-
Net cash outflows from investing activities		(92)	-	(103)	-
Cash flows from financing activities					
Loans from related parties		171	368	171	368
Repayment of loans to related parties		(23)	-	(23)	-
Net cash inflows from financing activities		148	368	148	368
Net (decrease)/increase in cash held		(8,176)	5,468	(8,176)	5,468
Cash at the beginning of the financial year		40,707	35,239	40,707	35,239
Cash at the end of the financial year	7	32,531	40,707	32,531	40,707

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

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

1 Summary of Significant Accounting Policies

This financial report covers Transurban CARS Trust and its controlled entity.

The responsible entity of Transurban CARS Trust is Transurban Infrastructure Management Limited. The responsible entity's registered office is Level 43, 525 Collins Street, Melbourne VIC 3000.

Transurban CARS Trust (the "Trust") was constituted on 20 December 2002. The Trust was due to terminate on 20 December 2082 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity.

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transurban CARS Trust ("trust" or "parent entity") as at 30 June 2005 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. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

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) 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.

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 and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is applied to the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

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

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

e) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and distribution income is recognised in the statement of financial performance when receivable.

The interest in the joint venture partnership is accounted for as set out in Note 1(i).

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) Interest bearing liabilities

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

h) 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.

i) Joint Venture entity

The interest in the joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 23.

j) Borrowing Costs

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

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

k) Cash

For the purpose of the statement of cash flows, cash includes cash on hand.

l) 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.

m) 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 ordinary units at \$1 per unit to Transurban Holding Trust. The Trust was due to terminate on 20 December 2082 unless terminated earlier. However, amendments made to the Trust Deed have extended the Trust to perpetuity.

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

3 Segment Information

The Trust's sole business segment for the period ending 30 June 2005 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 sole business segment.

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4 Revenue				
Revenue from operating activities				
Interest	26,030	26,259	1,451	1,613
Trust distributions	-	-	24,578	24,646
Revenue from ordinary activities	26,030	26,259	26,030	26,259

5 Loss From Ordinary Activities

Expenses

Borrowing costs

Interest and finance charges paid/payable	(30,732)	(31,467)	(30,732)	(31,467)
Capitalised underwriting fees expensed	(394)	(394)	(394)	(394)
	(31,126)	(31,861)	(31,126)	(31,861)

6 Income Tax

Tax losses at beginning of period	36,403	26,079	36,403	26,079
Tax losses for the period	35,723	10,324	35,723	10,324
Tax losses at end of period	72,126	36,403	72,126	36,403

Potential future income tax benefits at 30 June 2005 for tax losses not brought to account for the consolidated entity are \$21.6 million (2004: \$10.9 million). These losses cannot be used directly by the consolidated entity for the reason outlined in note 1c, but may be available for the benefit of unit holders in the future.

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

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

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the ability of the entity to realise the benefit from the deductions for the losses.

	Consolidated		Parent	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
7 Current Assets – Cash Assets				
Cash at bank	32,531	40,707	32,531	40,707
	32,531	40,707	32,531	40,707

Included in the above amount is \$20.1 million (2004: \$28.2 million) which is held in a reserve account to fund future CARS distributions and was not available for general use at 30 June 2005.

8 Current Assets – Receivables

Sundry debtors	262	366	262	366
	262	366	262	366

9 Current Assets – Other

Loans to related parties	92	-	103	-
	92	-	103	-

10 Non-current Assets – Other Financial Assets

Non traded investments

Units in controlled entity	-	-	392,000	392,000
Construction Phase Loan Notes	392,000	392,000	-	-
	392,000	392,000	392,000	392,000

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

Investment in controlled entity

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

Investment in Construction Phase Loan Notes ("CPLN")

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred Borrowing Costs	12,351	12,740	12,351	12,740
	12,351	12,740	12,351	12,740

11 Non-Current Assets – Other

12 Current Liabilities – Payables

Trade creditors	4	5	4	5
CARS coupon payment	14,926	15,009	14,926	15,009
Other creditors	11	12	11	12
	14,941	15,026	14,941	15,026

CARS coupon payment represents the interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7.0 per cent for the period 1 January 2005 to 30 June 2005 totalling \$14.9 million 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 2005.

