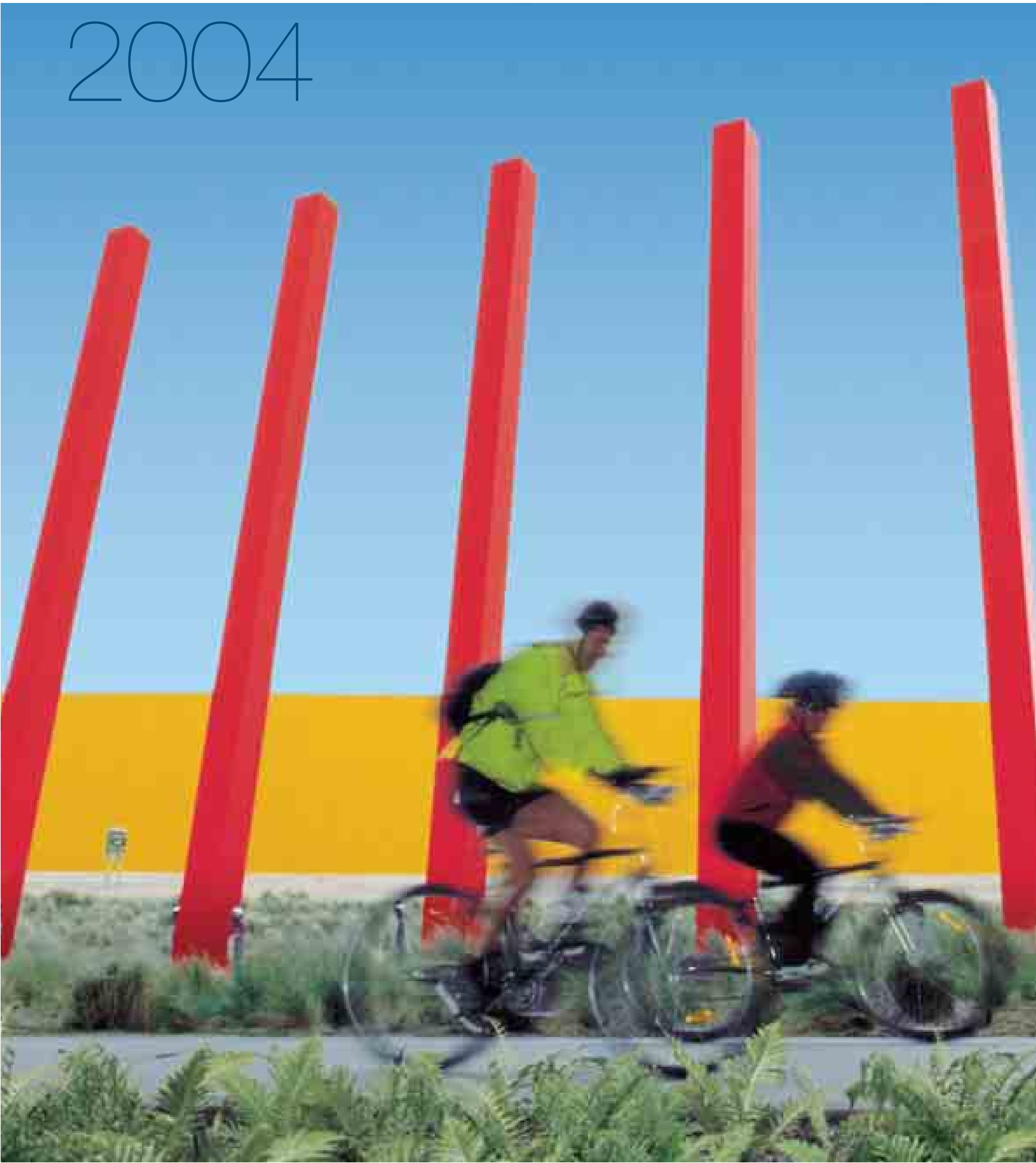
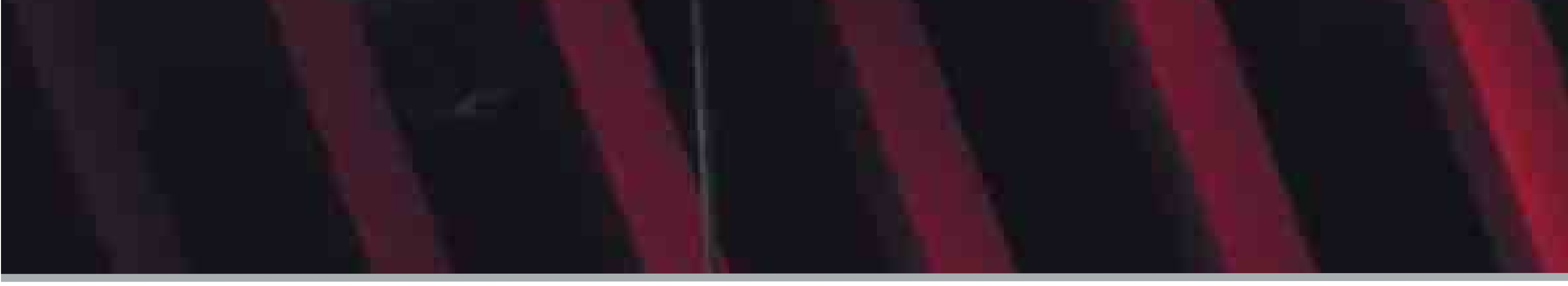
annual report 2004





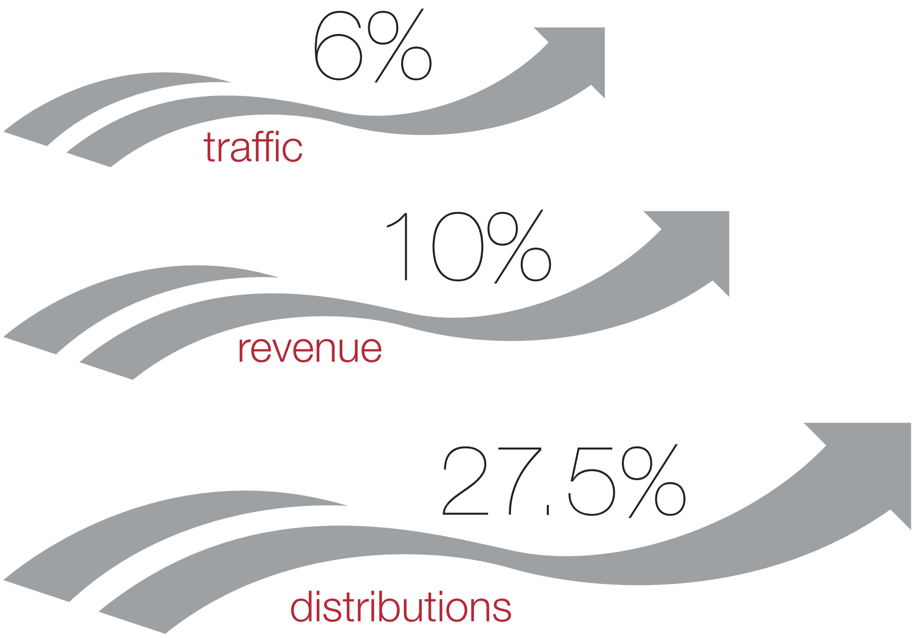
an increasing

Night traffic on CityLink's gateway

flow of distributions

increasing returns

Transurban Group paid a total distribution to investors of 25.5 cents per security in 2003-04, fulfilling its commitment to deliver increasing returns from the company's cornerstone asset, CityLink.



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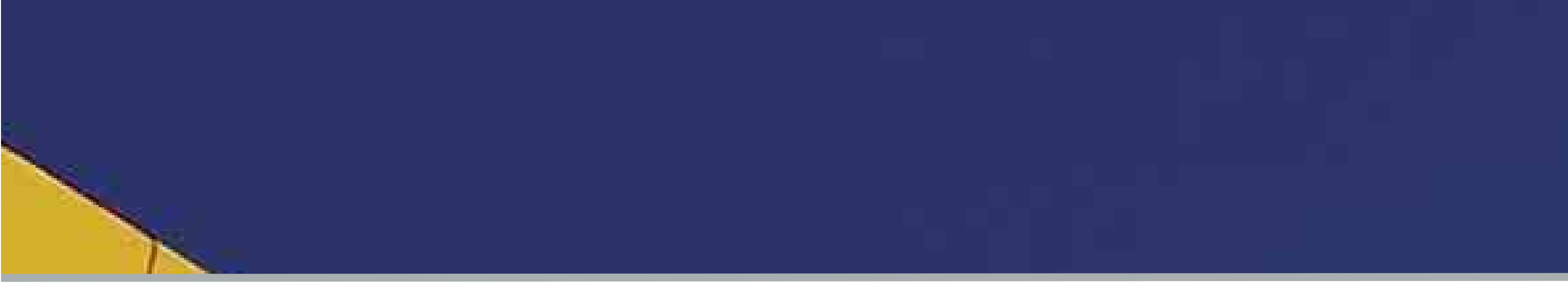


Electronic tolling unlocks further opportunity
for companies like Transurban.

Architectural sound wall on CityLink

opportunity

The growing number of retail investors on the Transurban Group's register reflects the company's appeal as an inflation protected investment, which has produced strong distributable cash flows as well as growth.

Australia has a long history of toll roads. Over many decades they have maintained traffic and revenue growth through successive economic cycles.

The success of CityLink, Transurban's 22 kilometre toll road in Melbourne, demonstrates that full electronic toll roads can deliver better service—such as time savings—than manual toll roads where drivers have to stop to pay.

The electronic tolling system and customer service on CityLink are the keys to its success. The road has multiple on and off ramps in inner suburbs where land is in short supply. There would not have been enough room for toll plazas and manual tolling would have slowed the traffic, making the project very inefficient.

Continuing economic growth generates the need for major infrastructure.

Governments are increasingly turning to the private sector to finance, develop and manage new road infrastructure.

Electronic tolling therefore unlocks further opportunity for companies like Transurban. It makes many projects possible in cities all over the world—projects that could not go ahead with manual tolling.

A number of critical factors provide the basis for carefully planned growth of the company:

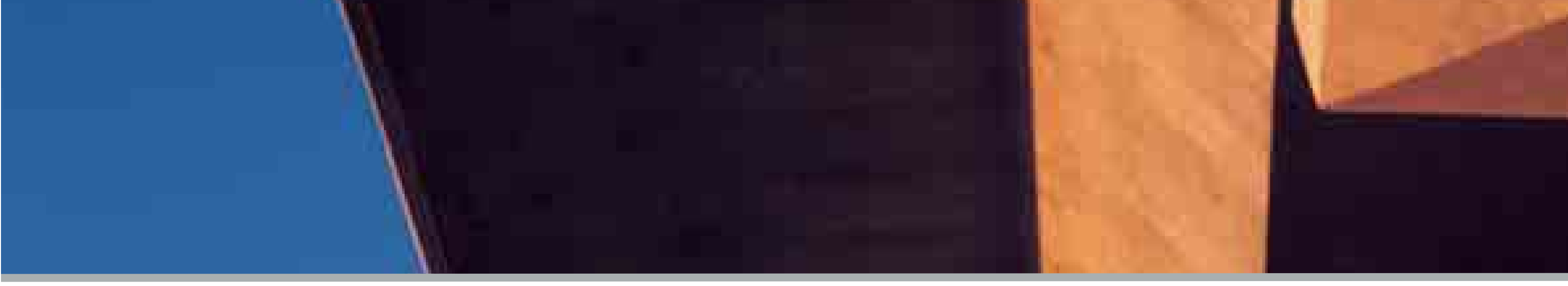
- expanding opportunities as governments turn to the private sector to help meet community and business demands for new roads and infrastructure;
- the expertise in full electronic tolling and customer service that Transurban developed on CityLink;
- Transurban's ability to maximise returns through continuous improvement and innovation; and
- the appeal to governments of Transurban's partnership approach to its relationships with communities.

This last point is increasingly significant as governments recognise the importance of the owner/operator to the success of a full electronic toll road.

Transurban takes a 'whole of life' approach to projects, working in partnership with governments and communities to earn the best returns for investors and the best outcomes for the people who use its roads.

This approach recognises that equity investors are responsible for operating the road, tolling system and customer service for 30 years or more. For that reason, Transurban believes it is important for equity investors to be involved from the outset. This will ensure they have a role in allocating and managing project risks even before the road opens.

On some projects, the bank and contractor bid for and develop the project, and the equity investor is only involved much later, when they are exposed to risks that have been negotiated by others.



Transurban will pursue the most promising
new development projects.

A CityLink on-ramp and overpass from below

strategy

With a Group market capitalisation approaching $3.3 billion, Transurban is a major investor in toll roads in Australia.

The company is now leveraging its considerable expertise to create new growth opportunities in Australia and overseas.

The Transurban Group's strategy for investors is straightforward: Deliver increasing distributions from our operating assets and pursue the most promising new development projects with our strong focus on risk management and a 'whole of life' approach.

The strong performance of our cornerstone asset, Melbourne's CityLink, has underpinned rising distributions to security holders in recent years. Now, Transurban has a developing asset in Sydney—Westlink M7—which is on track to deliver even more value.

Transurban's policy is to steadily increase distributions half yearly in line with distributable cash flow generated by the business.

The strategy for growth in Australia will closely follow the CityLink model. The company will look to build, own and operate future toll roads. These projects will be delivered on a value accretive basis.

Our approach overseas will differ slightly, as Transurban plans to capitalise on its tolling expertise. If successful in an overseas tolling project, Transurban will charge an upfront licence fee for its central tolling system, plus ongoing licence, consulting and management fees.

If equity is required for an overseas project, it is expected to be raised primarily in the market in which the project is located, with Transurban earning a management fee.

Transurban's capital structure is designed to maximise after-tax returns to our security holders.

A section of CityLink's sound tube

structure

triple stapled securities

Transurban is capitalised through a triple stapled security, which is designed to maximise after-tax returns to security holders.

Stapled securities are made up of securities in two (or more) separate entities, and they cannot be traded separately.

Transurban's triple stapled securities comprise shares in Transurban Holdings Limited, units in Transurban Holding Trust and shares in Transurban Infrastructure Developments Limited. Security holders have an equal number of units in each.

Some of the other benefits of the triple staple structure include:

- providing flexibility to raise debt and equity for pursuing future projects and investments; and
- allowing the different risk profiles of mature and new assets to be held in different vehicles—which creates the option of listing those vehicles separately if shareholder returns are maximised.

profit, loss and cash flow

Infrastructure projects require a huge amount of capital to develop. This capital is depreciated evenly over time, while revenue is lower at the start and grows over time. For this reason, developers like Transurban expect to report accounting losses in a project's early years.

In accounting terms, Transurban expects to record a profit in 2008-2009. Until then, non cash items such as depreciation will mean we report a loss each year.

Investors should remember that it is not the level of accounting profit that impacts distributions, but the level of free cash flow. The greater the cash flow, the greater the distributions.

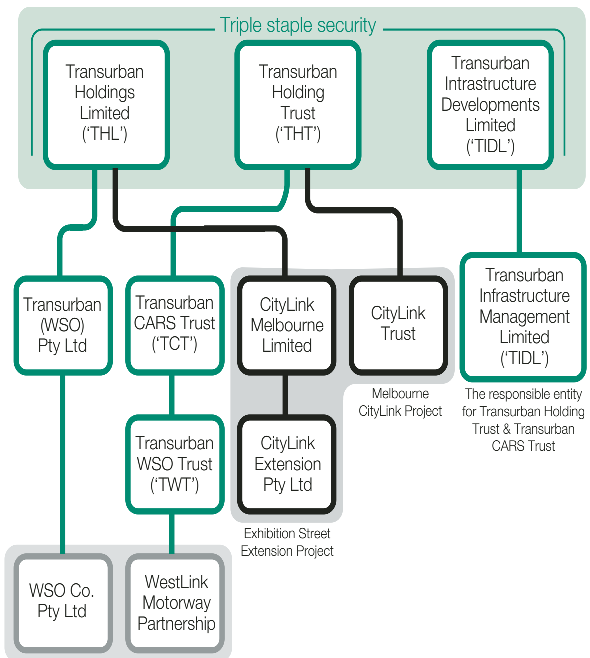
tax deferred distributions

Transurban expects to be able to pay 100 per cent tax deferred distributions until the end of 2005. This would be extended if Transurban's argument that Concession Fees payable to the State of Victoria are tax deductible is accepted by the Federal Court.

Tax deferred means that the distribution is not assessable for income tax, but each security holder's cost base for capital gains tax purposes will be reduced by the amount of the distribution received.

This benefit is derived from Transurban's Trust structure and relates to the accounting losses the company has recorded.

From 2006, distributions are expected to be partially tax deferred.



Transurban investors can look forward to steadily increasing distributions and carefully planned growth.

CityLink gateway in close up

report

chairman and managing director's overview

laurence g cox
chairman

kim edwards
managing director

Transurban has made a commitment to investors that it will deliver a growing stream of distributions. In 2003-04 we delivered on that commitment with a distribution of 25.5 cents per stapled security, an increase of 27.5 per cent on the previous year. The total distributed to security holders for 2003-04 is $134.7 million, up from $103 million.

The distributions were underpinned by a strong performance by Transurban's cornerstone asset, CityLink in Melbourne. Traffic on CityLink increased 6 per cent over the year and revenue grew by 10.1 per cent. Under Transurban's agreement with the Government of Victoria, tolls on CityLink will increase each year by 4.5 per cent or the inflation rate, whichever is higher, until 2015 and by the inflation rate thereafter.

cutting costs, increasing revenue

Over the year, CityLink introduced a series of measures designed to lift revenue and cut costs.

ACCESS, a new video tolling product introduced in July 2003, has been very successful, attracting about 34,000 new account customers and generating over $1.5 million in revenue. Changes to revenue related processes at CityLink generated an additional $700,000.

Operating costs continued to come under scrutiny. Greater efficiencies in the processing of video images of vehicle licence plates will save about $250,000 a year. Programs to move customers to low cost communication channels such as the internet saved about $130,000 in 2003-04. A switch to a new call centre contractor will produce significant savings while increasing service levels.

A number of new projects currently under way will further increase revenue and cut costs. One of the most significant will see the installation of additional cameras to capture images of rear number plates as well as the front ones we now process.

Distributions were underpinned by a strong performance from our cornerstone asset, CityLink.

Dual numberplate images will allow us to automate the bulk of the video imaging currently used to charge customers who do not have an e-TAG® device installed in their vehicle. This will substantially cut labour costs.

The dual camera program will also allow us to design better and cheaper products for occasional users of the road, which we believe will attract more customers. We will be able to reduce the number of 'lazy tags' currently used by drivers who only travel on CityLink a few times a year. The new program will quickly recover its $9.1 million capital cost and add real value for security holders.

Transurban has a continuous improvement program in place to further enhance service, increase revenue and reduce costs.

the promise of Westlink M7

CityLink has already proven its value to investors. Revenue from Westlink M7, the new toll road in Sydney in which Transurban holds a 40 per cent stake, will begin flowing in 2006. Construction is progressing well and the road will benefit from the rapid industrial and residential development occurring in the Greater Western Sydney region in recent years. Businesses are relocating to the corridor and new housing sub-divisions are springing up at a rapid rate. Freight logistic facilities are already open for business adjacent to the M7. Westlink will become a very significant asset for Transurban.

development of the joint venture

The New South Wales government has foreshadowed that Sydney's six existing manual toll roads will move to electronic tolling in coming years. Transurban identified an opportunity to assist in this transition. In December 2003, Transurban and Macquarie Infrastructure Group (MIG) agreed to set up a tolling joint venture and consider joint participation in future bids in Australia (excluding the Mitcham-Frankston bid). The tolling joint venture would offer full electronic tolling and customer management services to Sydney's toll roads. Details of the joint venture are still being negotiated.

hills motorway

On 19 April 2004 Transurban purchased an 8.1 per cent share in Hills Motorway, which owns and operates the M2 in Sydney. This cost $96 million at $6.40 per security. This road will connect to the M7. Securing a stake in Hills allows us to work with its management to extract the benefit of synergies between the two roads.

mitcham-frankston project

In Melbourne, Transurban leads Mitcham-Frankston Motorway (MFM), one of two consortia bidding to develop and operate the new Mitcham-Frankston project, a 40 kilometre toll road including tunnels in the east of the city. As this report goes to press, Transurban is awaiting a government decision on the project.

With our consortium partners, we consulted widely in the Mitcham-Frankston corridor and have responded to local needs and concerns. We have set new standards in urban design. In preparing our proposal to the Victorian Government, our number one priority was ensuring that the project will be value accretive for our security holders.

Construction of Westlink M7 is well under way

report

stockholm outcome

In Sweden, Transurban was part of a consortium that tendered to develop and manage a congestion charging system in which motorists will pay tolls to travel into Stockholm's city centre. The tender required no equity investment by Transurban. Our role in the consortium was as a business and operations adviser and supplier of the central toll collection system. While the bid was unsuccessful, the consortium is currently appealing the outcome of the tender.

infrastructure bonds

There was good news on negotiations with the Federal Government's Development Allowance Authority (DAA). The authority has agreed to extend the term of Infrastructure Bonds used in the financing of CityLink from December 2004 to April 2007. Infrastructure Bonds are a Commonwealth initiative to assist key infrastructure projects. Essentially they allow Transurban to transfer tax benefits it cannot use effectively to investors, and in turn the company receives lower interest costs. The benefit to Transurban's security holders of the extension agreed with the DAA will be to generate interest cost savings of approximately $116 million and fees of $6.5 million within the next three years.

concession fee tax deductions

The Federal Court ruled that Transurban is not entitled to taxation deductions for CityLink Concession Fees it is obliged to pay to the State of Victoria. The ruling does not affect the amount of distributions the company pays to investors. However, it does affect the tax treatment of the distributions in investor hands.

On the basis of the court ruling, Transurban anticipates it will be able to pay distributions 100 per cent tax deferred until the end of 2005. From 2006, they are expected to be partially tax deferred. Transurban lawyers say the Concession Fees should be deductible as an ongoing cost of earning CityLink income. The company is appealing the ruling. A Full Bench of the Federal Court began hearing the appeal in August 2004.

key financial results

Transurban made an accounting loss before tax of $61.5 million, compared to a loss of $83.6 million in the previous year. The loss reflects depreciation of the major investment in CityLink—a non cash item. Profit before non cash items was $128.3 million, up from $97.3 million. This figure is a more realistic measure of the company's capacity to pay distributions.

