The Transurban City Link Unit Trust
Transurban City Link Limited

FINANCIAL STATEMENTS 2001

The Financial Report of the

Transurban City Link Unit Trust

for the year ended 30 June 2001

CONTENTS

directors' report

on the Transurban City Link Unit Trust

REVIEW OF OPERATIONS

(a) Construction

Payments

At 30 June 2001 aggregate payments to the TOJV under the D&C Contract remained unchanged for the year at $112 million. The aggregate of paid and deferred claims is equivalent to 98.8 per cent of the contract value.

Schedule

Completion of the Southern Link was certified on 21 December 2000, 331 days after the contractual Date for Completion of 26 January 2000. As part of the certification of Completion, certain works related to groundwater monitoring and CTCS software were nominated for subsequent certification (Certifiable Works) and a total amount of $4 million was deposited with the State to secure the completion of these works. At 30 June 2001, two items of Certifiable Works remained outstanding and $2.7 million remained on deposit in respect of these items. These items were completed on 24 August 2001.

Burnley Tunnel Failure

On 19 February 2001, a structural failure in an arch section of the Burnley Tunnel resulted in a full closure of the Burnley Tunnel for nine days. Subsequently, one lane was closed over half the length of the tunnel to allow repair of the failed section. Full three-lane operation was restored on 17 June 2001.

This failure is a defect in the works undertaken by TOJV and under the contract between Transurban and the TOJV, the TOJV is liable for the cost of rectifying the defect and any resultant damages suffered by Transurban. In this latter category, Transurban lost approximately $1.9 million in toll revenue and incurred $0.6 million in consulting costs. These amounts will be claimed from TOJV.

Extensive investigations of the entire tanked section of tunnel were undertaken subsequent to the failure. As a consequence of these investigations, the TOJV has recommended the installation of a physical restraint at the arch floor joint throughout the tanked section of the tunnel. The purpose of this restraint is to provide a high degree of certainty that no further movements of the joint will occur. The TOJV has met the cost of this work.

(b) Mezzanine Debt

A partial payment of Mezzanine Interest was made by the Trust on 15 December 2000. The Trust made no payment on 15 March 2001, a partial payment on 15 June 2001 with all outstanding interest then being paid on 31 July 2001 to Mezzanine Noteholders. The nonpayment of interest was a technical Event of Default under the Mezzanine Note Facility. The only effect of the Event of Default was that interest accrued at the Default Interest Rate, which is 200 basis points above the facility rate. The additional net interest cost over the period was $2 million.

(c) Managed Investments Act

On 30 March 2001, the Trustee became the Responsible Entity of the Trust and the Trust Manager was appointed under an investment management agreement to continue to undertake many of its existing functions.

This change was a result of the provisions of Managed Investment Act 1998 (the Act) which came into effect on 14 August 1998. The Act created a new regulatory environment and changed the workings of the Trust generally. In particular, the Act provides for the governance of the Trust by a single responsible entity. Formerly, the governance of a Trust was effected through a dual entity structure involving a trustee and a manager.

directors' report

on the Transurban City Link Unit Trust

Results

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

	2001 $'000	2000 $'000
Revenue from ordinary activities	229,308	115,675
Net profit from ordinary activities	73,547	42,873

DIRECTORS

On 30 March 2001, under the Managed Investments Act 1998, Perpetual Trustee Company Limited became the Responsible Entity for the Trust (the Responsible Entity). Prior to 30 March 2001, a dual entity structure existed which comprised the Trustee and the Trust Manager (City Link Management Limited).

The following persons held office as directors of the Trust Manager until 30 March 2001:

Michael S Hamson	Kenneth H Spencer
W Richard Sheppard	Anthony L Kahn (alternate for Richard Sheppard)

The following persons held office as directors of the Responsible Entity from 30 March 2001 until the date of this report:

Gai M McGrath

Rohan W Mead (from 28 May 2001)

Michael J Stefanovski

Phillip A Vernon

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 30 March 2001. Perpetual Trustee Company Limited, formerly the Trustee, was appointed as the responsible entity for the Trust. City Link Management Limited, formerly the Manager of the Trust, was appointed by the Responsible Entity as investment manager of the Trust.

In the opinion of the directors' of the Responsible Entity, there were no other significant changes in the state of affairs of the Trust that occurred during the year under review.

PRINCIPAL ACTIVITIES

The principal activities of the Trust during the year were the borrowing of funds to finance the Trust's share of construction of the Melbourne City Link, the lending of funds to the Company to fund the Company's share of operations and leasing of Project land and Trust Assets to the Company.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2001 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the Trust in financial years subsequent to 30 June 2001.

directors' report

on the Transurban City Link Unit Trust

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Trust has received $11.271 million from the TOJV under a Standstill arrangement pending the resolution of current litigation between Transurban City Link Limited, the TOJV and the Trust. This litigation relates the enforceability of liquidated damages and arbitration of TOJV's disputation of the Independent Reviewer's determination that TOJV is not entitled to extensions of time. However, Transurban and the TOJV are continuing discussions in an attempt to bring about a negotiated settlement on all matters in dispute between them. Both parties remain hopeful that a negotiated settlement can be achieved.

As a result of the ongoing dispute, the $11.271 million has not been brought to account for the Statement of Financial Performance but have been accounted for as a liability due to the potential need to repay the provisional amounts if Transurban City Link Limited were found not to be entitled to Liquidated damages.

Further information on likely developments in the operation of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

ENVIRONMENTAL REGULATION

The operations of the Trust are subject to environmental regulations under both Commonwealth and State legislation. Transurban City Link Limited has the obligation to operate The Melbourne City Link which includes the Trust road. It has appointed Translink Operations Pty Limited (TLO to operate and maintain the Melbourne City Link. TLO must ensure it complies with EPA regulations. To meet this obligation, TLO monitors the emission of carbon monoxide, oxides of nitrogen and particulate matter from the Domain and Burnley Tunnel ventilation stacks. In addition, TLO monitors ambient air quality around the tunnels. Current monitoring indicates emission levels from the stacks are well below the EPA licence limits.

TLO is also required to regularly test the quality of the groundwater being discharged into the Yarra River. Tests show the water meets the standards under State Environment Protection Policy for water.

The Responsible Entity is not aware of any non compliance with any environmental regulations relating to the Trust Assets.

	2001 $'000	2000 $'000
Interests in the Trust issued during the financial year		
Units on issue at the beginning of the year	**510,000**	510,000
Units issued during the year	**-**	-
Units on issue at the end of the year	**510,000**	510,000
Value of Assets		
Value of Trust assets at 30 June	**3,292,895**	3,194,426

OPTIONS

Options over unissued Stapled Securities of Transurban City Link Limited and the Trust were granted to senior executives of Transurban City Link Limited under the Executive Option Plan on 26 April 2001.

2,350,000 options were issued during the year ended 30 June 2001. No Stapled Securities were issued during the year on the exercise of options.

directors' report

on the Transurban City Link Unit Trust

INSURANCE AND INDEMNIFICATION

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

FEES PAID TO AND INTEREST HELD IN THE TRUST BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity out of Trust property are disclosed in note 18 to the financial statements.