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Loans from related parties	2,178	2,420	2,178	2,420
	2,178	2,420	2,178	2,420

13 Current Liabilities – Non-interest Bearing Liabilities

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
14 Non-current Liabilities – Interest Bearing Liabilities				
Loan from related parties	19,785	19,096	19,785	19,096
Convertible Adjusting Rate Securities	430,000	430,000	430,000	430,000
	449,785	449,096	449,785	449,096

Financing Arrangements and Credit Facilities Convertible Adjusting Rate Securities (“CARS”)

Transurban CARS Trust issued 4.3 million convertible securities for \$430 million on 14 April 2003. Semi-annual interest is paid at a fixed rate of 7 per cent per annum until the first reset date on 14 April 2007. On a reset date, certain terms of the CARS may be reset and Holders will be given the option of:

- (i) taking no action and therefore, be bound by the new terms from the reset date; or
- (ii) submitting an Exchange Notice.

The term of the Guarantee may also be extended on terms and conditions determined by Transurban Holding Trust (“THT”) in its absolute discretion. The interest payments are guaranteed by THT until the first reset date.

Following the submission of an Exchange Notice, Transurban will elect to either:

- convert the CARS into Transurban Securities
- arrange the acquisition of CARS by a third party and deliver to the Holder, the cash proceeds and to the extent there is a shortfall, Transurban Securities, or
- a combination of both.

It is the present intention of Transurban that Exchange will be satisfied by conversion into Transurban Securities. These securities will rank ahead of Transurban Stapled Securities on the winding up of Transurban, in conjunction with the winding up of the Transurban CARS Trust.

Other Loans

The loan from Transurban Holding Trust does not have any fixed date for repayment and bears interest at 7.05 per cent (2004 – 7.05 per cent)

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
15 Accumulated Losses				
Accumulated losses at the beginning of the financial year	(20,729)	(12,644)	(20,729)	(12,644)
Net loss from ordinary activities after tax	(8,939)	(8,085)	(8,928)	(8,085)
Available for distribution	(29,668)	(20,729)	(29,657)	(20,729)
Dividends provided for or paid	-	-	-	-
Accumulated losses carried forward	(29,668)	(20,729)	(29,657)	(20,729)

16 Unitholders' Funds

	Consolidated				Parent			
	2005 Units	2005 \$'000	2004 Units	2004 \$'000	2005 Units	2005 \$'000	2004 Units	2004 \$'000
Units fully paid	12	-	12	-	12	-	12	-

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

17 Distributions

	2005 \$'000
Convertible Adjusting Rate Securities	
Distribution payment for the period 1 January 2004 to 30 June 2004 of 7.0 per cent paid on 31 July 2004	15,009
Distribution payment for the period 1 July 2004 to 31 December 2004 of 7.0 per cent paid on 31 January 2005	15,091
	30,100

The coupon payment for the half year ended 30 June 2005 of \$14.9 million was paid on 31 July 2005.

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

18 Remuneration of Auditors

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

	Consolidated		Parent	
	2005 \$	2004 \$	2005 \$	2004 \$
Audit Services				
Audit or review of financial reports	14,900	13,800	14,900	13,800
	14,900	13,800	14,900	13,800
Taxation Services				
Review of income tax returns	12,705	19,000	12,705	19,000
	12,705	19,000	12,705	19,000

19 Director Disclosures

The following persons were directors of Transurban Infrastructure Management Limited during the financial year:

Chairman – non-executive

Laurence G Cox

Non-executive directors

Peter C Byers, Geoffrey O Cosgriff, Jeremy GA Davis, Susan M Oliver, David J Ryan

Executive directors

Geoffrey R Phillips

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

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

Details of remuneration

Details of the remuneration of each director of Transurban Infrastructure Management Limited, including their personally related entities, are set out in the following tables. The Options granted, relate to the Transurban Group as a whole. A reasonable basis of apportionment is not available, resulting in the full amount being disclosed.