Revenue was $467.7 million, made up of $254.5 million from tolling (net of GST), $3.5 million from outdoor advertising, $180.5 million from interest and $29.2 million in other revenue. The $467.7 million figure was up from $410.9 million the year before. It should be noted that the figure was enhanced by revenue generated by Transurban's development activities totalling $25.5 million.

▲ The CityLink 'sound tube'

Transurban aims to be an employer of choice ▲

Operating costs were $77.1 million, compared to $69.3 million. This reflects higher volumes of usage. Net efficiency gains of $1.7 million were achieved, after allowing for some non recurrent costs. These costs included:

- $400,000 to launch the ACCESS video tolling product;
- $300,000 in the switch to a new call centre; and
- $300,000 associated with the recall of e-TAG® devices following higher than expected battery failures.

For more detail, turn to the Directors' Report in the Transurban Group Financial Report on pages 41 to 42.

transurban people

Transurban is now a major employer with over 400 employees. The company has established a reputation as a good employer, and we have built up highly skilled teams in new business development, bid management, tolling technology development and operations and customer service. While most employees work in Melbourne, we have a highly professional team in Sydney and representation in Brisbane, London and New York.

Transurban is a pioneer in what is still a young industry. This, combined with the growth of the company, means employees are constantly asked to meet new challenges and adapt to new circumstances. The success of the company is built on their hard work and enthusiasm and we thank them for it.

Our success is built on the hard work and enthusiasm of our people.

▲ Transurban has built up a number of highly skilled teams

report

the future

Our people are at the forefront of an emerging new paradigm in infrastructure development. This paradigm is built around the importance of the long term involvement of an operator. It recognises the converging interests of governments, communities, equity investors in toll roads and the customers who use them.

In the past, many projects have been primarily focused on the design and construction phase. There are major risks in this phase and they have to be managed—as they were on CityLink. But there has been too little focus placed on the operational phase, which extends for the majority of most concession periods. There has been little recognition that over the life of a concession the way a road is managed will have to change to accommodate new technologies (such as electronic tolling) and to meet changing community needs and expectations.

Increasingly, investors, governments and banks are all recognising that a focused, robust owner and operator with a long term view is important to all stakeholders. The emerging paradigm shift is towards a 'whole of life' approach to toll road assets.

That is the Transurban approach. And that is why our investors can look forward to steadily increasing distributions and carefully planned growth.

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

▲ Our projects enhance surrounding communities

Transurban's approach to managing its cornerstone asset, CityLink, is one of the key reasons for its success.

Reflections in the ornamental pool under the CityLink gateway

operating assets

citylink

CityLink had its most successful year so far in 2003-04, with toll and fee revenue reaching $254.5 million (net of GST)—a 10.1 per cent increase over the previous year. Average daily traffic was up 6 per cent.

Transurban's approach to managing its cornerstone asset is one of the key reasons for this success.

The company has set itself apart from other toll road owner-operators by consistently seeking new ways to increase traffic and cut costs to generate stronger cash flows, while maintaining a high standard of service. This strategy means Transurban can deliver increasing returns to investors.

raising revenue

A number of programs across the business have helped CityLink achieve a record increase in revenue in 2003-04.

Last year's annual report described a new video tolling product designed to attract new customers and expand the choices for existing CityLink users. This product, ACCESS, was launched in July 2003, and has been a resounding success.

Since the launch, about 34,000 new accounts have been established, generating over $1.5 million in toll and fee revenue for the year. Moreover, the new product has saved CityLink from issuing e-TAGs to many customers who would not travel often. The tags are an expensive way to serve infrequent users of CityLink.

More favourable trip patterns and improvements in revenue related processes earned $700,000 more in 2003-04. Further opportunities have been identified.

optimising the cost structure

One of the biggest costs for any business with a large customer base is the provision of a call centre.

During the year, CityLink contracted a new call centre, SalesForce, a company with a strong track record in customer service. The move will result in significant savings for the business—while also improving service levels.

Improvements in the processing of images of vehicle number plates used for tolling will save CityLink about $250,000 a year.

The company encourages customers to conduct their transactions with CityLink via the internet or other electronic 'channels' such as kiosks in retail outlets. These are quick and easy for customers to use, and less expensive for the business to manage.

In 2003-04, the continuing shift to these low cost channels saved CityLink about $130,000. Sales of CityLink Passes on the internet jumped from 6 per cent to 9 per cent of all sales, while account top-ups online increased from 3 per cent to 5 per cent.

serving customers

CityLink has developed a long term strategy to ensure the business maintains a competitive advantage in tolling customer service well into the future. The strategy looks ahead 10 years to think about how the marketplace will change, what our customers will need, and how we can deliver it.

A cornerstone of the plan is to deliver superior service through an initiative called 'Customer 1st'. It is designed to secure the position of CityLink (and other tolling services we may offer in the future) as attractive to new and existing customers and encourage current customers to increase their use of the road.

CityLink's 'Customer 1st' brings new levels of excellence to our customer service operations

Already, the approach is having a positive impact on CityLink's day to day operations and its decisions on future business activities. It has also further focused employees on the vital role customer service plays in our company's success.

Some innovative programs created through 'Customer 1st' include:

- CityLink Customer Charter—a set of promises to customers, and a list of performance targets the company is committed to meeting in customer service, road performance and community involvement (to be launched in September 2004);
- CityLink Report Card—an annual public document showing how the company measured up on the performance targets in the Customer Charter (first report scheduled for February 2005);
- CityLink Customer Ombudsman—the appointment of an independent ombudsman (the first for an Australian toll road) to review and make a binding decision on the rare customer issues that could not be resolved through standard, internal processes (to be launched in September 2004); and
- Bright Spark—an internal program that draws on the feedback of experienced staff to make immediate, measurable improvements to customer service (launched April 2004).

In August 2003, interstate roaming for CityLink's e-TAG customers was expanded to include all New South Wales toll roads. Customers already had access to Sydney's Harbour Bridge and Harbour Tunnel, plus all Queensland toll roads.

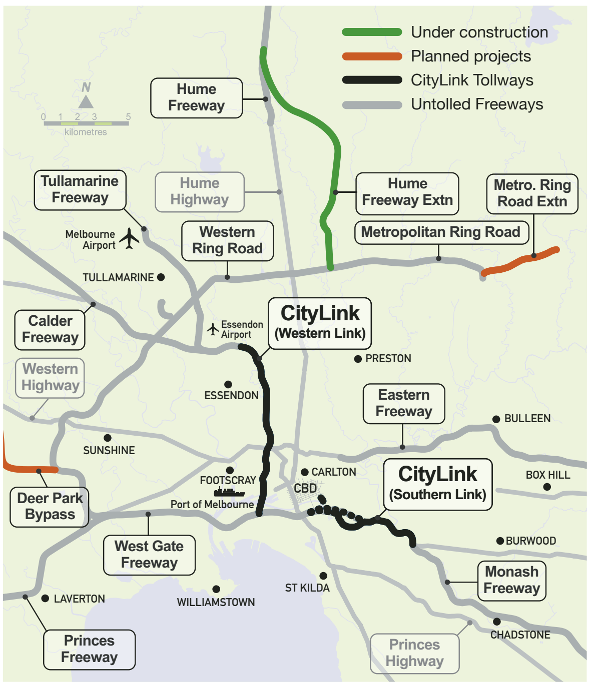
improving infrastructure

CityLink has made a number of changes to the road and its systems to improve the driving experience for customers, increase safety and enhance overall operations.

Some of these improvements include:

- updating the communications network that is the backbone of our tolling system;
- installing special barriers at the entrances to the tunnels to warn drivers of overheight trucks that they pose a safety hazard;
- using ramp metering at the Gibdon Street interchange of the Southern Link to control the flow of traffic onto the freeway;
- posting better speed advisory signs on the road; and
- optimising the operation of the tunnels to improve air quality.

Melbourne's major road system



CityLink engineers also liaised with VicRoads—the Victorian Government's public road authority—as it rolled out improvements to the Bolte Bridge to Lorimer Street and Montague Street sections of the Westgate Freeway.

This VicRoads project, which began in mid 2004, will increase traffic lanes in both directions and improve merging. The changes on this key section of road should help alleviate the peak hour congestion many CityLink customers experienced travelling to or from the city's west.

citylink – making melbourne work better

CityLink is a 22 kilometre motorway in Melbourne, Victoria, which was Australia's first fully electronic toll road. It is divided into two sections—the Western and Southern Links—which connect the Tullamarine, Monash and Westgate freeways. The road includes two tunnels, a major bridge over the Yarra River, an elevated roadway and an architecturally designed 'gateway' feature on the approach to the city.

full electronic tolling

With full electronic tolling, motorists do not have to stop at boom gates or toll booths to pay by cash. On CityLink, they are tolled electronically, and must have one of the following:

- CityLink account—Motorists with an account receive an e-TAG, a small electronic device they place on the vehicle's windscreen. When they travel on CityLink, an overhead tolling system scans the e-TAG and deducts the appropriate toll from the account.
- ACCESS account—Customers with this account do not need an e-TAG, since CityLink also uses video equipment on the road to recognise a vehicle's number plate and allocate the toll to a customer's account. There is a fee associated with matching a vehicle's details to the customer's account on each trip.
- CityLink pass—This pass allows travel on a particular section of the road or during a set period of time. It can be purchased either before or after travel. In either situation, the vehicle's number plate is captured during travel by CityLink's roadside equipment.

image processing & enforcement

When motorists travel on CityLink without an e-TAG device, their number plate is captured by CityLink's roadside equipment. This image is then processed by CityLink, and either used to settle a customer's account or passed on to the Victorian government agency that handles enforcement. This agency administers fines to people who have not made arrangements to travel on the road.

interstate roaming

CityLink customers with an e-TAG device are covered for travel on all tollways in Australia since the company has agreements with all the operators of these roads.

Westlink M7 is on track to deliver substantial returns to investors.

Reinforcing for concrete pavement on Westlink M7

developing assets

westlink M7

Transurban's first New South Wales project—the $2.23 billion Westlink M7 in Western Sydney—is on track to become another valuable asset delivering substantial returns to investors.

Construction of the 40 kilometre motorway is progressing well, and the strong industrial and residential growth in the region is exceeding early forecasts.

Due to open in 2006, Westlink M7 will link Sydney's M5, M4 and M2 and traverse Australia's fastest growing economic region. It will become the major transport link for the 1.8 million people who live in the Greater Western Sydney Region, bypassing up to 56 sets of traffic lights and saving more than an hour on some journeys.

Transurban is a 40 per cent equity partner in this project, with rights to a further 10 per cent, and holds the electronic tolling and customer service contracts. Our equity partners are Macquarie Infrastructure Group (40 per cent), Leighton Holdings (10 per cent) and Abigroup Limited (10 per cent).

growth in the region

Transurban targeted this project due to the enormous growth predicted in the Greater Western Sydney Region over the next 15 years. Westlink M7 will significantly contribute to this growth by linking available industrial land to the port and airport and stimulating rapid residential development. As the long-term operator of the road, Transurban and its investors have a substantial stake in this growth.

Western Sydney is the third largest economy in Australia, and the home of more than 72,000 businesses. Approximately 90 per cent of the new industrial land in Sydney that is earmarked for development is in the Westlink M7 corridor.

In May this year, the New South Wales Government announced an additional 100 hectares of land at the intersection of Westlink M7 and the M4 would be rezoned for employment purposes, expected to create more than 5,000 new jobs. The Government also announced the development of a link road from Westlink M7 to Erskine Park Employment area, a new 500 hectare industrial estate expected to create more than 6,000 jobs.

According to the Greater Western Sydney Economic Development Board, Westlink M7 will generate 24,000 new jobs and an additional $3 billion in economic output in the first three years it is open.

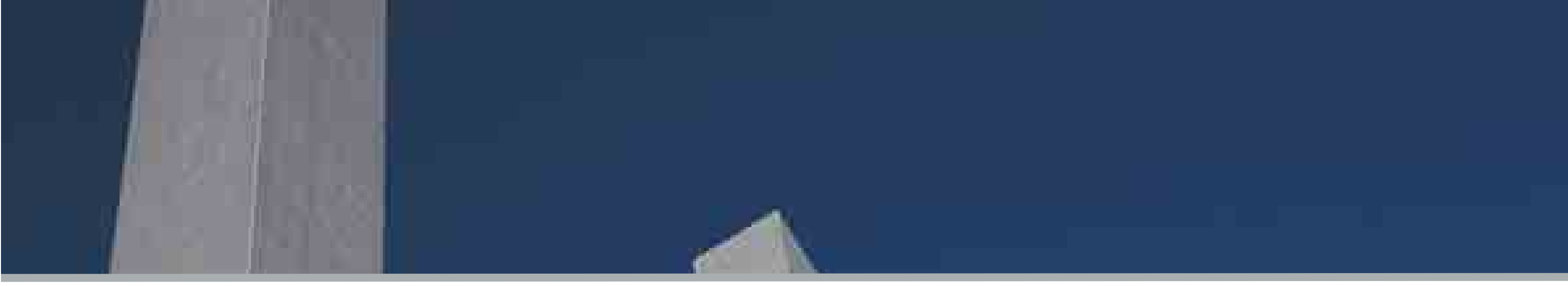
Details are also expected this year on two large land releases at Bringelly and Marsden Park just to the south and north of Westlink M7. According to the New South Wales Government, these two areas alone could house up to 400,000 people over the next 10 to 15 years.

construction progress

Westlink M7 is the biggest urban infrastructure project in Australia. The 40 kilometre motorway includes 17 interchanges, 38 overpasses and underpasses, 144 bridges and a 40 kilometre path for pedestrians and cyclists. Construction risks for the Abigroup-Leighton Joint Venture are considered low, given there are no tunnels or difficult geotechnical issues.

Since major construction began in July last year more than seven million cubic metres of earth have been moved. Most of the earthworks and design work are now complete, paving has started and many of the bridges are under construction.

Westlink M7 will be Sydney's first fully electronic toll road with distance based tolling. Work is well underway on the tolling and customer service system, with a range of payment options for motorists currently being finalised.



We carefully consider projects that fit strict investment criteria and add value for security holders.

CityLink's Bolte Bridge and towers from below

prospects

tolling

Transurban's cornerstone asset, CityLink, is widely regarded as the most efficient full electronic toll road in the world. This has earned the company an international reputation for leadership in tolling and customer service.

Transurban is now leveraging that expertise to pursue projects in Australia and overseas that fit our strict investment criteria and add value for shareholders.

There is no shortage of opportunities. Internationally, governments are increasingly turning to advanced tolling technology to manage congestion and generally improve transport networks in and around major cities.

Transurban's approach to these projects involves partnering with established, local players that can benefit from our expertise and also offer us the greatest chance of success in any bid.

joint venture with MIG

In Australia, Transurban and Macquarie Infrastructure Group (MIG) agreed in December 2003 to cooperate on establishing, developing and implementing a Tolling Joint Venture which would offer fully electronic tolling and customer management services to Sydney toll roads. Transurban and MIG already have a joint investment in Sydney's Westlink M7.

The Joint Venture will seek tolling contracts with existing and new Sydney toll roads using Transurban's tolling and customer service technology and expertise, licensed on commercial terms.

This will create the opportunity to deliver Sydney road users an efficient and seamless tolling solution and bring significant benefits to freight and logistics companies in particular.

Development of the joint venture is progressing.

international opportunities

In March 2004 Transurban joined a consortium headed by Fluor Corporation that has submitted a proposal to the Virginia Department of Transportation in the US for the provision of Bus Rapid Transit (BRT) / High Occupancy Toll (HOT) lanes for the I-95 Motorway.

This proposal is only at concept stage. If it develops, Transurban plans to take on the tolling system design and operations role.

In February 2004 Transurban announced it had joined the Combitech AB consortium bidding to supply, install and operate a system for collecting 'environmental taxes' in Stockholm, Sweden. This is similar to congestion charging schemes in cities like London. It was the company's first tender outside Australia.

The price and contractual terms bid by the Combitech AB consortium would have enabled Transurban to achieve a suitable profit margin while containing its risk exposure to the project. The proposal was not selected, but the consortium is currently appealing the outcome of the tender.

If successful in an overseas tolling project, Transurban will charge an upfront licence fee for its central tolling system (known as GATe), plus ongoing consulting and management fees.

If equity is required for an overseas project, it is expected to be raised primarily in the market in which the project is located, with Transurban earning a management fee.

▲ Global demand for automated tolling is growing rapidly

development

Across the world, many countries are facing a land transport crisis. Traffic is growing at a rate that significantly exceeds most planners' forecasts. In Australia, the national forecast is that passenger kilometres will rise 30 per cent in urban areas by 2020. Unless we significantly increase investment in transport solutions, congestion could be costing Australia as much as $30 billion a year in lost productivity by 2015.

These predictions are placing governments under increasing pressure. However, fiscal priorities mean they are unwilling or unable to borrow the kind of money required to tackle the backlog of critical road projects.

As a result, governments are turning to the private sector to develop and operate new roads. As a pioneer in full electronic tolling, Transurban is uniquely placed to capitalise on the opportunities emerging along the eastern seaboard of Australia. However, the company will continue to apply strict investment criteria in assessing each new opportunity.

mitcham-frankston project

Transurban is a major equity partner in the Mitcham-Frankston Motorway (MFM) consortium, which is bidding to build, own and operate the newest toll road in Melbourne, Victoria.

MFM is one of two groups bidding for the Mitcham-Frankston project. The consortium consists of Transurban Infrastructure Developments Ltd, Leighton Contractors Pty Ltd, Abigroup Ltd and Deutsche Bank AG.

The 40 kilometre road is described by the Victorian Government as an integrated transport project that must deliver significant economic, social and environmental benefits to the 1.4 million people in the southern and eastern regions of Melbourne.

Transurban believes the project will also deliver substantial returns to investors if the MFM consortium is successful and risks are managed. Minimising investor risk is a key consideration.

The new road will join the Eastern Freeway at Park Road in Donvale and effectively extend the freeway connection from the city to Ringwood via two tunnels under the Mullum Mullum Creek. It will then turn south, crossing Burwood Highway, Monash Freeway and the Princes Highway before joining the Mornington Peninsula Freeway at Carrum Downs.

project objectives

In order to deliver fully on the Government's broad objectives for the project, Transurban and its partners in MFM looked beyond the road itself to develop a strategy for the Mitcham-Frankston corridor as a whole.

The corridor strategy was developed as a result of extensive stakeholder consultation and thorough reviews of state and local government policies in an effort to better understand the context of the project in the region. This approach enables better planning to mitigate against future problems and capitalise on future opportunities. It promotes accountability, genuine partnerships with the community and goodwill among customers for the long term.

As this report went to press, Transurban was waiting for the Victorian Government's decision on the preferred tenderer.

new south wales opportunities

Transurban is also considering several emerging development opportunities along Australia's eastern seaboard in New South Wales and Queensland.

In New South Wales, the State Government has announced its preferred option for the M4 East Motorway in Sydney, which will link the M4 at Strathfield and the City West Link. The preferred option includes a 5 kilometre tunnel. The Government is expected to release an Environmental Impact Statement for community consultation towards the end of the year.

If approved, construction on this project is expected to start in 2007, allowing the tunnel to open to traffic by late 2009 or early 2010.

The Federal Government has also announced its preferred option for a link between the F3 and the M2 connecting the Central Coast Region and the Sydney motorway network. This is an important link for freight and commuters. The preferred option is a single 8 kilometre tunnel under Pennant Hills Road, which would save motorists up to 15 minutes of travel time by allowing them to avoid 22 sets of traffic lights. The New South Wales Roads and Traffic Authority is currently refining the preferred option into a concept proposal that will be subject to an Environmental Impact Statement next year.

potential queensland projects

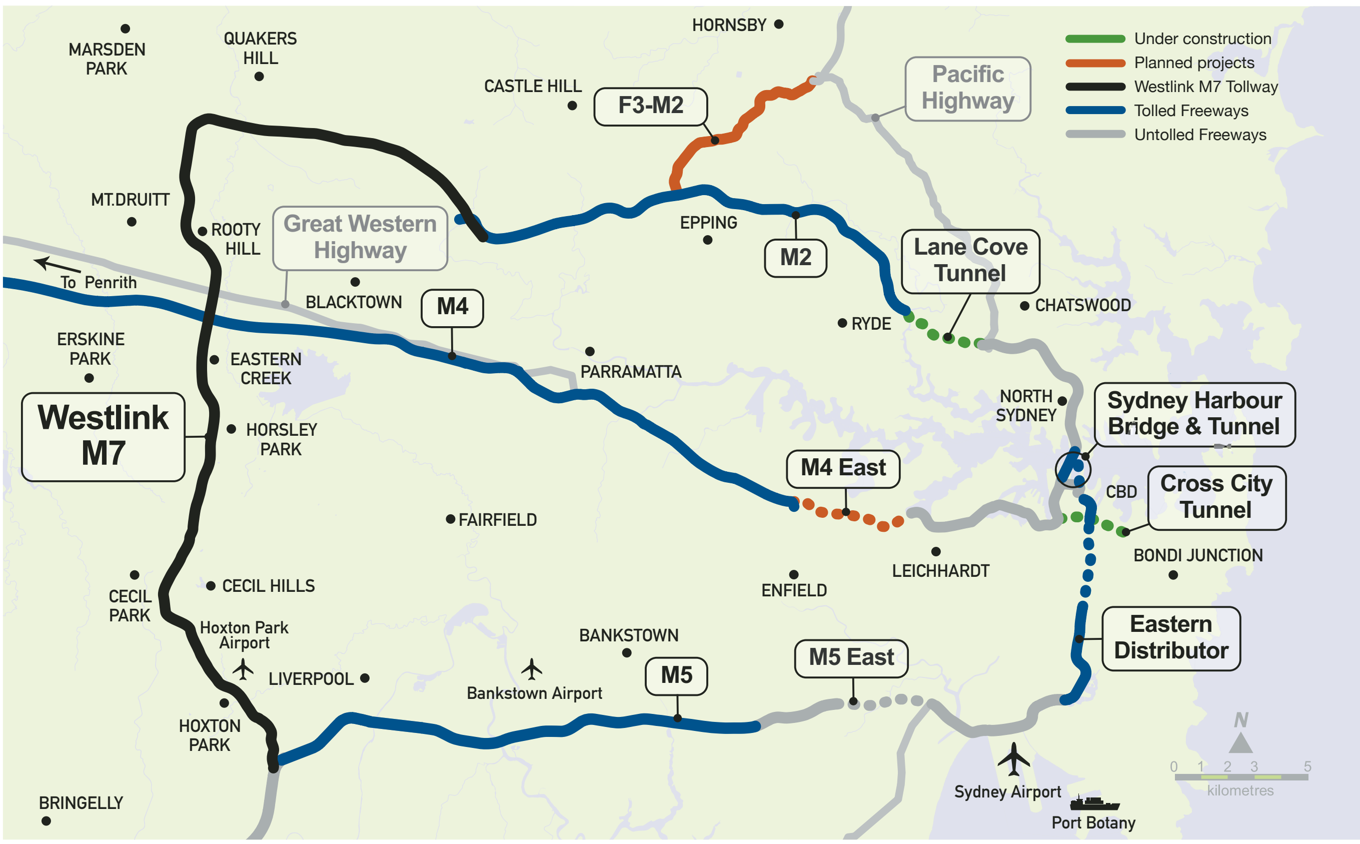
Transurban established a Brisbane office in March to capitalise on potential toll road projects being considered by the Queensland Government and Brisbane City Council.

