Annual Report 2002

transurban

TRANSFORMED

THE YEAR

Transurban Holdings Limited ABN 86 098 143 429
Transurban Holding Trust ARSN 098 807 419
Transurban Infrastructure Developments Limited ABN 96 098 143 410

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This report tells the story of how the Transurban Group restructured and refinanced to pursue new business opportunities. It is a story of transformation — from a company legally restricted to ownership and operation of its cornerstone asset, the Melbourne CityLink, to a group aiming to build new businesses in Australia and internationally.

Directors

Laurence G Cox AO, Chairman
Peter C Byers
Jeremy G A Davis
Geoffrey R Phillips
Kim Edwards, Managing Director
Geoffrey O Cosgriff
Susan M Oliver

Company Secretaries

Geoffrey R Phillips
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Share/unit register

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2001

JULY

- CityLink launches cost reduction program to **save $1 million** a month on customer service and marketing

01

AUGUST

- Transurban negotiates its release from single-purpose status with the Victorian Government
- Annual financial results announced

NOVEMBER

- **Annual General Meeting** held in Melbourne
- CityLink contractor agrees to pay Transurban $153.6 million to settle dispute

DECEMBER

- Natural Language Speech Recognition becomes fully operational in CityLink call centre, saving the business about half a million dollars a year

MARCH

- Burnley Tunnel enhancement works successfully completed

- Transurban's Employee Share Plan announced
- Latest version of Central Toll Computer System released

APRIL

- Standard and Poor's give A- rating to Transurban debt refinancing
- Management restructure for pursuit of new business
- Transurban's consortium files expression of interest for Sydney's Lane Cove Tunnel
- Independent economists estimate CityLink benefits to Victorian economy at $300 million or more

NOTES:

Next financial year starts off with a bang...

- Transurban successfully completes bond issue
- EPA Victoria report clears CityLink vent stacks of any negative impact on local air quality

2002

A year of transformation

2001-2002 was a big year for Transurban, with the company building on the success of the Melbourne CityLink to become an emerging international leader in electronic toll road development and management. The company hit significant milestones every month - and the next financial year promises to build on the gains already made.

SEPTEMBER

- Board approves water recycling plant designed to all but eliminate use of drinking water to recharge aquifers around CityLink tunnels

OCTOBER

- Transurban wins High Court case on grant of infrastructure bonds

JANUARY

- Motorists continue to embrace CityLink - Board approves purchase of 850,000th e-TAG

FEBRUARY

- DISTRIBUTIONS PAID TO INVESTORS

- Transurban management team makes its first major overseas visit scouting for new business
- Half-yearly results announced
- New CityLink website goes live, with more e-commerce features for customers

MAY

- CityLink traffic hits a record high, with 17.3 million transactions for the month
- Scientists give CityLink vent stack air quality the big tick
- CityLink e-TAGs work on Queensland motorways - and Brisbane tags work in Melbourne
- Moody's gives A3 credit rating to Transurban's senior secured debt

JUNE

- Refinancing package completed, making more funds available for distributions
- Transurban's consortium one of two shortlisted for the Western Sydney Orbital
- CityLink's trauma support service announced
- Extension of payment period for CityLink Passes announced

CityLink achieves $2.5 million a month target for customer service and marketing costs - down from $3.5 million

The outlook for future distributions is good now that the company is generating strong cash-flows.

Laurence G Cox
Chairman

Kim Edwards
Managing Director

chairman and managing director's report

Financial year 2001-2002 marked a new beginning for Transurban.

We started the year as a 'single-purpose entity', legally restricted to the business of developing and operating the Melbourne CityLink. We ended the year in contention for new toll road projects in Sydney and actively pursuing other business opportunities in Australia and overseas.

We also started the year with significant challenges on CityLink, which remains our cornerstone asset. Today, CityLink is running smoothly: costs are down and revenue and traffic are up.

We have refinanced our debt package. This will save or defer payments of $75 million in 2002-03 – much of which will flow to security holders in distributions. The Board has approved a distribution of 3 cents per stapled security for the six months to 30 June 2002. The record and payment dates for the distribution are 24 September 2002 and 8 October 2002, respectively.

The outlook for future distributions is good now that the company is generating strong cash-flows, and we have foreshadowed a distribution of approximately 20 cents per stapled security for the year ending 30 June 2003.

All major infrastructure projects produce accounting losses in the early years during the period that the major up-front investment is written off. We expect to report accounting losses for several years – but will be generating positive cash flows and distributions during that period.

In 2001-02, the company made an accounting loss before tax of $161.1 million. However, this result included the following significant one-off items:

- Revenue of $153.6 million from the settlement of our dispute with the CityLink contractor, Transfield Obayashi Joint Venture (TOJV)
- Recognition of $235.5 million of costs associated with the debt refinancing
- The effect of a change in the assumptions used to value the Concession Note liability, resulting in a Concession Fee charge that was $58.6 million lower than if the previous assumptions had been retained
- Additional depreciation of $35 million from a revaluation of the CityLink asset recorded in the financial statements of Transurban Holdings Limited and the Transurban Holding Trust.

Excluding these items, the result was a loss of $79.3 million, compared to $114.4 million the previous year.

The transformation of Transurban from single-purpose status began with an agreement with the Victorian Government.

As a result, a new structure allowing the company to move into other markets and projects (while quarantining CityLink from these activities) was implemented on 28 December 2001. Security holders approved the new structure at the AGM in November 2001.

Our business is now organised around CityLink and our target markets.

Brendan Bourke was appointed General Manager, CityLink, with a brief to cut costs, increase revenue and improve the products that we offer to customers. Considerable progress has been made on these fronts:

- Monthly customer service and marketing costs are now below $2.5 million, down from $3.5 million a year earlier and $4.5 million 18 months earlier
- CityLink has developed a sophisticated understanding of its customer base and a number of revenue initiatives will be announced by the end of the year
- Improvements to customer products make it easier for motorists without bank accounts or credit cards to buy CityLink Passes
- Our e-TAGs now work on toll roads in Brisbane, allowing our customers to pay Queensland Motorway tolls through their CityLink accounts. We are working on extending this to Sydney.

Outside CityLink, two General Managers have been appointed to oversee business development in the Victorian and global markets. Another is being recruited to manage our interests in New South Wales. Other areas of the business have been structured to service General Managers with responsibility for the target markets and CityLink.

Sydney is one of the biggest markets in the world for greenfield toll road projects. In the relatively short time since our release from the single-purpose restriction, we have secured positions in consortia bidding on three major developments in that city:

- The Cross City Tunnel
- The Western Sydney Orbital, and
- The Lane Cove Tunnel.

This confirms that other industry players recognise the value of Transurban's experience in project development and the application of electronic tolling. Unfortunately, because of the timing of our release from the single-purpose restriction, we only became involved in the Cross City Tunnel and Western Sydney Orbital bids at a late stage, which limited the degree of influence we could have on the bids.

Our consortium's bid for the Cross City Tunnel was unsuccessful. However, Transurban and its partners bidding for the Western Sydney Orbital were short-listed with one other consortium for further negotiation with the NSW Roads and Traffic Authority in July 2002. On the Lane Cove Tunnel, our consortium was one of four selected to tender. Submissions are due on 27 November 2002.

In Victoria, there are no new toll road projects on the horizon. However, a number of projects could add value to CityLink, including upgrading the Tullamarine-Calder Freeway interchange and widening the West Gate Freeway. Congestion on the interchange and the freeway hinders CityLink's performance. Both are on roads operated by the State, so any solution will depend on an agreement with the government.

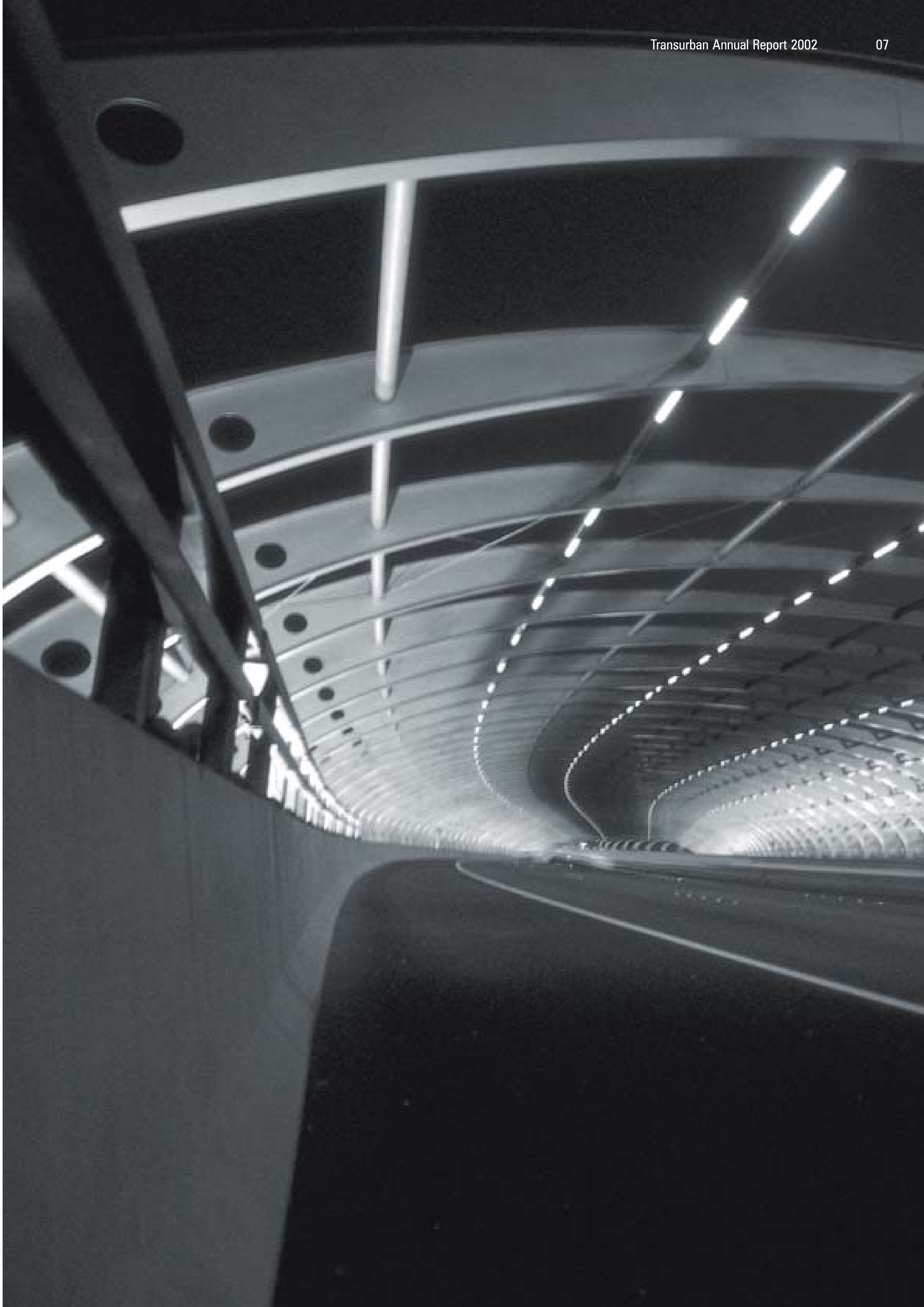
Overseas, we are studying the European and North American markets. In Europe, we are holding discussions with existing road concession and construction companies who could be potential partners. In the United States, we are working with a number of state road authorities interested in electronic tolling and customer service systems. The concept of public/private sector partnerships is just emerging in the US and this may provide opportunities in the longer term.

Our pursuit of new business opportunities will be cautious and conservative: we will only take on projects we are confident will create value for security holders.

Our experience on CityLink has given us confidence in our ability to assess the risks and opportunities in new projects. We also have the skills to extract the maximum value for security holders from the assets we develop.

Electronic tolling is a rapidly expanding industry and we are already a world leader in the field. In the past year, we have set the scene for the long-term growth of Transurban into a global business – a business that we believe will pay off handsomely for investors.

Our pursuit of new business opportunities will be cautious and conservative. We will only take on projects we are confident will create value for security holders.



More than 50 cost-reduction initiatives on Melbourne CityLink helped slash monthly customer service and marketing expenses.

Melbourne CityLink report

Cost reductions

The Melbourne CityLink is Transurban's cornerstone asset and will deliver inflation-protected revenues for the life of the Concession. In 2001-02, the CityLink business delivered on its promise to further reduce operating costs, with monthly customer service and marketing expenses slashed by nearly one-third. By June 2002, these costs had been reduced to less than $2.5 million a month, representing a 29 per cent improvement over the course of the year. On this basis, annualised customer service and marketing costs are now $30 million, and approaching long-term targets.

Actual customer service and marketing costs for the year were $34.7 million, 21 per cent below last year's total of $44.2 million. This is a good outcome for the business, given that we are managing more customers than originally expected. This improvement follows a major review of customer operations in April 2001, which identified more than 50 cost-reduction initiatives. During the year these initiatives, involving process redesign, system improvements, renegotiated contracts and service channel optimisation, were progressively implemented.

The initiatives included:

- The implementation of Natural Language Speech Recognition (NLSR) technology in the call centre, completed in December 2001, saving 30 per cent of service costs for CityLink Pass sales
- Renegotiations of contracts for the call centre, mailing and printing services, and e-TAG logistics
- Improved operation of systems and invoice and statement processing, resulting in fewer customer calls
- Staff reductions of 15 per cent in direct labour (from 260 at the beginning of the year to 221 at the end of the year) and 37.5 per cent in the call centre (from 160 to 100)
- Taking over responsibility for development of the Central Toll Computer System (CTCS), leading to an earlier and more targeted rollout of new functionality to replace manual processes
- Initial stages of e-business development on the Internet site, enabling customers to pay bills and update account details.

Future cost efficiencies will be achieved through the continued migration of customers to low cost and electronic channels (including the web and NLSR), further system improvements to the CTCS and overall process improvements for the business. Extension of the 'Touch' system network to allow over-the-counter sales in newsagents, for example, is currently being trialled.

Traffic forecasts

As part of the refinancing of the group's debt, Transurban commissioned Maunsell Australia to undertake a comprehensive review of the history and outlook for CityLink's traffic and revenue. Maunsell's work included updating the original traffic model and preparing new forecasts.

The key finding of the review is positive for the company and for security holders.

Maunsell has predicted average annual growth in transactions of 3.9 per cent over the period 2002 to 2011. This prediction is based on closure of the current gap between actual and modelled usage, and a continued (but progressively declining) contribution to growth from generated traffic, which is additional traffic resulting from changes in activity patterns caused by the existence of the toll road.