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

Directors of Transurban Infrastructure Management Limited

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

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

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

Share-based compensation – options

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

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

Options are issued at no cost to the Option holder and vest in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise of the options is subject to an Exercise Condition. The Exercise Condition involves a comparison between Total Shareholder Return ("TSR") of The Transurban Group's Stapled Securities over the two years prior to a vesting date of options, and the TSR of each of the other companies in the S&P/ASX 200 Industrials 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.

The exercise price of options was the 5 day variable weighted average price of the Group's stapled securities prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary

share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

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

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

Equity instrument disclosures relating to directors

Options provided as remuneration

Details of options over Transurban Group stapled securities provided as remuneration to each director of Transurban Infrastructure Management Limited are set out below.

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

Option holdings

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

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

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

Share holdings

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

Stapled Securities

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

CARS

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Infrastructure Management Limited				
L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
G R Phillips	-	-	-	-

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

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

Other transactions with directors and director-related entities

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

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

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts recognised as expense				
Interest	685	1,281	685	1,281
Responsible Entity Fee	3,500	2,200	3,500	2,200
Aggregate amounts payable to director-related entities at balance date:				
Non-interest bearing current liability	2,178	2,420	2,178	2,420
Interest bearing non-current liability	19,785	19,096	19,785	19,096

20 Contingent Liabilities

As at the reporting date there are no contingent liabilities.

21 Related Parties

Responsible entity's fees

Transurban Infrastructure Management Limited ("TIML") is the Responsible Entity of the Trust and is entitled to receive a fee calculated at the rate of up to 2.0 per cent per annum of the Gross Asset Value of the Trust. For the 2005 financial year, the responsibility entity fee paid by the Trust was calculated at a rate of 0.8 per cent (2004: 0.5 per cent) of the value of the Trust's assets at 30 June 2005.

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

	Responsible Entity 2005 \$000	Responsible Entity 2004 \$000
Fees for the year paid by the Trust	3,500	2,200
Fees earned by the responsible entity in respect of its role as responsible entity of other entities within the Transurban Group	2,009	4,187
Management fees earned by the responsible entity which are reimbursed in accordance with the Constitution	25,949	8,577
Aggregate amounts payable to the responsible entity at reporting date	26,783	7,839

Wholly-owned group

The wholly-owned group consists of The Transurban CARS Trust and its wholly-owned controlled entity, The Transurban WSO Trust. Details of this controlled entity are set out in note 22.

Transactions between Transurban CARS Trust and the other entity in the wholly-owned group during the years ended 30 June 2004 and 30 June 2005 consisted of:

- (a) Loans from Transurban WSO Trust
- (b) Loans to Transurban WSO Trust
- (c) Distribution paid to Transurban CARS Trust

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
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:				
Distribution revenue	-	-	24,578	9,158
Aggregate amounts receivable from entities in the wholly-owned group:				
Current receivable	-	-	11	-

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

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Other related parties				
Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with each class of other related parties:				
CPLN's interest revenue	24,578	24,646	-	-
Aggregate amounts receivable from other related parties at balance date:				
Non-current receivable	392,000	392,000	-	-

Controlling entities

The ultimate parent entity is Transurban Holding Trust which owns 100% of the issued ordinary units of Transurban CARS Trust.

Ownership interests in related parties

Transurban CARS Trust, through its wholly owned subsidiary Transurban WSO Trust, has a 40.0 per cent interest in the joint venture partnership Westlink Motorway. Details of this interest is set out in Note 22.

22 Investments in Controlled Entity

Name of Entity	Country of Incorporation	Class of Security	Equity Holding	
			2005	2004
Transurban WSO Trust	Australia	Ordinary	100%	100%

The investment in the partnership is carried at cost of \$80 (2004: \$80). Refer note 23 for details.