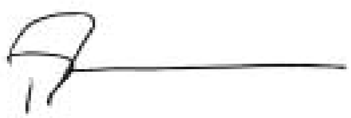
No fees were paid to the directors of the Responsible Entity during the year out of Trust property.

The number of Stapled Securities in the combined entity (comprising Transurban City Link Limited and Controlled Entity and The Transurban City Link Unit Trust) held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 18 to the financial statements.

ROUNDING OFF

Pursuant to Class Order 98/0100, issued by the Australian Securities and Investments Commission, amounts in the directors' report and financial statements are rounded off to the nearest thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the directors of Perpetual Trustee Company Limited.



Phillip A Vernon
Director
28 August 2001

statement of financial performance

for the year ended 30 June 2001

	Notes	2001 $'000	2000 $'000
Revenue from ordinary activities	3	**229,308**	115,675
Expenses from ordinary activities			
Borrowing costs	4	**147,345**	67,231
Other expenses	4	**8,416**	5,571
Net profit from ordinary activities		**73,547**	42,873

		Cents	Cents
Basic earnings per unit	22	**14.4**	8.8
Diluted earnings per unit	22	**14.4**	8.8

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

statement of financial position

as at 30 June 2001

	Notes	2001 $'000	2000 $'000
CURRENT ASSETS			
Cash assets	6	**61,821**	77,818
Receivables	7	**187**	332
Other	8	**101**	183
Total Current Assets		**62,109**	78,333
NON-CURRENT ASSETS			
Property, plant and equipment	9	**263,618**	270,274
Other financial assets	10	**2,967,168**	2,845,819
Total Non-Current Assets		**3,230,786**	3,116,093
TOTAL ASSETS		**3,292,895**	3,194,426
CURRENT LIABILITIES			
Payables	11	**17,866**	4,609
Non interest bearing liabilities	12	**13,326**	11,294
Interest bearing liabilities	13	**20,237**	8,058
Total Current Liabilities		**51,429**	23,961
NON-CURRENT LIABILITIES			
Interest bearing liabilities	14	**1,488,988**	1,495,641
Non interest bearing liabilities	15	**4,107**	-
Total Non-Current Liabilities		**1,493,095**	1,495,641
TOTAL LIABILITIES		**1,544,524**	1,519,602
NET ASSETS		**1,748,371**	1,674,824
UNITHOLDERS' FUNDS			
Issued units	16	**1,631,951**	1,631,951
Undistributed income	16	**116,420**	42,873
TOTAL UNITHOLDERS' FUNDS		**1,748,371**	1,674,824

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

statement of cash flows

for the year ended 30 June 2001

	Notes	**2001 $'000**	2000 $'000
Cash flows from operating activities			
Payments to suppliers (inclusive of GST)		**(1,161)**	(5,582)
Interest received (inclusive of GST)		**17,809**	79,814
Other revenue		**-**	40,811
Borrowing costs		**(120,963)**	(67,203)
Net cash (outflow)/inflow from operating activities	21	**(104,315)**	47,840
Cash flows from investing activities			
Payments for property, plant and equipment		**-**	(7,516)
Advances of loans to Company		**(45,877)**	(1,834,474)
Other advances of loans		**-**	(94,549)
Repayment of loans by Company		**141,563**	180,068
Repayment of other loans		**690**	-
Net cash inflow/(outflow) from investing activities		**96,376**	(1,756,471)
Cash flows from financing activities			
Repayment of borrowings		**(8,058)**	(1,151)
Proceeds from borrowings		**-**	122,842
Proceeds from issue of new units		**-**	1,576,600
Proceeds from issue of new units under the Deferred Equity Subscription Agreement		**-**	54,450
Net cash (outflow)/inflow from financing activities		**(8,058)**	1,752,741
Net (decrease)/increase in cash held		**(15,997)**	44,110
Cash at the beginning of the financial year		**77,818**	33,708
Cash at the end of the financial year	6	**61,821**	77,818
Financing arrangements and credit facilities	14		

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

notes to the financial statements

for the year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The financial statements are a general purpose financial report prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Corporations Act 2001 and the Trust Deed dated October 1995 (as amended).

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 economic entity.

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

(c) Transurban City Link Limited

Transurban City Link Limited is referred to as the Company.

(d) Revenue Recognition

Revenue for rental of land is recognised as earned in accordance with the lease contract.

e) Recoverable Amount of Non-Current Assets

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

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

(f) Amortisation and Depreciation of Fixed Assets

CityLink Fixed Assets

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

Other Plant and Equipment

Leasehold Improvements included in CityLink fixed assets are depreciated on a straight line basis so as to write off the net cost of plant and equipment over their expected useful lives. Estimates of remaining useful lives will be made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives are as follows:

Leasehold Improvements 3 – 15 years

g) Income Tax

Income tax has not been brought to account in the financial statements of the Trust as under the terms of the Trust Deed 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.

h) CPI Bonds

The Trust has issued CPI Bonds which mature on 15 March 2023. The CPI Bond principal outstanding is adjusted for inflation, consistent with the provisions of the Income Tax Legislation.

i) Financial Instruments

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

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.

j) Borrowing Costs

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

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

k) Cash Flows

For the purpose of the Statement of Cash Flows, cash includes cash on hand, deposits held at call with banks and investments in money market instruments.

l) Conditional Receipts

Where the Trust has received payments that are provisional or subject to legal dispute, the total value of the receipts will be accounted for as a liability and will not be reclassified as revenue until the nature of the receipt is virtually certain and supports the classification as revenue.

m) Earnings per Unit

(i) Basic Earnings per Unit

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

(ii) Diluted Earnings per Unit

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

n) Goods and Services Tax (GST)

The amount of GST incurred by the Trust that is not recoverable from the Australian Taxation Office (ATO) is recognised as an expense or as part of the cost of acquisition of an asset. The Trust qualifies for Reduced Input Tax Credits at the rate of 75% on various services such as Responsible Entity fees. These expenses have been recognised in the statement of financial performance net of the amount of GST recoverable from the ATO. Receivables and payables are stated at amounts inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cashflows relating to GST are included in the statement of cash flows on a gross basis.

o) Rounding of amounts

Amounts in the financial report are rounded off to the nearest thousand dollars in accordance with Class Order 98/0100 issued by the Australian Securities and Investments Commission.

2. TRUST FORMATION AND TERMINATION

The Trust was established on 19 October 1995 and will continue in operation for 80 years from this date pursuant to the provisions of the Trust Deed unless terminated earlier.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 30 March 2001.

notes to the financial statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000
3. REVENUE		
Revenue from operating activities		
Rental income	**83,600**	40,811
Revenue from outside the operating activities		
Interest	**145,708**	74,864
	229,308	115,675
4. OPERATING PROFIT		
Expenses		
Operating result includes the following specific expenses:		
Depreciation and amortisation - CityLink	**7,347**	5,052
Administrative costs	**1,069**	519
Borrowing costs		
Interest and finance charges paid/payable	**145,634**	66,801
Interest rate hedging charges paid/payable	**1,711**	430
	147,345	67,231
5. INCOME TAX		
Tax Losses at beginning of year	**85,089**	122,008
Tax (Income)/Losses for the year	**(57,903)**	(36,919)
Tax Losses at end of year	**27,186**	85,089

Potential future income tax benefits at 30 June 2001 for tax losses not brought to account for the Trust are $27,186,000. These losses cannot be used directly by the Trust for the reason outlined in note 1g, 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 unit holders in the Trust if:

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

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

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

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

notes to the financial statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000
6. CASH ASSETS – CURRENT ASSETS		
Cash at bank	**61,821**	77,818
	61,821	77,818

The cash at the end of the year as shown in the Statement of Cash Flows is as above.