At this rate, transaction volumes will reach the level originally predicted for 2011 in 2007.

Revenue

2001-02 was the first full financial year of tolling on CityLink. Over the 12 months, toll and fee revenue was $208.8 million – 41.8 per cent higher than the previous year. The factors contributing to the increase were:

- The availability of the Burnley Tunnel for all of the current year versus six months of the previous year
- Transaction volume growth additional to the Burnley Tunnel effect
- Toll escalation as per the Concession Deed
- Improved revenue capture.

These latter two items generated around $24 million in 2001-02, and we are expecting this to be repeated in financial year 2003 and beyond.

Indicative of the continuing strong growth in transaction volumes and revenue, August 2002 saw new records of 17.6 million transactions and $21.5 million in toll and fee revenue. Weekday transaction volumes in August 2002 were running 7.85 per cent above August 2001.

Product improvements

A number of product improvements were introduced during the year to meet customer needs, increase convenience and boost traffic volumes and revenue. These included an interoperability agreement with Queensland Motorways under which CityLink e-TAGs will work in Brisbane and the Queensland tags can be used in Melbourne. Similar initiatives are being developed with toll road operators in Sydney.

In February, the Weekend Pass hours of use were extended to give customers an extra 12 hours of travel time on CityLink at no extra cost. Transurban worked closely with the State government on this initiative, which is particularly important to regional visitors to Melbourne.

In April, distribution of CityLink Tulla Passes was expanded to include most Australia Post outlets in Victoria. This change was designed to give customers another easy way of buying Tulla Passes with cash.

In May, extended and easier payment options were announced in an effort to meet the needs of customers who prefer to pay cash to use CityLink on weekends. Under these new options, payment for a CityLink or Tulla Pass can be made up to midnight three days after travel.

Material Adverse Effect claim

Transurban's $36.6 million Material Adverse Effect claim against the State of Victoria will now be decided by arbitration. The company referred the claim to arbitration after an unsatisfactory determination by an independent expert in July 2002.

The independent expert was appointed under the terms of the CityLink Concession Deed. He was asked to determine whether Transurban should be compensated for changes to the road network under its contract with the State. These changes included the construction of Wurundjeri Way and the widening of the West Gate Freeway.

The expert found against compensating Transurban "on the present information and submissions before me".

Water recycling facilities

During the year, Transurban developed a sophisticated water recycling scheme which will conserve Melbourne's drinking water.

The $1.3 million scheme will save almost one million litres a day of drinking water, which is being used to recharge groundwater aquifers around the Burnley and Domain Tunnels.

The CityLink tunnels, like most underground structures, were designed so that some groundwater drains into them. If the aquifers – which are the source of this groundwater – were not recharged, abnormal settlement could occur at the surface and nearby structures could be damaged.

The new recycling scheme consists of a recycling plant, a water reticulation facility and an environmental monitoring system.

The plant will be located near Melbourne's Olympic Park and will treat water drained from the tunnels. The process will remove sediment, bacteria, calcite, manganese and iron to ensure that the quality of the reinjected water is compatible with the water in the aquifers. The quality of the recycled water will be monitored continually.

The recycling scheme – which aims to all but eliminate CityLink's use of drinking water – took more than six months of planning and investigation to satisfy Victoria's Environment Protection Authority and reach a practical solution. It is expected to begin operating in November 2002.

Debt refinancing cuts interest costs

In June 2002, Transurban finalised a $1.7 billion* debt refinancing package which will bring forward distributable cash for investors, as well as increase the company's flexibility to raise capital and invest in major projects in Australia and overseas.

The refinancing package of senior secured debt comprises bank and capital markets debt. Bonds with maturities of three, five and seven years make up almost 60 per cent of the package.

The package will free up $75 million in 2002-03 from reduced interest costs, deferral of debt amortisation payments and elimination of the debt-servicing reserves which the previous financing facilities required.

Other outcomes of the package include spreading the risk of subsequent refinancing over a range of instruments and repayment terms, less onerous covenants and reduced administrative costs.

As the CityLink business settles into a phase of stable growth, Transurban expects to be able to continue to defer amortisation of debt beyond the term of the new facilities. This deferral of debt amortisation payments will increase total debt above the levels of the previous financing arrangements, but the resulting increase in interest costs is outweighed by the overall benefits of refinancing.

The net present value of the benefits of the package over the remaining life of the CityLink concession (based on current interest rates and a discount rate of 11 per cent per annum) is about $200 million, equivalent to approximately 40 cents per stapled security.

Refinancing of infrastructure borrowings

In 2001-02, Transurban began making an annual saving of $11.2 million as a result of renegotiating the terms of its $1.249 billion infrastructure borrowing facilities in May 2001.

The total savings are $41.2 million over the balance of the term of the infrastructure borrowings.

* All figures are in Australian dollars

finance

These savings have been achieved by reducing interest costs. The interest rate for the year ended 30 June 2002 has been reduced from 8.4 per cent per annum to 7.5 per cent per annum.

The annual saving consists of $8.4 million from avoiding the effects of changes in the corporate taxation rate and $2.8 million from a 0.224 percentage point reduction in the base rate relative to the rate set in March 1996.

A further renegotiation of the interest rate mechanism applicable to the infrastructure borrowing facilities was completed in May 2002. As a result of this renegotiation, there will be a further reduction in annual interest costs of approximately $5 million in FY03 and subsequent years.

Distributions

The first distribution of 2.25 cents per 'new' stapled security from the operating phase of the project was paid on 26 February 2002.

On the same date, the final distribution was paid on the Equity Infrastructure Bonds issued by Transurban City Link Limited. This distribution, which was deferred from December 1999, was $9.0411 per 'old' stapled security. An 'old' stapled security was the pre-6 December 1999 security consisting of one share in Transurban City Link Limited, one unit in the Transurban City Link Unit Trust and 499 Equity Infrastructure Bonds.

In August 2002, the Board approved a distribution of 3 cents per stapled security for the six month period ending 30 June 2002. This amount is within the range foreshadowed in February 2002.

The record and payment dates for this distribution are 24 September 2002 and 8 October 2002 respectively.

The distribution will be paid by Transurban Holdings Trust by way of a return of capital. As a result, the distribution will have no immediate tax impact on security holders, but each security holder's cost base for Capital Gains Tax purposes will be reduced by the amount of the distribution received. This will increase the amount of the capital gain (or decrease the amount of the capital loss) realised when the investor disposes of the securities. Distributions of this nature are typically categorised as 'tax deferred'.

Liquidated damages claim settled

Transurban settled its dispute with Transfield Obayashi Joint Venture (TOJV), the design and construction contractor for CityLink. The settlement, worth a total of $153.6 million, was announced at the Annual General Meeting in November 2001.

The dispute related to Transurban's claim for liquidated damages for the late completion of CityLink.

The settlement included $120 million in provisional payments already received. The first of two further payments to Transurban ($22 million) was made in January 2002, with the second ($4 million) due in May 2003. The remaining amount is made up of adjustments in favour of Transurban under the Design and Construct Contract.

Dispute with the Australian Tax Office

Transurban and the Australian Taxation Office (ATO) have not reached agreement on the taxation treatment to be applied to Concession Fees Transurban pays the State of Victoria. Under the Concession Deed, Transurban pays the fees in return for the right to collect tolls on CityLink. Transurban claims that the Concession Fees should be an immediately tax deductible expenditure but the ATO disagrees.

The ATO issued an assessment in respect of the company's income tax return for the year ended 30 June 1998, which was based on a decision that the Concession Fees were not deductible. Transurban lodged an objection to this assessment, which the ATO disallowed.

In December 2000, Transurban lodged an appeal in the Federal Court against the ATO decision to disallow the objection. The appeal is set down for hearing on 2 October 2002.

If the ATO wins the case, the after-tax internal rate of return for an investor subject to the corporate tax rate will be reduced to approximately 85 per cent of the return which would have been achieved if the Concession Fees were immediately deductible.

The Boards of the Group companies are committed to the achievement of high standards of corporate governance.

From left to right
Professor Jeremy GA Davis Geoff O Cosgriff Laurence G Cox Kim Edwards Peter C Byers Susan M Oliver Geoffrey R Phillips

corporate governance

The Boards of the Group companies acknowledge their critical position as the link between the Group's owners and the executive management, and are committed to the achievement of high standards of corporate governance.

Key features of the Group's processes of corporate governance are set out below. These processes are expressed in terms of their application to an individual entity, but are applied uniformly across the three entities which now comprise the Transurban Group.

Responsibility of the Board

The Board of Directors, together with the Company's management, has the responsibility to plan and run the Company for the benefit of shareholders. The Board is accountable to shareholders for the performance of the Company.

The Board has delegated responsibility for operation and administration of the Company to the managing director and executive management. A key function of the Board is to monitor the performance of management in discharging this responsibility, and the Board conducts a formal review each year, which assesses the performance of the managing director and those executives reporting directly to him.

The Board has retained responsibility for formulation of corporate strategy, remuneration and succession planning for directors and senior management and the integrity of the internal control and management information systems.

Composition of the Board

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

Directors other than the managing director retire by rotation as required by the constitutions of the entities. The managing director has been appointed as a permanent employee, and is not subject to retirement by rotation.

Table 1 Composition of the Board

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

Entity	Non-Executive Directors	Managing Directors[2]	Other executive Directors
Transurban Holdings Limited	5	1	1
Transurban Infrastructure Management Limited [1]	3	-	1
Transurban Infrastructure Developments Limited	5	1	1

Note (1): Transurban Infrastructure Management Limited is the Responsible Entity of the Transurban Holding Trust.
Note (2): The Managing Director is the chief executive officer of the relevant entity.

Information on each director is set out on page 26 of this report.

Performance Review

Each year, the Board conducts a formal review of its effectiveness. In addition, the chairman conducts a formal review each year of the performance of each director.

Committees of the Board

Two committees of the Board have been established:

The Audit Committee assists the Board in fulfilling its responsibilities related to risk management and compliance, and to the accounting and reporting practices of the Company. The Committee monitors internal and external audit activities and reviews the performance of, and the fees, paid to external auditors.

Members of the Audit Committee are Peter C Byers (Chairman), Laurence G Cox and Jeremy G A Davis.

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

Members of the Nomination and Remuneration Committee are Laurence G Cox (Chairman) and Jeremy G A Davis.

The committees provide advice to the Boards of each of the Group entities.

Risk Management

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

The primary business risks faced by the Group following its restructure in December 2001 are:

- The risks assumed by Transurban Holdings Limited and Transurban Holding Trust ('Holdings entities') under the Melbourne City Link Concession Deed ('Concession Deed risks');
- The risks assumed by the Holdings entities as the result of the acquisition of new assets ('new asset risks'). These risks largely relate to the operation of such assets and in many cases will be similar in nature to the Concession Deed risks to which the Holdings entities are exposed (see above);
- The risks to which Transurban Infrastructure Developments Limited is exposed as a result of its activities in the areas of business development, project development and technology application ('development risks'); and
- The risks arising from non-compliance with statutory and contractual obligations ('compliance risks'). Each of the entities is exposed to risks of this type.

The most significant Concession Deed risk is the level of usage of the Link (i.e. revenue risk). Traffic revenue is determined by the overall levels of traffic in the corridors served by CityLink and the proportion of this traffic captured by CityLink. Overall traffic levels are determined by factors such as trends in land use and employment, while the capture by CityLink is determined by factors such as the relationship between toll prices and time savings, service levels and the effectiveness of the marketing of CityLink Melbourne to its customers.

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

- Identification of risks and the development of strategies to mitigate and manage such risks;
- Allocation of the responsibility for monitoring and managing each identified risk to an individual executive; and
- Monthly reporting by executives on the discharge of their risk management responsibilities.

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

The exposure of Transurban Infrastructure Developments Limited to development risks is managed by a structured process for evaluation of investment opportunities. Comprehensive systems of management and financial accounting and internal control have been established. The integrity of these systems is assured through regular reviews by the external auditors.

During the year, high priority continued to be given to training staff of the Company and its contractors in privacy and other obligations under the Melbourne City Link Act 1995 and other State and Federal statutes.

Compliance with Continuous Disclosure Obligations

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

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

The control framework includes:

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

Independent Professional Advice to Directors

A procedure has been implemented whereby independent external professional advice is available to directors at the Company'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 Board.

Code of Conduct

The Board has approved a Code of Conduct for directors covering:

- Expectations with regard to ethical conduct generally;
- Periods during which directors may deal in the securities of the Group and procedures for notification of such dealing;
- Procedures to be adopted in respect of potential conflicts of interest; and
- Procedures for the prior approval of contracts with directors.

Directors' Fees

The aggregate of the maximum total remuneration that may be paid in a year by each individual entity in the Group to non-executive directors is $950,000 under the constitutions of the entities. The aggregate fees paid to non-executive directors in the financial year was $448,750. The annual fees paid in the financial year to 30 June 2002 were:

- Chairman $178,750; and
- Non-executive director $67,500.

No additional payments were made for attendance at committee meetings.

Superannuation Guarantee Contributions are met out of the above fees.

Non-Executive Directors' Retirement Allowances

The Board has implemented a policy on non-executive directors' retirement allowances that provides for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001 (Cth)) 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.

Role of the Responsible Entity

On completion of the restructure last year, Transurban Holding Trust ('the Trust') was registered as a managed investment scheme under Chapter 5C of the Corporations Act. As a result it required a Responsible Entity. Transurban Infrastructure Management Limited ('TIML') is the Responsible Entity of the Trust.

The Powers and duties of TIML are governed by its constitution, the requirements of Chapter 5C of the Corporations Act and general trust law.

The duties of TIML under the Corporations Act include:

- Acting in the best interests of the unitholders in the Trust and, if there is a conflict of interest between unitholders' interests and TIML's interests, giving priority to unitholders' interests;
- Ensuring that the assets of the Trust are clearly identified as trust property and held separately from the property of TIML and any other trust and are valued at regular intervals;
- Ensuring that payments out of trust property are made in accordance with the constitution and the Corporations Act; and
- Reporting any breach of the Corporations Act to the Australian Securities and Investments Commission ('ASIC') in relation to the Trust which has had, or is likely to have, a materially adverse effect on the interests of unitholders.

As Responsible Entity of the Trust, TIML is primarily liable to unitholders for the acts of any agents engaged in connection with the Trust.

The Compliance Plan of the Responsible Entity has been approved by ASIC and an audit of the Compliance Plan has been undertaken by an external auditor, the details of which are to be reported to ASIC before 30 September 2002.