23 Interest in Joint Venture

	Ownership Interest		Combined entity carrying amount	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Westlink Motorway Partnership	40	40	6,236	6,236

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

The consolidated entity has a 40.0 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 April 2006. The partnership is unlikely to have any impact on the consolidated entity's equity accounted profits until construction is completed and the operations commence.

Information relating to the joint venture partnership, presented in accordance with the accounting policy described in note 1(i), is set out below:

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Share of partnership assets and liabilities				
Current assets	5,225	2,932	-	-
Non-current assets	580,709	355,834	-	-
Total Assets	585,934	358,766	-	-
Current liabilities	28	31,306	-	-
Non-current liabilities	585,906	327,460	-	-
Total Liabilities	585,934	358,766	-	-
Net Assets	-	-	-	-
Share of Profits	-	-	-	-
Share of partnership commitments				
Capital commitments	522,288	327,484	-	-

24 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 year ended 30 June 2005

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.

	2005	Fixed Interest Rate Maturing in:					TOTAL \$'000
		Floating Interest Rate \$'000	1 year or less \$'000	between 1 to 5 years \$'000	more than 5 years \$'000	Non interest bearing \$'000	
	Note						
Financial Assets							
Cash	7	32,531	-	-	-	-	32,531
Sundry debtors	8	-	-	-	-	262	262
Loans to related parties	9	-	-	-	-	92	92
Construction Phase Loan Notes	10	-	392,000	-	-	-	392,000
Total Financial Assets		32,531	392,000	-	-	354	424,885
Weighted average interest rate		4.81%	6.27%	-	-		
Financial Liabilities							
Creditors	12	-	-	-	-	14,941	14,941
CARS	14	-	-	430,000	-	-	430,000
Loan from related parties	13, 14	-	-	-	-	21,963	21,963
Total Financial Liabilities		-	-	430,000	-	36,904	466,904
Weighted average interest rate		-	-	7.00%	-		
Net Financial Liabilities		32,531	392,000	(430,000)	-	(36,550)	(42,019)

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

	2004	Fixed Interest Rate Maturing in:					Non interest bearing \$'000	TOTAL \$'000
		Note	Floating Interest Rate \$'000	1 year or less \$'000	between 1 to 5 years \$'000	more than 5 years \$'000		
Financial Assets								
Cash	7	40,707	-	-	-	-	40,707	
Sundry debtors	8	142	-	-	-	224	366	
Construction Phase Loan Notes	10	-	-	392,000	-	-	392,000	
Total Financial Assets		40,849	-	392,000	-	224	433,073	
Weighted average interest rate		5.08%	-	6.27%	-	-	-	
Financial Liabilities								
Creditors	12	-	-	-	-	15,026	15,026	
CARS	14	-	-	430,000	-	-	430,000	
Loan from related parties	13, 14	19,096	-	-	-	2,420	21,516	
Total Financial Liabilities		19,096	-	430,000	-	17,446	466,542	
Weighted average interest rate		7.05%	-	7.00%	-	-	-	
Net Financial Liabilities		21,753	-	(38,000)	-	(17,222)	(33,469)	

Reconciliation of net financial liabilities to net liabilities

	Notes	2005 \$'000	2004 \$'000
Net financial liabilities as above		(42,019)	(33,469)
Non-financial assets			
Deferred borrowing costs	11	12,351	12,740
Net liabilities per Balance Sheet		(29,668)	(20,729)

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 year ended 30 June 2005

25 Reconciliation of Loss from Ordinary Activities to Net Cash (Outflow)/Inflow from Operating Activities

	Consolidated		Parent	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Net loss from ordinary activities	(8,939)	(8,085)	(8,928)	(8,085)
Deferred borrowing costs	(6)	-	(6)	
Amortisation deferred borrowing costs	394	394	394	394
Change in operating assets and liabilities				
(Decrease)/increase in creditors	(85)	8,513	(85)	8,513
Decrease in debtors	104	577	104	577
Increase in loans from related parties	300	3,701	300	3,701
Net cash (outflow)/inflow from operating activities	(8,232)	5,100	(8,221)	5,100

26 Economic Dependency

Transurban CARS Trust is reliant on the receipt of distributions from Transurban WSO Trust for its ongoing viability. Transurban CARS Trust has \$20.1 million (2004: \$28.2 million) in reserve to fund future Convertible Adjusting Rate Securities ("CARS") coupon payments which is not available for general use. The CARS coupon payments are guaranteed by Transurban Holding Trust (parent entity) until the first reset date 14 April 2007.