South East Queensland is experiencing enormous growth in population and freight. This growth is generating significant funding pressures and government authorities are considering funding mechanisms and private sector involvement.

The Queensland Government is investigating options for duplicating the Gateway Bridge across the Brisbane River and upgrading the Gateway Motorway approaches. The Government is expected to decide the preferred financing and delivery model for the 20 kilometre project by late 2004.

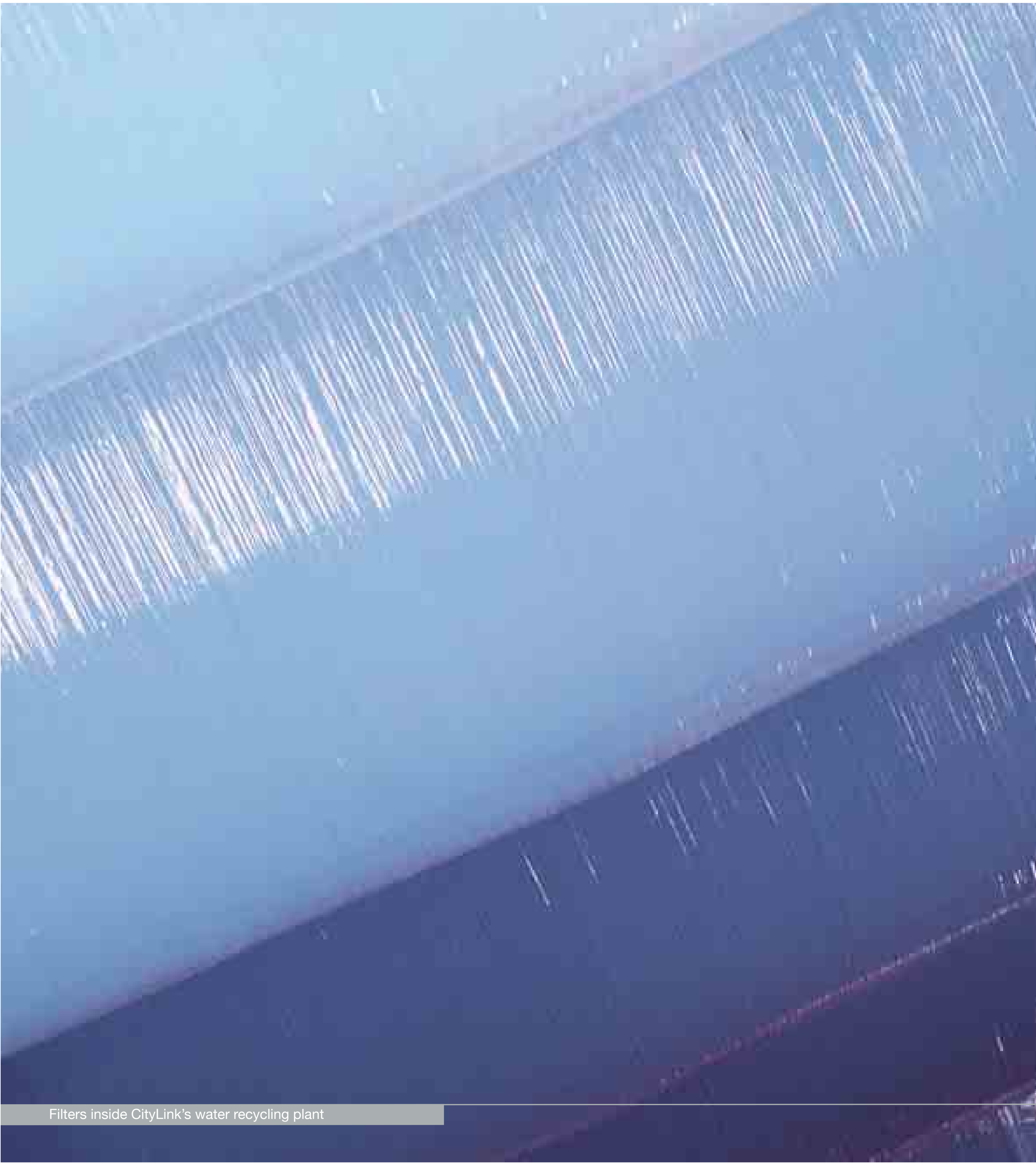
Brisbane City Council is also conducting an Environmental Impact Statement and business case for a 4.7 kilometre North South Bypass Tunnel under the Brisbane River. The Council is targeting tunnel opening by 2008.

The Council has also released a plan to build four additional tunnels to relieve growing congestion in the inner urban area of Brisbane.



▲ Sydney's developing toll road network

We aim to set a new benchmark for sustainability and social responsibility in our sector.



Filters inside CityLink's water recycling plant

partnerships

corporate social responsibility

Transurban believes a comprehensive Corporate Social Responsibility (CSR) program is integral to delivering strong results for communities, investors and governments.

As a company that provides infrastructure and services traditionally delivered by the public sector, Transurban faces heightened public expectation over how we should operate. Our impact on the community and the environment will always come under the microscope. Our challenge is to integrate robust financial performance with environmental and social responsibilities.

Transurban's aim is to set a new benchmark for sustainability and social responsibility in the infrastructure sector.

good corporate citizen

Our CSR program will help build Transurban's business over time by creating shareholder value through:

- operational efficiency and risk reduction;
- aligning and attracting employees to our culture;
- reinforcing our licence to operate with governments and community;
- building our reputation and brands; and
- supporting innovation and our ability to enter new markets.

In 2003 the Australian Stock Exchange (ASX) released its 10 Principles of Good Corporate Governance and Best Practice Recommendations. The ASX notes there is growing acceptance that organisations can create value by better managing natural, human, social and other forms of capital. Increasingly, the performance of companies is being scrutinised from this perspective.

The Transurban Board believes CSR is good for our business, and our programs over the next few years will ensure the company can capitalise on the market's increasing awareness of sustainability issues.

building capacity

In 2003-04, Transurban created a CSR Committee chaired by a non-executive director of the Board and including a range of senior company representatives. Two respected industry-specific external advisers provide independent, critical expertise and advice as members of the Committee.

The Committee is working to develop an internal culture that supports the development and implementation of our CSR philosophy as well as integration of CSR principles into all levels of the business to ensure those principles are reflected in our decisions and actions. Transurban employees have established their own 'good company group' and are setting internal and external objectives that are well supported by the company.

audits

This year Transurban commissioned two comprehensive audits—an environmental and a community audit to inform the implementation of a CSR program. These audits will help us understand our impacts and assist in devising strategies to mitigate them.

Once we roll out the CSR program, we will report our outcomes in line with the Global Reporting Initiative guidelines.

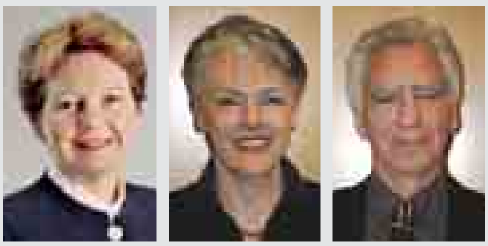
The Transurban Board believes CSR is good for our business.

CityLink staff working on one of our community partnerships

Transurban has commissioned a report to identify our environmental impacts or 'footprint'.

csr committee

Chaired by Board Member Susan Oliver (left), the CSR Committee benefits from the experience of external advisors Jan Cochrane-Harry (centre) and Chris Ryan (right).



protecting the environment

The environmental audit will detail Transurban's environmental impacts or 'footprint'. A report will include an inventory of existing environmental management mechanisms and initiatives that will be rated against industry best practice and regulatory body guidelines.

It will provide analysis of environmental risks in the Transurban domain that will help set priorities for preventative and remedial action.

The report will also outline environmental opportunities for Transurban to assist with innovation and the potential for investment in R&D or technology transfer.

While the audit signifies the incorporation of environmental best practice into our guidelines and systems, Transurban has already demonstrated its commitment to the environment with its water recycling plant in Melbourne. In 2003, the plant saved 202 million litres of clean water by recycling the hundreds of thousands of litres of water that drain naturally each day around CityLink's Burnley and Domain Tunnels.

We also participate in smaller, but equally important projects. These include a partnership with Greening Australia and local schools that involves our staff in education and revegetation.

partnerships

partners in the community

Transurban's partnership with the community is the cornerstone of its CSR program. Customers, local residents, schools, environment groups, government, regulatory bodies, industry groups and employees all play significant roles in our operations.

The community audit will report on our impacts on the community and how best to influence these impacts. It will look at world best practice in stakeholder communications and how we can better listen and learn from those that interact with Transurban.

Some of our community partnerships over the past year include:

- CityLink School Support Program;
- Transurban Excellence in Engineering Scholarships;
- 2003 Melbourne International Festival for the Arts; and
- Western Sydney Industry Awards.

the path ahead

Over the next year we will work towards integrating CSR principles into all levels of the company using methodologies that can be externally verified and publicly reported.

Our community audit will help us listen and learn from those who interact with Transurban.

CityLink's water recycling facility in Melbourne

Transurban is committed to
high standards of corporate governance.

Wall at the base of CityLink's tunnel ventilation stack

governance


laurence g cox

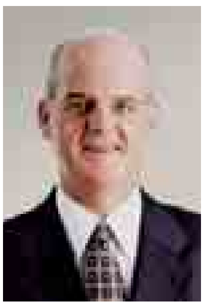

kim edwards


geoff r phillips


david ryan


susan m oliver


professor jeremy g a davis


geoff o cosgriff


peter c byers

Transurban is committed to high standards of corporate governance. In 2003-04, a review of the Group's corporate governance framework was undertaken in the light of the 'Principles and Best Practice Recommendations' published by the Corporate Governance Council of the Australian Stock Exchange in March 2003. The review found that the framework was substantially compliant with the recommendations. Based on the findings of the review, a number of changes have been made to the framework and these are identified in this statement.

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

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

Day to day management of the Group's affairs and the implementation of strategic and policy decisions made by the Board have been formally delegated to the Managing Director and senior executives. These delegations are reviewed regularly.

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

During the year material relating to the corporate governance practices of the Group was progressively published in the corporate governance of the Group's website at www.transurban.com.au. The material presently available comprises: summaries of the Board Charter (first published in April 2004) and the Nomination and Remuneration Committee Charter (February 2004), the Audit Committee Charter (September 2003), Remuneration Policy (April 2004), Code of Conduct

(March 2004), Securities Trading Policy (February 2004), Continuous Disclosure Policy (February 2004), Shareholder Communication Strategy (February 2004), Risk Management Framework (February 2004) and the Corporate Social Responsibility Program.

board of directors

The Board operates in accordance with the broad principles set out in its charter which was approved in January 2004 and was made available in summary form on the Group's website in April 2004. The charter covers the following matters:

board responsibilities

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

The following responsibilities have been retained by the Board:

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

board composition

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

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

board members

Details of the members of the Board, their experience, expertise, qualifications, term of office and independence are set out in the Directors' Report under the heading 'Information on Directors' (refer to page 45).

directors' independence

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

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

With regards to these factors, the Board has determined that all non-executive directors—including Mr Cox—are independent directors.

Mr Cox is an executive director of Macquarie Bank Limited ('MBL'). Until 19 December 2003, when it gave notice that it had ceased to be a substantial holder, MBL held 10.73 per cent of the Group's stapled securities. Based on the last notice of substantial shareholding filed by MBL, this holding comprised:

- 9.80 per cent held by subsidiaries of MBL in their capacities as the responsible entities of the trusts, which comprise Macquarie Infrastructure Group ('MIG') and the custodians of the assets of MIG;
- 0.54 per cent held by the investment management subsidiaries of MBL on behalf of investment funds managed by the subsidiaries; and
- 0.39 per cent held by directors of MBL who have a relevant interest in securities of the Transurban Group.

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

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

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

	2001-02 $mill.	2002-03 $mill.	2003-04 $ mill.
Advisory fees	6.82	0.37	Nil
Underwriting fees	Nil	7.21	Nil
Interest	1.57	3.85	Nil

MBL has advised that each of these amounts represents less than 1 per cent of the total receipts of MBL in the relevant category in each period. This factor has been taken into account in forming the view that these payments would not materially effect Mr Cox's ability to exercise unfettered and independent judgement in the interests of the Group's security holders.

roles of the chairman and the managing director

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

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

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

commitment

The Boards of the entities comprising the Group held a total of 34 meetings during the year. Some of these meetings were held concurrently. The number of meetings held by the Boards of each individual entity and by Board committees is disclosed in the Directors' Report (refer to page 47). In addition, a corporate strategy workshop was held.

The number of meetings of the Boards and of Board committees attended by each director is disclosed in the Directors' Report (refer to page 47).

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

conflicts of interest

The Group entities have developed protocols to ensure that any 'interests' of a director in a particular matter to be considered by the Board are known by each director. These protocols are consistent with obligations imposed by the Corporations Act and the ASX Listing Rules, and they require each director to disclose any contracts, offices held, interests in transactions and other directorships held, to signal any potential conflict. Procedures have been adopted to ensure that where the possibility arises, information is not provided to the director and the director does not participate in or vote at the meeting where the matter is considered. Further information on this matter is set out in the Board Charter summary.

Entities connected with Mr L G Cox and Mr P C Byers had business dealings with Group entities during the year, as described in note 25 to the Group financial statements. In addition, the Group entered into contractual arrangements with entities connected with Mr Cox in relation to a potential joint venture to provide fully electronic tolling in customer management services to Sydney toll roads and to the joint pursuit of future toll road projects in Australia. In accordance with the Board Charter, Mr Cox and Mr Byers declared their interest in these dealings and took no part in the decisions made in relation to them or in the discussions preceding the decisions. No information was provided to those directors in relation to those dealings in which they had declared an interest.

independent external advice

Independent external professional advice in relation to their roles and responsibilities is available to directors at the relevant entity's expense. Prior to seeking such advice, directors are required to consult with, and obtain the approval of, the Chairman. The director must consult a suitably qualified adviser in the relevant field and inform the Chairman of the fee payable for the advice.

A copy of the advice obtained must be provided to the relevant Board.

performance assessment

Each year, the following performance reviews are undertaken:

- a review of the performance of the Board against the requirements of the Board Charter and any other objectives arising from previous performance reviews;
- a review of the performance of each Committee against the requirements of its Charter and of the continuing need for the Committee;
- a review by the Chairman with each director of the individual performance of the director; and
- a review of the performance of the Chairman by a non-executive director nominated by the Board.

These reviews were last undertaken in July 2003. The next reviews are scheduled to be completed by November 2004.

induction and training

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

certification of financial reports and risk management systems

The Managing Director and the Chief Financial Officer have provided the following certifications to the Board in connection with the approval by the Board of the financial reports for the Group and the individual entities comprising the Group for the year ended 30 June 2004:

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

board committees

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

- Audit Committee;
- Risk Management and Compliance Committee;
- Nomination and Remuneration Committee; and
- Mitcham-Frankston Freeway Project Committee.

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

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

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

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

audit committee

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

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

Details of the qualifications of these directors and of their attendance at meetings of the Committee are set out in the Directors' Report (refer to page 10).

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

The Managing Director, other members of the management team and representatives of the external and internal auditor attend meetings of the Committee by invitation. The external auditor meets with the Committee without management present on a regular basis.

The duties and responsibilities of the Audit Committee are set out in its Charter, which was made available on the Group's website in September 2003. The primary responsibility of the Committee is to oversee the entity's financial reporting process on behalf of the Board and to recommend to the Board appropriate actions to ensure high quality financial reporting, sound practices to manage risks and ethical behaviour.

In discharging this responsibility, the Committee:

- assesses the accounting, financial and internal control systems used by the entity and recommends to the Board changes considered appropriate on the basis of such assessments;

- reviews the statutory financial reports of the entity and management's representations in relation to them, and provides advice for consideration by the Board on adopting the statutory financial reports;
- makes recommendations to the Board for the appointment, remuneration and removal of the external auditor and agrees the terms of the auditor's engagement;
- reviews all non-audit services provided by the external auditor;
- reviews the objectives, competence and resourcing of the internal audit function (including determining whether the internal audit function should be provided by an internal or external party); and
- ensures an appropriate program of internal audit activity is conducted each financial year.

risk management and compliance committee

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

S M Oliver (Chairman)
G O Cosgriff
D J Ryan
G R Phillips (executive director)

Details of the qualifications of these directors and their attendance at Committee meetings are set out in the Directors' Report (refer to page 10).

The duties and responsibilities of the Risk Management and Compliance Committee are set out in its Charter, a summary of which was made available on the Group's website in February 2004. The primary responsibility of the Committee is to assist the Board to:

- understand the nature of the risks to which the entity is exposed;
- prioritise those risks for management;
- mitigate those risks to an acceptable level; and
- communicate its performance in managing risk to interested stakeholders.

nomination and remuneration committee

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

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

Details of the qualifications of these directors and their attendance at Committee meetings are set out in the Directors' Report (refer to page 10).

The duties and responsibilities of the Nomination and Remuneration Committee are set out in its Charter, which was made available on the Group's website in February 2004. The primary responsibilities of the Committee are to provide advice to the Board on the appointment of new directors, the measurement of Board performance and the remuneration of directors and senior executives.

In discharging this responsibility, the Committee:

- makes recommendations on the size and composition of the Board and on procedures for identifying and screening candidates for appointment to the Board;
- implements these identification and screening procedures when required;
- reviews at least annually the time commitments of non-executive directors to help in assessing whether candidates for appointment as directors can meet them given their other commitments;
- develops and oversees an orientation and education program for new directors;
- makes recommendations regarding succession plans for the Board;
- recommends processes for the review of the performance of individual directors and the Board as a whole; and
- makes recommendations on the remuneration policies and practices to be introduced and maintained by the entity for the benefit of directors and employees. To assist in making these recommendations, the Committee consults as necessary with external remuneration consultants.

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

A summary of the Group's remuneration policies was made available on the Group's website in April 2004. Further information on the remuneration of directors and executives is set out in note 25 to the Group financial statements (refer to page 46).

mitcham-frankston freeway project committee

The Mitcham-Frankston Freeway Project Committee consists of all directors except Mr L G Cox.

Details of the attendance of these directors at Committee meetings are set out in the Directors' Report (refer to page 10).

An entity connected with Mr L G Cox is a member of the ConnectEast consortium. That consortium was a respondent during the year to a Request for Proposals ('RFP') issued by the Southern and Eastern Integrated Transport Authority ('SEITA')—an Authority of the State of Victoria—for the Mitcham-Frankston Freeway project. Group entities are members of the Mitcham-Frankston Motorway consortium, which submitted a response to the RFP in competition with ConnectEast. Under information protocols agreed with SEITA, the Group was required to:

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

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

external auditors

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

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

PricewaterhouseCoopers was initially appointed as the Group's external auditor in 1996 and was subsequently re-appointed in December 2001. The appointment of the external auditors has been approved by security holders as required by the Corporations Act. It is the policy of PricewaterhouseCoopers to rotate audit engagement partners on listed entities at least every five years. In accordance with that policy, a new audit engagement partner was introduced for the year ended 30 June 2003.

Details of the fees paid to the external auditors, including a break down of fees paid for non-audit services, are set out in note 26 to the Group financial statements (refer to page 61).

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

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

risk assessment and management

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

A summary of the Group's Risk Management Framework was made available on the Group's website in February 2004. The framework is based on the recommendations of the Australian/New Zealand Standard for Risk Management AS/NZS 4360:1999 and is subject to regular review by the internal auditor and an independent external auditor.

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

- ensuring the Group's risk management and compliance systems are comprehensive and efficient (i.e. eliminating gaps and overlaps between the various sub-systems);
- monitoring the activities of specialised risk management and compliance working groups such as the Information Security Governance Sub Committee and the Tunnel Integrity Sub Committee; and
- promoting a culture of risk awareness across the Group.

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

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

Information of the Group's compliance with the environmental regulation to which it is subject is set out in the Directors' Report (refer to page 7).

code of conduct

In March 2004 the Board approved a revised Code of Conduct ('the Code') for all directors and employees.

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

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

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

The Code specifies the procedures directors and employees must follow when dealing in securities issued by the Group and securities of entities with whom the Group has an existing or potential business relationship. Dealing in Transurban stapled securities is only permitted during the thirty day periods following the release of the annual and half year results to the ASX and following the Annual General Meeting. Dealing in CARS is not presently subject to this restriction.

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

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

The directors are satisfied that during the year ended 30 June 2004, the Group has complied with the requirements of the Code, including the securities trading policy.

governance

continuous disclosure and shareholder communication

In February 2004 the Board approved revised policies on information disclosure, covering:

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

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

The Deputy Managing Director has been nominated as the person with primary responsibility for operation of the Continuous Disclosure Policy and for all communication with the ASX in relation to the continuous disclosure obligations of Group entities.

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

international financial reporting standards ('IFRS')

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

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

In October 2003 the Group established an IFRS transition project team led by the Chief Financial Officer. The project team has prepared a plan to manage the transition to IFRS. This plan was presented to the Audit Committee together with the results of an initial scoping review of the expected impact on the Group of adopting IFRS. The project plan is currently on schedule.

The project team has started a detailed analysis of IFRS and the Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the transition date to IFRS and required accounting policy changes. The project team has identified a number of accounting policy choices. These are being analysed to determine the most appropriate policy for the Group on transition to IFRS.

Note 1(aa) to the Group financial statements (refer to page 25) sets out the major changes expected to require amendments to the Group's current accounting policies or to require an election.