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

for the period 18 december 2001 to 30 june 2002

directors' report

on the financial report of the transurban group

Directors' Report

The directors of Transurban Infrastructure Developments Limited and Controlled Entity present their report on the Transurban Group Accounts for the period 18 December 2001 to 30 June 2002.

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 entity (THT), and Transurban Infrastructure Developments Limited and controlled entity (TIDL) as if all entities operate together. They are therefore treated as a combined entity (the combined entity), notwithstanding that neither entity controls the other.

The financial statements have been aggregated in recognition of the fact that the securities issued by THL, THT and TIDL are stapled into parcels (stapled securities), comprising one share in THL, one share in TIDL and one unit in THT. None of the components can be traded separately. The Transurban Group gained effective control of the Melbourne City Link entities on 18 December 2001, and commenced trading on the Australian Stock Exchange as a Stapled Security on 19 December 2001.

Directors – Transurban Holdings Limited

The following persons were appointed executive directors of Transurban Holdings Limited on 20 September 2001 and continue in office at the date of this report:

Kimberley Edwards
Geoffrey R Phillips

The following persons were appointed non executive directors of Transurban Holdings Limited on 23 November 2001 and continue in office at the date of this report:

Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver

Paul G B O'Shea was appointed an executive director on 20 September 2001 and acted as such until his resignation on 23 November 2001.

Directors – Transurban Infrastructure Developments Limited

The following persons were appointed executive directors of Transurban Infrastructure Developments Limited on 12 September 2001:

Kimberley Edwards
Paul G B O'Shea

Geoffrey R Phillips was appointed as an executive director on 20 September 2001 and remains an executive director at the date of this report.

The following persons were appointed non executive directors of Transurban Infrastructure Developments Limited on 23 November 2001 and continue in office at the date of this report:

Laurence G Cox
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver

Paul G B O'Shea resigned as an executive director of Transurban Infrastructure Developments Limited on 23 November 2001.

Directors – Transurban Infrastructure Management Limited

Transurban Infrastructure Management Limited is the Responsible Entity for the Transurban Holding Trust.

Geoffrey R Phillips was appointed as an executive director of Transurban Infrastructure Management Limited on 20 September 2001 and continues in office at the date of this report.

The following persons were appointed non executive directors of Transurban Infrastructure Management Limited on 27 September 2001 and continue in office at the date of this report:

Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis

Kimberley Edwards and Paul G B O'Shea were appointed executive directors on 20 September 2001 and acted as such until their resignation on 27 September 2001.

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Principal Activities

During the period the principal activities of the combined entity consisted of:

(a) Operation of the Melbourne CityLink (CityLink);

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

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

Results

The result of operations for the financial period ended 30 June 2002 was an operating loss of $67.2 million.

Distributions

Distributions made during the period consisted of:

	2002 $'000
(a) the final interest payment on the Equity Infrastructure Bonds ("EIBs") issued by Transurban City Link Limited ("TCL") which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002	8,277
(b) the maiden distribution from the operations phase of the project of $0.0225 per "new" stapled security paid on 26 February 2002	11,475
Total distributions in respect of the period	19,752

Review of Operations

(a) CityLink Traffic

Traffic volume on the CityLink for the 12 month period ended 30 June 2002 was 194.37 million transactions, a 28 per cent increase on the prior year. The major contributor to this increase was the operation of the Burnley Tunnel throughout the current period. In the prior period, the Burnley Tunnel commenced operations on 28 December 2000 and therefore only contributed to transaction volumes for half that period.

Although transaction volumes for the six months ended 30 June 2002 were 7.1 per cent above the six months ended 30 June 2001, usage during the latter period was adversely impacted by the closure of the Burnley Tunnel in February 2001 and the subsequent repair works over the period from March to June. After adjusting for these effects growth is estimated to be 5.2 per cent.

Toll and fee revenue from traffic for the full year ended 30 June 2002 was 41.8 per cent higher than the previous year. Approximately 62 per cent of this increase is attributable to the opening of the Burnley Tunnel, which resulted in increased transaction volumes and higher unit toll prices due to the removal of the concessional pricing which operated prior to the opening of the Burnley Tunnel. The balance of the increase is due to ongoing growth in transaction volumes (23 per cent) and toll escalation as provided for in the Concession Deed (15 per cent). The Transurban Group have only recognised revenue from the Melbourne CityLink from 18 December 2001, being the date Transurban Holdings Limited gained control of CityLink Melbourne Limited. Refer to Significant Changes in the State of Affairs for further details.

b) CityLink Customer Service

CityLink's focus on providing consistently high quality service delivery and customer satisfaction contributed to a 16 per cent increase in the number of account holders for the year to 554,262 with associated e-TAG's increasing by the same percentage to 789,924.

Reductions in call centre handling times and the successful realisation of key initiatives such as the introduction of natural language speech recognition technology and the automation of manual tasks following modifications to the Central Toll Computer System, contributed to a 21 per cent reduction in customer service expenditure for the year while maintaining or improving service levels. The initiatives identified in the Customer Operations Review commissioned during year ended 30 June 2001 have now largely been implemented, generating annualised savings of $9.4 million. This review encompassed process redesign, system improvements, renegotiated contracts and channel optimisation.

Further reductions in customer service costs are expected for 2002-03 as a result of reductions in the unit costs applicable to the volume dependent component of these costs. The most significant reductions in this area relate to reduced unit costs achieved through renegotiation of the Call Centre contract and reduced unit labour costs in Customer Service and Enforcement.

Continued development of the Transurban internet site and the introduction of systems enabling customers to pay bills, update accounts and purchase CityLink Passes electronically will aim to minimise volume related costs.

(c) CityLink Construction

The works undertaken by the Transfield Obayashi Joint Venture to provide additional assurance that wall movements of the type which caused the failure in the Burnley Tunnel on 19 February 2001 cannot occur were completed in March 2002.

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(d) IT Systems Development

During the year Transurban's ITS Development team was involved in providing technical support and guidance to Business Development. Central to the operations of ITS Development is the development of optimal tolling solutions including video tolling and interoperability functionality with other toll roads.

(e) Business Development

Since the date of incorporation, the activities of Transurban Infrastructure Developments Limited have focussed on development opportunities for the group in the domestic and international markets. Such activities included participating in bids for the development of three major electronic toll road projects in Sydney and undertaking an international roadshow aimed at marketing the success of CityLink and raising the profile of the Transurban Group.

(f) Cross City Tunnel

During the period, Transurban Infrastructure Developments Limited, participated in a bid by a consortium led by Leighton Contractors, with Macquarie Bank for the development of the Cross City Tunnel Project in Sydney.

The consortium's bid was not successful. A consortium led by Baulderstone Hornibrook has been nominated as the preferred bidder subject to final negotiations.

(g) Western Sydney Orbital

Transurban is a 40 per cent participant in the Westlink Motorway consortium, one of the two consortia shortlisted by the NSW RTA for the development of the Western Sydney Orbital project. The other participants in the consortium are Macquarie Infrastructure group (40 per cent), Leightons Contractors (10 per cent) and Abigroup (10 per cent).

A decision on the preferred bidder is expected shortly.

(h) Lane Cove Tunnel

Transurban will have a minimum of 33.3 per cent participation in the Lane Cove Expressway consortium, which is one of four consortia nominated by the NSW RTA to submit bids to develop the Lane Cove Tunnel Project. The other participants in the consortium are Bilfinger & Berger, Baulderstone Hornibrook and Commonwealth Bank of Australia.

Bids are required to be submitted by November 2002 and a decision on the preferred bidder is expected by early 2003.

(i) Income Tax

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Group Accounts have been prepared on this basis (see note 4). Deductions in respect of concession fees account for $604.9 million of the Group's carried forward taxable loss of $1,010.9 million at 30 June 2002.

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

Transurban appealed against the ATO's decision to disallow its objection to the assessment. The appeal was scheduled to be heard on 24 April 2002. However, due to the ATO requiring more time to prepare for this case, the hearing has been deferred to 2 October 2002 (unless an earlier trial is advised by the Federal Court). Transurban believes further extensions to the hearing date are now unlikely.

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

Significant Changes in the State of Affairs

(a) Release from "Single Purpose" Restriction

During the period, agreement was reached with the State of Victoria on a corporate restructure to allow the Transurban Group to undertake activities other than the operation of the Melbourne CityLink.

(b) Corporate Restructure

Following the agreement reached with the State of Victoria on 19 September 2001 in relation to release from the provisions of the CityLink Concession Deed precluding Transurban from undertaking activities other than operation of CityLink ("the single purpose restriction"). Transurban City Link Limited proposed a Scheme of Arrangement ("the Scheme") to restructure the group. The Scheme was approved by security holders on 27 November 2001 and these approvals were ratified by the Victorian Supreme Court of Victoria on 18 December 2001.

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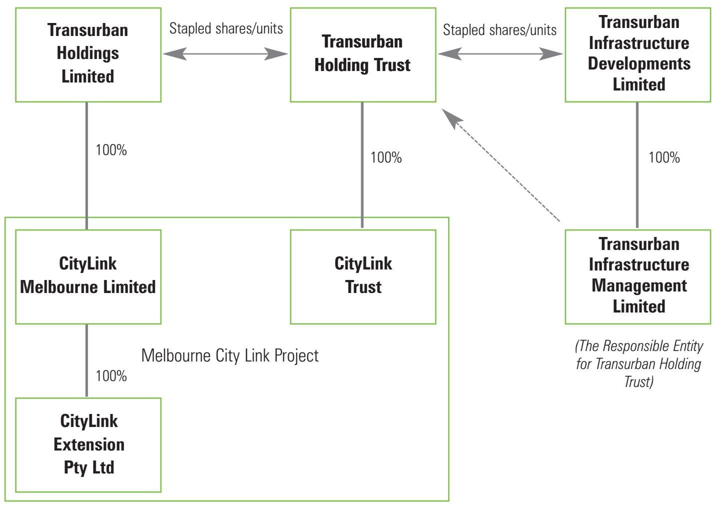
The key features of the restructure are:

- The quarantining of the entities holding the CityLink concession ("CityLink entities") from other activities undertaken by the group through the creation of "Holdings entities" which acquired 100 per cent of the issued capital of the CityLink entities. The CityLink entities remain subject to the "single purpose" restrictions of the Concession Deed while the Holdings entities are free to pursue other activities.
- The incorporation of a company, Transurban Infrastructure Developments Limited ("TIDL") to undertake the development and operational activities of the group. While the securities of TIDL are presently stapled to those of the Holdings entities, the flexibility has been provided to destaple TIDL's securities from the securities of the Holdings entities if it is considered that:
  - Shareholder value would be enhanced by separating mature assets (which would be held in the Holdings entities) from activities involving development and operational risk (which would be undertaken by TIDL), thus allowing the market to separately value the entities by reference to their different asset and risk classes; and, or,
  - TIDL is of sufficient size to warrant a separate listing.
- The amendment of the CityLink Concession Deed to replicate the shareholding restrictions previously applicable to the CityLink entities at the level of the Holdings entities and to require that dealings between the CityLink entities and other entities in the group are on an "arms length" basis.

A diagrammatic representation of the new structure is presented below:



(These 3 entities remain 'Quarantined' from the business activities of the other entities)

(c) Debt Refinancing
Completion of the documentation for the refinancing of Transurban's debt occurred on 28 June 2002. The new facilities were drawn down subsequent to 30 June 2002. The refinancing involved the repayment of the group's existing borrowings (consisting of a $927 million syndicated bank facility, a $350 million CPI Bond facility and a $200 million Mezzanine Note facility) with a $510 million syndicated bank facility and $1,190 million of bonds issued in the debt capital markets. The new facilities involve components with maturities of 3, 5 and 7 years and unlike the facilities which they replace, require no principal repayments prior to maturity.

The immediate benefits from the refinancing will come from reduced interest costs and the elimination of the amortisation payments and transfers to debt service reserves required under the previous financing facilities. The aggregate amount of these benefits will be around $75 million in the 2002 – 03 year.

As CityLink usage patterns have largely settled into a phase of stable growth, Transurban expects to be able to continue to defer amortisation of debt beyond the term of the new facilities. The further deferral of amortisation will bring forward distributable cash, but will also increase total debt above the levels which would have prevailed under the previous financing. The higher levels of debt will result in increased interest payments. The estimated net present value of these effects over the remaining life of the CityLink concession, based on current interest rates and a discount rate of 9 per cent per annum, is estimated to be approximately $112 million, equivalent to 22.0 cents per stapled security.

As a result of the debt refinancing, non-recurrent costs of $235.5 million were incurred. These costs were funded from the proceeds of the refinancing and comprise costs arising from the early termination of existing facilities ($215.6 million) and fees and expenses ($19.9 million).

(d) Infrastructure Borrowings
The interest rate on Transurban's $1.249 billion infrastructure borrowing facilities was reduced from 7.5 per cent per annum to 7.1 per cent per annum with effect from 1 July 2001. The result of the change is a saving in interest costs of $5.6 million per annum, resulting in aggregate savings of $12.6 million over the balance of the term of the infrastructure facilities.

The base interest rate for subsequent years will also be 7.1 per cent per annum adjusted for changes in the top marginal personal tax rate.

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Matters Subsequent to the End of the Financial Year

Other than the refinancing completed subsequent to year end (as mentioned above in paragraph c), at the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2002 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 2002.

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

As operator, Translink Operations Pty Ltd (TLO) must ensure it complies with EPA regulations. To meet this obligation, TLO monitors the emission of carbon monoxide, oxides of nitrogen and particulate matter from the Domain and Burnley Tunnel ventilation stacks. In addition, the operator monitors ambient air quality around the tunnels. Current monitoring indicates emission levels from the stacks are well below the EPA licence limits, and that there has been an improvement in air quality since the tunnels opened.

Information on Directors

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

Mr Laurie Cox has had many years' experience in Australian and international financial markets. He was the Chairman of the Australian Stock Exchange Limited from 1989 to 1994. Prior to joining Transurban, Mr Cox was Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. He is a Director of Macquarie Bank Limited and Smorgon Steel Group Ltd and Chairman of The Murdoch Childrens Research Institute and SMS Management and Technology Ltd. Age 63.

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

Mr Kim Edwards has extensive experience managing major commercial and infrastructure projects in Australia, UK and the Middle East. Prior to joining Transurban, he was General Manager – Projects for Transfield, and was responsible for assembling the successful bid for the Melbourne City Link Project. He was Project Director for Jennings Group's $650 million Southgate development in Melbourne and has worked overseas on large port infrastructure projects. Age 51.