Included in the above amount, is $61.5 million which is held in a Debt Service Reserve account and is not available for general use. (2000: $71.0 million)

	2001 $'000	2000 $'000
7. RECEIVABLES – CURRENT ASSETS		
Sundry debtors	**187**	332
	187	332
8. OTHER – CURRENT ASSETS		
Prepayments	**101**	183
	101	183
9. PROPERTY, PLANT AND EQUIPMENT – NON CURRENT ASSETS		
a) CityLink Fixed Assets		
CityLink	**276,017**	275,326
Less: Accumulated depreciation	**(12,399)**	(5,052)
	263,618	270,274

notes to the financial statements

for the year ended 30 June 2001

b) Reconciliations

Reconciliations of the carrying amount of each class of property, plant and equipment are set out below.

	CityLink 2001 $'000	CityLink 2000 $'000
Trust		
Carrying amount at the start of the year	**270,274**	262,787
Additions	**691**	12,539
Depreciation/amortisation expense	**(7,347)**	(5,052)
Carrying amount at year end	**263,618**	270,274

Refer to note 14 for information on non-current assets pledged as security by the Trust .

	2001 $'000	2000 $'000
10. OTHER FINANCIAL ASSETS – NON CURRENT ASSETS		
Advances to Company	**2,873,313**	2,751,270
Other loans	**93,855**	94,549
	2,967,168	2,845,819

Other loans is made up of a loan to Macquarie Bank Limited for a period of 5 years at a fixed interest rate of 8.5% pa.

11. PAYABLES – CURRENT LIABILITIES

Sundry creditors	**17,866**	4,609
	17,866	4,609

12. NON INTEREST BEARING LIABILITIES - CURRENT LIABILITIES

Unearned Income	**2,055**	-
Liquidated Damages	**11,271**	11,294
	13,326	11,294

notes to the financial statements

for the year ended 30 June 2001

	2001 $'000	2000 $'000
13. INTEREST BEARING LIABILITIES – CURRENT LIABILITIES		
Secured		
Project Debt - Tranche A	**19,952**	8,058
Project Debt - Tranche B	**148**	-
Project Debt - Tranche C	**137**	-
	20,237	8,058
14. INTEREST BEARING LIABILITIES – NON-CURRENT LIABILITIES		
Secured		
CPI Bonds	**361,607**	348,023
Project Debt - Tranche A	**738,267**	758,221
Project Debt - Tranche B	**98,241**	98,388
Project Debt - Tranche C	**90,873**	91,009
Mezzanine Debt	**200,000**	200,000
	1,488,988	1,495,641

Financing Arrangements and Credit Facilities

Credit facilities are provided as part of the overall debt funding structure and comprise Tranche A, B and C project debt facilities, a CPI Bond facility and a Mezzanine Debt facility.

Details of each facility are as follows:-

a) **Project Debt Facility – Tranche A**

$778 million multi option facility which can be drawn as cash advances or letters of credit. The facility is for a term of 17 years from 4 March 1996. As at 30 June 2001, $758 million had been utilised in the form of cash advances (2000: $766 million) and $20 million had been used as a letter of credit (2000: $20 million).

b) **Project Debt Facility – Tranche B**

$98 million multi option facility which was fully utilised as at 30 June 2001. The facility is for a term of 19 years from 4 March 1996.

c) **Project Debt Facility – Tranche C**

$91 million multi option facility which was fully utilised at 30 June 2001. The facility is for a term of 16 years from 31 March 1999.

d) **CPI Bond Facility**

$350 million CPI Bond facility with a term of 27 years from March 1996 which was fully drawn as at 30 June 2001. The facility is being amortised by equal quarterly payments which cover principal and interest. These payments are indexed according to movements in the CPI.

e) **Mezzanine Note Facility**

$200 million multi option facility which was fully utilised at 30 June 2001. The facility is for a term of 24 years from 31 March 1999.

notes to the financial statements

for the year ended 30 June 2001

Details of the utilisation of borrowing facilities are as follows: -

	2001 $'000	2000 $'000
Available facilities	**1,517,619**	1,903,677
Amount utilised	**(1,517,619)**	(1,898,165)
Amount unutilised	**-**	5,512

The utilisation excludes adjustments to the CPI Bond principal for inflation.
The facilities are available subject to the requirements of the relevant contracts and deed being met.

All assets are pledged as security for Transurban's liabilities.

15. NON-INTEREST BEARING LIABILITIES – NON-CURRENT LIABILITIES

Unearned Income	**4,107**	-
	4,107	-

16. UNITHOLDERS' FUNDS

The issued units of the Trust are a component of a parcel of Stapled Securities (issued at a value of $1.00 each), each parcel comprising one share in the Company issued at $0.01 and one unit in the Trust issued at $0.99.

The individual securities comprising a parcel of Stapled Securities cannot be traded separately.

a) Paid up Units

510,000,000 units in the Trust - fully paid	**1,631,951**	1,631,951
	1,631,951	1,631,951

b) Undistributed Income

Undistributed income bought forward	**42,873**	-
Net profit from ordinary activities	**73,547**	42,873
Available for distribution	**116,420**	42,873
Distributions to unitholders during the year	**-**	-
Undistributed income carried forward	**116,420**	42,873

notes to the financial statements

for the year ended 30 June 2001

c) Options

2,350,000 options were granted on 26 April 2001 under the Transurban Executive Options Plan to eight senior executives of Transurban City Link Limited. These options represent 2,350,000 potential units in the Trust and therefore the equivalent number of Stapled Securities. At 30 June 2001, no Stapled Securities had been issued pursuant to these options.

Each option is granted at no cost to the Optionholder. The exercise price is $3.817, which was the weighted average market price over the week preceding the issue. Options vest in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise is subject to an Exercise Condition. The Exercise Condition involves a comparison between Total Shareholder Return (TSR) of Transurban'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. Transurban 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 Transurban's TSR exceeds the 65th percentile of the ranking, 100% of the vested options may be exercised. If Transurban'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.

	2001 $'000	2000 $'000
17. REMUNERATION OF AUDITORS		
Remuneration for audit or review of the financial reports of the Trust	**13**	19
Remuneration for other services provided by the Trust's auditors	**3**	11

18. RELATED PARTY INFORMATION

Controlling Entities

The Trust is an ultimate chief entity.

Directors

On 30 March 2001, under the Managed Investment Act 1998, Perpetual Trustee Company Limited became the Responsible Entity for the Trust. Prior to 30 March 2001, a dual entity structure existed which comprised the Trustee (Perpetual Trustee Company Limited) and the Trust Manager (City Link Management Limited).