Detail of the cantilevered beam at CityLink's gateway

financials

The Transurban Group Financial Report consisting of the aggregate Financial Statements of Transurban Holdings Limited and Controlled Entities (ABN 86 098 143 429) and Transurban Holding Trust and Controlled Entities (ABN 30 169 362 255) and Transurban Infrastructure Developments Limited and Controlled Entities (ABN 96 098 143 410)

for the year ended 30 june 2004

contents

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

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

All entities within the group are domiciled in Australia. Its registered office and principal place of business is:
Level 43 Rialto South Tower
525 Collins Street
Melbourne VIC 3000

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

directors' report

The directors of Transurban Infrastructure Developments Limited, Transurban Infrastructure Management Limited as Responsible Entity for Transurban Holding Trust and Transurban Holdings Limited present their report on the Transurban Group Accounts for the year ended 30 June 2004.

Group accounts

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

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

Directors

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

	Transurban Infrastructure Developments Limited	**Transurban Holdings Limited**	**Transurban Infrastructure Management Limited**
Non-executive directors			
Laurence G Cox	✓	✓	✓
Peter C Byers	✓	✓	✓
Geoffrey O Cosgriff	✓	✓	✓
Jeremy G A Davis	✓	✓	✓
Susan M Oliver	✓	✓	✓
David J Ryan	✓	✓	✓
Executive Directors			
Kimberley Edwards	✓	✓	-
Geoffrey R Phillips	✓	✓	✓

Principal activities

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

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

(b) Tendering for participation in other toll roads;

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

(d) Identification and development of infrastructure projects in accordance with the investment strategies of Transurban Holdings Limited and Transurban Holding Trust;

(e) Participation in the direction of the entities responsible for the development of Westlink M7 Motorway project; and

(f) Provision of the tolling and customer management system for the Westlink M7 Motorway project.

directors' report

Results

The result of operations for the financial year ended 30 June 2004 was an operating loss of $61.5 million (2003: $83.6 million).

Distributions

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

	2004 $'000	2003 $'000
Stapled Securities		
Final distribution for 2003 financial year of 10.0 cents (2002 – 3.0 cents) per fully Stapled Security paid 8 October 2003	**51,847**	15,300
Interim distribution for 2004 financial year of 12.0 cents (2003 – 10.0 cents) per fully paid Stapled Security paid 26 March 2004	**62,823**	51,163
Total distributions paid	**114,670**	66,463

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2004 and 2003 were as follows:

Paid in cash	**54,145**	32,409
Satisfied by issue of Stapled Securities	**60,525**	34,054
	114,670	66,463

In addition to the above distributions, the directors have resolved since the end of the financial year to pay a final distribution of $71.9 million (13.5 cents per Stapled Security) on 8 October 2004. The record date for eligibility to receive the distribution is 24 September 2004.

Review of operations

(a) CityLink traffic

Transaction volume for the year ended 30 June 2004 was 218.2 million transactions, representing a 6.04 per cent increase on the prior year. Traffic growth was stronger in the second six months with 6.7 per cent being achieved, compared to 5.4 per cent in the first six months. Growth in usage by the light commercial vehicle class was well above the average at 8.4 per cent.

The growth in transaction volumes combined with toll escalation resulted in toll and fee revenue (net of GST) of $254.5 million, an increase of 10.1 per cent over the previous year.

(b) CityLink customer service

The introduction of the video-based "Access" product contributed to strong growth in customer accounts, particularly in the second half of the year. At 30 June 2004, there were 671,255 accounts (including 32,835 Access accounts), with 943,898 e-TAGs linked to e-TAG accounts. These totals represent rises of 10 per cent and 7 per cent respectively, over the previous year.

A continued focus on customer service has resulted in the introduction of two major programmes during the year. Work has been undertaken to develop efficient processes for the identification and change-over of e-TAGs approaching the end of their useful life. This will be of major benefit over the next 2 to 3 years as a progressively larger number of e-TAGs require change over.

Customer Services has also introduced a philosophy of "Customer 1st" across the business. This initiative will become integrated in to the daily operations at CityLink, improving the customer experience and increasing revenue to the business.

Initiatives to deliver long-term cost reductions during the year included:

- Renegotiation of the call centre services contract achieving annual savings of $1.0 million from June 2004.

- Transition of transactional banking arrangements delivering cost reduction of $0.3 million per year from August 2004.
- Operational improvements in the Image Processing area due to enhanced image quality and improved system performance resulting in a 16 per cent increase in productivity ($0.3 million) per annum during FY04.

The result of these cost initiatives is a decrease in costs per transaction (excluding non-recurring costs) of 2.0 per cent over the prior year. Non-recurring costs comprised costs for the launch of the Access product ($0.4 million) and recall of e-TAGs ($1.0 million) following the battery failures detected in August 2003.

Customer Services will continue the focus on operational improvements to mitigate the cost impacts of increases in volume and CPI while maintaining or enhancing service standards.

(c) Infrastructure group operations

A final settlement of $6.0 million was reached with the Transfield Obayashi Joint Venture ("TOJV") in October 2003 in relation to a number of outstanding construction defects. The settlement will provide funding for ongoing defect rectification works on the CityLink. During the period, $1.7 million was incurred in relation to such rectification works.

CityLink has continued to upgrade its automated systems for the management of traffic, tunnel ventilation and groundwater. Optimisation of the ventilation system in the tunnels has significantly improved air quality. Recycling of water drained from the tunnels continues to achieve the 95 per cent reuse target.

(d) Westlink M7

The Westlink M7 Project, in which the Transurban Group has a 40 per cent interest, is progressing ahead of schedule and is well on target to achieve completion in 2006.

At the date of this report, the majority of bulk earthworks are complete and drainage works and bridge construction are well underway. Concrete paving has commenced and the control centre building is due for completion in early 2005. Progress has been very good due to the predominantly dry weather conditions experienced through the year.

In addition to being an equity participant in the project, Transurban has contracts for the development and implementation of the electronic tolling system (GATe) and the tolling and customer management (TCM) system for the project.

(e) Business development

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

(i) Mitcham Frankston Freeway ("MFF") Project

A request for Proposals ("RFP") for the MFF Project was issued by the State in October 2003.

The MFF is a 40 kilometre road which will include a 1.5 kilometre tunnel. The road is to be developed as a privately financed toll road and will meet the transport needs of 1.4 million people in the southern and eastern suburbs of Melbourne when it is completed in 2008.

The Mitcham – Frankston Motorway consortium in which Transurban is a participant with Leighton Contractors Pty Limited, Abigroup Limited and Deutsche Bank AG submitted a response to the RFP in April 2004. A decision on the preferred bidder for the MFF Project is expected later in 2004.

(ii) Hills Motorway Group Acquisition

During the year Transurban purchased an 8.1 per cent interest in the Hills Motorway Group ("HLY") from Abigroup Limited, at a price of $6.40 per security. The purchase consideration of $96 million has been funded from existing facilities.

Distributions anticipated to be received on the HLY securities will offset the costs of servicing the acquisition and the purchase will not impact Transurban's ability to fulfil its objective of delivering steady growth in distributions.

(iii) Stockholm Congestion Charging Project

A proposal to provide the installation and operation of a congestion charging system proposed for the central area of Stockholm was submitted to the Swedish National Road Authority (Vagverket) by the Combitech AB consortium in which Transurban is a participant in March 2004. Other participants in the consortium include Kapsch TrafficCom AB and Atos Origin AB.

Transurban's role in the project was to provide business and systems advice as well as being the central system provider.

On 9 July 2004, Vagverket advised the Combitech AB consortium that its proposal had not been accepted. Vagverket cited price and contractual terms as the reason for not achieving preferred status.

(iv) Extension of term of Infrastructure borrowing facilities

On 18 February 2004, a settlement of the matters in dispute in relation to the extension of the term of the Group's infrastructure borrowing facilities ("the Facilities") was reached with the Development Allowance Authority and the Australian Taxation Office. The settlement will allow Transurban to extend the term of the Facilities to April 2007, generating additional savings in interest costs of approximately $50.0 million per year over the period from October 2004 to April 2007.

Transurban received management fees of $6.5 million from Macquarie Bank ("MBL"), the provider of the Facilities in relation to the extension of their term.

(v) Transurban, Macquarie Infrastructure Group and Macquarie Bank Joint Agreement

In December 2003, Transurban entered into an agreement with Macquarie Infrastructure Group ("MIG") and Macquarie Bank under which:

- Transurban and MIG will cooperate to establish, develop and implement a joint venture which will offer fully electronic tolling and customer management services to Sydney toll roads; and
- The parties will cooperate to jointly pursue, bid, acquire, develop and manage future toll road projects in Australia (excluding the MFF Project). The agreement is for five years.

(vi) I95 Virginia USA proposal

Transurban has joined a consortium headed by Fluor Corporation that has submitted a proposal to the Virginia Department of Transportation for the provision of Bus Rapid Transit ("BRT") / High Occupancy Toll ("HOT") lanes for the I95 Motorway in Virginia.

This proposal is only at concept stage but should it develop it is intended that Transurban would undertake the design and operation of the tolling system.

(f) Income tax

Transurban has advice from Senior Counsel that the concession fees paid to the State of Victoria under the CityLink Concession Deed are immediately deductible expenditure. The Group Accounts have been prepared on this basis for the year ended 30 June 2004 and all prior years.

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

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

Transurban has lodged a Notice of Appeal against the dismissal. The appeal was heard by a Full Court of the Federal Court on 17 and 18 August 2004. The Court reserved its judgement in the matter.

Until a definitive resolution of this matter has been achieved, Transurban intends to continue preparing the Group financial statements on the basis that the concession fees are deductible. If the finding of Mr Justice Merkel is finally confirmed, certain items in the Group financial statements will require amendment. These amendments are quantified in the following table, assuming that the amendments were applicable for the year ended 30 June 2004:

Item	**Current Basis $000**	**Amended Basis $000**
Statement of Financial Performance		
• Concession Note Valuation Adjustment (Expense)/Benefit	36,985	78,170
Statement of Financial Performance		
• Non-interest bearing non-current liabilities	207,681	166,496
• Accumulated losses	(404,841)	(363,656)
Carried forward tax loss at 30 June 2004 ($million)	938.1	142.0

As a result of the reduction in the carried forward tax loss, the date at which distributions would cease to be 100 per cent tax deferred would be advanced from 2014 to the end of 2005.

The tax effect will be partially offset by an increase in the value of the distributions received. This increase will occur because the threshold return for commencement of redemption of Concession Notes is calculated on an after tax basis.

Significant changes in the state of affairs

(a) Acquisition of 8.1 per cent interest in Hills Motorway Group

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

(b) Mitcham Frankston Freeway Project

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

(c) Extension of Infrastructure Borrowing Facilities

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

Matters subsequent to the end of the financial year

With the exception of the decision by Vagverket on the Stockholm Congestion Charging Project (see Review of Operations Item (e)(iii) above), at the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2004 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the combined entity in financial years subsequent to 30 June 2004.

Likely developments and expected results of operations

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

Environmental regulation

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

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

Under this regulation, Transurban is required to monitor the emissions of carbon monoxide, oxides of nitrogen and particulate matter from the exhaust stacks and ambient air quality in the vicinity of the stacks.

directors' report

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

Current monitoring verifies that emission levels are well below the maximum levels specified in the licence issued by the EPA and that there has been an improvement in ambient air quality since the tunnels opened.

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

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 Children's Research Institute and SMS Management and Technology Ltd.

Date of initial appointment: 13 February 1996.

Special Responsibilities: Group Chairman, Chairman of Nomination and Remuneration Committee, Member of Audit Committee and Member of Risk Management and Compliance Committee.

Independence status: independent.

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

Mr Kim Edwards joined Transurban when it was originally bidding for the CityLink project. He brought international engineering, business and project management experience that added a new dimension to the bid. Over the past 25 years, Mr Edwards has held senior management positions on major commercial and infrastructure projects in Australia, the United Kingdom and the Middle East. More recently, as Managing Director of Transurban, he oversaw the expansion of the company into the Sydney market through the company's successful bid for the Westlink M7 project. In recent years Mr Edwards has led the development of the Group into other toll road opportunities and the deployment of its electronic tolling technology in Australia and overseas.

Date of initial appointment: 29 October 1996.

Special Responsibilities: Group Managing Director.

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

Mr Peter Byers is a director of Airport Motorway Management Ltd, Hills Motorway Management Ltd, 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, a director of Adelaide Airport Ltd and the Blair Athol Group and a founding director and chairman of the Investment Committee of the Superannuation Scheme for Australian Universities.

Date of initial appointment: 2 January 1996.

Special Responsibilities: Chairman of Audit Committee.

Independence status: independent.

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

Mr Geoff Cosgriff is Executive Director for LogicaCMG Pty Ltd, the Australian subsidiary of the UK- listed company LogicaCMG. In December 2000, Logica Pty Ltd, acquired MITS Limited of which Mr Cosgriff was the founding Managing Director. Over the period from its formation in 1990, MITS grew to 600 staff and nearly $100 million in sales of information technology solutions. He is also a non-executive director of UXC Limited, Skilltech Consulting Services and a Council Member for Leadership Victoria. Previously Mr Cosgriff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry.

Date of initial appointment: 19 December 2000.

Special Responsibilities: Member of Risk Management and Compliance Committee and Member of Nomination and Remuneration Committee.

Independence status: independent.

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 Sydney. His academic interests are in the fields of corporate strategy and negotiation. 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.

Date of initial appointment: 16 December 1997.

Special Responsibilities: Member of Audit Committee and Member of Nomination and Remuneration Committee.

Independence status: independent.

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

Ms Susan Oliver is a director of MBF Group, Programmed Maintenance Services Ltd, Methodist Ladies College Ltd, The Smith Family Ltd, The Australian Business Foundation Ltd and wwITe Pty 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.

Date of initial appointment: 25 June 1996.

Special Responsibilities: Chairperson of Risk Management and Compliance Committee and Chairperson of Corporate Social Responsibility Committee.

Independence status: independent.

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

Mr Geoffrey Phillips joined Transurban in 1996 as Executive General Manager, Finance and was subsequently appointed Finance Director. 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.

Date of initial appointment: 28 August 1998.

Special Responsibilities: Deputy Managing Director, Chief Financial Officer and Member of Risk Management and Compliance Committee.

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

Mr David Ryan is Chairman of Residual Assco Limited, DJL Limited, Tooth & Co Limited and Industrial Equity Limited. He is also a director of ABC Learning Centres Limited, Virgin Blue Holdings Limited and a member of the Advisory Board of the Caliburn Partnership. Mr Ryan's experience covers commercial banking, investment banking and operational business management in the transportation services sector. From 1992 to 2002, Mr Ryan held various senior positions in the Adelaide Steamship Group and from 1997 to 2002 he was the foundation Managing Director of Adsteam Marine Limited.

Date of initial appointment: 29 April 2003.

Special Responsibilities: Member of Risk Management and Compliance Committee.

Independence status: independent.

Meetings of directors

The number of meetings of the board of directors of Transurban Infrastructure Developments Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

directors' report

Name	Board of Directors Transurban Infrastructure Developments Limited		Board of Directors Transurban Holdings Limited		Board of Directors Transurban Infrastructure Management Limited	
	A	B	A	B	A	B
L G Cox	12 (1)	14	7	8	10	12
P C Byers	13	14	8	8	11	12
G O Cosgriff	14	14	8	8	12	12
J G A Davis	14	14	8	8	12	12
S M Oliver	13	14	8	8	11	12
D J Ryan	13	14	8	8	12	12
K Edwards	14	14	8	8	x	x
G R Phillips	14	14	8	8	11	12

A= Number of meetings attended

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

X= Not a director of the relevant company

(1) Mr Cox was granted leave of absence from two meetings in April and May 2004 due to illness.

In addition to the meeting of the full board listed above, a number of meetings of directors were held duing the period for administrative purposes.

The number of meetings of each board committee of Transurban Infrastructure Developments Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2004, and the numbers of meetings attended by each director are set out in the following table. All meetings were held jointly.

Name	Audit committee		Mitcham-Frankston Freeway committee		Nomination & remuneration committee		Risk management & compliance	
	A	B	A	B	A	B	A	B
L G Cox	3 (2)	4	x	x	2	2	x	x
P C Byers	4	4	11	11	x	x	x	x
G O Cosgriff	x	x	9	11	1	2	3	3
J G A Davis	4	4	11	11	2	2	x	x
S M Oliver	x	x	11	11	x	x	3	3
D J Ryan	x	x	11	11	x	x	3	3
K Edwards (1)	x	x	10	11	x	x	x	x
G R Phillips (1)	x	x	11	11	x	x	3	3

A= Number of meetings attended

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

X= Not a member of the relevant committee

(1) Messrs Edwards and Phillips are not members of the Audit and Nomination & Remuneration Committees but have been in attendance at all of these meetings.

(2) Mr Cox was granted leave of absence from one meeting in May 2004, due to illness.

Directors' interests

As at the date of this Directors' Report, the directors of the Group have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") as follows:

Name	**Number of Stapled Securities**	**Options over Stapled Securities**	**Number of CARS**
L G Cox	775,000	-	1,000
P C Byers	50,000	-	-
J G A Davis	50,000	-	-
S M Oliver	60,993	-	-
G O Cosgriff	24,910	-	121
D J Ryan	21,043	-	-
K Edwards	61,000	1,500,000	-
G R Phillips	-	500,000	-

Remuneration report

Principles used to determine the nature and amount of remuneration

Non-executive directors

The remuneration of non- executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. The constitution of each of the entities comprising the Group provides that the total remuneration paid in a year to non-executive directors by the entity may not exceed $950,000. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration.

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

Executive directors and executives

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

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

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

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

In consultation with external remuneration consultants, the Group has structured its executive remuneration to reward both growth and the delivery of improved returns.

Executives are remunerated through a combination of base salary, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI") provided via either the Executive Option Plan ("EOP") or the Executive Long-term Incentive Plan ("ELTIP").

The proportion of each component of an executive's total remuneration is established by reference to remuneration survey data for comparable companies. The remuneration of the Managing Director is established by the Board, based on the recommendation of the Nomination & Remuneration Committee. The remuneration of senior executives reporting to the Managing Director is established by the Nomination and Remuneration Committee, based on the recommendation of the Managing Director.

The components of Executive remuneration are described below:

Base pay

Base pay is structured as a Total Employment Cost (TEC). This provides a mix of cash, superannuation and prescribed benefits. An executive's pay is reviewed annually against market rates for comparable roles, however changes to an executive's pay are ultimately determined based on their performance and perceived value to Transurban. There are no guaranteed base pay increases fixed in any executive's contract of employment.

Short-term incentives

On an annual basis, the Group makes available Short-term Incentive ("STI") payments to executives for the achievement of Group and individual performance. STI amounts are expressed as a percentage of TEC, but are also subject to further adjustment using Economic Value Added ("EVA") methodology for the variance between a target EVA and the EVA actually achieved. The purpose of the EVA adjustment is to ensure that STI payments reflect management's performance in adding security holder value.

Long-term incentives

Two forms of Long-term Incentives ("LTI") are currently in operation, the Executive Option Plan ("EOP") and the Executive Long-term Incentive Plan ("ELTIP"). The EOP provides Executives with equity-based rewards, where as the ELTIP provides cash-based rewards. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review of the EOP in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period covered by the EOP. No options were granted under the EOP during this financial year. Details regarding the EOP are available in the note 25 of the Group financial statements.

Business generation incentive plan

The Group also has in place a Business Generation Incentive Plan ("BGIP") in which executives may participate depending upon their level of involvement in generating new business. The BGIP (based on the risk adjusted value [RAV] of a project/business venture) has been designed to link incentive/variable pay rewards to the increase in value derived from generating new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Employee security ownership plan

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

Employee insurance

In addition to their TEC, executives are covered by the Group's salary insurance and death and disablement plan on the same basis as that offered to all permanent employees.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each director of the Transurban Group and each of the 5 officers of the Group receiving the highest emoluments for the year ended 30 June 2004 are set out in the following tables.

Directors of the Transurban Group

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

Other executives of the Transurban Group

Name	Primary: Cash salary & fees $	Primary: Cash bonus $	Primary: Long term incentive $	Primary: Non-monetary benefits $	Post-employment: Super-annuation $	Equity: Options[(1)] $	Total $
B Bourke	332,057	150,000	38,499	15,942	42,943	43,664	623,105
K Daley	218,851	100,000	40,906	18,532	91,149	37,264	506,702
P O'Shea	193,851	130,000	31,281	9,778	91,149	31,940	487,999
K Reynolds	261,469	90,000	30,078	18,434	23,531	31,940	455,452
F Browne	348,530	-	-	18,585	31,470	47,798	446,383
Total	1,354,758	470,000	140,764	81,271	280,242	192,606	2,519,641

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

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

Stapled Securities under option

Unissued stapled securities of the Transurban Group under option at the date of this report are as follows. No options were issued during the year.

Date options granted	Expiry date	Issue price of Stapled Securities	Number under option
26 April 2001	30 April 2006	$3.817	1,654,300
23 October 2001	31 October 2006	$4.404	2,000,000
1 February 2002	30 April 2007	$4.280	400,000
9 April 2002	30 April 2007	$4.030	300,000
20 May 2002	30 April 2007	$4.220	950,000

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

Shares issued on the exercise of options

The following Stapled Securities were issued during the year ended 30 June 2004 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities.

Date options granted	Issue price of securities	Number of securities issued
26 April 2001	$3.817	95,700

Indemnification and insurance

The officers of the Group are indemnified against liability incurred by the person in their capacity as an officer unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Group also indemnifies each person who is or has been an officer against liability for costs or expenses incurred by the person in his or her capacity as an officer in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001.

Pursuant to this indemnification, the individual entities of the Group have paid premiums for an insurance policy for the benefit of directors, secretaries and executive officers and related bodies corporate of the Group, in the case of the Trusts within the Group the officers are indemnified out of the assets of the Trusts. In accordance with common practice, the insurance policies prohibit disclosure of the nature of the liability covered and the amount of the premium.