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

Mr Peter Byers is a director of Airport Motorway Management Ltd, Hills Motorway Management Limited, Hills Motorway Ltd, Foundation Capital Ltd and a Director of the responsible entity for Hills Motorway Trust. He is an Alternate Director for Hancock Victorian Plantations Holdings Ltd. He was formerly business manager and deputy principal of the University of Tasmania, former Director of Adelaide Airport Ltd, the Blair Athol Group and a founding Director and Chairman of the Investment Committee of the Superannuation Scheme for Australian Universities. Age 61.

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

Geoff Cosgriff is the Managing Director of Energy and Utilities, Logica Pty Ltd (Australian Subsidiary) following the sale of the MITS business to Logica Pty Ltd. Geoff was the Managing Director of MITS Limited since the company commenced operation in 1990. Over this period, MITS grew to 600 staff and nearly $100m in sales of information technology solutions. He is also Director of Utility Services Corporation and Skilltech Consulting Services. Previously Geoff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry. Age 49.

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

Professor Jeremy Davis holds the AMP Chair of Management in the Australian Graduate School of Management at the University of NSW. His academic interests are in the fields of business policy and corporate performance. He is a Fellow of the Australian Institute of Company Directors. Professor Davis is a former Chairman of Capral Aluminium Ltd, former vice-president and Director of the Boston Consulting Group, and a former Director of the Australian Stock Exchange, AIDC Ltd and Nucleus Ltd. Age 59.

Susan M Oliver BP&C – Non Executive Director

Ms Susan Oliver is chair of Screen Sound Australia – The National Screen and Sound Archive and a Director of Medical Benefits Fund and Programmed Maintenance Services Ltd. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd. Age 51.

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

Mr Geoffrey Phillips was appointed Finance Director on 28 August 1998 and has been with Transurban for 6 years. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as Director in both the Corporate Finance and Fixed Interest Divisions. He is currently a Director of Yarra Valley Water Limited. Age 58.

Meetings of Directors

The number of meetings of the board of directors of Transurban Holdings Limited and each board committee held since 12 September 2001 to 30 June 2002, and the numbers of meetings attended by each director were:

Name	Directors' Meeting	
	Eligible to attend	Attended
L G Cox	6	6
K Edwards	6	6
P C Byers	6	4
J G A Davis	6	6
S M Oliver	6	5
G R Phillips	6	6
G O Cosgriff	6	6

The number of meetings of the board of directors of Transurban Infrastructure Developments Limited and each board committee held since, 12 September 2001 to 30 June 2002, and the numbers of meetings attended by each director were:

Name	Directors' Meeting		Audit Committee[2]		Nomination & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L G Cox	10	10	2	2	2	2
K Edwards[1]	10	10	-	-	-	-
P C Byers	10	8	2	2	-	-
G O Cosgriff	10	8	-	-	-	-
J G A Davis	10	10	2	2	2	2
S M Oliver	10	8	-	-	-	-
G R Phillips[1]	10	10	-	-	-	-

[1] K Edwards and G R Phillips are not members of the Audit and Nomination & Remuneration Committee, but have been in attendance at all of these meetings.

[2] The Transurban Group has a single Audit Committee which is responsible for all group entities.

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The number of meetings of the board of directors of Transurban Infrastructure Management Limited and each board committee held since, 12 September 2001 to 30 June 2002, and the numbers of meetings attended by each director were:

Name	Directors' Meeting	
	Eligible to attend	Attended
L G Cox	6	6
J G A Davis	6	6
G R Phillips	6	6
G O Cosgriff	6	6

Directors' Interests

The following are particulars of directors' interests in Stapled Securities as at the date of this Directors' Report in which directors of the Group have disclosed a relevant interest.

Name	Number of Stapled Securities	Options Over Stapled Securities
L G Cox	775,000	-
K Edwards	61,000	1,500,000
P C Byers	50,000	-
J G A Davis	25,000	-
S M Oliver	59,375	-
G R Phillips	-	500,000
G O Cosgriff	12,260	-

Directors' and Executives' Emoluments

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

Directors are paid an annual fee, the total of which does not exceed the amount specified in the Constitution of the Company. No additional payments are made for attendance at committee meetings. All directors receive a superannuation guarantee contribution at the statutory minimum. They are permitted to make additional superannuation contributions through sacrifice of a corresponding amount of their annual fee.

On retirement, non-executive directors with more than three years service are entitled to receive a lump sum payment equivalent to the total emoluments received during a third of the director's total period of service or three years, whichever is the lesser.

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

Non Executive Directors of the Transurban Group

Remuneration for the entire financial year has been included below:

Name	Director's fee	Superannuation	Retirement benefits	Total
	$	$	$	$
L G Cox	165,509	13,241	-	178,750
P C Byers	62,500	5,000	-	67,500
J G A Davis	62,500	5,000	-	67,500
S M Oliver	62,500	5,000	-	67,500
G O Cosgriff	62,500	5,000	-	67,500

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Executive Directors of the Transurban Group

Remuneration for the entire financial year has been included below:

Name and Position	Base Salary $	Bonus $	Superannuation $	Options $	Total $
K Edwards – Managing Director	718,300	300,000	81,700	736,500	1,836,500
G R Phillips – Finance Director	390,017	100,000	9,983	245,500	745,500

Other Executives of the Transurban Group

Remuneration for the entire financial year has been included below:

Name and Position	Base Salary $	Bonus $	Superannuation $	Options $	Total $
F Browne – General Manager, Global Business Development	320,135	70,000	25,433	190,800	606,368
K Daley – Executive General Manager	197,457	45,000	78,325	-	320,782
B Bourke – General Manager, CityLink	223,110	60,000	27,673	-	310,783
P O'Shea – General Counsel	187,729	60,000	33,054	-	280,783
M Roberts – General Manager, Corporate Relations	90,305	50,000	7,067	117,500	264,872

Options granted to Executive Officers

Options over Stapled Securities of the Transurban Group granted during or since the end of the financial period to any of the directors or the five most highly remunerated officers of the Group as part of their remuneration were as follows:

Name and Position	Options granted
Executive Directors	
K Edwards – Managing Director	1,500,000
G R Phillips – Finance Director	500,000
Other Executives of the Combined Entity	
F Browne – General Manager, Global & Business Development	400,000
M Roberts – General Manager, Corporate Relations	250,000

The options were granted under the Executive Option Plan on 23 October 2001, 1 February 2002 and 20 May 2002.

The amounts disclosed for remuneration relating to options are the assessed fair values at the date they were granted to executive directors and other executives during the year ended 30 June 2002. A methodology to precisely value an option which is both subject to an exercise condition and capable of exercise on multiple dates is not available. A value for options has been inferred from the values of similar options for which explicit valuation methodologies are available. Factors taken into account include the exercise price, term of the option, the current price and expected price volatility of the underlying Stapled Security and the expected dividend yield.

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Stapled Securities under option

Unissued Stapled Securities of the Transurban Group under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of Stapled Securities	Number under option
26 April 2001	March/April 2006	$3.817	2,350,000
23 October 2001	October 2006	$4.404	2,000,000
1 February 2002	March/April 2007	$4.280	400,000
9 April 2002	March/April 2007	$4.030	300,000
20 May 2002	March/April 2007	$4.220	1,650,000

No stapled securities were issued during the period on the exercise of options.

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 and financial statements. Amounts in the directors' report and financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Auditor

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

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

Laurence G Cox

K Edwards

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne, 27 August 2002.

statement of financial performance

for the period 18 December 2001 to 30 June 2002

	Notes	2002
		$'000
Revenue from ordinary activities	2	**191,922**
Expenses from ordinary activities:		
Operational costs		**(37,383)**
Administration		**(8,012)**
Concession Fees		**(51,195)**
Valuation adjustment on Concession Notes		**87,323**
Depreciation and amortisation expenses	3	**(79,267)**
Borrowing costs expense	3	**(170,553)**
Loss from ordinary activities before income tax		**(67,165)**
Income tax on operating loss	4	**-**
Loss from ordinary activities after income tax	20	**(67,165)**

		Cents
Basic earnings per Stapled Security	32	**(13.2)**
Diluted Earnings per Stapled Security	32	**(13.0)**

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

statement of financial position

as at 30 June 2002

	Notes	2002 $'000
Current Assets		
Cash assets	5	**132,063**
Receivables	6	**29,416**
Other	7	**2,283**
Total Current Assets		**163,762**
Non-Current Assets		
Property, plant and equipment	8	**3,856,090**
Intangible assets	9	**9,752**
Other	10	**660**
Total Non-Current Assets		**3,866,502**
Total Assets		**4,030,264**
Current Liabilities		
Payables	11	**50,144**
Interest bearing liabilities	12	**8,000**
Non-interest bearing liabilities	13	**133,365**
Provisions	14	**2,758**
Total Current Liabilities		**194,267**
Non-Current Liabilities		
Interest bearing liabilities	15	**1,620,169**
Non-interest bearing liabilities	16	**146,772**
Provisions	17	**596**
Total Non-Current Liabilities		**1,767,537**
Total Liabilities		**1,961,804**
Net Assets		**2,068,460**
Equity		
Contributed equity	18	**2,147,100**
Accumulated losses	20	**(78,640)**
Total Equity		**2,068,460**

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

statement of cash flows

for the period 18 December 2001 to 30 June 2002

	Notes	2002 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		**109,451**
Payments to suppliers (inclusive of GST)		**(39,429)**
Interest received		**72,534**
Liquidated damages		**25,044**
Deposits refunded		**2,667**
Borrowing costs		**(116,474)**
Net cash inflows from operating activities	31	**53,793**
Cash flows from investing activities		
Payments for property, plant and equipment		**(8,663)**
Net cash acquired on purchase of controlled entities		**1,361,215**
Net cash inflow from investing activities		**1,352,552**
Cash flows from financing activities		
Repayment of borrowings		**(13,330)**
Proceeds from borrowings		**8,000**
Distributions paid		**(19,952)**
Net cash outflow from financing activities		**(25,282)**
Net increase in cash at bank and cash collateral		**1,381,063**
Cash at bank and cash collateral at the beginning of the financial period		**-**
Cash at bank and cash collateral at the end of the financial period	5	**1,381,063**
Less cash collateral		**(1,249,000)**
Cash at bank at the end of the financial period	5	**132,063**
Financing arrangements and credit facilities	15	

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

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

1. Summary of significant accounting policies

(a) Basis of Accounting

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

The Group Financial Report consists of the aggregated financial statements of the combined entity comprising Transurban Holdings Limited and controlled entities, Transurban Holding Trust and controlled entity and Transurban Infrastructure Developments Limited and controlled entity, notwithstanding that neither entity controls the other. The aggregated accounts incorporate an elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the 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 period ended 30 June 2002. A Stapled Security comprised one share in Transurban Holdings Limited, one share in Transurban Infrastructure Developments Limited and one unit in Transurban Holding Trust. None of the components are able to be traded separately.

The financial statements are prepared for the period 18 December 2001 to 30 June 2002. The Transurban Group gained effective control of the Melbourne City Link entities on the 18 December 2001 and commenced trading on the Australian Stock Exchange as a Stapled Security on 19 December 2001.

(b) Historical Cost Convention

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

(c) Revenue recognition

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

(d) Recoverable Amount of Non-Current Assets

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

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

(e) Fair Value of CityLink Asset

The CityLink asset has been assessed at fair value on the basis of the aggregate amount of the deemed consideration paid by Transurban Holdings Limited and Transurban Holding Trust to acquire the net assets of CityLink Melbourne Limited and CityLink Trust respectively. The deemed consideration is $2,147 million, based on the market price of the Transurban stapled securities on the date of acquisition ($4.21 on 18 December 2001). Of this amount, $5.1 million, equivalent to $0.01 per share, has been attributed to Transurban Holdings Limited. The balance of $2,142 million, equivalent to $4.20 per unit has been attributed to Transurban Holding Trust. The fair value for the entire CityLink asset calculated on this basis on the date of acquisition was $3,903 million.

A valuation performed during the period by Capital Partners Pty Limited assessed the recoverable amount of the CityLink asset to be $4,061 million. The recoverable amount exceeds the carrying amount.

(f) Amortisation and Depreciation of Fixed Assets

CityLink Fixed Assets

Amounts classified as CityLink fixed assets are amortised over the estimated term of the right granted to operate CityLink (currently 33 years and 6 months), or the assets estimated useful lives, whichever is less. Amortisation commenced with operations on 3 January 2000 and is calculated on a straight line basis. The period of amortisation will be assessed annually.

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for the period 18 December 2001 to 30 June 2002

Other Plant and Equipment

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

The expected useful lives are as follows:

Plant and Equipment	3 – 15 years

(g) Leased Non-Current Assets

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

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

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

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

(h) Income Tax

Income tax is brought to account in respect of the Company, which has adopted the liability method of tax effect accounting. Income tax expense is calculated on the operating profit of the Company, 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 from one entity to another entity.

(i) Receivables

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

(j) Trade and other creditors

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

(k) Infrastructure Loan Facilities

The Group has two Infrastructure Loan facilities. Under the terms of these facilities, cash collateral equal to the utilised amounts of the facilities must be provided. This cash collateral has been set-off against the outstanding infrastructure borrowing facilities so that no asset or liability in respect of those facilities has been recorded in the balance sheet of the consolidated entity.

(l) Non Interest Bearing Long Term Debt

Non interest bearing long term debt represented by the Concession Notes has been included in the Accounts at the present value of the expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of CityLink, the present value of the expected future repayments is determined using a discount rate which recognises their subordinated nature.

(m) Employee Entitlements

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

Liabilities for current and deferred employee compensation and annual leave are recognised, and are measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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

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for the period 18 December 2001 to 30 June 2002

(n) Borrowing Costs

Borrowing costs are recognised as expenses in the period in which they are incurred and include:

- Interest on short term and long term borrowings; and,
- Costs incurred in connection with the arrangement of borrowings.

(o) Cash Flows

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

(p) Earnings per Share

(i) Basic Earnings per Stapled Security

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

(ii) Diluted Earnings per Stapled Security

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

(q) Intangible Assets

The excess of the cost over the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise.

(r) 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.