The name of each person who was a director of the Responsible Entity at any time from 30 March 2001 until the end of the financial year are as follows:

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

The name of each person who was a director of the Trust Manager from the beginning of the financial year until 30 March 2001 is as follows:

Michael S Hamson, W Richard Sheppard, Kenneth H Spencer, Anthony L Kahn (alternate for W R Sheppard).

notes to the financial statements

for the year ended 30 June 2001

Transactions of Directors of the Responsible Entity and the Trust Manager and their Director-Related Entities Concerning Stapled Securities

The aggregate numbers of Stapled Securities acquired or disposed of and held at 30 June 2001 by directors of the Responsible Entity and Trust Manager or their director-related entities were as follows:

	Beneficial	Non Beneficial	Total
Balance at 1 July 2000 held by Trust Manager & Director related entities	170,000	-	170,000
Affect of Trustee becoming Responsible Entity on 30 March 2001:			
- Stapled Securities held by Trust Manager	(170,000)	-	(170,000)
Balance at 30 June 2001	-	-	-

Directors of the Trust Manager and their director-related entities will receive normal distributions on these Stapled Securities. All transactions relating to Stapled Securities of the combined entity were on the same basis as similar transactions with other Stapled Security holders.

notes to the financial statements

for the year ended 30 June 2001

Other Related Parties

Related entities of the Responsible Entity held nil stapled securities as at 30 June 2001.

Aggregate amounts that were charged to the statement of financial performance that resulted from transactions with other related parties were as follows:

	2001 **$'000**	2000 $'000
Fees to Trust Manager/Investment Manager	**356**	472
Fees to Trustee/Responsible Entity	**485**	336

Aggregate amounts payable to and receivable from other related parties at balance date:

Current liabilities	**431**	403

19. FINANCIAL INSTRUMENTS DISCLOSURE

The Trust in its own right and on behalf of the Company is party to financial instruments with off-balance sheet risks in the normal course of business in order to hedge exposure to interest rate fluctuations. These instruments are not included in the assets or liabilities (as the case may be) of the Trust, except to the extent detailed hereunder.

Interest Rate Swap Contracts

The Trust's policy is to protect funds exposure to variations in interest rate fluctuations.

Additional swaps have been entered into that hedge interest paid on funds borrowed to lend to the Company for the construction of Exhibition Street Extension.

	2001 **$'000**	2000 $'000
The Trust has variable interest rate facilities in place to fund operations. Interest rate swap agreements are in place to hedge the borrowing of such funds. Under these swap agreements the Trust is obliged to pay interest at fixed rates in the range 1.65 per cent to 9.54 per cent per annum and has the right to receive interest at variable rates. At 30 June 2001, the notional principal amounts and periods of expiry of the interest rate swap contracts are:		
Less than a year	**41,080**	23,484
1 - 2 years	**54,317**	41,080
2 - 3 years	**64,021**	54,317
3 - 4 years	**36,001**	64,021
4 - 5 years	**46,787**	36,001
5 - 10 years	**471,362**	385,451
10 - 16 years	**196,450**	329,148
	910,018	933,502

notes to the financial statements

for the year ended 30 June 2001

Credit Risk

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

	2001			2000		
	Financial Institutions $'000	**Corporates $'000**	**Total $'000**	Financial Institutions $'000	Corporates $'000	Total $'000
On-balance sheet financial assets						
Cash	61,821	-	61,821	77,818	-	77,818
Sundry Debtors	187	-	187	332	-	332
Advance to Company	-	2,873,313	2,873,313	-	2,751,270	2,751,270
Advance to Macquarie Bank Limited	93,855	-	93,855	94,549	-	94,549
Total Credit Risk	155,863	2,873,313	3,029,176	172,699	2,751,270	2,923,969

Interest Rate Risk

The Trust's exposure to interest rate risk and the effective rates on financial assets and liabilities at 30 June 2001 were:

			Fixed Interest Rate Maturity				
	Notes	**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	6	61,821	-	-	-	-	61,821
Sundry debtors	7	-	-	-	-	187	187
Advance to Company	10	1,296,713	-	-	-	1,576,600	2,873,313
Advance to Macquarie Bank Limited	10	-	-	93,855	-	-	93,855
Total Financial Assets		1,358,534	-	93,855	-	1,576,787	3,029,176
Weighted average interest rate		10.82%	-	8.50%	-	-	-
Financial Liabilities							
Sundry creditors	11	-	-	-	-	17,866	17,866
CPI Bonds	14	-	-	-	361,607	-	361,607
Project debt borrowings	13,14	1,147,618	-	-	-	-	1,147,618
Interest rate swaps		(910,018)	41,080	201,126	667,812	-	-
Total Financial Liabilities		237,600	41,080	201,126	1,029,419	17,866	1,527,091
Weighted average interest rate		6.40%	6.36%	6.36%	8.86%	-	-
Net Financial Assets/(Liabilities)		1,120,934	(41,080)	(107,271)	(1,029,419)	1,558,921	1,502,085

notes to the financial statements

for the year ended 30 June 2001

The Trust's exposure to interest rate risk and the effective rates on financial assets and liabilities at 30 June 2000 were:

	Notes	Floating interest rate $'000	Fixed Interest Rate Maturity: 1 year or less $'000	between 1 and 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets							
Cash	6	77,818	-	-	-	-	77,818
Sundry debtors	7	-	-	-	-	332	332
Advance to Company	10	1,174,670	-	-	-	1,576,600	2,751,270
Advance to Macquarie Bank Limited	10	-	-	94,549	-	-	94,549
Total Financial Assets		1,252,488	-	94,549	-	1,576,932	2,923,969
Weighted average interest rate		9.59%	-	8.50%	-	-	-
Financial Liabilities							
Sundry creditors	11	-	-	-	-	4,609	4,609
CPI Bonds	14	-	-	-	348,023	-	348,023
Project debt borrowings	13, 14	1,155,676	-	-	-	-	1,155,676
Interest Rate Swaps		(933,502)	23,484	195,419	714,599	-	-
Total Financial Liabilities		222,174	23,484	195,419	1,062,622	4,609	1,508,308
Weighted average interest rate		7.38%	5.79%	5.79%	7.19%	-	-
Net Financial Assets/(Liabilities)		1,030,314	(23,484)	(100,870)	(1,062,622)	1,572,323	1,415,661

	Notes	2001 $'000	2000 $'000
Reconciliation of Net Financial Assets to Net Assets			
Net financial assets as above		**1,502,085**	1,415,661
Non-financial assets and liabilities			
Property, plant and equipment	9	**263,618**	270,274
Other assets	8	**101**	183
Other liabilities	12,15	**(17,433)**	(11,294)
Net assets per balance sheet		**1,748,371**	1,674,824

Liabilities under the CPI Bond Facility have been classified as fixed rate liabilities maturing beyond five years for the following reasons:

- The amount of principal expected to be retired through annuity payments over the next four years is not material; and
- The outstanding principal, while subject to indexation for movements in the CPI, is effectively hedged against the effect of such movements as toll revenue which is the major component of the combined entity's revenues, is also indexed for movements in the CPI.