Rounding off

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

Auditor

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

financials

statements of financial performance

for the year ended 30 June 2004

	Notes	2004 $'000	2003 $'000
Revenue from ordinary activities	3	**467,666**	410,868
Expenses from ordinary activities:			
Operational costs		**(67,899)**	(59,242)
Administration		**(18,504)**	(16,354)
Business Development		**(9,172)**	(10,045)
Corporate and Community Relations		**(2,454)**	(2,577)
Concession Fees		**(95,600)**	(95,600)
Net valuation adjustment on Concession Notes		**58,615**	62,896
Depreciation and amortisation expenses	4	**(152,400)**	(148,233)
Borrowing costs expense	4	**(241,742)**	(225,291)
Loss from ordinary activities before income tax		**(61,490)**	(83,578)
Income tax on operating loss	5	**-**	-
Loss from ordinary activities after income tax		**(61,490)**	(83,578)

		Cents	Cents
Basic earnings per Stapled Security	35	**(11.7)**	(16.3)
Diluted earnings per Stapled Security	35	**(4.1)**	(16.1)

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

statements of financial position

as at 30 June 2004

	Notes	**2004 $'000**	2003 $'000
Current assets			
Cash assets	6	**207,452**	172,277
Receivables	7	**25,757**	24,926
Other	8	**6,914**	2,605
Total current assets		**240,123**	199,808
Non-current assets			
Property, plant and equipment	9	**3,604,281**	3,728,251
Intangible assets	10	**8,752**	9,252
Financial assets	11	**486,419**	392,000
Investments accounted for using the equity method	12	**6,236**	5,888
Other	13	**29,920**	19,573
Total non-current assets		**4,135,608**	4,154,964
Total assets		**4,375,731**	4,354,772
Current liabilities			
Payables	14	**79,422**	54,471
Interest bearing liabilities	15	**8,000**	8,000
Non-Interest bearing liabilities	16	**25,585**	28,049
Provisions	17	**5,570**	5,072
Total current liabilities		**118,577**	95,592
Non-current liabilities			
Interest bearing liabilities	18	**2,210,248**	2,131,897
Non-Interest bearing liabilities	19	**207,681**	173,846
Provisions	20	**2,036**	974
Total Non-Current Liabilities		**2,419,965**	2,306,717
Total liabilities		**2,538,542**	2,402,309
Net assets		**1,837,189**	1,952,463
Equity			
Contributed equity	21	**2,242,030**	2,181,144
Accumulated losses	22	**(404,841)**	(228,681)
Total equity		**1,837,189**	1,952,463

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

statements of cash flows

for the year ended 30 June 2004

	Notes	**2004 $'000**	2003 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**309,806**	260,718
Payments to suppliers (inclusive of GST)		**(146,034)**	(113,291)
Interest received		**173,553**	154,384
Other revenue		**15,687**	20,788
Borrowing costs		**(214,768)**	(227,306)
Net cash inflows from operating activities	33	**138,244**	95,293
Cash flows from investing activities			
Payments for property, plant and equipment		**(22,602)**	(19,261)
Payments for project development		**(5,334)**	-
Payments for investments		**(96,347)**	(7,514)
Payment for single purpose		**(3,150)**	(3,700)
Investment in CPLN's		**-**	(392,000)
Proceeds from sale of assets		**6**	-
Loans to related parties		**(2,801)**	-
Repayment of loans by related parties		**909**	-
Net cash (outflows) from investing activities		**(129,319)**	(422,475)
Cash flows from financing activities			
Proceeds from issue of CARS		**-**	430,000
Proceeds from issue of stapled securities – options		**365**	-
Repayment of borrowings		**-**	(2,958,872)
Proceeds from borrowings		**80,000**	3,040,000
Payment of interest rate swap termination		**-**	(90,573)
Payment of premium on mezzanine debt termination		**-**	(20,750)
Distributions paid	23	**(54,145)**	(32,409)
Net cash inflows from financing activities		**26,220**	367,396
Net increase in cash at bank and cash collateral		**35,145**	40,214
Cash at bank and cash collateral at the beginning of the financial year		**1,421,277**	1,381,063
Effects of exchange rate changes on cash		**30**	-
Cash at bank and cash collateral at the end of the financial year		**1,456,452**	1,421,277
Less cash collateral		**(1,249,000)**	(1,249,000)
Cash at bank at the end of the financial year	6	**207,452**	172,277
Financing arrangements and credit facilities	18		
Non cash financing activities	34		

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

notes to the financial statements

for the year ended 30 June 2004

1. Summary of significant accounting policies

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

Where necessary, comparatives have been reclassified for consistency with current year disclosures. In the current year, amounts previously categorised under the two main headings of Administration and Operational costs have been split to more accurately reflect the nature of the Group's operations.

Prior year comparative information has been amended in a consistent manner.

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

a) Principles of aggregation

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

The financial statements have been aggregated in recognition of the fact that the securities issued by the parent entities were stapled into parcels during the year ended 30 June 2004. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban Infrastructure Developments Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security are able to be traded separately.

Where control of an entity is obtained during a financial year, its results are included in the combined statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in associates are accounted for in the combined financial statements using the equity method. Under this method, the combined entity's share of post acquisition profits or losses of associates is recognised in the combined statement of financial performance, and its share of post acquisition movements in reserves is recognised in combined reserves. The cumulative post acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the combined entity exercises significant influence, but not control.

b) Historical cost convention

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

c) Income tax

Income tax is brought to account in respect of the Group, which has adopted the liability method of tax effect accounting. Income tax expense is calculated on the operating profit of the Group, adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods

notes to the financial statements

for the year ended 30 June 2004

for income tax and accounting purposes is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability. However, the future tax benefit relating to timing differences and tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

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

Tax consolidation legislation

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

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

Based on its analysis, the Group has elected to implement tax consolidation legislation for Transurban Infrastructure Developments Limited and its wholly owned entities with effect from 1 July 2003. The Australian Tax Office has not yet been notified of this decision.

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

The remaining entities, comprising Transurban Holdings Limited and the Transurban Holding Trust have elected not to participate in the tax consolidation legislation.

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

d) Foreign currency translation

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at the date. Resulting exchange differences are recognised in determining the profit or loss for the year.

e) Acquisition of assets

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

f) Revenue recognition

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

g) Receivables

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

h) Recoverable amount of non-current assets

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

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

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

i) Amortisation and depreciation of fixed assets

CityLink fixed assets

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

Other plant and equipment

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

The expected useful lives are as follows:

Plant and Equipment	3 – 15 years

j) Leased non-current assets

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

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

k) Non-current assets constructed by the combined entity

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

l) Intangible assets

The excess of the cost over the identifiable net assets acquired is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise. This period is presently estimated to be 20 years.

m) Trade and other creditors

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

n) Interest bearing liabilities

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

o) 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 entity.

p) Concession notes

Non-interest bearing long-term debt represented by the Concession Notes has been included in the financial statements at the present value of 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.

notes to the financial statements

for the year ended 30 June 2004

q) Employee entitlements

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. An expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 25.

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

(iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long-term Incentive Plan. Information relating to this plan is set out in note 25.

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

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

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

(v) Superannuation

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

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

r) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

s) Joint venture entity

The interest in a joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 32.

t) Maintenance and repairs

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

u) Borrowing costs

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

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

v) Cash

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

w) Project development

Costs incurred in developing proposals for specific projects are charged to the Statement of Financial Performance in the period in which they are incurred except where:

(i) the outcome of the proposal has been determined and the outcome will result in the acquisition of an asset; or

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

Costs meeting these criteria are capitalised.

x) Financial instruments

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

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

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

y) Earnings per stapled security

(i) Basic earnings per stapled security

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

notes to the financial statements

for the year ended 30 June 2004

(ii) Diluted earnings per stapled security

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

z) 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.

aa) International financial reporting standards (IFRS)

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

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

The Group established an IFRS transition project team led by the Finance Director in October 2003. The project team prepared a plan to manage the transition to IFRS which was presented to the audit committee along with the results of an initial scoping review of the expected impact of the adoption of IFRS on the Group. The project plan is currently on schedule. The project team has commenced a detailed analysis of IFRS and the Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the date of transition to IFRS and future accounting policy differences. The project team has identified a number of accounting policy choices which are still being analysed by management to determine the most appropriate accounting policy for the Group on transition to IFRS.

The major matters identified to date that are expected to require changes to the Group's existing accounting policies or allow for an election by the Group are set out below. The major differences identified to date should not be regarded as a complete list of possible changes in accounting policies that will result from the transition to IFRS as not all standards or elections possible under some standards have been analysed as yet. For these reasons it is not yet possible to quantify the impact of the transition to IFRS.

(i) Income tax

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

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

The Group has presently recognised deferred tax balances but due to the existence of unrecognised tax losses these offset future tax liabilities. On the adoption of AASB 112, the Group may recognise deferred tax assets, liabilities and tax losses to the extent it is probable they will be available for use the Group. The impact on the transition balance sheet is still being analysed and due to the present dispute with the ATO in regard to the deductibility of CityLink Concession Fees, the Group is unable to presently estimate the expected impact on the transition balance sheet or opening retained earnings.

(ii) Intangible assets – goodwill

The Group has recognised goodwill which is presently being amortised over a 20 year period. Under AASB 3: Business Combinations, goodwill cannot be amortised and instead is allocated to cash generating units and subject to impairment testing on each reporting date. This change in policy may impact on the future volatility of earnings, however, there is not expected to be any impact on Group retained earnings on transition to IFRS.

(iii) Equity-based compensation benefits

Under AASB 2 Share-based Payment, equity-based compensation to employees will be recognised as an expense in respect of the services received.

This will result in a change to the current accounting policy, under which no expense is recognised for equity-based compensation. This is not expected to impact on the transition balance sheet or opening retained earnings as the present Group share- based long-term incentive plan is already recognised in the financial report and options issued to executives fall outside the dates for which retrospective adjustment is mandated.

(iv) Financial instruments

Under the Australian equivalent to AASB 139 Financial Instruments: Recognition and Measurement there may be major impacts as a result of:

- Financial assets held by the combined entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost.

  The most significant change identified to date is investments in listed equity securities will be carried at fair value and may be classified as available for sale or designated as Fair Value through profit and loss. The Group presently holds an investment in Hills Motorway and is presently considering the policy options of classifying the investment as available for sale with changes in fair value being recognised directly in equity or designating the investment as fair value through profit and loss. The change in accounting policy to carry listed equity investments at fair value is expected to increase assets and retained earnings in the transition balance sheet, and may lead to greater volatility in future reporting periods.

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

  The change in policy is not expected to have a significant impact on the transition balance sheet, but will lead to greater volatility in the reported balance sheet and if the hedging criteria are not met, in the reported profit and loss.

notes to the financial statements

for the year ended 30 June 2004

(v) Accounting for associates

Under AASB 128 Investments in Associates, a long-term loan to an associate can be considered as part of the investment. This is a change in present accounting policy where only the equity component of the investment is included in equity accounting and long-term loans are a separate class of asset subject to recoverable amount testing. This may effect the Group's investment in the Westlink project which is presently equity accounted. The investment is substantially represented by a long-term loan rather than an equity investment. If the Westlink project incurs accounting losses from the commencement of operations greater than the Group's equity investment, the receivable balance may be reduced to the extent of the Group's remaining share of accounting losses. This may occur despite the recoverable amount of the long-term loan not being impaired due to the expected cashflow from the Westlink project. This change in policy is not expected to impact on the transition balance sheet or opening retained earnings as Westlink has not yet commenced operations, but may lead to greater volatility in earnings in future reporting periods.

(vi) Business Combinations

Under AASB 3: Business Combinations, the Group can elect to either restate or grandfather acquisition accounting from previous business combinations where AASB 3 may have resulted in different acquisition accounting. In particular, the Group restructure in December 2001 would have required different acquisition accounting under AASB 3 than that required by current Australian Accounting Standards. The Group has elected to grandfather all previous business combinations and there will be no impact on the transition balance sheet or opening retained earnings from restating business combinations, subject to other standards.

2. Segment information

The Combined Entity's primary business segment for the period ending 30 June 2004 was the operation of the Melbourne CityLink toll road. The acquisition of a 40 per cent interest in the Westlink M7 project has not resulted in a change to the primary segment of the Group. The Westlink M7 project is presently non-operational and is scheduled for completion in 2007.

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

	Segment Revenues		Segment Assets		Segment Liabilities	
	2004	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Victoria	**431,033**	390,606	**3,960,431**	3,907,325	**2,091,096**	1,965,796
New South Wales	**36,633**	20,262	**415,300**	447,447	**447,446**	436,513
	467,666	410,868	**4,375,731**	4,354,772	**2,538,542**	2,402,309

3. Revenue

	2004 $'000	2003 $'000
Revenue from operating activities		
Toll revenue	**248,097**	223,162
Fee revenue	**6,361**	7,923
Advertising revenue	**3,451**	3,378
Equity commitment fee	**-**	10,500
	257,909	244,963
Revenue from outside operating activities		
Interest	**180,480**	162,564
Proceeds from sale of non-current assets	**6**	-
Equity investment distributions	**1,044**	-
Foreign exchange gains (net) (note 4)	**59**	-
Other	**28,168**	3,341
	209,757	165,905
Revenue from ordinary activities	**467,666**	410,868

notes to the financial statements

for the year ended 30 June 2004

	2004 $'000	2003 $'000

4. Operating loss from ordinary activities

Net gains and expenses

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

	2004 $'000	2003 $'000
Net gains		
Net gain on disposal of property, plant and equipment	**6**	-
Net foreign exchange gains recognised in the profit from ordinary activities for the year (as either revenue or expense)	**59**	-

Expenses

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

	2004 $'000	2003 $'000
Depreciation and amortisation		
CityLink	**141,200**	142,603
Other fixed assets	**10,700**	5,130
Amortisation		
Goodwill	**500**	500
Total depreciation/amortisation	**152,400**	148,233
Bad and doubtful debts – trade debtors	**635**	1,057
Borrowing costs		
Interest and finance charges paid/payable	**230,650**	210,033
Interest rate hedging charges paid/payable	**11,092**	15,258
Total borrowing costs	**241,742**	225,291
Rental expenses relating to operating leases	**2,284**	1,700

5. Income tax

Tax consolidation legislation

The Transurban Group has elected to implement tax consolidation legislation for Transurban Infrastructure Developments Limited and its wholly owned entities with effect from 1 July 2003. The Australian Tax Office has not yet been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(c).

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

Transurban Holdings Limited and the Transurban Holding Trust have elected not to adopt the tax consolidation legislation.

	2004 $'000	2003 $'000
a) The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:		
Loss from ordinary activities before income tax expense	**(61,490)**	(83,578)
Income tax calculated at 30% (2003-30%)	**(18,447)**	(25,073)
Tax effect of permanent differences:		
Infrastructure borrowing facility interest not deductible	**26,439**	26,288
Non-deductible depreciation and amortisation	**150**	-
Other	**170**	-
Income tax adjusted for permanent differences	**8,312**	1,215
Benefit of (tax losses of prior year recouped)/tax losses not recognised	**(8,312)**	(1,215)
Income tax expense	**-**	-
b) Transurban Holding Trust		
Tax losses at beginning of year	**138,337**	173,861
Tax (income) for the year	**(45,054)**	(35,524)
Tax losses at end of year	**93,283**	138,337
Transurban Holdings Limited		
Tax losses at beginning of year	**845,986**	771,288
Tax (income)/losses for the year	**(6,486)**	74,698
Tax losses at end of year	**839,500**	845,986
Transurban Infrastructure Developments Limited		
Tax losses at beginning of year	**249**	1,625
Tax (income) for the year	**5,089**	(1,376)
Tax losses at end of year	**5,338**	249

notes to the financial statements

for the year ended 30 June 2004

Potential future income tax benefits at 30 June 2004 for tax losses not brought to account for the combined entity are $281.4 million (2003: $295.4 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements described in note 1c. The gross tax losses in relation to the Trust are $93.3 million as at 30 June 2004 (2003: $138.3 million). These losses can not be used directly by the Trust for the reason outlined in note 1c, but may be available for the benefit of unit holders in the future.

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

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

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

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

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

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Group financial statements have been prepared on this basis for the year ended 30 June 2004 and all prior years. Deductions in respect of concession fees account for $796.1 million of the combined entity's carried forward loss of $938.1 million at 30 June 2004.

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

Transurban appealed against the ATO's decision to disallow its objection to the assessment. The appeal was heard before Mr Justice Merkel in the Federal Court on 3 October 2002. On 2 February 2004, Mr Justice Merkel dismissed Transurban's appeal. Transurban has lodged a Notice of Appeal against the dismissal. The appeal was heard by a Full Court of the Federal Court on 17 and 18 August 2004. The Court reserved its judgement in the matter.

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

	2004 $'000	2003 $'000

6. Current assets – cash assets

Cash at bank	**207,452**	172,277
	207,452	172,277

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

Cash at bank – as above	**207,452**	172,277
Cash collateral, Infrastructure Loan Facility (note 1o)	**795,000**	795,000
Cash collateral, Infrastructure Note Facility (note 1o)	**454,000**	454,000
	1,456,452	1,421,277

The amount shown in Cash at Bank includes $36.2 million comprising the amount required under the CityLink Concession Deed to be held in the maintenance reserve account and the amount held in the CARS funding reserve. These amounts were not available for general use at 30 June 2004 (2003: $36.1 million).

7. Current assets – receivables

Trade debtors	**11,508**	8,755
Less: provision for doubtful debts	**(755)**	(706)
	10,753	8,049
Other debtors	**15,004**	16,877
	25,757	24,926

Other debtors generally arise from transactions outside the usual operating activities. The balance includes a distribution of $2.6 million from the investment in Hills Motorway Group Limited (refer note 11).

8. Current assets – other

Prepayments	**3,627**	2,605
Debtors from related parties	**3,287**	-
	6,914	2,605

notes to the financial statements

for the year ended 30 June 2004

9. Non-current assets – property, plant and equipment

a) CityLink fixed assets

	2004 $'000	2003 $'000
CityLink at cost	**3,910,616**	3,910,607
Less: Accumulated depreciation	**(359,160)**	(217,959)
	3,551,456	3,692,648

Equipment and fittings

	2004 $'000	2003 $'000
Equipment and fittings at cost	**80,116**	52,224
Less: Accumulated depreciation	**(27,291)**	(16,621)
	52,825	35,603
Total property, plant and equipment	**3,604,281**	3,728,251

Non-current assets pledged as security

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

b) Reconciliations

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

	CityLink $'000	**Equipment and fittings $'000**	**Total $'000**
2004			
Carrying amount at 1 July 2003	**3,692,648**	**35,603**	**3,728,251**
Additions	**8**	**27,922**	**27,930**
Depreciation/amortisation expense charged to statement of financial performance	**(141,200)**	**(10,700)**	**(151,900)**
Carrying amount at 30 June 2004	**3,551,456**	**52,825**	**3,604,281**
2003			
Carrying amount at 1 July 2002	3,828,159	27,931	3,856,090
Additions	2,141	17,761	19,902
Disposals	-	(8)	(8)
Transfers between asset classes	4,951	(4,951)	-
Depreciation/amortisation expense charged to statement of financial performance	(142,603)	(5,130)	(147,733)
Carrying amount at 30 June 2003	3,692,648	35,603	3,728,251

	2004 $'000	2003 $'000

10. Non-current assets – intangible assets

Goodwill	**10,000**	10,000
Less: Accumulated amortisation	**(1,248)**	(748)
	8,752	9,252

11. Non-current assets – other financial assets

Investments traded on organised markets

Shares in other corporations	**94,419**	-

Other financial assets

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

During the year Transurban Holding Trust acquired an 8.1 per cent interest in the Hills Motorway Group. The market value of the investment at 30 June 2004 is $111.0 million.

Investment in Construction Phase Loan Notes ("CPLN")

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

12. Investments accounted for using the equity method

Interest in joint venture partnership (note 32)	**6,236**	5,888
Shares in associates (note 31)	**-**	-
	6,236	5,888

13. Non-current assets – other

Debtor from related party	**5,128**	-
Prepayments	**2,913**	4,813
Project development	**9,139**	1,626
Deferred borrowing costs	**12,740**	13,134
	29,920	19,573

notes to the financial statements

for the year ended 30 June 2004

	2004 $'000	2003 $'000
14. Current liabilities – payables		
Trade creditors	**7,355**	1,823
CARS coupon payment	**15,009**	6,350
Other creditors	**57,058**	46,298
	79,422	54,471

CARS coupon payment represents the interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7 per cent for the period 1 January 2004 to 30 June 2004 totalling $15.0 million has been charged to the statement of financial performance as a borrowing cost due to the CARS being classified as a liability. This coupon was paid to CARS holders on 31 July 2004.

Other creditors

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

15. Current liabilities – interest bearing liabilities

	2004 $'000	2003 $'000
Secured		
Bank loan	**8,000**	8,000
	8,000	8,000

This loan facility was fully utilised at 30 June 2004.

16. Current liabilities – non-interest bearing liabilities

	2004 $'000	2003 $'000
Prepaid tolls	**20,121**	18,044
Unearned income	**2,314**	6,855
Release from Single Purpose	**3,150**	3,150
	25,585	28,049

17. Current liabilities – provisions

	2004 $'000	2003 $'000
Employee entitlements	**5,570**	5,072
	5,570	5,072

18. Non-current liabilities – interest bearing liabilities

	2004 $'000	2003 $'000
Secured		
Infrastructure Loan facility	**795,000**	795,000
Less: Cash collateral (note 1o)	**(795,000)**	(795,000)
Infrastructure Note facility	**454,000**	454,000
Less: Cash collateral (1o)	**(454,000)**	(454,000)
Land Transport Notes	**248**	1,897
Project Debt – Tranche B	**510,000**	510,000
Capital Markets Debt	**1,190,000**	1,190,000
Convertible Adjusting Rate Securities	**430,000**	430,000
Subordinated Debt Facility	**80,000**	-
	2,210,248	2,131,897

Set-off of assets and liabilities

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

Financing arrangements and credit facilities

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

Details of each facility are as follows:

a) Infrastructure loan facility

$795 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the Infrastructure Loan facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2004.

b) Infrastructure note facility

$454 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the infrastructure note facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2004.

c) Land transport notes

The class A land Transport Notes were repaid on 30 June 2004. The class B Land Transport Notes are carried at a present value of $0.2 million and will be repaid no later than 30 days prior to the last day of the concession period.

d) Tranche B bank debt

$510 million facility which is for a term of 5 years from 28 June 2002. The facility was fully utilised at 30 June 2004. The facility is secured by a first ranking charge over the cash flows of the Melbourne CityLink Project.

e) Capital markets debt

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

	Maturing 2005 '000	Maturing 2007 '000	Maturing 2009 '000	Total '000
Fixed interest rate				
Credit wrapped	175,000	-	-	175,000
Non-credit wrapped	260,000	-	-	260,000
	435,000	-	-	435,000
Floating interest rate				
Credit wrapped (1)	65,000	240,000	360,000	665,000
Non-credit wrapped	90,000	-	-	90,000
	155,000	240,000	360,000	755,000
Total capital markets debt	590,000	240,000	360,000	1,190,000

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

f) Convertible adjusting rate securities

$430 million raised via the issue of 4.3 million securities. Semi annual interest is paid at a fixed rate of 7 per cent per annum until the first re-set date on 14 April 2007. These securities are generally convertible into Transurban Securities at a discount of 2.5 per cent and rank ahead of Transurban Stapled Securities on a winding up of Transurban in conjunction with a winding up of Transurban CARS Trust.

Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of CARS. The term of this guarantee is until the first reset date, 14 April 2007, at which time the guarantee may or may not be extended.

g) Subordinated debt facility

$80 million facility which is for a term of six months from 26 June 2004. The facility was fully utilised at 30 June 2004. The facility can be rolled at the option of the Group upon expiry.

h) Cash advance facility

$50 million facility which is for a term of 3 years from 28 June 2002. The facility was unused at 30 June 2004.

	2004 $'000	2003 $'000
Loans		
Total facilities	**3,087,000**	3,087,000
Used at balance date	**3,037,000**	2,957,000
Unused at balance date	**50,000**	130,000

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

Release from Single Purpose	**-**	3,150
Concession Notes	**207,681**	170,696
	207,681	173,846

CityLink Melbourne Limited issues Concession Notes annually in satisfaction of its obligations to pay Concession Fees to the State of Victoria ("the State") equal to $95.6 million. The notes are due for redemption at the end of the Concession Period, but may be presented earlier where a Notional Initial Equity Investor has achieved a real after tax internal rate of return on its equity investment in the Project equal to 10 per cent per annum. Once the threshold rate of return is achieved, subsequent Concession Note redemption payments are limited to not more than 30 per cent of the distributable cash flow for the previous year. Based on forecast cash flows which assume that concession fees are deductible as incurred, the first Concession Note payment is presently expected to occur in the 2012 financial year.

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

The face value of Concession Notes on issue at 30 June 2004 is $796.1 million (2003: $700.5 million). The Net Present Value at 30 June 2004 of the redemption payments relating to these Concession Notes is $207.7 million (2003: $170.7 million). The indicative timing of these redemption payments is set out in the following table.

Concession note redemption

Estimated concession note payments		
Within five years	**-**	-
Later than 5 years but not later than 10 years	**155,152**	104,212
Later than 10 years but not later than 15 years	**525,903**	463,717
Later than 15 years but not later than 20 years	**114,999**	132,524
	796,054	700,453

notes to the financial statements

for the year ended 30 June 2004

	2004 $'000	2003 $'000
Reconciliation		
Reconciliation of movement in the Concession Note liability.		
Concession Note liability at the start of the year	**170,696**	137,992
Concession Notes issued during the year	**95,600**	95,600
Valuation adjustments for the year:		
Charge/(credit) for Concession Notes on issue at beginning of year	**20,483**	16,559
Credit for Concession Notes issued during the year	**(79,098)**	(79,455)
Concession Note liability at the end of the year	**207,681**	170,696

20. Non-current liabilities – provisions

	2004 $'000	2003 $'000
Employee entitlements	**2,036**	974
	2,036	974

21. Contributed equity

	2004 Number '000	2003 Number '000	2004 $'000	2003 $'000
a) Stapled Securities fully paid	**532,630**	518,473	**2,242,030**	2,181,144
	532,630	518,473	**2,242,030**	2,181,144

b) Date	Details	Notes	Number of shares '000	Issue price	$'000
1 July 2003	Opening Balance		518,473	-	2,181,144
8 October 2003	Distribution reinvestment plan issue	d	4,957	$4.1241	20,443
26 February 2004	Exercise of April 2001 options	f	96	$3.8170	367
26 March 2004	Distribution reinvestment plan issue	d	9,104	$4.4020	40,076
30 June 2004	Closing Balance		532,630		2,242,030

c) Stapled Securities

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

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

d) Distribution reinvestment plan

The Transurban Group has established a distribution reinvestment plan under which holders of Stapled Securities may elect to have all or part of their distribution entitlements satisfied by the issue of new Stapled Securities rather than by cash. Securities are issued under the plan at a 2.5 per cent discount to the market price

e) Employee share scheme

Information relating to the employee share scheme, including details of share issued under the plan, are set out in note 25.

f) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 25.

22. Accumulated losses

	2004 $'000	2003 $'000
Accumulated losses at the beginning of the year	**(228,681)**	(78,640)
Net losses incurred during the year	**(61,490)**	(83,578)
Trust distributions to security holders	**(114,670)**	(66,463)
Accumulated losses at the end of year	**(404,841)**	(228,681)

notes to the financial statements

for the year ended 30 June 2004

23. Distributions

	2004 $'000	2003 $'000
Stapled Securities		
Final distribution for 2003 financial year of 10.0 cents (2002 – 3.0 cents) per fully paid Stapled Security paid 8 October 2003	**51,847**	15,300
Interim distribution for 2004 financial year of 12.0 cents (2003 – 10.0 cents) per fully paid Stapled Security paid 26 March 2004	**62,823**	51,163
Total distributions paid	**114,670**	66,463

Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2004 and 2003.

Paid in cash	**54,145**	32,409
Satisfied by issue of Stapled Securities	**60,525**	34,054
	114,670	66,463

In addition to the above distributions, since year end the directors have recommended the payment of a final distribution of 13.5 cents per fully paid stapled security. The aggregate amount of the proposed distribution expected to be paid on 8 October 2004, not recognised as a liability at year end, is $71.9 million (2003: $51.8 million).

24. Financial instruments

The combined entity is party to financial instruments with off-balance sheet risks in the normal course of business in order to hedge exposure to interest rate fluctuations. These instruments are not included in assets or liabilities.

Interest rate swap contracts

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

Swaps currently in place cover approximately 86 per cent (2003: 92 per cent) of the floating rate loan principal outstanding.

At 30 June 2004, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2004 $'000	2003 $'000
4 – 5 years	**1,160,000**	1,160,000
	1,160,000	1,160,000

notes to the financial statements

for the year ended 30 June 2004

Interest rate risk

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

2004

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	between 1 and 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash	6	207,452	-	-	-	-	207,452
Debtors	7,13	-	-	-	-	30,885	30,885
Other	8,13	-	-	-	-	6,540	6,540
Debtors from related party	8	-	-	-	-	3,287	3,287
Construction phase loan notes	11	-	-	392,000	-	-	392,000
Total financial assets		207,452	-	392,000	-	40,712	640,164
Weighted average interest rate		5.05%	-	6.27%	-		
Financial liabilities							
Creditors	14	-	-	-	-	79,422	79,422
Prepaid tolls	16	-	-	-	-	20,121	20,121
Release from single purpose	16	-	-	-	-	3,150	3,150
Land transport notes	18	-	-	-	248	-	248
Concession notes	19	-	-	-	-	207,681	207,681
Bank loan	15	8,000	-	-	-	-	8,000
Tranche B debt	18	510,000	-	-	-	-	510,000
Capital markets debt	18	755,000	-	435,000	-	-	1,190,000
Subordinated debt facility	18	80,000	-	-	-	-	80,000
Infrastructure loan facility	18	-	-	1,249,000	-	-	1,249,000
Cash collateral	18	-	-	(1,249,000)	-	-	(1,249,000)
CARS	18	-	-	430,000	-	-	430,000
Interest rate swaps	24	(1,160,000)	-	1,160,000	-	-	-
Total financial liabilities		193,000	-	2,025,000	248	310,374	2,528,622
Weighted average interest rate		5.97%	-	3.76%	-		
Net financial assets/(liabilities)		14,452	-	(1,633,000)	(248)	(269,662)	(1,888,458)

notes to the financial statements

for the year ended 30 June 2004

2003

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	between 1 and 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
Financial assets							
Cash	6	172,277	-	-	-	-	172,277
Debtors	7	-	-	-	-	24,926	24,926
Other	8,13	-	-	-	-	20,552	20,552
Construction phase loan notes	11	-	-	392,000	-	-	392,000
Total financial assets		172,277	-	392,000	-	45,478	609,755
Weighted average interest rate		4.47%	-	6.27%	-		
Financial liabilities							
Creditors	14	-	-	-	-	54,471	54,471
Prepaid tolls	16	-	-	-	-	18,044	18,044
Release from single purpose	16,19	-	-	-	-	6,300	6,300
Land transport notes	18	-	-	1,897	-	-	1,897
Concession notes	19	-	-	-	-	170,696	170,696
Bank loan	15	8,000	-	-	-	-	8,000
Tranche B debt	18	510,000	-	-	-	-	510,000
Capital markets debt	18	755,000	-	435,000	-	-	1,190,000
Infrastructure loan facility	18	-	-	1,249,000	-	-	1,249,000
Cash collateral	18	-	-	(1,249,000)	-	-	(1,249,000)
CARS	18	-	-	430,000	-	-	430,000
Interest rate swaps	24	(1,160,000)	-	1,160,000	-	-	-
Total financial liabilities		113,000	-	2,026,897	-	249,511	2,389,408
Weighted average interest rate		4.98%	-	4.04%	-		
Net financial assets/(liabilities)		59,277	-	(1,634,897)	-	(204,033)	(1,779,653)

	Notes	**2004 $'000**	2003 $'000
Reconciliation of net financial liabilities to net assets			
Net financial liabilities as above		**(1,888,458)**	(1,779,653)
Non-financial assets and liabilities			
Property, plant and equipment	9	**3,604,281**	3,728,251
Other assets	10,11,12,13	**131,286**	16,766
Other liabilities	16,17,20	**(9,920)**	(12,901)
Net assets per balance sheet		**1,837,189**	1,952,463

Credit risk

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

Net fair values of financial assets and liabilities

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

The aggregate net fair value of interest rate swaps not recognised in the balance sheet (refer note 1x) held at 30 June 2004 is a liability of $0.3 million (2003: $61.6 million).

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

The valuation of interest rate swaps reflects the estimated amounts which the entity expects to pay or receive to terminate the contracts or replace the contracts at their current market rates as at 30 June 2004.

notes to the financial statements

for the year ended 30 June 2004

25. Director and executive disclosures

Directors

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

Chairman – non-executive
Laurence G Cox

Non-executive directors
Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan

Executive directors
Kimberley Edwards
Geoffrey R Phillips

Specified executives

The following persons were the 10 executives with the greatest authority for the strategic direction and management of the Group ("specified executives") during the financial year. All executives are employees of Transurban Infrastructure Developments Limited, except Brendan Bourke, who is an employee of CityLink Melbourne Limited.

Name	*Position*
Brendan Bourke	CEO, CityLink Melbourne Limited
Ken Daley	Executive General Manager
Paul O'Shea	General Counsel
Ken Reynolds	General Manager, Major Projects
Francis Browne	General Manager, Global and Business Development
Lisa Hunt	General Manager, New South Wales
Vic Delosa	General Manager, Victoria
Joanne Barber	General Manager, Human Resources
Mike Roberts	General Manager, Corporate Relations
Cesare Tizi	Chief Information Officer

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration.

Non-executive directors

The remuneration of non-executive directors consists of director's fees, committee fees and (subject to eligibility) retirement benefits. The constitution of each of the entities comprising the Group provides that the total remuneration paid in a year to non-executive directors by the entity may not exceed $950,000. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination & Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee Contribution is met from gross remuneration.

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

Executives

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

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

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

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

In consultation with external remuneration consultants, the Group has structured its executive remuneration to reward both growth and the delivery of improved returns.

Executives are remunerated through a combination of base salary, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI") provided via either the Executive Option Plan ("EOP") or the Executive Long-term Incentive Plan ("ELTIP").

The proportion of each component of an executive's total remuneration is established by reference to remuneration survey data for comparable companies. The remuneration of the Managing Director is established by the Board, based on the recommendation of the Nomination & Remuneration Committee. The remuneration of senior executives reporting to the Managing Director is established by the Nomination and Remuneration Committee, based on the recommendation of the Managing Director.

The components of executive remuneration are described below:

Base pay

Base pay is structured as a Total Employment Cost (TEC). This provides a mix of cash, superannuation guarantee contributions and prescribed benefits. An executive's pay is reviewed annually against market rates for comparable roles, however changes to an executive's pay are ultimately determined based on their performance and perceived value to Transurban. There are no guaranteed base pay increases fixed in any executive's contract of employment.

notes to the financial statements

for the year ended 30 June 2004

Short-term incentives

On an annual basis, Transurban makes available Short-term Incentive ("STI") payments to executives for the achievement of the Group and individual performance. STI amounts are expressed as a percentage of TEC, but are also subject to further adjustment using Economic Value Added ("EVA") methodology for the variance between a target EVA and the EVA actually achieved. The purpose of the EVA adjustment is to ensure that STI payments reflect management's performance in adding security holder value.

Long-term incentives

Two forms of Long-term Incentives ("LTI") are currently in operation, the Executive Option Plan ("EOP") and the Executive Long-term Incentive Plan ("ELTIP"). The EOP provides Executives with equity-based rewards, where as the ELTIP provides cash-based rewards. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review of the EOP in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period covered by the EOP. No options were granted under the EOP during this financial year.

Business generation incentive plan

The Group also has in place a Business Generation Incentive Plan ("BGIP") in which executives may participate depending upon their level of involvement in generating new business. The BGIP (based on the risk adjusted value [RAV] of a project/business venture) has been designed to link incentive/variable pay rewards to the increase in value derived from generating new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Managing Director.

Employee security ownership plan

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

Employee insurance

In addition to their TEC, executives are covered by the Group's salary insurance and death and disablement plan on the same basis as that offered to all permanent employees.

Details of remuneration

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

Directors of the Transurban Group

2004

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

(1) No options were granted during the year over Transurban Group Stapled Securities. Option remuneration relates to options granted to Executive Directors and Executives in prior financial years.

The amounts disclosed as remuneration in the current year is that part of the value of the options which is attributable to the current year portion of the vesting period.

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

Total remuneration of directors of for the year ended 30 June 2003 is set out below. Information on individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities.

2003

	Primary				Post-employment		Equity	
Name	**Cash salary & fees $**	**Cash bonus $**	**Long-term incentive $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options(1) $**	**Total $**
Total	1,932,079	965,000	-	14,600	151,516	378,141	245,332	3,686,668

notes to the financial statements

for the year ended 30 June 2004

Specified executives of the group

2004

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

Total remuneration of specified executives for the year ended 30 June 2003 is set out below. Information on individual specified executives is not shown as this is the first financial report prepared since the issue of AASB 1046 Director and Executive Disclosures by Disclosing Entities. In some cases, different individuals are included than those specified in the year ended 30 June 2004.

2003

	Primary				Post-employment	Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Options[1]**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Total	1,357,416	988,500	-	36,500	118,791	192,080	2,693,287

notes to the financial statements

for the year ended 30 June 2004

Service agreements

Remuneration and other terms of employment for executive directors and specified executives are formalised in Employment Agreements. These Agreements provide for base pay and any specified benefits, the availability of short-term incentives and termination entitlements. Long-term incentives and business generation incentive plan payments are offered (when appropriate and eligible) by the Board.

Executive directors

K Edwards, Managing Director

- Term of Agreement – permanent
- Termination – 3 months notice
- Base salary, including superannuation, for the year ended 30 June 2004 of $1,100,000 to be reviewed annually by the remuneration committee and the Board.

G R Phillips, Deputy Managing Director

- Term of Agreement – permanent
- Base salary, including superannuation, for the year ended 30 June 2004 of $475,000, to be reviewed annually by the remuneration committee.
- Termination – 3 months notice

Specified executives

The major provisions contained in Employment Agreements for specified executives are the same for all specified executives except for the base salary component. These provisions are:

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

Below are the Total Employment Costs, including superannuation for specified executives for the year ended 30 June 2004.

Specified executive	*Amount*
B Bourke	$375,000
K Daley	$310,000
P O'Shea	$285,000
K Reynolds	$285,000
F Browne	$380,000
L Hunt	$285,000
V Delosa	$285,000
J Barber	$240,000
M Roberts	$250,000
C Tizi	$250,000

Share-based compensation – options

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

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

notes to the financial statements

for the year ended 30 June 2004

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

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

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

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

As advised at the 2003 Annual General Meeting the Board has decided to provide long-term incentives in the period after the options currently on issue under the Executive Option Plan have fully vested by way of cash bonuses linked to the growth in the stapled security price and total shareholder return.

Under the new long-term incentive plan, participants will be allocated "ELTI units". Each ELTI unit will entitle the holder to a cash payment on the maturity date, which will be approximately two years after the date of allocation. The cash payment per unit will be equal to the increase in the stapled security price over the period between the date of allocation and the maturity date, subject to adjustment if Transurban's ranking in the Total Shareholder Returns ("TSRs") of the ASX 200 Industrials over the two years prior to maturity is below the 70th percentile. If Transurban's TSR ranking is below the 40th percentile, no payment will be made. For TSR rankings between the 40th and 70th percentiles, the adjustment factor will reduce from 100 per cent to zero.

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

Grant date	Expiry date	Grant price	Value per unit at grant date	Value per unit at reporting date	Date payable
30 Sept 2003	30 Sept 2005	$4.23	$0.46	$0.64	30 Nov 2005

Name	Number of ELTIs granted during the year	Number of ELTIs paid during the year
Directors of the Transurban Group		
K Edwards	850,000	-
G Phillips	-	-
Specified executives of the Transurban Group		
B.Bourke	160,000	-
K Daley	170,000	-
P O'Shea	130,000	-
K Reynolds	125,000	-
F Browne	-	-
L Hunt	125,000	-
V Delosa	-	-
J Barber	100,000	-
M Roberts	-	-
C Tizi	110,000	-

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

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

Name	Number of options granted during the year	Number of options vested during the year
Directors of the Transurban Group		
K Edwards	-	500,000
G R Phillips	-	166,667
Specified executives of the Transurban Group		
B Bourke	-	116,667
K Daley	-	116,667
P O'Shea	-	100,000
K Reynolds	-	100,000
F Browne	-	133,333
L Hunt	-	33,333
V Delosa	-	83,333
J Barber	-	83,333
M Roberts	-	83,333
C Tizi	-	100,000

notes to the financial statements

for the year ended 30 June 2004

Shares provided on exercise of remuneration options

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

Name	Date of exercise of options	Number of stapled securities issued on exercise of options during the year
Specified executives of the Transurban Group		
P O'Shea	26 February 2004	95,700

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

Exercise date	Amount paid per stapled security
26 February 2004	$3.817

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

Option holdings

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

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors of the Transurban Group							
K Edwards	1,500,000	-	-	-	1,500,000	894,657	105,343
G R Phillips	500,000	-	-	-	500,000	298,219	35,114
Specified executives of the Transurban Group							
B Bourke	350,000	-	-	-	350,000	208,753	24,580
K Daley	350,000	-	-	-	350,000	208,753	24,580
P O'Shea	300,000	-	95,700	-	204,300	83,231	21,069
K Reynolds	300,000	-	-	-	300,000	178,931	21,069
F Browne	400,000	-	-	-	400,000	89,867	37,300
L Hunt	100,000	-	-	-	100,000	20,900	12,433
V Delosa	250,000	-	-	-	250,000	52,250	31,083
J Barber	250,000	-	-	-	250,000	149,110	17,557
M Roberts	250,000	-	-	-	250,000	52,250	31,083
C Tizi	300,000	-	-	-	300,000	178,931	21,069

Share holdings

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

Stapled Securities

Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of the Transurban Group				
L G Cox	775,000	-	-	775,000
P C Byers	50,000	-	-	50,000
G O Cosgriff	17,360	-	7,550	24,910
J G A Davis	40,000	-	10,000	50,000
S M Oliver	59,375	-	1,618	60,993
D J Ryan	20,000	-	1,043	21,043
K Edwards	61,000	-	-	61,000
G R Phillips	-	-	-	-
Specified executives of the Transurban Group				
B Bourke	2,862	-	2,631	5,493
K Daley	11,033	-	3,503	14,536
P O'Shea	75,000	95,700	8,355	179,055
K Reynolds	10,378	-	332	10,710
F Browne	2,949	-	2,854	5,803
L Hunt	1,621	-	343	1,964
V Delosa	1,621	-	2,854	4,475
J Barber	2,949	-	2,854	5,803
M Roberts	2,949	-	2,854	5,803
C Tizi	2,862	-	150	3,012

notes to the financial statements

for the year ended 30 June 2004

CARS

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of the Transurban Group				
L G Cox	4,000	-	(3,000)	1,000
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	150	-	(150)	-
S M Oliver	-	-	-	-
D J Ryan	300	-	(300)	-
K Edwards	348	-	(348)	-
G R Phillips	-	-	-	-
Specified executives of the Transurban Group				
B Bourke	2,000	-	(1,600)	400
K Daley	750	-	-	750
P O'Shea	400	-	-	400
K Reynolds	205	-	-	205
F Browne	-	-	-	-
L Hunt	200	-	-	200
V Delosa	-	-	-	-
J Barber	50	-	-	50
M Roberts	100	-	-	100
C Tizi	-	-	-	-

Other transactions with directors and specified executives

Mr Cox is a director of Macquarie Corporate Finance Ltd (a wholly owned subsidiary of Macquarie Bank Ltd), which during the year ended 30 June 2004 provided financial advice pursuant to specific mandates. The Group is entitled to receive management fees of $6.5 million from Macquarie Bank in relation to the extension of the term of the Infrastructure Borrowing Facilities provided by Macquarie Bank.

Macquarie Bank Ltd was involved in the financial arrangements concerning the Land Transport Notes. Mr. Cox holds $51,155 of Class B Land Transport Notes.

Mr Byers is a director of Hills Motorway Limited, in which Transurban Holding Trust has a 8.1 per cent interest, refer note 7 and 11.

Aggregate amounts of each of the above types of other transactions with directors of the Transurban Group:

	2004 $'000	2003 $'000
Amounts recognised as revenue		
Management fees	**6,523**	-
Distribution from Hills Motorway Group	**1,044**	-
	7,567	-
Amounts recognised as expenses		
Consulting fees	**-**	372
Reimbursement of out of pocket expenses	**-**	21
Underwriting services	**-**	7,208
Interest	**-**	3,849
	-	11,450
Amounts recognised as loans – liability		
Loans provided and repaid	**-**	250,000

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

Aggregate amounts payable to or receivable from director related entities of the Transurban Group at balance date relating to the above types of transactions.