2. Revenue from ordinary activities	**2002**
	$'000
Revenue from operating activities	
Toll revenue	**109,260**
Fee revenue	**3,914**
Advertising revenue	**1,742**
	114,916
Revenue from outside the operating activities	
Interest	**76,046**
Other	**960**
	77,006
Total revenue from ordinary activities	**191,922**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

3. Operating Loss

	2002 $'000
Expenses	
Losses from ordinary activities before income tax expense includes the following specific expenses:	
Depreciation and amortisation	
CityLink	**74,807**
Other fixed assets	**4,212**
Amortisation	
Goodwill	**248**
Total depreciation/amortisation	**79,267**
Bad and doubtful debts - trade debtors	**737**
Borrowing costs	
Interest and finance charges paid/payable	**159,616**
Interest rate hedging charges paid/payable	**10,937**
Total borrowing costs	**170,553**
Provision for employee entitlements	**2,295**
Rental expenses relating to operating leases	**466**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

4. Income Tax

	2002
	$'000
a) The income tax loss for the financial period differs from the amount calculated on the loss. The differences are reconciled as follows:	
Loss from ordinary activities before income tax	**(67,165)**
Income tax calculated at 30%	**(20,149)**
Tax effect of permanent differences	
Infrastructure borrowing facility interest not deductible	**14,988**
Income tax adjusted for permanent differences	**(5,161)**
Benefit of tax losses not recognised	**5,161**
Income tax expense	**-**
b) Transurban Holding Trust	
Tax losses at beginning of period	**-**
Tax losses of controlled entity acquired during the period	**159,722**
Tax losses for the period	**14,139**
Tax losses at end of period	**173,861**
Transurban Holdings Limited	
Tax losses at beginning of period	**-**
Tax losses of controlled entity acquired during the period	**745,929**
Tax losses for the period	**89,494**
Tax losses at end of period	**835,423**
Transurban Infrastructure Developments Limited	
Tax losses at beginning of period	**-**
Tax losses for the period	**1,625**
Tax losses at end of period	**1,625**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

Potential future income tax benefits at 30 June 2002 for tax losses not brought to account for the combined entity are $303.2 million (gross $1,010.9 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements of note 1h. With the reduction of the tax rate during the period from 34 per cent to 30 per cent it is probable that tax losses not brought to account for the entities will be realised at 30 per cent. The gross tax losses in relation to the Trust are $173.9 million as at 30 June 2002. These losses can not be used directly by the Trust for the reason outlined in note 1h, but may be available for the benefit of unit holders in the future.

These benefits of tax losses will only be realised by each individual entity if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;

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

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

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

Transurban has advice from Senior Counsel that the concession fees should be immediately deductible expenditure. The Accounts have been prepared on this basis. Deductions in respect of concession fees account for $604.9 million of the combined entity's carried-forward loss of $1,010.9 million at 30 June 2002.

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

Transurban lodged an objection to this assessment on 16 August 2000 and on 17 November 2000 the ATO disallowed the objection. On 21 December 2000, Transurban lodged an appeal in the Federal Court against the ATO decision to disallow the objection. The appeal was scheduled to be heard on 24 April 2002, however, due to the ATO requiring more time to prepare for this case, the hearing has been deferred to 2 October 2002 (unless an earlier trial is advised by the Federal Court). Transurban believes further extensions to the hearing date are now unlikely.

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

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

5. Cash Assets – Current Assets

Cash at bank	**132,063**
	132,063

The above figure is 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	**132,063**
Cash collateral, Infrastructure Loan Facility (see note 1k)	**795,000**
Cash collateral, Infrastructure Note Facility (see note 1k)	**454,000**
	1,381,063

The amount shown in Cash at Bank includes $114.9 million which is held in Reserve Accounts related to borrowing facilities and was not available for general use at 30 June 2002.

6. Receivables – Current Assets

Trade debtors	**8,672**
Less: provision for doubtful debts	**(521)**
	8,151
Other debtors	**21,265**
	29,416

7. Other – Current Assets

Prepayments	**2,283**
	2,283

8. Property, Plant and Equipment – Non Current Assets

a) CityLink Fixed Assets

CityLink	**3,902,966**
Less: accumulated depreciation	**(74,807)**
	3,828,159

Equipment and Fittings

Equipment and fittings at cost	**39,978**
Less: accumulated depreciation	**(12,047)**
	27,931
Total property, plant and equipment	**3,856,090**

Non-current assets pledged as security

Refer to note 15 for information on non-current assets pledged as security by the Group.

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

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	Equipment and Fittings - at cost	Total
2002	**$'000**	**$'000**	**$'000**
Carrying amount at the start of the period	-	-	-
Additions through acquisition	3,907,580	18,340	3,925,920
Additions	141	13,803	13,944
Disposals	(4,755)	-	(4,755)
Depreciation/amortisation expense charged to statement of financial performance	(74,807)	(4,212)	(79,019)
Carrying amount at period end	3,828,159	27,931	3,856,090

9. Intangible Assets – Non Current Assets

	2002
	$'000
Goodwill	10,000
Less: accumulated amortisation	(248)
	9,752

10. Other – Non Current Assets

Prepayments	660
	660

11. Payables – Current Liabilities

Trade creditors	9,189
Other creditors	40,955
	50,144

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

12. Interest Bearing Liabilities – Current Liabilities

	2002
	$'000
Secured	
Working capital facility	**8,000**
	8,000

13. Non-Interest Bearing Liabilities – Current Liabilities

Prepaid tolls	**16,595**
Unearned income	**2,297**
Mezzanine debt termination	**20,750**
Interest rate swap termination	**90,573**
Release from Single Purpose	**3,150**
	133,365

14. Provisions – Current Liabilities

Employee entitlements	**2,758**
	2,758

15. Interest Bearing Liabilities – Non Current Liabilities

Secured	
Infrastructure Loan facility	**795,000**
Less: Cash collateral (note 1k)	**(795,000)**
Infrastructure Note facility	**454,000**
Less: Cash collateral (1k)	**(454,000)**
Land Transport Notes	**1,297**
CPI Bonds	**466,490**
Project Debt - Tranche A	**738,268**
Project Debt - Tranche B	**98,241**
Project Debt - Tranche C	**90,873**
Mezzanine Debt	**200,000**
Subordinated Debt	**25,000**
	1,620,169

Set-off of Assets and Liabilities

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

Financing Arrangements and Credit Facilities

Credit facilities are provided as part of the overall debt funding structure and comprise Tranche A, B and C project debt facilities, a CPI Bond facility, an Infrastructure Loan facility, an Infrastructure Note facility, a Mezzanine Debt facility, a Subordinated Note issue facility, a working Capital facility and Land Transport Notes facility.

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

Details of each facility as at 30 June 2002 are as follows:-

(a) Project Debt Facility – Tranche A
$778 million multi option facility which can be drawn as cash advances or letters of credit. The facility is for a term of 17 years from 4 March 1996. As at 30 June 2002, $738 million had been utilised in the form of cash advances and $20 million had been used as a letter of credit.

(b) Project Debt Facility – Tranche B
$98 million multi option facility which was fully utilised at 30 June 2002. The facility is for a term of 19 years from 4 March 1996.

(c) Project Debt Facility – Tranche C
$91 million multi option facility which was fully utilised at 30 June 2002. The facility is for a term of 16 years from 31 March 1999.

(d) CPI Bond Facility
$350 million CPI Bond facility with a term of 27 years from March 1996, which was fully drawn as at 30 June 2002. The facility is being amortised by equal quarterly payments which cover principal and interest. These payments are indexed according to movements in the CPI.

(e) Infrastructure Loan Facility
$795 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Assessment Act 1936. 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 during the nine years from 4 March 1996. The facility was fully drawn as at 30 June 2002.

(f) Infrastructure Note Facility
$454 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Assessment Act 1936. The loan is secured by cash collateral equal to the amount of the loan. The facility was fully drawn as at 30 June 2002.

(g) Mezzanine Note Facility
$200 million multi option facility which was fully drawn down as at 30 June 2002. The facility is for a term of 24 years from 31 March 1999.

(h) Subordinated Note Issue Facility
$25 million facility which was fully utilised at 30 June 2002. The facility is for a term of twelve months from 14 December 2001.

(i) Working Capital Facility
$8 million facility which was fully utilised at 30 June 2002. The facility is for a term of twelve months from 5 June 2002.

(j) Land Transport Notes
$94.5 million facility is subject to an Infrastructure Borrowing Taxation Offset Agreement with the Federal Department of Transport and Regional Services. The Noteholders qualify for an income tax rebate on interest received. The facility was fully drawn as at 30 June 2002. The net payable balance on the Land Transport Notes of the Transurban Group is shown in the financial report.

The Project Debt, CPI Bonds, Mezzanine Debt and Subordinated Debt have been repaid subsequent to year end (refer to note 33).

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

16. Non Interest Bearing Liabilities – Non Current Liabilities

	2002 $'000
Release from Single Purpose	**6,850**
Unearned income	**1,931**
Concession Notes	**137,991**
	146,772

17. Provisions – Non Current Liabilities

Directors' retirement	**596**
	596

18. Equity

Paid up capital	**Stapled Securities 2002 '000**	**2002 $'000**
Stapled securities on issue at the beginning of the period	**-**	**-**
Stapled securities issued to acquire controlled entity	**510,000**	**2,147,100**
Employee share scheme issue	**28**	**-**
Stapled securities on issue at the end of the period	**510,028**	**2,147,100**

19. Distributions

	2002 $'000
Distributions made during the period consisted of:	
(a) the final interest payment on the Equity Infrastructure Bonds ("EIBs") issued by Transurban City Link Limited ("TCL") which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002	**8,277**
(b) the maiden distribution from the operations phase of the project of $0.0225 per "new" stapled security paid on 26 February 2002	**11,475**
Total distributions in respect of the period	**19,752**

20. Accumulated Losses

Accumulated losses at the beginning of the period	**-**
Net losses incurred during the period	**(67,165)**
Trust distributions to security holders	**(11,475)**
Accumulated losses at the end of the financial period	**(78,640)**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

21. Remuneration of Directors

	2002
	$'000
Income paid or payable, or otherwise made available, to directors by entities in the group and related parties in connection with the management of affairs of the group.	**2,049**

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

			2002
			Number
$60,000	-	$69,999	**4**
$170,000	-	$179,999	**1**
$500,000	-	$509,999	**1**
$1,100,000	-	$1,109,999	**1**

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

22. Remuneration of Executives

	2002
	$'000
Remuneration received, or due and receivable, from entities in the group and related parties by executive officers (including directors) whose remuneration was at least $100,000.	**3,887**

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

		2002
		Number
$147,000	$147,999	**1**
$210,000	219,999	**1**
$250,000	$259,999	**1**
$260,000	$269,999	**1**
$280,000	$289,999	**1**
$310,000	$319,999	**1**
$320,000	$329,999	**1**
$410,000	$419,999	**1**
$500,000	$519,999	**1**
$1,100,000	$1,109,999	**1**

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

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

23. Remuneration of Auditors

	2002 $'000
During the period the auditor of the group and its related parties earned the following remuneration:	
Audit or review of the financial reports of the group	**207**
Other audit/assurance services	**148**
Total independent audit/assurance services	**355**
Taxation compliance	**32**
Financial due diligence	**111**
Other	**8**
Total other services	**151**

24. Contingent Liabilities

There are no contingent liabilities as at 30 June 2002.

25. Commitments for Expenditure

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

Concession Fees

The Concession Deed between CityLink Melbourne Limited Authority provides for annual concession fees of $95.6 million for the first 25 years after the completion date of CityLink, $45.2 million for years 26 to 34 and $1 million thereafter if the concession continues beyond year 34. Until a certain threshold return is achieved, payments of concession fees due under the Concession Deed will be satisfied by means of the issue of non-interest bearing Concession Notes to the State. The Concession Notes have been accounted for in accordance with note 1.

Based upon the current assessment of the repayment of the concession notes, there will be no payments in the next five years.

notes to the financial statements

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26. Employee Entitlements

	2002 $'000
Provision for employee entitlements:	
Current (note 14)	**2,758**
Non current (note 17)	**596**
	3,354

	Number 2002
Employee numbers	
Average number of employees during the financial period	**298**
	298

Options

During the period 4,350,000 options were granted under the Transurban Executive Options Plan to executives and the executive directors of the Transurban Group.

Stapled securities under option

Unissued stapled securities of the Transurban Group under option at the date of this report are as follows:

Date options granted	Expiry date	Issue price of Stapled Securities	Number under option
26 April 2001	March/April 2006	$3.817	2,350,000
23 October 2001	October 2006	$4.404	2,000,000
1 February 2002	March/April 2007	$4.280	400,000
9 April 2002	March/April 2007	$4.030	300,000
20 May 2002	March/April 2007	$4.220	1,650,000

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

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

No Stapled Securities were issued during the period ended 30 June 2002 pursuant to the exercise of options.

Employee share scheme

A scheme under which Stapled Securities may be issued by the Group to employees for no cash consideration was approved by the directors on 29 January 2002. All current full-time and permanent part-time (excluding directors) and fixed term staff on contracts greater than 12 months are eligible to participate. Offers under the scheme are at the discretion of the Transurban Group, which is determined by Transurban Group's success and market performance.

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

The first issue of Stapled Securities was made on 5 April 2002 to 283 employees, each receiving 100 Stapled Securities at a value of $4.03 per security.

27. Related Party Information

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

Laurence G Cox, Kimberley Edwards, Peter C Byers, Geoffrey O Cosgriff, Jeremy G A Davis, Susan M Oliver, Geoffrey R Phillips and Paul G B O'Shea

Remuneration and Service Agreements
Information on remuneration and retirement benefits of directors is disclosed in note 21.

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Transactions of Directors and their Director-Related Entities Concerning Stapled Securities
The aggregate numbers of Stapled Securities acquired or disposed of and held at 30 June 2002 by directors or their director-related entities were as follows:

	Beneficial	Non Beneficial	Total
Balance at 18 December 2001	935,745	13,831,721	14,767,466
Acquired	46,890	-	46,890
Disposed	-	(13,831,721)	(13,831,721)
Balance at 30 June 2002	982,635	-	982,635

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

Mr. Peter Byers resigned as a director of the Superannuation Scheme for Australian Universities (SSAU) during the period. As a result, the interest held by SSAU is no longer a non beneficial interest of a director of the Transurban Group.

Other Transactions with Company Directors and Director Related Entities

Mr. Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Ltd), which is contracted to provide general advice on debt and equity finance.

Macquarie Bank Ltd was involved in the financial arrangements concerning the Land Transport Notes. Mr. Cox holds 2 million Land Transport Notes, issued at $1.00.

Susan Oliver has a beneficial interest in wwITe Pty Ltd, which is contracted to conduct information technology workshops.