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 1 held at 30 June 2001 is a liability of $81.1 million (2000: $85 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 Trust expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at 30 June 2001. This is based on independent market quotations and is determined using accepted valuation techniques.

20. SEGMENT INFORMATION

The Trust operates in one geographic segment in Victoria, Australia and one industry segment being the operation of the Melbourne City Link.

	2001 $'000	2000 $'000
21. RECONCILIATION OF NET RESULT FROM ORDINARY ACTIVITIES TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Net profit from ordinary activities	**73,547**	42,873
Depreciation and amortisation	**7,347**	5,052
Decrease/(Increase) in prepayments	**4**	(12)
Increase in creditors	**12,564**	102
Increase in unearned income	**6,160**	-
Decrease/(Increase) in debtors	**203**	(175)
Increase in CPI Bonds	**13,584**	-
Income capitalised into loans to Company	**(217,724)**	-
Net cash (outflow)/inflow from operating activities	**(104,315)**	47,840

	2001	2000
22. EARNINGS PER UNIT		
Net tangible asset backing per unit	**$3.43**	$3.28
Basic earnings per unit	**14.4 cents**	8.8 cents
Diluted earnings per unit	**14.4 cents**	8.8 cents
Weighted average number of units used in calculating basic earnings per unit	**510,000,000**	486,191,781
Weighted average number of units and potential units used (as denominator) in calculating diluted earnings per unit	**510,476,438**	486,191,781

Information concerning the classification of units

(a) Stapled Securities

Stapled Securities, and therefore units, are fully paid and have been recognised in the determination of basic earnings per unit.

(b) Options

Options granted to executives of Transurban City Link Limited under the Transurban Executive Option Plan are considered to be potential Stapled Securities and have been included in the calculation of diluted earnings per Unit.

directors' declaration

for the Transurban CityLink Unit Trust

In the opinion of the directors of Perpetual Trustee Company Limited the Responsible Entity for The Transurban City Link Unit Trust (the Trust):

1 the financial statements and notes set out on pages 6 to 22 are in accordance with the Corporations Act 2001, including:

   (a) giving a true and fair view of the financial position of the Trust as at 30 June 2001 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and

   (b) complying with the Accounting Standards and Corporations Regulations 2001.

2 there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and

3 the financial statements and notes set out on pages 6 to 22 are in accordance with the provisions of the Constitution.

Signed in accordance with a resolution of the directors of Perpetual Trustee Company Limited

Phillip A Vernon
Director

Sydney
28 August 2001

independent audit report

PRICEWATERHOUSECOOPERS

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Independent Audit Report to the Unitholders of The Transurban City Link Unit Trust

Scope

We have audited the financial report of The Transurban City Link Unit Trust ("the Trust") for the financial year ended 30 June 2001 as set out on pages 6 to 23. The directors of the Responsible Entity of the Trust are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the unitholders of the Trust.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Trust's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Trust is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Trust's financial position as at 30 June 2001 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements; and

(c) the provisions of the Trust Deed.

PricewaterhouseCoopers
Chartered Accountants

P J Fekete
Partner

Melbourne
28 August 2001

The Financial Report of the

Transurban City Link Limited and Controlled Entity

ABN 65 070 810 678

for the year ended 30 June 2001

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on the Financial Report of Transurban City Link Limited and Controlled Entity.

Directors' Report on the Financial Report of Transurban City Link Limited and Controlled Entity.

Your directors present their report on the consolidated entity consisting of Transurban City Link Limited and the entity it controlled at the end of, and during, the year ended 30 June 2001.

COMPANY ACCOUNTS

The Company and The Transurban City Link Unit Trust (the Trust) have entered into a Concession Deed with the State of Victoria in relation to the Melbourne City Link project (CityLink) and have issued securities, which are stapled into parcels (Stapled Securities). A Stapled Security comprises one share in the Company with a nominal price of $0.01 and one unit in the Trust with a nominal price of $0.99. None of the components can be traded separately.

DIRECTORS

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

Laurence G Cox	Jeremy G A Davis
Kimberley Edwards	Susan M Oliver
W H John Barr	Geoffrey R Phillips
Peter C Byers	

Geoff O Cosgriff was appointed a director on 19 December 2000 and continues in office at the date of this report.

PRINCIPAL ACTIVITIES

The principal continuing activities of the consolidated entity during the year were the design, construction and operation of CityLink.

RESULTS

The result of operations for the financial year ended 30 June 2001 was an operating loss of $221 million (1999: $163 million).

DIVIDENDS

There were nil dividends in the year (2000: nil).

REVIEW OF OPERATIONS

(a) Traffic

The Burnley Tunnel was opened to traffic on 22 December 2000 and tolling commenced on 28 December 2000. From the first day, the tunnel was accepted well by users and traffic volumes rose quickly to approximately the same level as the Domain Tunnel.

Traffic volumes using the Western Link also increased due to the reduction in delays on the Westgate Freeway and the delivery of continuous freeway standard operations for eastbound traffic.

The Burnley Tunnel wall failure, which occurred on 19 February 2001 is estimated to have reduced transaction volumes for the year by 0.9 per cent. This reduction is due to the closure of the tunnel between 19 and 25 February to allow a full investigation of the cause of the failure to be completed and the effects of closure of one lane of the tunnel until 16 June to allow repairs to be completed.

Overall traffic ramp-up is generally in accord with expectations but has been impacted by both the wall failure and the opening of the Wurundjeri Way in the Docklands Precinct.

At 30 June 2001, the 5 day moving average of weekday transactions was 584,512.

This is 94.3 per cent of the transaction volumes for 2001 predicted by the Base Case Traffic Model after allowing for the ramp-up factors included in the prospectus and of the diversion of traffic on to Wurundjeri Way in the Docklands precinct. The shortfall relative to projected volumes is almost entirely on the Elevated Roadway and Bolte Bridge sections of the Western Link.

(b) Customer Service

CityLink's customer base grew strongly over the year with the number of account holders increasing by 29 per cent to 478,870, while the number of e-TAG's associated with these accounts increased by 28 per cent to 680,825.

This substantial growth in the customer base and in usage posed a challenge for the delivery of customer service and some problems were experienced over the Christmas/New Year holiday period due to the coincidence of the opening of the Burnley Tunnel with a high demand for CityLink Passes due to the large number of visitors to Melbourne for the holidays.

Progress over the year in reducing customer service costs was less than planned, due to the disruptions over the Christmas/New Year period and delays in the implementation of new technology. "Touch" kiosks in Shell service stations and an automated telephone channel using interactive voice response technology were successfully introduced, but the introduction of natural language speech recognition technology and modifications to the Central Toll Computer System ('CTCS') software to automate certain customer service processes which are presently being performed manually was delayed.

Subsequent review has validated annualised savings of $11.2 million, of which a minimum of $7.5 million will be realised in the 2001-2 year. The target for customer service costs for 2001-2 year is $33 million. The previously-established long term target level of $2.2 million per month is expected to be achieved in 2002-03 following changes to CTCS software (see below).