Current liabilities – Macquarie Bank Limited	**-**	5
Current assets – Hills Motorway Group	**2,625**	-
Current assets – Macquarie Bank Limited	**1,395**	-
Non-current assets – Macquarie Bank Limited	**5,128**	-
	9,148	5

notes to the financial statements

for the year ended 30 June 2004

26. Remuneration of auditors

During the year the following services were paid to the auditor of the Transurban Group and its related practices:

	2004 $'000	2003 $'000
Assurance services		
1. Audit services		
Audit and review of financial reports and other audit work under the Corporations Act 2001.	**297**	315
Total remuneration for audit services	**297**	315
2. Other assurance services		
Due diligence	**168**	242
Compliance plan audit	**21**	76
Other assurance services	**20**	51
Total remuneration for other assurance services	**209**	369
Taxation services		
Tax compliance services, including review of income tax returns	**200**	242
Total remuneration for taxation services	**200**	242

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

27. Contingent liabilities

(a) Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of Convertible Adjusting Rate Securities ("CARS"). This guarantee is in place until the first reset date (14 April 2007) at which time the guarantee may or may not be extended. The distributions are semi-annual distributions fixed until the first reset date at 7 per cent per annum on an amount of $430 million.

(b) In May 2003, VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately $5 million for rectification works associated with the Swan Street Bridge. CityLink Melbourne Limited does not believe that it has any liability to VicRoads to pay those costs. In June 2003, VicRoads and the Minister for Transport ("the plaintiffs") filed a writ in the Supreme Court of Victoria, claiming certain damage was sustained by the Swan Street Bridge. The plaintiffs claim that this damage was due to tunnelling, roadworks and associated infrastructure works on and in the vicinity of the Swan Street Bridge, arising from the Melbourne CityLink project. The entities forming the Transfield-Obayashi joint venture are also defendants. The writ has not been served and therefore no litigation has been instituted. CityLink Melbourne Limited is facilitating discussions between the parties.

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

28. Commitments for expenditure

Lease commitments

Commitments for minimum payments in relation to non-cancellable operating lease contracted for at the reporting date but not recognised as liabilities payable:

	2004 $'000	2003 $'000
Within one year	**1,905**	1,577
Later than one year but not later than 5 years	**8,488**	2,433
Later than 5 years		-
	10,393	4,010

Concession fees

The Melbourne CityLink Concession Deed between the Transurban Group and the State of Victoria provides for annual concession fees of $95.6 million during the construction phase and for the first 25 years of the operations phase, $45.2 million for years 26 to 34 of the operations phase and $1 million thereafter if the concession continues beyond year 34. Until a certain threshold return is achieved, payments of concession fees due under the Concession Deed will be satisfied by means of the issue of non-interest bearing Concession Notes to the State. Refer to note 19 for details.

Option over further interest in Westlink M7 Motorway Project

Wholly owned entities of the Group have separately granted put options to wholly owned entities of the Leighton group and of Abigroup. Each put option relates to 25 per cent of the interest in the Westlink M7 project held by the grantee entity and is exercisable at the completion of the project at a price of $24.5 million.

Wholly owned entities of the Group have been separately granted call options by wholly owned entities of the Leighton group and of Abigroup. Each call option relates to 25 per cent of the interest in the Westlink M7 project held by the grantor entity and is exercisable at completion of the project at a price of $24.5 million.

	2004 $'000	2003 $'000

29. Employee entitlements

Employee benefit and related on-costs liabilities	**2004 $'000**	2003 $'000
Current (note 17)	**5,570**	5,072
Non-current (note 20)	**2,036**	971
	7,606	6,043

Employee numbers	**2004 Number**	2003 Number
Average number of employees during the financial year	**407**	349
	407	349

a) Transurban Group Executive Option Plan

Refer to note 25 for details of the Transurban Group Executive Option plan.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
2004							
26 April 2001	April 2006	$3.817	2,100,000	-	95,700	-	2,004,300
23 October 2001	October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	April 2007	$4.220	1,550,000	-	-	50,000	1,500,000
Total			6,350,000	-	95,700	50,000	6,204,300
2003							
26 April 2001	April 2006	$3.817	2,350,000	-	-	250,000	2,100,000
23 October 2001	October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	April 2007	$4.220	1,650,000	-	-	100,000	1,550,000
Total			6,700,000	-	-	350,000	6,350,000

Options exercised during the financial year and number of stapled securities issued to employees on the exercise of options.

Excercise date	Fair value of stapled securities at issue date	2004 Number	2003 Number
26 February 2004	$4.465	**95,700**	-
		95,700	-

The fair value of stapled securities issued on the exercise of options is the week weighted average price at which the Transurban Group's stapled securities were traded on the Australian Stock Exchange during the week prior to the exercise of the options.

	2004 Number	2003 Number
Options vested at the reporting date	**2,100,000**	1,307,900

	2004 $	2003 $
Aggregate proceeds received from employees on the exercise of options and recognised as issued capital	**365,287**	-

	2004 $'000	2003 $'000
Fair value of securities issued to employees on the exercise of options as at their issue date	**427**	-

b) Employee share scheme

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

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

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

In December 2003, each participant was issued 120 stapled securities (2003 – 120 stapled securities) at a value of $4.44 per stapled security (2003 – $4.25).

Prior to 1 July 2003, Stapled Securities provided under the plan were issued to employees for no cash consideration.

For the year commencing 1 July 2003, Stapled Securities provided under the plan were purchased on the open market.

	2004 $'000	2003 $'000
Stapled securities purchased on market under the plan and provided to participating employees on 27 February 2004 (1)	**40,440**	34,560

(1) The prior year number represents the number of securities issued under the plan to participating employees.

c) Employee Long-term Incentive ("ELTI") Plan

Refer to note 25 for details of the Transurban ELTI Plan.

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

Grant date	Expiry date	Grant price	Value per unit at grant date	Value per unit at reporting date	Date payable
30 Sept 2003	30 Sept 2005	$4.23	$0.46	$0.64	30 Nov 2005

30. Investment in controlled entities

Name of entity	Country of incorporation	Class of security	Equity holding 2004 (%)	Equity holding 2003 (%)	Date acquired
The CityLink Trust	Australia	Ordinary	100	100	
CityLink Melbourne Limited	Australia	Ordinary	100	100	
City Link Extension Pty Ltd	Australia	Ordinary	100	100	
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100	
Transurban Collateral Security Pty Ltd	Australia	Ordinary	100	100	
Transurban Finance Trust	Australia	Ordinary	100	100	
Transurban Finance Company Pty Ltd	Australia	Ordinary	100	100	
Transurban Nominees Pty Ltd	Australia	Ordinary	100	100	
Transurban Nominees 2 Pty Ltd	Australia	Ordinary	100	100	
Transurban WSO Pty Ltd	Australia	Ordinary	100	100	
Transurban AL Trust	Australia	Ordinary	100	100	
Transurban CARS Trust	Australia	Ordinary	100	100	
Transurban WSO Trust	Australia	Ordinary	100	100	
Transurban Infrastructure Developments WSO Pty Ltd	Australia	Ordinary	100	100	
Transurban MF 1 Pty Ltd	Australia	Ordinary	100	-	01/03/04
Transurban MF 2 Pty Ltd	Australia	Ordinary	100	-	01/03/04
Transurban Asset Management Pty Ltd	Australia	Ordinary	100	-	16/10/03
Transurban Operations Pty Ltd	Australia	Ordinary	100	-	01/03/04

Acquisition of controlled entities

All new controlled entities were acquired for a book value of $12 each.

31. Investment in associates

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

	Ownership interest		Combined entity carrying amount	
Name of company	**2004**	2003	**2004**	2003
	%	%	**$'000**	$'000
WSO Company Pty Limited	**40**	40	**-**	-
Westlink Motorway Limited	**40**	40	**-**	-
WSO Finance Company	**40**	40	**-**	-

WSO Company, Westlink Motorway Limited and WSO Finance Company are presently non-operational and are carried at cost of $80 each. WSO Company will be the operator of Westlink M7 Motorway which is presently under construction and is due for completion in 2007. Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and WSO Finance Company will arrange debt facilities for the Westlink Motorway Project. The associates are not expected to have an impact on the combined entity's equity accounted profits until operations commence.

	2004	2003
	$'000	$'000
Summary of performance and financial position of associates		
Aggregate net profits of associates after tax	**-**	-
Assets	**108,501**	147,339
Liabilities	**108,501**	147,339

32. Interest in joint ventures

	Ownership interest		Combined entity carrying amount	
	2004	2003	**2004**	2003
	%	%	**$'000**	$'000
Westlink Motorway Partnership	**40**	40	**6,236**	5,888

The combined entity has a 40% interest in the Westlink Motorway Partnership, the principal activity of which is the construction of the Westlink M7 Motorway in Sydney. The M7 is presently in the construction phase and is due for completion 2007. The partnership is unlikely to have an impact on the combined entity's equity accounted profits until operations commence.

notes to the financial statements

for the year ended 30 June 2004

	2004 $'000	2003 $'000
Share of partnership assets and liabilities		
Current assets	**2,932**	1,741
Non-current assets	**355,834**	235,059
Total Assets	**358,766**	236,800
Current liabilities	**31,306**	-
Non-current liabilities	**327,460**	236,800
Total Liabilities	**358,766**	236,800
Net Assets	**-**	-
Share of Profits	**-**	-
Share of partnership commitments		
Capital commitments	**327,484**	564,266

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

Operating loss after income tax	**(61,490)**	(83,578)
Depreciation and amortisation	**152,400**	148,233
Deferred borrowing costs	**394**	(13,134)
Change in operating assets and liabilities		
Increase in Concession Note liability	**36,985**	32,704
Increase in creditors	**17,831**	6,745
(Increase) in debtors	**(4,895)**	(997)
Increase in provisions	**1,560**	2,693
(Decrease)/increase in unearned income	**(4,541)**	2,627
Net cash inflow from operating activities	**138,244**	95,293

	2004 $'000	2003 $'000

34. Non-cash financing and investing activities

	2004 $'000	2003 $'000
Pre-acquisition portion of distribution receivable from Hills Motorway Group Ltd offsetting the cash purchase price	**1,581**	-
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	**60,525**	34,054
	62,106	34,054

35. Earnings per stapled security

	2004	2003
Basic earnings per Stapled Security	**(11.7 cents)**	(16.3 cents)
Diluted earnings per Stapled Security	**(4.1 cents)**	(8.2 cents)

Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	**524,512,875**	512,976,259

Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	**985,000,351**	970,462,464

Reconciliation of earnings used in calculating earnings per stapled security

	2004 $'000	2003 $'000
Net loss	**(61,490)**	(83,578)
Interest savings on CARS	**21,128**	4,445
Earnings used in calculating diluted earnings per Stapled Security	**(40,362)**	(79,133)

notes to the financial statements

for the year ended 30 June 2004

Information concerning the classification of securities

(a) Stapled Securities

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

(b) Options

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

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

CARS on issue are convertible to stapled securities at a maximum conversion ratio of 105, at the first reset date 14 April 2007. CARS are considered to be potential stapled securities and have been included in the determination of diluted earnings per stapled security at their maximum conversion ratio. This ratio will be applicable if the volume weighted average price of stapled securities during the period over which the price for the purpose of conversion of CARS is determined is less than $0.98. The directors consider conversion of this basis to be a highly unlikely event. The CARS have not been included in the calculation of basic earnings per stapled security.

directors' declaration

The directors declare that the financial statements and notes set out on pages 53 to 101.

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 2004 and of their performance, as represented by the results of their operations and its cash flows, for the year ended on that date.

In the directors' opinion

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

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

independant audit report to the members

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Independent audit report to the members of Transurban Group

Audit opinion

In our opinion, the financial report of Transurban Group:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Group representing the aggregation of the combined entities of Transurban Holdings Limited (THL), Transurban Infrastructure Development Limited (TIDL) and the Transurban Holding Trust (THT) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Transurban Group (the Group), for the year ended 30 June 2004.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Group. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report. While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
25 August 2004

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

shareholder information

The security holder information set out below was applicable as at 31 August 2004

(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 26,258.

2. The voting rights are one vote per Stapled Security.

3. At 31 August 2004 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 66.51 per cent.

4. The distribution of holders was as follows:

Share Grouping	Number of Holders	Stapled Securities Held	%
1 - 1,000	4,689	3,187,058	0.60
1,001 - 5,000	15,711	42,015,938	7.89
5,001 - 10,000	3,708	27,409,057	5.15
10,001 - 100,000	2,003	42,926,618	8.06
100,001 - and over	147	416,903,531	78.30
Total	26,258	532,442,202	100.00

There were 212 holders of less than a marketable parcel of ordinary shares.

5. Substantial Shareholder's as at 31 August 2004 are as follows:

Name	Number of Stapled Securities	% of Total
Commonwealth Bank of Australia Limited	102,635,578	19.28
Ontario Teacher's Pension Plan Board	48,153,103	9.04
Schroder Investment Management Australia Limited	28,079,322	5.27
Investors Mutual Limited	27,336,730	5.13

(b) Twenty Largest Holders of Stapled Securities

	Number of Stapled Securities Held	% of issued Stapled Securities
Westpac Custodian Nominees Limited	88,192,077	16.56
National Nominees Limted	51,652,696	9.70
JP Morgan Nominees Australia Limited	33,377,585	6.27
Citicorp Nominees Pty Limited	25,897,894	4.86
Citicorp Nominees Pty Limited	21,196,303	3.98
RBC Global Services Australia Nominees Pty Limited	19,372,044	3.64
Citicorp Nominees Pty Limited	14,480,269	2.72
Citicorp Nominees Pty Limited	13,189,166	2.48
ANZ Nominees Limited	12,111,230	2.27
Queensland Investment Corporation	10,506,217	1.97
Citicorp Nominees Pty Limited	9,123,404	1.71
Citicorp Nominees Pty Limited	8,867,671	1.67
Cogent Nominees Pty Ltd	8,579,154	1.61
AMP Life Limited	7,461,510	1.40
RBC Global Services Australia Nominees Pty Limited	7,338,379	1.38
Cogent Nominees Pty Ltd	4,956,957	0.93
UBS Private Clients Australia Nominees Pty Limited	4,881,456	0.92
Australia Foundation Investment Company Limited	4,593,898	0.86
Citicorp Nominees Pty Limited	4,295,386	0.81
ANZ Nominees Limited	4,123,171	0.77
Total	354,196,467	66.51

financials

Transurban CARS Trust and Controlled Entity
(ABN 81 656 633 158)

for the year ended 30 june 2004

contents

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

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

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

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

directors' report

The directors of Transurban Infrastructure Management Limited, the Responsible Entity of Transurban CARS Trust, present their report on the consolidated entity consisting of Transurban CARS Trust ("the Trust"), and the entity it controlled at the end of, and during, the year ended 30 June 2004.

Responsible entity

Transurban CARS Trust is registered as a managed investment scheme under Chapter 5C of the Corporations Act 2001 and as a result, requires a Responsible Entity. Transurban Infrastructure Management Limited is the Responsible Entity of Transurban CARS Trust and is responsible for performing all functions that are required under the Corporations Act 2001.

Directors

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

Non-executive directors	**Executive director**
Laurence G Cox	Geoffrey R Phillips
Peter C Byers	
Geoffrey O Cosgriff	
Jeremy G A Davis	
Susan M Oliver	
David J Ryan	

Principal activities and operations

During the year, the Trust continued to hold the investment in the Westlink Motorway Partnership which it made in February 2003. The Trust holds a 40% interest in the partnership which was formed to undertake the Westlink M7 Motorway Project in Sydney NSW.

There were no significant changes in the nature of the Trust's activities during the year.

Distributions

Distributions paid to CARS holders during the financial year were as follows:

Convertible Adjusting Rate Securities	**2004 $'000**
Distribution payment for the period 14 April 2003 to 30 June 2003 of 7 per cent paid on 31 July 2003	**6,350**
Distribution payment for the half year ended 31 December 2003 of 7 per cent paid on 31 January 2004	**15,174**
	21,524

A further distribution for the half year ended 30 June 2004 of $15.0 million was paid on 31 July 2004.

Review of operations

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

Results

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

	Consolidated		**Parent**	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Revenue from ordinary activities	**26,259**	9,762	**26,259**	9,762
Net loss from ordinary activities	**(8,085)**	(12,644)	**(8,085)**	(12,644)

a) Construction Phase Loan Notes ("CPLN")

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

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

b) Convertible Adjusting Rate Securities ("CARS")

During the period, TCT paid distributions to CARS holders at the fixed rate of 7 per cent per annum. The distributions which are paid twice annually with payment dates of 31 July and 31 January respectively, were 100 per cent tax deferred for the year ended 30 June 2004.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2004 that has significantly affected, or may significantly affect:

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

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

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

Likely developments and expected results of operations

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

Environmental regulation

No significant environmental regulations apply.

Insurance and indemnification of officers

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

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

Fees paid to the responsible entity and its associates out of Trust property during the year are disclosed in Note 21.

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

The number of securities held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 19 of the financial statements.

Interests in the trust issued during the financial year

	Consolidated		Parent	
	2004	2003	**2004**	2003
CARS on issue at the beginning of the year	**4,300,000**	-	**4,300,000**	-
CARS issued during the year	**-**	4,300,000	**-**	4,300,000
CARS on issue at 30 June 2004	**4,300,000**	4,300,000	**4,300,000**	4,300,000

	Units	Units	**Units**	Units
Ordinary units on issue at the beginning of the year	**12**	-	**12**	-
Ordinary units issued during the year	**-**	12	**-**	12
Ordinary units on issue at the end of the year	**12**	12	**12**	12

Value of assets

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Value of Trust assets at 30 June	**445,813**	441,316	**445,813**	441,316

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

Directors' interests

Security Holdings

As at the date of this Directors' Report, the directors of the Responsible Entity have disclosed relevant interests in Stapled Securities, options over Stapled Securities and Convertible Adjusting Rate Securities ("CARS") issued by the Transurban Group as follows:

Name	**Number of CARS**	**Number of Transurban Stapled Securities**	**Options issued over Transurban Stapled Securities**
L G Cox	1,000	775,000	-
P C Byers	-	50,000	-
J G A Davis	-	50,000	-
S M Oliver	-	60,993	-
G R Phillips	-	-	500,000
G O Cosgriff	121	24,910	-
D J Ryan	-	21,043	-

Rounding of amounts

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

Auditor

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

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

Jeremy G A Davis
Director

Geoffrey O Cosgriff
Director

Melbourne, 25 August 2004

statements of financial performance

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Revenue from ordinary activities	4	**26,259**	9,762	**26,259**	9,762
Expenses from ordinary activities:					
Administration		**(2,483)**	(667)	**(2,483)**	(667)
Borrowing costs	5	**(31,861)**	(21,739)	**(31,861)**	(21,739)
Net loss from ordinary activities		**(8,085)**	(12,644)	**(8,085)**	(12,644)

		Dollars	Dollars
Basic earnings per ordinary unit	27	**(673,750)**	(1,053,666)
Diluted earnings per ordinary unit	27	**(673,750)**	(1,053,666)

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

statements of financial position

as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent 2004 $'000	Parent 2003 $'000
Current assets					
Cash assets	7	**40,707**	35,239	**40,707**	35,239
Receivables	8	**366**	943	**366**	943
Total current assets		**41,073**	36,182	**41,073**	36,182
Non-current assets					
Financial assets	10	**392,000**	392,000	**392,000**	392,000
Other	11	**12,740**	13,134	**12,740**	13,134
Total non-current assets		**404,740**	405,134	**404,740**	405,134
Total assets		**445,813**	441,316	**445,813**	441,316
Current liabilities					
Payables	12	**15,026**	6,513	**15,026**	6,513
Non-interest bearing liabilities	13	**2,420**	-	**2,420**	-
Total current liabilities		**17,446**	6,513	**17,446**	6,513
Non-current liabilities					
Interest bearing liabilities	14	**449,096**	447,447	**449,096**	447,447
Total non-current liabilities		**449,096**	447,447	**449,096**	447,447
Total liabilities		**466,542**	453,960	**466,542**	453,960
Net assets		**(20,729)**	(12,644)	**(20,729)**	(12,644)
Unitholders' funds					
Accumulated losses	15	**(20,729)**	(12,644)	**(20,729)**	(12,644)
Total unitholders' funds		**(20,729)**	(12,644)	**(20,729)**	(12,644)

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

statements of cash flows

for the year ended 30 June 2004

	Notes	**2004 $'000**	2003 $'000	**2004 $'000**	2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**838**	-	**838**	-
Payments to suppliers (inclusive of GST)		**(431)**	(542)	**(431)**	(542)
Interest received		**26,221**	9,658	**1,575**	500
Distributions received		**-**	-	**24,646**	9,158
Borrowing costs		**(21,528)**	(20,268)	**(21,528)**	(20,268)
Net cash inflows/(outflows) from operating activities	25	**5,100**	(11,152)	**5,100**	(11,152)
Cash flows from investing activities					
Payment for purchase of controlled entity, net of cash required		**-**	-	**-**	(392,000)
Loans to related parties		**-**	(392,000)	**-**	-
Net cash outflows from investing activities		**-**	(392,000)	**-**	(392,000)
Cash flows from financing activities					
Proceeds from issue of CARS		**-**	430,000	**-**	430,000
Loans from related parties		**368**	157,968	**368**	157,968
Repayment of loans to related parties		**-**	(149,577)	**-**	(149,577)
Net cash inflows from financing activities		**368**	438,391	**368**	438,391
Net increase in cash held		**5,468**	35,239	**5,468**	35,239
Cash at the beginning of the financial period		**35,239**	-	**35,239**	-
Cash at the end of the financial period	7	**40,707**	35,239	**40,707**	35,239

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

notes to the financial statements

for the year ended 30 June 2004

1. Summary of significant accounting policies

This financial report covers Transurban CARS Trust and its controlled entity.

The responsible entity of Transurban CARS Trust is Transurban Infrastructure Management Limited. The responsible entity's registered office is Level 43, 525 Collins Street, Melbourne VIC 3000.

Transurban CARS Trust (the "Trust") was constituted on 20 December 2002. The Trust will terminate on 20 December 2082 unless terminated earlier in accordance with the provisions of the Trust Constitution.

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

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at valuation. The accounting policies adopted are consistent with those of the previous year. Comparative information is reclassified where appropriate to enhance comparability.

a) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transurban CARS Trust ("trust" or "parent entity") as at 30 June 2004 and the results of all controlled entities for the period then ended. Transurban CARS Trust and its controlled entity together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full.

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

b) Historical cost convention

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

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

c) Income tax

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

d) Recoverable amount of non-current assets

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

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, the recoverable amount is applied to the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

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

e) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and distribution income is recognised in the statement of financial performance when receivable.