The aggregate amounts that were brought to account in relation to transactions with directors and their director-related entities for each of the above type of transactions were as follows:

	2002 $'000
Consulting fees	**8,394**
Reimbursement of out of pocket expenses	**32**
	8,426

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 directors and their director related entities at balance date:

Current liabilities - Macquarie Bank Limited	**7,973**

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28. Investment in Controlled Entities

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2002 %
The CityLink Trust	Australia	Ordinary	100
CityLink Melbourne Limited	Australia	Ordinary	100
City Link Extension Pty Ltd	Australia	Ordinary	100
Transurban Infrastructure Management Limited	Australia	Ordinary	100
Transurban Collateral Security Pty Ltd	Australia	Ordinary	100
Transurban Finance Trust	Australia	Ordinary	100
Transurban Finance Company Pty Ltd	Australia	Ordinary	100

Acquisition of Controlled Entities

On 18 December 2001, all the ordinary shares of CityLink Melbourne Limited and all the units of CityLink Trust were acquired by Transurban Holdings Limited and Transurban Holding Trust respectively. In the case of CityLink Melbourne, the acquisition was made pursuant to a Scheme of Arrangement between the company and its ordinary shareholders ("the Scheme"). In the case of The CityLink Trust, the acquisition was made pursuant to an arrangement concerning the unitholders of The CityLink Trust ("the arrangement"). The Scheme and the arrangement were approved at meetings of shareholders and unitholders on 27 November 2001 and these approvals were ratified by the Supreme Court of Victoria on 18 December 2001.

Details of the acquisition are as follows:	2002 $'000
Fair value of identifiable net assets of controlled entities acquired during the period.	
Property, plant and equipment	**4,079,342**
Cash (net of infrastructure facilities)	**112,215**
Debtors	**2,952,301**
Prepayments	**3,368**
Creditors	**(119,418)**
Provisions	**(17,426)**
Bank debt	**(940,712)**
Mezzanine debt	**(200,000)**
Capital market debt	**(458,652)**
Land Transport Notes (net)	**(1,297)**
Concession Notes	**(174,120)**
Other liabilities	**(2,935,081)**
	2,300,520
Discount on acquisition	**(153,420)**
Deemed consideration paid (refer to note 1e)	**2,147,100**

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29. Financial Instruments Disclosure

Interest Rate Risk

The group's exposure to interest rate risk and the effective rates on financial assets and liabilities at 30 June 2002 were:

			Fixed Interest Rate Maturity				
		Floating interest rate	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	5	132,063	-	-	-	-	132,063
Debtors	6	-	-	-	-	29,416	29,416
Other	7	-	-	-	-	2,283	2,283
Cash collateral	5	-	-	-	1,249,000	-	1,249,000
Total Financial Assets		**132,063**	**-**	**-**	**1,249,000**	**31,699**	**1,412,762**
Weighted average interest rate		4.72%	-	-	11.20%	-	-
Financial Liabilities							
Creditors	11,13,16	-	-	-	-	60,144	60,144
Prepaid tolls	13	-	-	-	-	16,595	16,595
Land Transport Notes	15	1,297	-	-	-	-	1,297
Concession Notes	16	-	-	-	-	137,991	137,991
Working Capital	12	8,000	-	-	-	-	8,000
Interest rate swap termination	13	-	-	-	-	90,573	90,573
Mezzanine debt termination	13	-	-	-	-	20,750	20,750
CPI Bonds	15	-	-	-	466,490	-	466,490
Project debt borrowings	15	1,152,382	-	-	-	-	1,152,382
Infrastructure loan facility	15	-	-	-	1,249,000	-	1,249,000
Total Financial Liabilities		**1,161,679**	**-**	**-**	**1,715,490**	**326,053**	**3,203,222**
Weighted average interest rate		6.81%	-	-	8.25%	-	-
Net Financial Liabilities		**(1,029,616)**	**-**	**-**	**(466,490)**	**(294,354)**	**(1,790,460)**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

	Notes	2002 $'000
Reconciliation of Net Financial Liabilities to Net Assets		
Net financial liabilities as above		**(1,790,460)**
Non-financial assets and liabilities		
Property, plant and equipment	8	**3,856,090**
Other assets	9,10	**10,412**
Other liabilities	13,14,16,17	**(7,582)**
Net assets per balance sheet		**2,068,460**

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.

30. Segment Information

The Combined Entity's sole business segment for the period ending 30 June 2002 was the operation of the Melbourne CityLink toll road. All revenues are directly attributable to this sole purpose and geographical location. The Combined Entity's management structure and internal financial reporting are based on this single business segment.

31. Reconciliation of operating Loss after Income Tax to Net Cash Flow From Operating Activities

	2002 $'000
Operating loss after income tax	**(67,165)**
Depreciation and amortisation	**79,267**
Revaluation of Concession Notes	**(36,128)**
Change in operating assets and liabilities net of effects from acquisition of controlled entities	
Decrease in prepayments	**425**
Increase in creditors	**19,222**
Decrease in debtors	**26,071**
Increase in provisions	**555**
Increase in interest swap termination	**4,724**
Increase in Mezzanine debt termination	**20,750**
(Decrease) in unearned income	**(1,766)**
Increase in CPI Bonds	**7,838**
Net cash inflow from operating activities	**53,793**

notes to the financial statements

for the period 18 December 2001 to 30 June 2002

32. Earnings Per Stapled Security

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

Information concerning the classification of securities

(a) Stapled Securities

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

(b) Options

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

33. Event Occurring After Reporting Date

Transurban's debt facilities have been completely refinanced utilising the existing security structure. Documentation with new lenders was finalised on 28 June 2002 and the draw down of the new facilities was implemented in two stages, subsequent to the reporting date.

The first stage involved the repayment of $927 million of existing bank facilities, $225 million of mezzanine and subordinated debt and reset of interest rate swaps. The repayments were funded by a $680 million bank facility and $1,020 million bridging loan to cover the period until the capital markets debt issue was completed. The CPI bonds were also redeemed in six weekly installments subsequent to this funding.

The second stage of the refinance was completed on 8 August 2002 with a $1,190 million capital markets bond issue that was applied to the repayment of the $1,020 million bridging loan and a $170 million reduction of the $680 million bank facility to $510 million.

The financing facilities outstanding at the date of these financial statements are:

Facility	Term	Amount
Bank Facility	5 year Bullet, Floating rate	$510 million
Unwrapped Bonds	3 Year, Floating rate	$90 million
Unwrapped Bonds	3 Year, Fixed rate	$260 million
Wrapped Bonds	3 Year, Floating Rate	$65 million
Wrapped Bonds	3 Year, Fixed Rate	$175 million
Wrapped Bonds	5 year, Non Call, 3 Year Floating rate	$240 million
Wrapped Bonds	7 Year, Non Call, 3 Year Floating rate	$360 million

Director's Declaration

The directors declare that the financial statements and notes set out on pages 31 to 53

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

b) give a true and fair view of the combined entity's financial position as at 30 June 2002 and of their performance, as represented by the results of their operations and its cash flows, for the period ended on that date.

In the directors' opinion

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

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

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

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne 27 August, 2002

independent audit report

PRICEWATERHOUSECOOPERS

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Independent audit report to the Stapled Security Holders of the Transurban Group

Audit opinion

In our opinion, the financial report, set out on pages 31 to 53:

- presents a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the Transurban Group as at 30 June 2002 and of its performance for the period ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The financial report – responsibility and content

The preparation of the financial report for the period ended 30 June 2002 is the responsibility of the directors of Transurban Infrastructure Developments Limited (TIDL), Transurban Holdings Limited (THL) and Transurban Infrastructure Management Limited as responsible entity of Transurban Holding Trust (the Trust). The financial report includes the financial statements of the combined entity, comprising the aggregated financial statements of TIDL, THL and the Trust.

The auditor's role and work

We conducted an independent audit of the financial report in order to express an opinion on it to the Stapled Security holders of the Transurban Group. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

In conducting the audit, we carried out a number of procedures to assess whether in all material respects the financial report presents fairly a view in accordance with the Corporations Act 2001, Accounting Standards and other mandatory professional reporting requirements in Australia, and the Corporations Regulations 2001, which is consistent with our understanding of the Transurban Group's financial position, and its performance as represented by the results of its operations and cash flows.

The procedures included:

- selecting and examining evidence, on a test basis, to support amounts and disclosures in the financial report. This included testing, as required by auditing standards, certain internal controls, transactions and individual items. We did not examine every item of available evidence
- evaluating the accounting policies applied and significant accounting estimates made by the directors in their preparation of the financial report
- obtaining written confirmation regarding material representations made to us in connection with the audit
- reviewing the overall presentation of information in the financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Transurban Group and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

In addition to our statutory audit work, we were engaged to undertake other services for the Transurban Group. These services are disclosed in note 23 to the financial statements. In our opinion the provision of these services has not impaired our independence.

PricewaterhouseCoopers

PJ Fekete
Partner

Melbourne
27 August 2002

melbourne citylink project concise report
melbourne citylink limited (formerly transurban city link limited) and controlled entity (ABN 65 070 810 678)
the citylink trust (formerly the transurban city link unit trust) (ABN 17 859 104 122)

for the year ended 30 june 2002

This concise financial report has been derived from the full financial reports of CityLink Melbourne Limited and The CityLink Trust for the year ended 30 June 2002.

directors' report

of the financial statements of citylink melbourne limited and controlled entity and the citylink trust

The directors of CityLink Melbourne Limited, formerly Transurban City Link Limited, and Controlled Entity ("the Company") present their report on the Melbourne CityLink Project Concise Financial Report for the year ended 30 June 2002.

Project Accounts

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

Directors

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

Non executive directors	Executive directors
Laurence G Cox	Geoffrey R Phillips
Susan M Oliver	Kimberley Edwards
Peter C Byers	
Geoffrey O Cosgriff	
Jeremy G A Davis	

W H John Barr was a non executive director from the beginning of the financial year until his resignation on 27 November 2001.

The following persons held office as directors of Perpetual Trustee Company Limited, the responsible entity of the Trust during the whole of the year up to the date of this report:

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

Principal Activities

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

Distributions

Distributions made during the period consisted of:

	2002 $'000
(a) the final interest payment on the Equity Infrastructure Bonds ("EIBs") issued by Transurban City Link Limited ("TCL") which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002	**8,277**
(b) the maiden distribution from the operations phase of the project of $0.0225 per "new" stapled security paid on 26 February 2002	**11,475**
Total distributions in respect of the period	**19,752**

Review of Operations

(a) Traffic

Traffic volume for the 12 month period ended 30 June 2002 was 194.37 million transactions, 28 per cent increase on the prior year. The major contributor to this increase was the operation of the Burnley tunnel throughout the current period. In the prior period, the Burnley Tunnel commenced operations on 28 December 2000 and therefore only contributed to transaction volumes for half that period. Although transaction volumes for the six months ended 30 June 2002 were 7.1 per cent above the six months ended 30 June 2001, usage during the latter period was adversely impacted by the closure of the Burnley Tunnel in February 2001 and the subsequent repair works over the period from March to June. After adjusting for these effects, growth is estimated to be 5.2 per cent.

Toll and fee revenue for the period was $208.8 million, 41.8 per cent higher than the previous corresponding period. Approximately 62 per cent of this increase is attributable to the opening of the Burnley Tunnel, which resulted in increased transaction volumes and higher unit toll prices due to the removal of the concessional pricing which operated prior to the opening of the Burnley Tunnel. The balance of the increase is due to ongoing growth in transaction volumes (23 per cent) and toll escalation as provided for in the Concession Deed (15 per cent).

directors' report

of the financial statements of citylink melbourne limited and controlled entity and the citylink trust

(b) Customer Service
CityLink's focus on providing consistently high quality service delivery and customer satisfaction contributed to a 16 per cent increase in the number of account holders for the year to 554,262 with associated e-TAG's increasing by the same percentage to 789,924.

Reductions in call centre handling times and the successful realisation of key initiatives such as the introduction of natural language speech recognition technology and the automation of manual tasks following modifications to the Central Toll Computer System, contributed to a 21 per cent reduction in customer service expenditure for the year while maintaining or improving service levels. The initiatives identified in the Customer Operations Review commissioned during the year ended 30 June 2001 have now largely been implemented, generating annualised savings of $9.4 million. This review encompassed process redesign, system improvements, renegotiated contracts and channel optimisation.

Further reductions in customer service costs are expected for 2002-03 as a result of reductions in the unit costs applicable to the volume dependent component of these costs. The most significant reductions in this area relate to reduced unit costs achieved through renegotiation of the Call Centre contract and reduced unit labour costs in Customer Service and Enforcement.

Continued development of the Transurban internet site and the introduction of systems enabling customers to pay bills, update accounts and purchase CityLink Passes electronically will aim to minimise volume related costs.

(c) Construction
The works undertaken by the TOJV to provide additional assurance that wall movements of the type which caused the failure in the Burnley Tunnel on 19 February 2001 cannot occur, were completed in March 2002.

(d) Income Tax
Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. These Accounts have been prepared on this basis.

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

Transurban appealed against the ATO's decision to disallow its objection to the assessment. The appeal was scheduled to be heard on 24 April 2002. However, due to the ATO requiring more time to prepare for this case, the hearing has been deferred to 2 October 2002 (unless an earlier trial is advised by the Federal Court). Transurban believes further extensions to the hearing date are now unlikely.

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

Significant Changes in the State of Affairs

a) Release from "Single Purpose" Restriction
During the year, agreement was reached with the State of Victoria on a corporate restructure to allow the Transurban Group to undertake activities other than the operation of the Melbourne City Link. Details of the corporate restructure are provided below:

b) Corporate Restructure
Following the agreement reached with the State of Victoria on 19 September 2001 in relation to release from the "single purpose" restriction (see above), Transurban City Link Limited proposed a Scheme of Arrangement ("the Scheme") to restructure the group. The Scheme was approved by security holders on 27 November 2001 and these approvals were ratified by the Victorian Supreme Court of Victoria on 18 December 2001.