(c) Construction

Payments

As at 30 June 2001 aggregate payments to the TOJV under the C&C Contract remained unchanged for the year at $1,176 million. Further claims of $2 million have been deferred bringing the total claims deferred as a consequence of late delivery to $24 million. The aggregate of paid and deferred claims is equivalent to 99.5 per cent of the contract value.

Schedule

Completion of the Southern Link was certified on 21 December 2000, 331 days after the contractual Date for Completion of 26 January 2000. As part of the certification of completion, certain works related to groundwater monitoring and CTCS software were nominated for subsequent certification (Certifiable Works) and a total amount of $4 million was deposited with the State to secure the completion of these works. At 30 June 2001, two items of Certifiable Works remained outstanding and $2.7 million remained on deposit in respect of these items. These items are expected to be completed by 24 August 2001.

Burnley Tunnel Failure

On 19 February 2001, a structural failure in an arch section of the Burnley Tunnel resulted in a full closure of the Burnley Tunnel for nine days. Subsequently, one lane was closed over half the length of the tunnel to allow repair of the failed section. Full three-lane operation was restored on 17 June 2001.

This failure is a defect in the works undertaken by TOJV and under the contract between Transurban and the TOJV, the TOJV is liable for the cost of rectifying the defect and any resultant damages suffered by Transurban. In this latter category, Transurban lost approximately $1.9 million in toll revenue and incurred $0.6 million in consulting costs. These amounts will be claimed from the TOJV.

Extensive investigations of the entire tanked section of tunnel were undertaken subsequent to the failure. As a consequence of these investigations, the TOJV has recommended the installation of a physical restraint at the arch floor joint throughout the tanked section of the tunnel. The purpose of this restraint is to provide a high degree of certainty that no further movements of the joint will occur. The TOJV will meet the cost of this work.

(d) Income Tax

Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Company Accounts have been prepared on this basis (see note 4). Deductions in respect of concession fees account for $509.3 million of the Company's carried forward taxable loss of $809.2 million at 30 June 2001.

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

Transurban lodged an objection to this assessment on 16 August 2000 and on 17 November 2000 the ATO disallowed the objection. On 21 December 2000, Transurban lodged an appeal in the Federal Court against the ATO decision to disallow the objection. The appeal is still progressing through directions and discovery processes and no date is set down for hearing of the matter.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

(a) Commencement of Full Operations

Following certification on 21 December 2000 of the completion of the Burnley Tunnel and the introduction of full tolls on all sections of the CityLink, the focus of the Company moved to operations and the Company's ongoing right to receive liquidated damages ceased. Action to recover the outstanding liquidated damages owed by the TOJV will continue. The construction activities of the Company are now limited to management of the defects correction period.

(b) Refinance of Infrastructure Bonds

The interest rate on Transurban's $1,249 million infrastructure borrowing facilities has been reduced from 8.4 per cent per annum to 7.5 per cent per annum with effect from 1 July 2001. The basis for altering the interest rate going forward has also changed from being subject to adjustment in the corporate taxation rate to now being subject to changes in the top marginal personal taxation rate. The result of the change is a saving in interest costs of $11.2 million per annum, resulting in aggregate savings of $41.2 million over the balance of the term of the infrastructure facilities.

(c) CTCS Development

As part of the Interim Settlement Agreement with TOJV of 2 November 2000, agreement was reached on the functionality of the CTCS to be provided by the TOJV on final handover of the system. This agreed functionality excludes some works that TOJV undertook to complete as part of the D&C Contract. This functionality is not critical to Transurban's ability to meet its obligations under the Concession Deed or to deliver satisfactory customer service, and a financial settlement on the value of these excluded works has been reached.

On final handover, Transurban will take responsibility for the future development of the CTCS and has established an in-house development team for this purpose. This will ensure that the CTCS is developed to further improve customer service delivery and reduce customer service costs.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

At the date of this report, the directors are not aware of any circumstances that have arisen since 30 June 2001 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the consolidated entity in financial years subsequent to 30 June 2001.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The major likely developments in operations in the next six months are as follows:

(a) Liquidated Damages

Transurban and TOJV will continue litigation in the Supreme Court relating to the enforceability of liquidated damages and arbitration of TOJV's disputation of the Independent Reviewer's determination that TOJV is not entitled to extensions of time. However, Transurban and the TOJV are continuing discussions in an attempt to bring about a negotiated settlement on all matters in dispute between them.

(b) Burnley Tunnel

A programme of enhancements to the arch toe of the Burnley Tunnel has been recommended by the TOJV. The enhancements are the result of the review of the Burnley Tunnel following the structured failure in February 2001. The design package for the enhancements is being reviewed and work is expected to commence early September 2001 for completion by the end of the year.

(c) Customer Service

Customer service delivery improvement is to continue over the year. The improvements will concentrate on the development and enhancement of self service channels (internet, kiosk and telephone) with the aim of improving customer access and reducing service delivery costs. The reduction in customer service costs over the year is targeted at $7.5 million ($11.2 million annualised) with a target for customer service costs of $33 million for 2001 – 2002.

(d) New Business Opportunities

Transurban wishes to use the skills and knowledge gained in the development and operation of CityLink to increase shareholder value by participating in new projects. In order to achieve this aim, Transurban is discussing with the State of Victoria the removal of the provisions in the Concession Deed which limit Transurban's activities to the operation of CityLink, (the Single Purpose Constraint).

EXPECTED RESULTS OF OPERATIONS

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

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

ENVIRONMENTAL REGULATION

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

TLO is also required to regularly test the quality of the groundwater being discharged into the Yarra River. Tests show the water meets the standards under State Environment Protection Policy for water.

INFORMATION ON DIRECTORS

Laurence G Cox AO, B Com, FCPA, FSIA

Mr Laurie Cox has had many years' experience in Australia's 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 Argosy Asset Management Australia Ltd, The Murdoch Childrens Research Institute and SMS Management Group and Technology Ltd. Age 62.

Kimberley Edwards BE, MAdmin (Bus), FIE (Aust)

Mr Kim Edwards has extensive experience managing major commercial and infrastructure projects in Australia, UK and the Middle East. Prior to joining Transurban, he was General Manager - Projects for Transfield, and was responsible for assembling the successful bid for the Melbourne City Link Project. He was Project Director for Jennings Group's $650 million Southgate development in Melbourne and has worked overseas on large port infrastructure projects. Age 50.

W H John Barr AM

Mr John Barr has considerable experience in the Australian minerals and metals industry. He was Managing Director of the Australian subsidiary of Metallgesellschaft AG from 1974 until his retirement in June 1994. He is Chairman of Utilities of Australia Pty Ltd and The Swish Group Ltd, and a director of Iluka Resources Ltd and Oxiana Resources NL. Age 64.

Peter C Byers B Com (Hons)

Mr Peter Byers is a founding director and current Chairman of the Investment Committee of the Superannuation Scheme for Australian Universities. He was formerly business manager and deputy principal of the University of Tasmania. He is a director of Adelaide Airport Ltd and Hills Motorway Ltd, a director of the responsible entity of Hills Motorway Trust and a director of the Blair Athol Group. He is an alternate director for Hancock Victorian Plantations Holdings Ltd. Age 60.