27 Earnings Per Unit

	Consolidated	
	2005	2004
Net tangible asset backing per ordinary unit	(\$2,472,333)	(\$1,727,417)
Basic earnings per unit	(\$744,917)	(\$673,750)
Diluted earnings per unit	(\$744,917)	(\$673,750)
Weighted average number of units used as the denominator in calculating basic earnings per unit	12	12
Weighted average number of unit and potential units used used as the denominator in calculating diluted earnings per unit	12	12

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

28 Impacts of Adopting Australian Equivalents to IFRS

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

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

The Transurban Group established an AIFRS transition project team in October 2003. The project team prepared a plan to manage the transition to AIFRS and reports regularly on progress to the audit committee. The project plan was on schedule for completion by 30 June

2005 until the acquisition of the Hills Motorway Group added a further level of complexity that has not yet been fully determined. It is now expected that the project will be completed (including the calculation of the impact of AIFRS) by the first AIFRS reporting date being the period ending on 31 December 2005.

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

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

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be

issued by the AASB and the IASB. Therefore, until the company prepares its first full AIFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Accounting for Associates

Under AASB 128 Investments in Associates, a long term loan to an associate can be considered as part of the investment. This is a change in present accounting policy where only the equity component of the investment is included in equity accounting and long term loans are a separate class of asset subject to recoverable amount testing. This will affect the Group's investment in the Westlink project which is presently equity accounted. The investment is substantially represented by a long term loan rather than an equity investment. If the Westlink project incurs accounting losses from the commencement of operations greater than the Group's equity investment, the receivable balance may be reduced to the extent of the Group's remaining share of accounting losses. This may occur despite the recoverable amount of the long term loan not being impaired due to the expected cashflow from the Westlink project. If the policy required by AASB 128 had been applied during the year ended 30 June 2005, there would be no financial impact as Westlink has not yet commenced operations. However, it may lead to greater volatility in earnings in future reporting periods.

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

Directors' Declaration

In the directors' opinion:

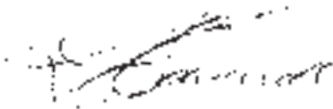
- a) The financial statements and notes set out on pages 140 to 162 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance, as represented by the results of their operations and their cashflows, for the financial year ended on that date; and
- b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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



Laurence G Cox
Chairman



Kimberley Edwards
Managing Director

Melbourne
23 August 2005

Independent audit report to the members



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ABN 52 780 433 757

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Independent audit report to the members of

Transurban CARS Trust

Audit opinion

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

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

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

Scope

The financial report and directors' responsibility

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

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

Audit approach

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

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

Independent audit report to the members



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

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

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

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

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

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

Independence

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


PricewaterhouseCoopers


Tim Goldsmith
Partner

Melbourne
23 August 2005

Security Holder Information

The security holder information set out below was applicable as at 31 August 2005.

A Distribution of Convertible Adjusting Rate Securities

1. The number of holders of Convertible Adjusting Rate Securities, which are preference units in Transurban CARS Trust, was 5,803.
2. The voting rights are one vote per security.
3. At 31 August 2005 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 70.46 per cent.
4. The distribution of holders was as follows:

Security Grouping	Number of Holders	Number of Convertible Securities Held	%
1 – 1,000	5,670	971,526	22.59
1,001 – 5,000	102	193,410	4.50
5,001 – 10,000	6	40,785	0.95
10,001 – 100,000	15	415,210	9.66
100,001 – and over	10	2,679,069	62.30
Total	5,803	4,300,000	100

There were 43 holders of less than a marketable parcel of preference units.