The key features of the restructure are:

- The quarantining of the entities holding the CityLink concession ("CityLink entities") from other activities undertaken by the group through the creation of "Holdings entities" which acquired 100 per cent of the issued capital of the CityLink entities. The CityLink entities remain subject to the "single purpose" restrictions of the Concession Deed while the Holdings entities are free to pursue other activities.
- The incorporation of a company, Transurban Infrastructure Developments Limited ("TIDL") to undertake the development and operational activities of the group. While the securities of TIDL are presently stapled to those of the Holdings entities, the flexibility has been provided to destaple TIDL's securities from the securities of the Holdings entities if it is considered that:

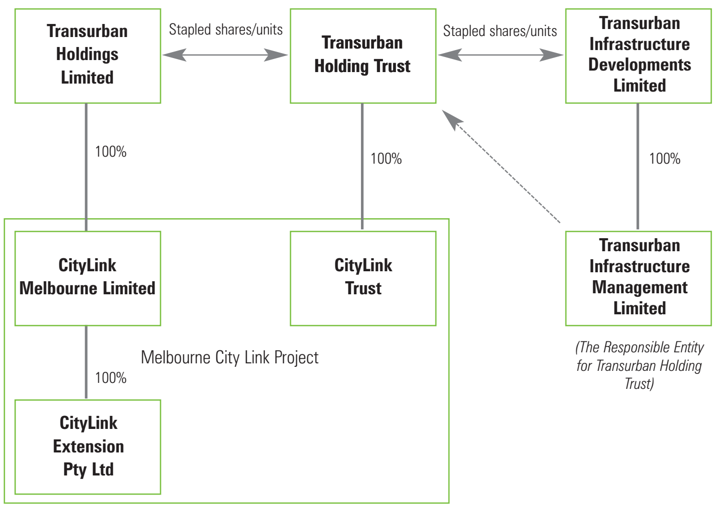
directors' report

of the financial statements of citylink melbourne limited and controlled entity and the citylink trust

- Shareholder value would be enhanced by separating mature assets (which would be held in the Holdings entities) from activities involving development and operational risk (which would be undertaken by TIDL), thus allowing the market to separately value the entities by reference to their different asset and risk classes; and, or
- TIDL is of sufficient size to warrant a separate listing.

- The amendment of the CityLink Concession Deed to replicate the shareholding restrictions previously applicable to the CityLink entities at the level of the Holdings entities and to require that dealings between the CityLink entities and other entities in the group are on an "arms length" basis.

A diagrammatic representation of the new structure is presented below.



(These 3 entities remained 'Quarantined' from the business activities of the other entities)

c) Infrastructure Borrowings

The interest rate on Transurban's $1.249 billion infrastructure borrowing facilities has been reduced from 7.5 per cent per annum to 7.1 per cent per annum with effect from 1 July 2001. The result of the change is a saving in interest costs of $5.6 million per annum, resulting in aggregate savings of $12.6 million over the balance of the term of the infrastructure facilities.

The base interest rate for subsequent years will also be 7.1 per cent per annum adjusted for changes in the top marginal personal tax rate.

d) Debt Refinancing

Completion of the documentation for the refinancing of Transurban's debt occurred on 28 June 2002. The new facilities were drawn down subsequent to 30 June 2002. The refinancing involved the repayment of the group's existing borrowings (consisting of a $927 million syndicated bank facility, a $350 million CPI Bond facility and a $200 million Mezzanine Note facility) with a $510 million syndicated bank facility and $1,190 million of bonds issued in the debt capital markets. The new facilities involve components with maturities of 3, 5 and 7 years and unlike the facilities which they replace, require no principal repayments prior to maturity.

The immediate benefits from the refinancing will come from reduced interest costs and the elimination of the amortisation payments and transfers to debt service reserves required under the previous financing facilities. The aggregate amount of these benefits will be around $75 million in the 2002 – 03 year.

As CityLink usage patterns have largely settled into a phase of stable growth, Transurban expects to be able to continue to defer amortisation of debt beyond the term of the new facilities. The further deferral of amortisation will bring forward distributable cash, but will also increase total debt above the levels which would have prevailed under the previous financing. The higher levels of debt will result in increased interest payments. The estimated net present value of these effects over the remaining life of the CityLink concession, based on current interest rates and a discount rate of 9 per cent per annum, is estimated to be approximately $112 million, equivalent to 22.0 cents per Stapled Security.

As a result of the debt refinancing, non-recurrent costs of $235.5 million were incurred. These costs, were funded from the proceeds of the refinancing, and comprise costs arising from the early termination of existing facilities ($215.6 million) and fees and expenses ($19.9 million).

directors' report

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Matters Subsequent to the End of the Financial Year

Other than the refinancing completed subsequent to year end (as mentioned above in paragraph d), at the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2002 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 2002.

Likely Developments and Expected Results of Operations

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2002 that has significantly affected, or may significantly affect:

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

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

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

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

Environmental Regulation

As operator, Translink Operations Pty Ltd (TLO) must ensure it complies with EPA regulations. To meet this obligation, TLO monitors the emission of carbon monoxide, oxides of nitrogen and particulate matter from the Domain and Burnley Tunnel ventilation stacks. In addition, the operator monitors ambient air quality around the tunnels. Current monitoring indicates emission levels from the stacks are well below the EPA licence limits, and that there has been an improvement in air quality since the tunnels opened.

Information on Directors

Laurence G Cox AO, B Com, FCPA, FSIA – Non Executive Chairman
Mr Laurie Cox has had many years' experience in Australian and international financial markets. He was the Chairman of the Australian Stock Exchange Limited from 1989 to 1994. Prior to joining Transurban, Mr Cox was Executive Chairman of the Potter Warburg Group of Companies and a Director of S G Warburg Securities of London. He is a Director of Macquarie Bank Limited and Smorgon Steel Group Ltd and Chairman of The Murdoch Childrens Research Institute and SMS Management and Technology Ltd. Age 63.

Kimberley Edwards BE, MAdmin (Bus), FIE (Aust), MAICD – Managing Director
Mr Kim Edwards has extensive experience managing major commercial and infrastructure projects in Australia, UK and the Middle East. Prior to joining Transurban, he was General Manager - Projects for Transfield, and was responsible for assembling the successful bid for the Melbourne City Link Project. He was Project Director for Jennings Group's $650 million Southgate development in Melbourne and has worked overseas on large port infrastructure projects. Age 51.

Peter C Byers B Com (Hons) – Non Executive Director
Mr Peter Byers is a director of Airport Motorway Management Ltd, Hills Motorway Management Limited, Hills Motorway Ltd, Foundation Capital Ltd and a Director of the responsible entity for Hills Motorway Trust. He is an Alternate Director for Hancock Victorian Plantations Holdings Ltd. He was formerly business manager and deputy principal of the University of Tasmania, former Director of Adelaide Airport Ltd, the Blair Athol Group and a founding Director and Chairman of the Investment Committee of the Superannuation Scheme for Australian Universities. Age 61.

Geoffrey O Cosgriff BAppSc, Company Director Diploma, FIE(Aust), FAICD – Non Executive Director
Geoff Cosgriff is the Managing Director of Energy and Utilities, Logica Pty Ltd (Australian Subsidiary) following the sale of the MITS business to Logica Pty Ltd. Geoff was the Managing Director of MITS Limited since the company commenced operation in 1990. Over this period, MITS grew to 600 staff and nearly $100m in sales of information technology solutions. He is also Director of Utility Services Corporation and Skilltech Consulting Services. Previously Geoff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry. Age 49.

Jeremy G A Davis BEc, MBA, MA, FAICD – Non Executive Director
Professor Jeremy Davis holds the AMP Chair of Management in the Australian Graduate School of Management at the University of NSW. His academic interests are in the fields of business policy and corporate performance. He is a Fellow of the Australian Institute of Company Directors. Professor Davis is a former Chairman of Capral Aluminium Ltd, former vice-president and Director of the Boston Consulting Group, and a former Director of the Australian Stock Exchange, AIDC Ltd and Nucleus Ltd. Age 59.

directors' report

of the financial statements of citylink melbourne limited and controlled entity and the citylink trust

Susan M Oliver BP&C – Non Executive Director
Ms Susan Oliver is chair of Screen Sound Australia – The National Screen and Sound Archive and a director of Medical Benefits Fund and Programmed Maintenance Services Ltd. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd. Age 51.

Geoffrey R Phillips BE (Chem), MBA, MAICD – Executive Director
Mr Geoffrey Phillips was appointed Finance Director on 28 August 1998 and has been with Transurban for 6 years. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as Director in both the Corporate Finance and Fixed Interest Divisions. He is currently a Director of Yarra Valley Water Limited. Age 58.

Meetings of Directors

The numbers of meetings of the board of directors of CityLink Melbourne and each board committee held during the year ended 30 June 2002, and the numbers of meetings attended by each director were:

Name	Directors' Meeting		Audit Committee		Nomination & Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L G Cox	14	14	2	2	2	2
K Edwards[1]	14	14	-	-	-	-
W H J Barr[2]	8	6	-	-	-	-
P C Byers	14	13	2	2	-	-
G O Cosgriff	14	14	-	-	-	-
J G A Davis	14	12	2	2	2	2
S M Oliver	14	12	-	-	-	-
G R Phillips[1]	14	14	-	-	-	-

[1] K Edwards and G R Phillips are not members of the Audit and Nomination & Remuneration Committees, but have been in attendance at all of these meetings.
[2] W H John Barr was a director from the beginning of the financial year until his resignation on 27 November 2001.

Directors' Interests

The following are particulars of directors' interests in Stapled Securities as at the date of this Directors' Report in which directors of the Company have disclosed a relevant interest.

Name	Number of Stapled Securities	Options Over Stapled Securities
L G Cox	775,000	-
K Edwards	61,000	1,500,000
P C Byers	50,000	-
J G A Davis	25,000	-
S M Oliver	59,375	-
G R Phillips	-	500,000
G O Cosgriff	12,260	-

directors' report

of the financial statements of citylink melbourne limited and controlled entity and the citylink trust

Directors' and Executives' Emoluments

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

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

On retirement, non-executive directors with more than three years service are entitled to receive a lump sum payment equivalent to the total emoluments received during a third of the director's total period of service or three years, whichever is the lesser. Payment will be made by Transurban Infrastructure Developments Limited.

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

Other executives of the consolidated entity

Name and Position	Base Salary $	Bonus $	Superannuation $	Options $	Total $
B Bourke General Manager, CityLink	223,110	60,000	27,673	-	310,783

Indemnification and Insurance

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

Rounding of amounts to nearest thousand dollars

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

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

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne 27 August, 2002

statement of financial performance

for the year ended 30 June 2002

	Notes	2002	2001
		$'000	$'000
Revenue from ordinary activities	3	**520,499**	306,385
Expenses from ordinary activities:			
Operational costs		**(54,766)**	(62,474)
Administration		**(22,569)**	(21,701)
Concession Fees		**(95,600)**	(95,600)
Valuation adjustment on Concession Notes		**93,290**	74,171
Depreciation and amortisation		**(112,045)**	(60,697)
Borrowing costs		**(466,400)**	(254,438)
Loss from ordinary activities before income tax		**(137,591)**	(114,354)
Income tax on operating loss		**-**	-
Loss from ordinary activities after income tax		**(137,591)**	(114,354)
Net increase in asset revaluation reserve		**2,107,485**	-
Total changes in equity other than those resulting from transactions with owners as owners		**1,969,894**	-
		Cents	Cents
Basic earnings per Stapled Security		**(27.0)**	(22.4)
Diluted earnings per Stapled Security		**(27.0)**	(22.4)

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

statement of financial position

as at 30 June 2002

	Notes	2002 $'000	2001 $'000
Current Assets			
Cash assets		**129,396**	104,636
Receivables		**28,419**	20,966
Other		**11,692**	794
Total Current Assets		**169,507**	126,396
Non-Current Assets			
Property, plant and equipment	7	**3,842,398**	1,836,411
Other		**660**	-
Total Non-Current Assets		**3,843,058**	1,836,411
Total Assets		**4,012,565**	1,962,807
Current Liabilities			
Payables		**43,534**	55,364
Interest bearing liabilities		**-**	20,672
Non-interest bearing liabilities		**130,214**	134,548
Provisions		**1,059**	2,568
Total Current Liabilities		**174,807**	213,152
Non-Current Liabilities			
Interest bearing liabilities		**1,620,169**	1,489,683
Non-interest bearing liabilities		**139,923**	139,789
Provisions		**-**	936
Total Non-Current Liabilities		**1,760,092**	1,630,408
Total Liabilities		**1,934,899**	1,843,560
Net Assets		**2,077,666**	119,247
Equity			
Contributed equity		**327,371**	338,846
Retained losses		**(357,190)**	(219,599)
Asset revaluation reserve		**2,107,485**	-
Total Equity		**2,077,666**	119,247

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

statement of cash flows

for the year ended 30 June 2002

	2002 $'000	2001 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	**209,815**	158,112
Payments to suppliers (inclusive of GST)	**(79,320)**	(90,415)
Interest received	**144,667**	159,811
Other revenue	**27,132**	3,111
Deposits refunded/(paid)	**2,667**	(2,667)
Borrowing costs	**(242,507)**	(227,932)
Net cash inflow from operating activities	**62,454**	20
Cash flows from investing activities		
Payments for property, plant and equipment	**(11,675)**	(17,514)
Loans to related parties	**(16,270)**	-
Repayment of loans by related parties	**5,874**	-
Net cash outflow from investing activities	**(22,071)**	(17,514)
Cash flows from financing activities		
Proceeds from borrowings	**25,000**	-
Proceeds from provisional payments - liquidated damages	**-**	26,850
Repayment of borrowings	**(20,237)**	(7,570)
Repayment of lease liability	**(434)**	-
Distributions paid	**(19,952)**	-
Net cash (outflow)/inflow from financing activities	**(15,623)**	19,280
Net increase in cash at bank and cash collateral	**24,760**	1,786
Cash at bank and cash collateral at the beginning of the financial year	**1,353,636**	1,351,850
Cash at bank and cash collateral at the end of the financial year	**1,378,396**	1,353,636
Less cash collateral	**1,249,000**	1,249,000
Cash at bank at the end of the financial year	**129,396**	104,636

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

discussion and analysis

for the year ended 30 June 2002

Statement of Financial Performance

The result for the year was a loss before tax of $137.6 million. The result is not readily comparable with the result for the previous corresponding period as it includes:

- $153.6 million of revenue attributable to the settlement with the Transfield Obayashi Joint Venture (TOJV).
- The recognition of $235.5 million of non-recurrent costs associated with the debt refinancing. These costs, which have been funded from the proceeds of the refinancing, comprise costs arising from early termination of existing facilities $215.6 million, and fees and expenses $19.9 million.
- The effect of a change in the assumptions used to value the Concession Note liability to more accurately reflect the timing of redemption of the notes and the subordinated nature of the liability. As a result of this change, the amount charged for Concession Fees net of the Concession Note valuation adjustment was $58.6 million lower than if the previous valuation assumptions had been retained.
- Additional depreciation of $35.0 million as a result of the reflection of the revaluation of the CityLink asset recorded in the financial statements of Transurban Holdings Limited (THL) and Transurban Holding Trust (THT).

Exclusive of these items, the result was a loss of $80.7 million. This compares to a loss for the previous corresponding period of $114.4 million. The reduction in the loss reflects the net effect of: increased revenue; reduced operating and borrowing costs, offset by higher depreciation and underlying concession fee charges.