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

Geoff Cosgriff is the Managing Director of Energy and Utilities Logica Pty Ltd following the sale of the MITS business to Logica Pty Ltd. He was the Managing Director of MITS Limited since the company commenced operation in 1990. Over this period, MITS grew to 600 staff and nearly $100m in sales of information technology solutions. He is also director of Utility Services Corporation and Skilltech Consulting Services. Previously Geoff held executive management roles with Melbourne & Metropolitan Board of Works and has had extensive experience in the information technology industry. Age 48.

Jeremy G A Davis BEc, MBA, MA, FAICD

Professor Jeremy Davis holds the AMP Chair of Management in the Australian Graduate School of Management at the University of NSW. His academic interests are in the fields of business policy and corporate performance. He is Chairman of Capral Aluminium Ltd and a Fellow of the Australian Institute of Company Directors. Professor Davis is a former vice-president and director of the Boston Consulting Group, and a former director of the Australian Stock Exchange, AIDC Ltd and Nucleus Ltd. Age 58.

Susan M Oliver BP&C

Ms Susan Oliver is chair of Screen Sound Australia – The National Screen and Sound Archive and a director of Medical Benefits Fund and Programmed Maintenance Services Ltd. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd. Age 50.

Geoffrey R Phillips BE (Chem), MBA, MAICD

Mr Geoffrey Phillips was appointed Finance Director on 28 August 1998 and has been with Transurban for five years. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as director in both the Corporate Finance and Fixed Interest Divisions. He is currently a director of Yarra Valley Water Limited. Age 57.

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

MEETINGS OF DIRECTORS

The numbers of meetings of the company's board of directors and each board committee held during the year ended 30 June 2001, and the numbers of meetings attended by each director were:

Name	Directors' Meeting		Audit Committee		Compliance Committee		Nomination & Remuneration Committee		Strategy Marketing Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
L G Cox	19	19	3	3			3	3	2	2
K Edwards [2]	19	19								
W H J Barr	19	18					3	3	2	2
P C Byers	19	18	3	3	3	3				
J G A Davis	19	17	3	3			3	2	2	2
S M Oliver	19	17			3	3			2	2
G R Phillips [2]	19	19								
G O Cosgriff [1]	9	7								

1 G O Cosgriff was appointed a director on 19 December 2000

2 K Edwards and G R Phillips are not members of the Audit, Compliance, Nomination & Remuneration and Strategy & Marketing Committees, but have been in attendance at all of these meetings.

DIRECTORS' INTERESTS

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

Name	Number of Stapled Securities
L G Cox	775,000
K Edwards	61,000
W H J Barr	15,000
P C Byers	50,000
G O Cosgriff	4,745
J G A Davis	10,000
S M Oliver	35,000

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

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

Directors are paid an annual fee, the total of which does not exceed the amount specified in the constitution of the Company. No additional payments are made for attendance at committee meetings. All directors receive a superannuation guarantee contribution which is 8 per cent of their fees. They are permitted to make additional superannuation contributions through sacrifice of a corresponding amount of their annual fee.

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

The following table shows remuneration details for each non-executive director of the Company:

Name	Director's Fee $	Superannuation $	Retirement $	Total $
L G Cox	128,125	10,250	-	138,375
W H J Barr	47,454	3,796	-	51,250
P C Byers	47,454	3,796	-	51,250
G O Cosgriff	25,908	2,073	-	27,981
J G A Davis	47,454	3,796	-	51,250
S M Oliver	47,454	3,796	-	51,250

The following table shows remuneration details for the executive directors of the Company:

Name and Position	Base Salary $	Bonus $	Superannuation $	Total $
K Edwards - Managing Director	510,600	125,000	39,400	675,000
G R Phillips - Finance Director	287,037	57,000	22,963	367,000

In addition to the above amounts, the following table sets out amounts, which have been accrued in respect of payments to which the executive directors are entitled following completion of construction.

Name and Position	Total $
K Edwards - Managing Director	700,000
G R Phillips - Finance Director	256,500

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

The remuneration packages of executives include a base salary, superannuation and annual performance related incentives. The package is reviewed annually by the Nomination and Remuneration Committee. The base salary reflects the size of the job and level of skill and experience of the individual. The annual incentive is based on performance goals set at the start of the year.

The following table shows remuneration details for the most highly remunerated executive officers of the Company:

Name and Position	Base Salary $	Bonus $	Superannuation $	Options $	Total $
B Bourke - General Manager, Customer Services & Marketing	178,622	90,000	21,378	229,783	519,783
K Daley -Executive General Manager, Operations	216,667	45,000	17,333	229,783	508,783
P O'Shea - General Counsel	195,062	38,000	13,249	196,957	443,268
K Reynolds -General Manager, Construction	167,556	34,000	12,449	196,957	410,962
C Tizi - Chief Information Officer	184,184	-	14,735	196,957	395,876

The amounts disclosed above for remuneration relating to options is the assessed fair values of options at the date they were granted to executive officers during the year ended 30 June 2001. A methodology to precisely value an option which is both subject to an exercise condition and capable of exercise on multiple dates is not available. A value for the options has been inferred from the values of similar options for which explicit valuation methodologies are available. Factors taken into account include the exercise price, the term of the option, the current price and expected price volatility of the underlying Stapled Security and the expected dividend yield.

In addition to the above amounts, the following table sets out amounts which have been accrued in respect of payments to which the executive officers are entitled as a consequence of the completion of construction.

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

Name and Position	Total $
K Daley - Executive General Manager, Operations	202,500
P O'Shea - General Counsel	171,000
K Reynolds - General Manager, Construction	153,000

OPTIONS GRANTED TO EXECUTIVE OFFICERS

Options over stapled securities of Transurban City Link Ltd that were granted during or since the end of the financial year to the most highly remunerated officers of the Company as part of their remuneration were as follows:

Name and Position	Options granted
B Bourke - General Manager, Customer Services & Marketing	350,000
K Daley - Executive General Manager, Operations	350,000
P O'Shea - General Counsel	300,000
K Reynolds - General Manager, Construction	300,000

The options were granted under the Executive Option Plan on 26 April 2001.

2,350,000 options were issued during the year ended 30 June 2001. No Stapled Securities were issued during the year on the exercise of options.

directors' report

on the Financial Report of Transurban City Link Limited and Controlled Entity.