The interest in the joint venture partnership is accounted for as set out in Note 1(i).

f) Trade and other creditors

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

g) Interest bearing liabilities

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

h) Distributions

Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the financial period but not distributed at balance date.

i) Joint venture entity

The interest in the joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 23.

j) Borrowing costs

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

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

k) Cash

For the purpose of the statement of cash flows, cash includes cash on hand.

l) Earnings per unit

(i) Basic earnings per unit

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

(ii) Diluted earnings per unit

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

notes to the financial statements

for the year ended 30 June 2004

m) Rounding of amounts

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

o) International Financial Reporting Standards ("IFRS")

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

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

The Transurban Group established an IFRS transition project team led by the Finance Director in October 2003. The project team prepared a plan to manage the transition to IFRS which was presented to the audit committee along with the results of an initial scoping review of the expected impact of the adoption of IFRS on the Transurban Group. The project plan is currently on schedule. The project team has commenced a detailed analysis of IFRS and the Transurban Group's accounting policies to determine the effects on the opening balance sheet to be prepared on the date of transition to IFRS and future accounting policy differences. The project team has identified a number of accounting policy choices which are still being analysed by management to determine the most appropriate accounting policy for the Transurban Group on transition to IFRS.

The major matters identified to date that are expected to require changes to the Transurban Group's existing accounting policies, or allow for an election by the Transurban Group are set out below. The major differences identified to date should not be regarded as a complete list of possible changes in accounting policies that will result from the transition to IFRS, as not all standards or elections possible under some standards have been analysed as yet. For these reasons it is not yet possible to quantify the impact of the transition to IFRS.

(i) Financial instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement* there may be major impacts as a result of:

- financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost.

(ii) Accounting for Associates

Under AASB 128 *Investments in Associates*, a long term loan to an associate can be considered as part of the investment. This is a change in present accounting policy where only the equity component of the investment is included in equity accounting and long term loans are a separate class of asset subject to recoverable amount testing. This may effect the Trust's investment in the Westlink project which is presently equity accounted.

The investment is substantially represented by a long term loan rather than an equity investment. If the Westlink project incurs accounting losses from the commencement of operations greater than the Trust's equity investment, the receivable balance may be reduced to the extent of the Trust's remaining share of accounting losses. This may occur despite the recoverable amount of the long term loan not being impaired due to the expected cashflow from the Westlink project. This change in policy is not expected to impact on the transition balance sheet or opening retained earnings as Westlink has not yet commenced operations, but may lead to greater volatility in earnings in future reporting periods.

2. Trust formation and termination

The Trust was established on 20 December 2002 through the issue of 12 ordinary units at $1 per unit to Transurban Holding Trust ("THT"). The term of the Trust ends on 20 December 2082 unless terminated earlier in accordance with the provisions of the Trust Constitution.

3. Segment information

The Trust's sole business segment for the period ending 30 June 2004 was investing in the Westlink Motorway Partnership. All revenues and expenses are directly attributable to this sole purpose. Internal financial reporting is based on this sole business segment.

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

4. Revenue

Revenue from operating activities				
Interest	**26,259**	9,762	**1,613**	604
Trust distributions	**-**	-	**24,646**	9,158
Revenue from ordinary activities	**26,259**	9,762	**26,259**	9,762

5. Loss from ordinary activities

Expenses				
Borrowing costs				
Interest and finance charges paid/payable	**(31,467)**	(21,739)	**(31,467)**	(21,739)
Capitalised underwriting fees expensed	**(394)**	-	**(394)**	-
	(31,861)	(21,739)	**(31,861)**	(21,739)

6. Income tax

Tax losses at beginning of period	**13,204**	-	**13,204**	-
Tax losses/(income) for the period	**10,324**	13,204	**10,324**	13,204
Tax losses at end of period	**23,528**	13,204	**23,528**	13,204

notes to the financial statements

for the year ended 30 June 2004

Potential future income tax benefits at 30 June 2004 for tax losses not brought to account for the consolidated entity are $23.5 million. These losses cannot be used directly by the consolidated entity for the reason outlined in Note 1(c), but may be available for the benefit of unit holders in the future.

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

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

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

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

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

7. Current assets – cash assets

Cash at bank	**40,707**	35,239	**40,707**	35,239
	40,707	35,239	**40,707**	35,239

Included in the above amount is $28.2 million (2003: $26.1 million) which is held in a reserve account to fund future CARS distributions, and was not available for general use at 30 June 2004.

8. Current assets – receivables

Sundry debtors	**366**	943	**366**	943
	366	943	**366**	943

9. Non-current assets – investments accounted for using the equity method

Interest in Westlink Motorway Partnership	**-**	-	**-**	-
	-	-	**-**	-

The investment in the partnership is carried at cost of $80 (2003: $80). Refer Note 23 for details.

10. Non-current assets – other financial assets

Non traded investments				
Units in controlled entity	**-**	-	**392,000**	392,000
Construction phase loan notes	**392,000**	392,000	**-**	-
	392,000	392,000	**392,000**	392,000

Investment in controlled entity

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

Investment in Construction Phase Loan Notes ("CPLN")

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

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

11. Non-current assets – other

Deferred Borrowing Costs	**12,740**	13,134	**12,740**	13,134
	12,740	13,134	**12,740**	13,134

12. Current liabilities – payables

Trade creditors	**5**	23	**5**	23
CARS coupon payment	**15,009**	6,350	**15,009**	6,350
Other creditors	**12**	140	**12**	140
	15,026	6,513	**15,026**	6,513

CARS coupon payment represents the interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7 per cent for the period 1 January 2004 to 30 June 2004 totalling $15.0 million has been charged to the statement of financial performance as a borrowing cost because the CARS are classified as a liability. This coupon was paid to CARS holders on 31 July 2004.

13. Current liabilities – non-interest bearing liabilities

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Loans from related parties	**2,420**	-	**2,420**	-
	2,420	-	**2,420**	-

14. Non-current liabilities - interest bearing liabilities

Loan from related parties	**19,096**	17,447	**19,096**	17,447
Convertible Adjusting Rate Securities	**430,000**	430,000	**430,000**	430,000
	449,096	447,447	**449,096**	447,447

notes to the financial statements

for the year ended 30 June 2004

Financing arrangements and credit facilities

Convertible Adjusting Rate Securities ("CARS")

Transurban CARS Trust issued 4.3 million convertible securities for $430 million on 14 April 2003. Semi-annual interest is paid at a fixed rate of 7 per cent per annum until the first reset date on 14 April 2007. On a reset date, certain terms of the CARS may be reset and Holders will be given the option of:

(i) taking no action and therefore, be bound by the new terms from the reset date; or

(ii) submitting an Exchange Notice.

Additionally, the term of the Guarantee may also be extended on terms and conditions determined by Transurban Holding Trust ("THT") in its absolute discretion. The interest payments are guaranteed by THT until the first reset date.

Following the submission of an Exchange Notice, Transurban will elect to either:

- convert the CARS into Transurban Securities;
- arrange the acquisition of CARS by a third party and deliver to the Holder the cash proceeds and, to the extent there is a shortfall, Transurban Securities; or
- a combination of both.

It is the present intention of Transurban that Exchange will be satisfied by conversion into Transurban Securities. These securities will rank ahead of Transurban Stapled Securities on the winding up of Transurban, in conjunction with the winding up of the Transurban CARS Trust.

Other loans

The loan from Transurban Holding Trust does not have any fixed date for repayment and bears interest at 7.05% pa (2003 – 7.05%).

15. Accumulated losses

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Accumulated losses at the beginning of the financial year	**(12,644)**	-	**(12,644)**	-
Net loss from ordinary activities after tax	**(8,085)**	(12,644)	**(8,085)**	(12,644)
Available for distribution	**(20,729)**	(12,644)	**(20,729)**	(12,644)
Dividends provided for or paid	**-**	-	**-**	-
Accumulated losses carried forward	**(20,729)**	(12,644)	**(20,729)**	(12,644)

16. Unitholders' funds

	Consolidated				Parent			
	2004 Units	**2004 $'000**	2003 $'000	2003 $'000	**2004 Units**	**2004 $'000**	2003 Units	2003 $'000
Units fully paid	**12**	-	12	-	**12**	-	12	-

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

17. Distributions

	2004 $'000
Convertible Adjusting Rate Securities	
Distribution payment for the period 14 April 2003 to 30 June 2003 of 7 per cent paid on 31 July 2003	**6,350**
Distribution payment for the half year ended 31 December 2003 of 7 per cent paid on 31 January 2004	**15,174**
	21,524

The coupon payment for the half year ended 30 June 2004 of $15.0 million was paid on 31 July 2004.

18. Remuneration of auditors

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

	Consolidated		Parent	
	2004 $	2003 $	**2004 $**	2003 $
Audit Services				
Audit or review of financial reports	**13,800**	11,300	**13,800**	11,300
Taxation Services				
GST Advice	**19,000**	-	**19,000**	-
	32,800	11,300	**32,800**	11,300

notes to the financial statements

for the year ended 30 June 2004

19. Director disclosures

Directors

The following persons were directors of Transurban Infrastructure Management Limited during the financial year:

Chairman – non-executive
Laurence G Cox

Non-executive directors
Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan

Executive director
Geoffrey R Phillips

Remuneration of directors

Details of remuneration

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

Directors of Transurban Infrastructure Management Limited
2004

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

Total remuneration of directors of Transurban Infrastructure Management Limited for the year ended 30 June 2003 is set out below. Information on individual directors is not shown as this is the first financial report prepared since the issue of AASB 1046 *Director and Executive Disclosures by Disclosing Entities*.

2003

Name	Primary				Post-employment		Equity	
	Cash salary & fees	**Cash bonus**	**Long term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total	130,984	-	-	-	11,789	83,191	61,333	287,297

Share-based compensation – options

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

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

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

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

The exercise price of options was the 5 day variable weighted average price of the Group's stapled securities prior to granting the options. When exercised, each option is converted into one stapled security, comprising one ordinary share in Transurban Infrastructure Developments Limited, one ordinary share in Transurban Holdings Limited and one unit in Transurban Holding Trust. Options can be exercised at any time after vesting.

notes to the financial statements

for the year ended 30 June 2004

Equity instrument disclosures relating to directors

Options provided as remuneration

Details of options over Transurban Group stapled securities provided as remuneration to each director of Transurban Infrastructure Management Limited are set out below.

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

Option holdings

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

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors of Transurban Infrastructure Developments Limited							
G R Phillips	500,000	-	-	-	500,000	298,219	35,114

Share holdings

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

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Infrastructure Management Limited				
L G Cox	775,000	-	-	775,000
P C Byers	50,000	-	-	50,000
G O Cosgriff	17,360	-	7,550	24,910
J G A Davis	40,000	-	10,000	50,000
S M Oliver	59,375	-	1,618	60,993
D J Ryan	20,000	-	1,043	21,043
G R Phillips	-	-	-	-

notes to the financial statements

for the year ended 30 June 2004

CARS

Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of Transurban Infrastructure Management Limited				
L G Cox	4,000	-	(3,000)	1,000
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	150	-	(150)	-
S M Oliver	-	-	-	-
D J Ryan	300	-	(300)	-
G R Phillips	-	-	-	-

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

Other transactions with directors and director-related entities

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

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

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

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Amounts recognised as expense				
Underwriting services	**-**	7,208	**-**	7,208
Guarantee fee	**-**	8,000	**-**	8,000
Interest	**1,281**	6,118	**1,281**	6,118
Responsible Entity Fee	**2,200**	-	**2,200**	-

Aggregate amounts payable to director-related entities at balance date:				
Non-interest bearing current liability	**2,420**	-	**2,420**	-
Interest bearing non-current liability	**19,096**	267,448	**19,096**	267,448

notes to the financial statements

for the year ended 30 June 2004

20. Contingent liabilities

As at the reporting date there are no contingent liabilities.

21. Related parties

Responsible entity's fees

Transurban Infrastructure Management Limited ("TIML") is the Responsible Entity of the Trust and is entitled to receive a fee calculated at the rate of up to 2 per cent per annum of the Gross Asset Value of the Trust. This fee is payable per quarter and because the Trust was established on 14 April 2003, no fee was charged for the period ended 30 June 2003. For the 2004 financial year, the responsibility entity fee paid by the Trust was calculated at a rate of 0.5 per cent of the value of the Trust's assets at 30 June 2004.

	2004 $'000 Responsible entity	2003 $'000 Responsible entity
Fees for the year paid by the Trust	**2,200**	-
Fees earned by the responsible entity in respect of its role as responsible entity of other entities within the Transurban Group	**4,187**	1,032
Management fees earned by the responsible entity which are reimbursed in accordance with the Constitution	**8,577**	18,363
Aggregate amounts payable to the responsible entity at reporting date	**7,839**	1,257

Wholly-owned group

The wholly-owned group consists of The Transurban CARS Trust and its wholly-owned controlled entity, The Transurban WSO Trust. Details of this controlled entity are set out in Note 22.

Transactions between Transurban CARS Trust and the other entity in the wholly-owned group during the years ended 30 June 2003 and 30 June 2004 consisted of:

(a) Loans from Transurban WSO Trust

(b) Distribution paid to Transurban CARS Trust

	Consolidated		Parent	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly owned group:				
Distribution revenue	**-**	-	**24,646**	9,158
Aggregate amounts receivable from other related parties at balance date:				
Non-current receivable	**392,000**	392,000	**-**	-

Other related parties

Aggregate amounts included in the determination of profit from ordinary activities before related income tax that resulted from transactions with each class of other related parties:

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
CPLN's interest revenue	**24,646**	9,158	**-**	-

Controlling entities

The ultimate parent entity is Transurban Holding Trust which owns 100% of the issued ordinary units of Transurban CARS Trust.

Ownership interests in related parties

Transurban CARS Trust, through its wholly owned subsidiary Transurban WSO Trust, has a 40% interest in the joint venture partnership Westlink Motorway. Details of this interest is set out in Note 23.

22. Investments in controlled entity

Name of entity	**Country of incorporation**	**Class of security**	**Equity holding 2004**	**Equity holding 2003**
Transurban WSO Trust	Australia	Ordinary	100%	100%

23. Interest in joint venture

	Ownership interest		**Combined entity carrying amount**	
	2004	2003	**2004**	2003
	%	%	**$'000**	$'000
Westlink Motorway Partnership	**40**	40	**6,236**	5,888

notes to the financial statements

for the year ended 30 June 2004

The consolidated entity has a 40% interest in the Westlink Motorway Partnership. The principal activity of the partnership is the construction of the Westlink M7 Motorway in Sydney. The M7 is presently in the construction phase and is due for completion in 2007. The partnership is unlikely to have any impact on the consolidated entity's equity accounted profits until construction is completed and the operations commence.

Information relating to the joint venture partnership, presented in accordance with the accounting policy described in Note 1(i), is set out below:

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Share of partnership assets and liabilities				
Current assets	**2,932**	1,741	**-**	-
Non-current assets	**355,834**	235,059	**-**	-
Total assets	**358,766**	236,800	**-**	-
Current liabilities	**31,306**	-	**-**	-
Non-current liabilities	**327,460**	236,800	**-**	-
Total liabilities	**358,766**	236,800	**-**	-
Net Assets	**-**	-	**-**	-
Share of Profits	**-**	-	**-**	-
Share of partnership commitments				
Capital commitments	**327,484**	564,266	**-**	-

Contingent liabilities relating to the joint venture

As at the reporting date there are no contingent liabilities.

24. Financial instruments disclosure

Credit risk

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

Interest rate risk

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

2004

			Fixed interest maturing in:				
	Note	**Floating interest rate $'000**	**1 year or less $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**	**Non Interest bearing $'000**	**Total $'000**
Financial assets							
Cash	7	40,707	-	-	-	-	40,707
Sundry debtors	8	142	-	-	-	223	365
Construction Phase Loan Notes	10	-	-	392,000	-	-	392,000
Total financial assets		40,849	-	392,000	-	223	433,072
Weighted average interest rate		5.08%	-	6.27%	-	-	-
Financial liabilities							
Creditors	12	-	-	-	-	15,026	15,026
CARS	14	-	-	430,000	-	-	430,000
Loan from related parties	13	19,096	-	-	-	2,420	21,516
Total financial liabilities		19,096	-	430,000	-	17,446	466,542
Weighted average interest rate		7.05%	-	7.00%	-		
Net financial assets/(liabilities)		21,753	-	(38,000)	-	(17,223)	(33,470)

notes to the financial statements

for the year ended 30 June 2004

2003

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial assets							
Cash	7	35,239	-	-	-	-	35,239
Sundry debtors	8	105	-	-	-	838	943
Construction Phase Loan Notes	10	-	-	392,000	-	-	392,000
Total financial assets		35,344	-	392,000	-	838	428,182
Weighted average interest rate		4.45%	-	6.27%	-	-	-
Financial liabilities							
Creditors	12	-	-	-	-	6,513	6,513
CARS	14	-	-	430,000	-	-	430,000
Loan from related parties	13	17,447	-	-	-	-	17,447
Total financial liabilities		17,447	-	430,000	-	6,513	453,960
Weighted average interest rate		7.05%	-	7.00%	-		
Net financial assets/(liabilities)		17,897	-	(38,000)	-	(5,675)	(25,778)

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.

25. Reconciliation of profit/(loss) from ordinary activities to net cash inflow/outflow from operating activities

	Consolidated		Parent	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Net loss from ordinary activities	**(8,085)**	(12,644)	**(8,085)**	(12,644)
Deferred borrowing costs	**394**	(13,134)	**394**	(13,134)
Change in operating assets and liabilities				
Increase in creditors	**8,513**	6,513	**8,513**	6,513
(Increase) decrease in debtors	**577**	(943)	**577**	(943)
Increase in loans from related parties	**3,701**	9,056	**3,701**	9,056
Net cash inflow/(outflow) from operating activities	**5,100**	(11,152)	**5,100**	(11,152)

26. Economic dependency

Transurban CARS Trust is reliant on the receipt of distributions from Transurban WSO Trust for its ongoing viability. Transurban CARS Trust also has a $28.2 million reserve account to fund future Convertible Adjusting Rate Securities ("CARS") distributions and is not available for general use. In addition to this, Transurban Holding Trust (Parent entity) acts as Guarantor for Transurban CARS Trust in relation to the interest payments to holders of CARS until 14 April 2007.

27. Earnings per unit

		Consolidated
	2004	2003
	$'000	$'000
Net tangible asset backing per ordinary unit	**($1,727,417)**	($1,053,644)
Basic earnings per unit	**($673,750)**	($1,053,666)
Diluted earnings per unit	**($673,750)**	($1,053,666)
Weighted average number of units used as the denominator in calculating basic earnings per unit	**12**	12
Weighted average number of unit and potential units used used as the denominator in calculating diluted earnings per unit	**12**	12

directors' declaration

The directors of Transurban Infrastructure Management Limited, the Responsible Entity for Transurban CARS Trust, declare that the financial statements and notes set out on pages 115 to 132:

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

(b) give a true and fair view of the Trust and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

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

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

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

Jeremy G A Davis
Director

Geoffrey O Cosgriff
Director

Melbourne, 25 August 2004

independant audit report to the members

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of

Transurban CARS Trust

Audit opinion

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

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban CARS Trust and the Transurban CARS Trust Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban CARS Trust (the Trust) and the Transurban CARS Trust Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the Trust and the entities it controlled during that year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

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

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

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

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

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

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

Independence

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

PricewaterhouseCoopers

Tim Goldsmith
Partner

Melbourne
25 August 2004

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

shareholder information

The security holder information set out below was applicable as at 31 August 2004.

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

1. The number of holders of Convertible Adjusting Rate Securities, which are preference units in Transurban CARS Trust ("TCT"), was 6,928.

2. The voting rights are one vote per security.

3. At 31 August 2004 the percentage of the total holdings held by or on behalf of the twenty largest holders of these securities was 62.68 per cent.

4. The distribution of holders was as follows:

Share Grouping	Number of Holders	Stapled Securities Held	%
1 - 1,000	6,757	1,181,376	27.47
1,001 - 5,000	134	262,995	6.12
5,001 - 10,000	11	78,870	1.83
10,001 - 100,000	20	681,261	15.84
100,001 - and over	6	2,095,498	48.74
Total	6,928	4,300,000	100.00

There were 48 holders of less than a marketable parcel of preference units.

5. Substantial Holder's as at 31 August 2004 are as follows:

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

(b) Twenty Largest Holders of Convertible Adjusting Rate Securities (CARS)

	Number of Convertible Securities Held	% of issued Convertible Securities
Westpac Custodian Nominees Limited	765,419	17.80
RBC Global Services Australia Nominees Pty Limited	442,036	10.28
JP Morgan Nominees Australia Limited	296,903	6.90
National Nominees Limited	224,697	5.23
ANZ Nominees Limited	220,607	5.13
RBC Global Services Australia Limited	145,836	3.39
UBS Private Clients Australia Nominees Pty Limited	84,821	1.97
Elise Nominees Pty Limited	75,400	1.75
Hastings Funds Management Limited	60,000	1.40
Perpetual Trustee Company Limited	55,069	1.28
Australian Foundation Investment Company Limited	52,700	1.23
JB were Capital Markets Limited	49,971	1.16
Brispot Nominees Pty Limited	47,364	1.10
Tower Trust Limited	41,004	0.95
Sandhurst Trustees Limited	26,751	0.62
Cambooya Pty LImited	25,900	0.60
Fortis Clearing Nominees Pty Limited	22,724	0.53
Permanent Trustee Australia Limited	22,030	0.51
Cogent Nominees Pty Limited	18,781	0.44
Permanent Trustee Australia Limited	17,673	0.41
Total	2,695,686	62.68

enquiries and information

enquiries about your stapled securities

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

computershare investor services pty limited.

Yarra Falls, 52 Johnston Street,
Abbotsford Victoria 3067
GPO Box 242
Melbourne Victoria 3001

(within Australia) 1300 850 505
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Facsimile +613 9473 2555

enquiries about transurban

Contact Transurban's Investor Relations:
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Telephone +613 9612 6999
Facsimile +613 9649 7380
Email via our website: www.transurban.com.au

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

stock exchange listing

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

Transurban CARS Trust: the securities are listed on the Australian Stock Exchange under the name Transurban CARS Trust and under the code 'TCS'.

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

removal from annual report mailing list

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

tax file number ('TFN') information

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

change of address or name

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

transurban group

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

Transurban Infrastructure Management Limited
ABN 27 098 147 678 (as responsible entity of the Transurban CARS Trust ARSN 103 090 928)

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directors

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Kim Edwards, Managing Director
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
Geoffrey R Phillips
David J Ryan

company secretaries

Geoffrey R Phillips
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RECYCLED