Statement of Financial Position

The value of Property, Plant and Equipment has been revalued by $2,107 million. The revaluation reflects the revaluation of the CityLink asset in the consolidated statements of financial position of THL and THT, pursuant to the requirement of Australian Accounting Standards for assets to be assessed at "fair value" on acquisition. The revaluation increment has been calculated using the ASX closing price of the stapled securities of the Company and the Trust on 18 December 2001 ($4.21). A valuation undertaken by Capital Partners Pty Limited in February 2002 confirmed that the recoverable amount of the CityLink assets does not exceed the amount recorded in the Balance Sheet. The revaluation increment has been recorded as an Asset Revaluation Reserve.

The increase in Other Current Assets is due to a short term loan made to Transurban Infrastructure Developments Limited.

Interest bearing liabilities classified as current reduced from $20.6 million to nil. This reduction reflects the fact that there are no principal repayment obligations in respect of the new financing facilities in the year ending 30 June 2003.

Non-interest bearing liabilities classified as current largely represent accrued costs related to the debt refinancing. The liability in the prior period reflected provisional liquidated damages payments received from the TOJV. This liability was extinguished by the settlement with TOJV in November 2001.

Interest bearing liabilities classified as non-current increased by $130.5 million. Of this increase, $104.2 million represents a revaluation of the liability under the CPI Bond facility as a result of its termination as part of the debt refinancing. The remainder is a $25.0 million subordinated debt facility drawn down in December 2001.

Non-interest bearing liabilities classified as non-current were essentially unchanged at $139.9 million. A review of the assumptions used to value the liability represented by Concession Notes determined that the assumptions were unreasonably conservative. Revised assumptions based on the current outlook for the timing of the redemption of the Notes and recognising that the Notes are a subordinated liability has been developed. Application of these assumptions results in a valuation adjustment for the current period of $93.3 million, which almost fully offsets the Concession Fee payable of $95.6 million.

Statement of Cash Flows

Operating activities generated $62.4 million net cash inflow for the period. This amount includes the $22.5 million payment received from the TOJV as part of the liquidated damages settlement arrangements. During the previous corresponding period, operating activities were cash neutral. However, these results understate the improvement in cash generation in the current period as they include the effect of a deferral of $11.5 million of mezzanine debt interest due on 15 June 2001 to 31 July 2001 as a result of delays in obtaining the approvals required to make the payment. After adjusting for this deferral and the amount received from the TOJV, cash generation from operating activities increased from a shortfall of $11.5 million to $39.9 million.

Capital expenditure for the period was $11.7 million, essentially unchanged from the previous corresponding period. The main components of capital expenditure were: CTCS and other IT projects undertaken prior to the outsourcing of this activity to TIDL ($4.1 million); additional e-TAGs ($5.4 million); and road improvements ($1.3 million). Distributions of $20.0 million were paid out in the period. No distributions were paid in the previous corresponding period.

The net increase in cash for the period was $24.8 million. At 30 June 2002, cash balances (excluding prepaid tolls and cash amounts collateralising the Infrastructure Borrowing Facilities) totalled $115.8 million. Of this amount, $22.3 million is available for general use. The balance of $93.5 million represents deposits in various reserve accounts relating to the Project Debt Facility. These reserves were released on financial close of the debt refinancing on 5 July 2002 and applied to repayment of the facilities being refinanced.

notes to the financial statements

for the year ended 30 June 2002

1. Basis of Preparation of Concise Financial Report

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

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

The Project Accounts consist of the aggregated concise statements of the combined entity comprising CityLink Melbourne Limited (formerly Transurban City Link Limited) and Controlled Entity (the Company) and The CityLink Trust (formerly The Transurban City Link Unit Trust), (the Trust), notwithstanding that neither entity controls the other. The aggregated accounts incorporate an elimination of inter-entity transactions and balances and other adjustments necessary to present the financial statements on a combined basis. The accounting policies adopted in preparing the financial statements have been consistently applied by the individual entities comprising the Project Accounts except as otherwise indicated.

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

2. Segment Information

The Combined Entity's sole business segment for the year ending 30 June 2002 was the operation of the Melbourne City Link toll road. All revenues and expenses are directly attributable to this sole purpose and geographical location. The Combined Entity's management structure and internal financial reporting are based on this single business segment.

notes to the financial statements

for the year ended 30 June 2002

3. Revenue from ordinary activities	2002	2001
	$'000	$'000
Revenue from operating activities		
Toll revenue	**201,335**	143,129
Fee revenue	**7,426**	4,193
Advertising revenue	**3,231**	3,530
	211,992	150,852
Revenue from outside the operating activities		
Interest	**153,352**	154,051
Other	**155,155**	1,482
	308,507	155,533
Total revenue	**520,499**	306,385

4. Individually Significant Items

a) On 27 November 2001, agreement was reached with the Transfield Obayashi Joint Venture on a settlement of Transurban's claims in relation to the late completion of the Melbourne City Link.

The agreed settlement amount was $153,646,843. This amount was brought to account as revenue from outside the operating activities during the reporting period.

b) Amounts included in borrowing costs expense

Interest rate hedge termination	$ 90,572,637
CPI Bonds revaluation to redemption amount	$104,167,724
Mezzanine debt termination	$ 20,750,000

5. Retained Losses	2002	2001
	$'000	$'000
Retained losses at the beginning of the year	**(219,599)**	(105,245)
Net losses incurred during the year	**(137,591)**	(114,354)
Retained losses at the end of the financial year	**(357,190)**	(219,599)

states to the financial statements

for the year ended 30 June 2002

6. Distributions	**2001**
	$'000
Distributions made during the period consisted of:	
a) the final interest payment on the Equity Infrastructure Bonds ("EIBs") issued by Transurban City Link Limited ("TCL") which was deferred from December 1999 of $9.0411 per "old" stapled security paid on 26 February 2002	**8,277**
b) the maiden distribution from the operations phase of the project of $0.0225 per "new" stapled security paid on 26 February 2002	**11,475**
Total distributions in respect of the period	**19,752**

7. Property, Plant and Equipment – Non Current Assets	**2002**	2001
	$'000	$'000
CityLink Fixed Assets		
CityLink and Exhibition Street Extension		
At directors valuation 2002	**3,902,966**	-
At cost 2001	**-**	1,914,791
Less: Accumulated depreciation	**(74,807)**	(90,320)
	3,828,159	1,824,471
Equipment and Fittings		
Equipment and fittings at cost	**23,486**	14,455
Less: Accumulated depreciation	**(9,247)**	(2,902)
	14,239	11,553
Equipment and fittings under finance lease	**-**	979
Less: Accumulated amortisation	**-**	(592)
	-	387
Total Property, plant and equipment	**3,842,398**	1,836,411

8. Contingent Liabilities

There are no contingent liabilities at 30 June 2002.

notes to the financial statements

for the year ended 30 June 2002

9. Events Occurring After Reporting Date

Transurban's debt facilities have been completely refinanced utilising the existing security structure. Documentation with new lenders was finalised on 28 June 2002 and the draw down of the new facilities was implemented in two stages, subsequent to the reporting date.

The first stage involved the repayment of $927 million of existing bank facilities, $225 million of mezzanine and subordinated debt and reset of interest rate swaps. The repayments were funded by a $680 million bank facility and $1,020 million bridging loan to cover the period until the capital markets debt issue was completed. The CPI bonds were also redeemed in six weekly installments subsequent to this funding.

The second stage of the refinance was completed on 8 August 2002 with a $1,190 million capital markets bond issue that was applied to the repayment of the $1,020 million bridging loan and a $170 million reduction of the $680 million bank facility to $510 million.

The financing facilities outstanding at the date of the financial statements are:

Facility	Term	Amount
Bank Facility	5 year, Bullet Floating rate	$510 million
Unwrapped Bonds	3 Year, Floating rate	$90 million
Unwrapped Bonds	3 Year, Fixed rate	$260 million
Wrapped Bonds	3 Year, Floating Rate	$65 million
Wrapped Bonds	3 Year, Fixed Rate	$175 million
Wrapped Bonds	5 year, Non Call, 3 Year Floating rate	$240 million
Wrapped Bonds	7 Year, Non Call, 3 YearFloating rate	$360 million

directors' declaration

The directors declare that in their opinion, the concise financial report of the combined entity for the year ended 30 June 2002 as set out on pages 64 to 71 complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2002 of CityLink Melbourne Limited and The CityLink Trust.

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

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne, 27 August, 2002

independent audit report

PRICEWATERHOUSECOOPERS

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

Audit opinion

In our opinion, the concise financial report of the Melbourne CityLink Project representing the aggregation of the combined entities of CityLink Melbourne Limited (the Company) and The CityLink Trust (the Trust) for the year ended 30 June 2002, set out on pages 64 to 71 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

This opinion must be read in conjunction with the following explanation of the scope and summary of our role as auditor.

Scope and summary of our role

The concise financial report – responsibility and content

The preparation and content of the concise financial report for the year ended 30 June 2002 are the responsibility of the directors of CityLink Melbourne Limited.

The auditor's role and work

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Company and Trust. Our role was to conduct the audit in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement.

We have also performed an independent audit of the full financial report of the Company and of the Trust for the financial year ended 30 June 2002. Our audit reports on the respective full financial reports were signed on 27 August 2002 and was not subject to any qualification. Our audit did not involve an analysis of the prudence of business decisions made by the directors or management.

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

The procedures included:

- testing that the information included in the concise financial report is consistent with the information in the full financial reports
- selecting and examining evidence, on a test basis, as required by auditing standards, to support amounts, discussion and analysis, and other disclosures in the concise financial report which were not directly derived from the full financial reports. We did not examine every item of available evidence
- reviewing the overall presentation of information in the concise financial report.

Our audit opinion was formed on the basis of these procedures.

Independence

As auditor, we are required to be independent of the Company and the Trust and free of interests which could be incompatible with integrity and objectivity. In respect of this engagement, we followed the independence requirements set out by The Institute of Chartered Accountants in Australia, the Corporations Act 2001 and the Auditing and Assurance Standards Board.

PricewaterhouseCoopers

PJ Fekete
Partner

Melbourne
27 August 2002

shareholder information

The security holder information set out below was applicable as at 31 August 2002

a) Distribution of Stapled Securities

1. The number of holders of Stapled Securities, which comprise one share in Transurban Holdings Limited, one share in Transurban Infrastructure Developments Limited and one unit in Transurban Holding Trust, was 13,893.
2. The voting rights are one vote per share.
3. At 31 August 2002 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 71.45 per cent.
4. The distribution of holders was as follows:

Share Grouping	Number of Holders	Stapled Securities Held	%
1 - 1,000	4,114	3,092,466	0.61
1,001 - 5,000	6,906	19,974,852	3.92
5,001 - 10,000	1,723	13,584,400	2.66
10,001 - 100,000	1,017	25,451,603	4.99
100,001 - and over	133	447,924,979	87.82
Total	13,893	510,028,300	100.00

There were 359 holders of less than a marketable parcel of ordinary shares.

5. Substantial Shareholder notices have been received as follows:

Name	Number of Stapled Securities	% of Total
Permanent Trustee Company Limited	147,900,116	29.0
Citibank Limited	30,447,024	5.97
Merrill Lynch Investment Managers	47,430,037	9.30
Macquarie Bank Limited	54,723,043	10.73
Principal Mutual Holding Company	31,263,025	6.13
Commonwealth Bank	117,555,092	23.05

1. Of the issued capital covered by Permanent Trustee's Substantial Shareholder Notice an amount equal to 13.01 per cent of issued capital relates to shares beneficially owned by Colonial First State for which Permanent Trustee is trustee or custodian. This component of issued capital is also covered by Commonwealth Bank's Substantial Shareholder Notice. After taking this 'double counting' into account, the proportion of issued capital subject to Substantial Shareholder notices is 55.47 per cent.

shareholder information

b) Twenty largest holders of Stapled Securities

	Number of Stapled Securities Held	Percentage of Issued Stapled Securities
JP Morgan Nominees Australia Limited	59,993,897	11.76
Trust Company of Australia Limited	55,000,000	10.78
Citicorp Nominees Pty Limited	38,046,779	7.46
National Nominees Limited	32,479,676	6.37
Citicorp Nominees Pty Limited	21,838,582	4.28
Westpac Custodian Nominees Limited	21,398,157	4.20
Citicorp Nominees Pty Limited	16,893,963	3.31
Commonwealth Custodial Services Limited	12,876,622	2.52
Citicorp Nominees Pty Limited	12,419,133	2.43
RBC Global Services Australia Nominees Pty Limited	12,063,323	2.37
Citicorp Nominees Pty Limited	11,069,276	2.17
RBC Global Services Australia Nominees Pty Limited	10,470,979	2.05
AMP Life Limited	10,346,457	2.03
Utilities of Australia Pty Limited	10,190,727	2.00
MLC Limited	9,073,236	1.79
ING Life Limited	8,945,072	1.75
Citicorp Nominees Pty Limited	5,387,251	1.06
NRMA Nominees Pty Limited	5,353,706	1.05
Cogent Nominees Pty Ltd	5,308,524	1.04
RBC Global Services Australia Nominees Pty Limited	5,266,972	1.03
TOTAL	**364,422,332**	**71.45**

Enquiries and Information

Enquiries About Your Stapled Securities

The Stapled Securities Register is maintained by Computershare Investor Services Pty Limited. If you have a question about your Transurban Securities, transfer of securities or distributions, please contact:

Computershare Investor Services Pty Limited.
Level Twelve, 565 Bourke Street, Melbourne Victoria 3000.
Enquiries (within Australia) 1300 850 505 (outside Australia) +613 9615 5970
Facsimile +613 9611 5710

Enquiries About Transurban

Contact Transurban's Investor Relations:
Manager, Investor Relations. Telephone + 613 9612 6999 Facsimile +613 9649 7380

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

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

Stock Exchange Listing

The Stapled Securities are listed on the Australian Stock Exchange under the name Transurban Group and under the code 'TCL'.

The securities participate in the Clearing House Electronic Subregister System (CHESS).

Removal From Annual Report Mailing List

Security Holders can nominate not to receive an Annual Report by written notice to the Stapled Securities Register. Security holders will continue to receive all other shareholder information, including Notice of Annual General Meeting and proxy form.

Tax File Number (TFN) Information

While it is not compulsory for security holders to provide a TFN, the Company is obliged to deduct tax from distributions or dividends to holders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may do so by writing to the Stapled Securities Register.

Change of Address or Name

A security holder should notify the Register immediately, in writing, if there is any change in her or his registered address or name.


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