5. Substantial Holders as at 31 August 2005 are as follows:

Name	Number of Convertible Securities	% of Total
UBS Nominees Pty Ltd	680,746	15.8

Security Holder Information

B Twenty Largest Holders of Convertible Adjusting Rate Securities

	Number of Convertible Securities Held	% of Issued Convertible Securities
BRISPOT NOMINEES PTY LTD	794,188	18.47
CITICORP NOMINEES PTY LIMITED	310,243	7.21
NATIONAL NOMINEES LIMITED	295,857	6.88
FORTIS CLEARING NOMINEES P/L	247,469	5.76
RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	233,277	5.43
J P MORGAN NOMINEES AUSTRALIA LIMITED	203,115	4.72
ANZ NOMINEES LIMITED	197,678	4.60
RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	149,030	3.47
WESTPAC CUSTODIAN NOMINEES LIMITED	148,138	3.45
ANZ NOMINEES LIMITED	100,074	2.33
GOLDMAN SACHS JBWERE CAPITAL MARKETS LTD	59,252	1.38
UBS PRIVATE CLIENTS AUSTRALIA NOMINEES PTY LTD	53,713	1.25
AUSTRALIAN FOUNDATION INVESTMENT COMPANY LIMITED	52,700	1.23
PAN AUSTRALIAN NOMINEES PTY LIMITED	43,585	1.01
SANDHURST TRUSTEES LTD	26,751	0.62
CAMBOOYA PTY LIMITED	25,900	0.60
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	24,360	0.57
IRREWARRA INVESTMENTS PTY LTD	24,044	0.56
PERPETUAL TRUSTEE COMPANY LIMITED	19,798	0.46
COGENT NOMINEES PTY LIMITED	19,739	0.46
Total	3,028,911	70.46

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enquiries and information

Enquiries about your stapled securities

The Stapled Securities Register is maintained by Computershare Investor Services Pty Limited. If you have a question about your Transurban Securities, transfer of securities or distributions, please contact:

Computershare Investor Services Pty Limited.

Yarra Falls, 452 Johnston Street,
Abbotsford Victoria 3067
GPO Box 2975
Melbourne Victoria 3001
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(outside Australia) +613 9415 4000
Facsimile +613 9473 2500

Enquiries about Transurban

Contact Transurban's Investor Relations:
Manager, Investor Relations
Telephone +613 9612 6999
Facsimile +613 9649 7380
Email via our website:
www.transurban.com.au

Transurban Group

Transurban Holdings Limited
ABN 86 098 143 429

Transurban Holding Trust
ABN 30 169 362 255

Transurban Limited
ABN 96 098 143 410

Transurban Infrastructure
Management Limited
ABN 27 098 147 678 (as responsible entity of the
Transurban CARS Trust ARSN 103 090 928)

Registered Office
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Facsimile +613 9649 7380
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Or write to:
Manager, Investor Relations,
Transurban Group
Level 43 Rialto South Tower
525 Collins Street,
Melbourne Victoria 3000

Stock Exchange listing

The Stapled Securities are listed on the Australian Stock Exchange under the name Transurban Group and under the code 'TCL'

Transurban CARS Trust: the securities are listed on the Australian Stock Exchange under the name Transurban CARS Trust and under the code 'TCS'.

The securities participate in the Clearing House Electronic Subregister System ('CHESS').

Directors

Laurence G Cox, Chairman
Kim Edwards, Managing Director
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
Christopher J S Renwick
David J Ryan

Company Secretary

Mark Licciardo
Paul O'Shea

Removal from Annual Report mailing list

Security Holders can nominate not to receive an Annual Report by written notice to the Stapled Securities Register. Security holders will continue to receive all other shareholder information, including Notice of Annual General Meeting and proxy form.

Tax File Number ('TFN') information

While it is not compulsory for security holders to provide a TFN, the Company is obliged to deduct tax from distributions or dividends to holders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may do so by writing to the Stapled Securities Register.

Change of address or name

A security holder should notify the Register immediately, in writing, if there is any change in his or her registered address or name.

Auditors

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