INDEMNIFICATION AND INSURANCE

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

Pursuant to this indemnification, the Company has paid a premium for an insurance policy for the benefit of directors, secretaries and executive officers of the Company and related bodies corporate of the Company. In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

ROUNDING OFF

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

AUDITOR

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

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

Transurban City Link Limited

Laurence G Cox AO	Kimberley Edwards
Chairman	Managing Director

Melbourne
28 August, 2001

statement of financial performance

for the year ended 30 June 2001

	Notes	Consolidated		Parent Entity	
		2001 $'000	2000 (a) $'000	**2001 $'000**	2000 (a) $'000
Revenue from ordinary activities	2	**294,773**	103,076	**293,790**	102,415
Expenses from ordinary activities:					
Operational costs	3	**(62,474)**	(40,073)	**(62,474)**	(40,073)
Administration		**(20,632)**	(10,492)	**(20,632)**	(10,480)
Concession Fees		**(95,600)**	(47,800)	**(95,600)**	(47,800)
Valuation adjustments on Concession Notes		**74,171**	36,135	**74,171**	36,135
Rental of land from Trust		**(83,600)**	(40,811)	**(83,600)**	(40,811)
Depreciation and amortisation expenses	3	**(86,830)**	(42,633)	**(86,267)**	(42,633)
Borrowing costs expense	3	**(241,190)**	(120,760)	**(241,189)**	(120,760)
Loss from ordinary activities before income tax		**(221,382)**	(163,358)	**(221,801)**	(164,007)
Income tax on operating loss		**-**	-	**-**	-
Loss from ordinary activities after income tax		**(221,382)**	(163,358)	**(221,801)**	(164,007)
		Cents	Cents		
Basic earnings per Stapled Security	29	**(43.0)**	(34.0)		
Diluted Earnings per Stapled Security	29	**(43.0)**	(34.0)		

(a) Operations commenced on 3 January 2000. Amounts in the statement of financial performance for 2000 relate to the period 3 January 2000 to 30 June 2000.

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

statement of financial position

as at 30 June 2001

		Consolidated		Parent Entity	
	Notes	**2001 $'000**	2000 $'000	**2001 $'000**	2000 $'000
CURRENT ASSETS					
Cash assets	5	**42,819**	25,032	**42,819**	24,532
Receivables	6	**20,779**	12,839	**20,779**	12,839
Other	7	**693**	1,160	**36,537**	37,580
Total Current Assets		**64,291**	39,031	**100,135**	74,951
NON-CURRENT ASSETS					
Property, plant and equipment	8	**2,822,278**	2,886,495	**2,785,342**	2,849,495
Total Non-Current Assets		**2,822,278**	2,886,495	**2,785,342**	2,849,495
TOTAL ASSETS		**2,886,569**	2,925,526	**2,885,477**	2,924,446
CURRENT LIABILITIES					
Payables	9	**37,504**	24,869	**37,480**	24,438
Interest bearing liabilities	10	**434**	137	**434**	137
Non-interest bearing liabilities	11	**121,223**	96,550	**121,223**	96,550
Provisions	12	**2,568**	580	**2,568**	580
Total Current Liabilities		**161,729**	122,136	**161,705**	121,705
NON-CURRENT LIABILITIES					
Interest bearing liabilities	13	**1,391,262**	1,269,653	**1,391,262**	1,269,653
Non-interest bearing liabilities	14	**1,712,282**	1,690,853	**1,712,282**	1,690,853
Provisions	15	**936**	1,142	**936**	1,142
Total Non-Current Liabilities		**3,104,480**	2,961,648	**3,104,480**	2,961,648
TOTAL LIABILITIES		**3,266,209**	3,083,784	**3,266,185**	3,083,353
NET (LIABILITIES)		**(379,640)**	(158,258)	**(380,708)**	(158,907)
EQUITY					
Contributed Equity	16	**5,100**	5,100	**5,100**	5,100
Retained Losses	17	**(384,740)**	(163,358)	**(385,808)**	(164,007)
TOTAL EQUITY		**(379,640)**	(158,258)	**(380,708)**	(158,907)

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

statement of cash flows

for the year ended 30 June 2001

	Notes	Consolidated Entity		Parent Entity	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**158,116**	26,945	**157,540**	26,945
Payments to suppliers (inclusive of GST)		**(89,255)**	(169,296)	**(89,226)**	(169,284)
Interest received		**142,002**	71,626	**141,973**	70,966
Other revenue		**3,111**	1,212	**3,111**	1,212
Deposits paid		**(2,667)**	-	**(2,667)**	-
Borrowing costs		**(106,968)**	(36,321)	**(106,968)**	(36,752)
Net cash inflows/(outflows) from operating activities	28	**104,339**	(105,834)	**103,763**	(106,913)
Cash flows from investing activities					
Payments for property, plant and equipment		**(17,514)**	(1,310,770)	**(17,014)**	(1,272,260)
Net cash outflow from investing activities		**(17,514)**	(1,310,770)	**(17,014)**	(1,272,260)
Cash flows from financing activities					
Proceeds from Infrastructure Notes		**-**	454,000	**-**	454,000
Proceeds of borrowings from the Trust		**45,877**	1,834,475	**45,877**	1,834,475
Proceeds from provisional payments		**26,850**	69,000	**26,850**	69,000
Repayment of borrowings from the Trust		**(141,563)**	(180,068)	**(141,563)**	(180,068)
Proceeds of other borrowings		**-**	101,262	**576**	101,262
Proceeds from issue of new Shares		**-**	5,091	**-**	5,091
Repayment of EIBs		**-**	(454,090)	**-**	(454,090)
Repayment of lease liability		**(202)**	(127)	**(202)**	(127)
Net cash (outflow)/inflow from financing activities		**(69,038)**	1,829,543	**(68,462)**	1,829,543
Net increase in cash at bank and cash collateral		**17,787**	412,939	**18,287**	450,370
Cash at bank and cash collateral at the beginning of the year		**1,274,032**	861,093	**1,273,532**	823,162
Cash at bank and cash collateral at the end of the financial year	5	**1,291,819**	1,274,032	**1,291,819**	1,273,532
Less cash collateral	13	**1,249,000**	1,249,000	**1,249,000**	1,249,000
Cash at bank at the end of the financial year	5	**42,819**	25,032	**42,819**	24,532
Financing arrangements and credit facilities	13				

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

notes to the financial statements

for the year ended 30 June 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

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

The consolidated financial statements incorporate the assets and liabilities of the entity controlled by Transurban City Link Ltd (parent entity) as at 30 June 2001 and the results of the controlled entity for the year then ended. Transurban City Link Ltd and its controlled entity are together 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.

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

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 Company.

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

(c) Revenue recognition

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

d) Recoverable Amount of Non-Current Assets

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

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

e) Amortisation and Depreciation of Fixed Assets

CityLink Fixed Assets

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

Other Plant and Equipment

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

The expected useful lives are as follows:

Plant and Equipment 3 – 15 years

f) Leased Non-Current Assets

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

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

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

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

g) Income Tax

Income tax is brought to account in respect of the Company, which has adopted the liability method of tax effect accounting. Income tax expense is calculated on the operating profit of the Company, adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences which arise from items being brought to account in different periods for income tax and accounting purposes is carried forward in the balance sheet as a future income tax benefit or a deferred tax liability. However, the future tax benefit relating to timing differences and tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation.

h) Receivables

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

i) Trade and other creditors

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

j) Infrastructure Loan Facilities

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

k) Non Interest Bearing Long Term Debt

Non interest bearing long term debt represented by the Concession Notes has been included in the financial statements at the present value of expected future repayments. The present value of expected future repayments is determined using a discount rate applicable to the consolidated entity's other borrowing arrangements. The present value of expected future repayments will be reassessed periodically.

l) Employee Entitlements

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

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

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

m) Borrowing Costs

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

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

n) Cash Flows

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

o) Conditional Receipts

Where the consolidated entity has received payments that are provisional or subject to legal dispute, the total value of the receipts will be accounted for as a liability and will not be reclassified as revenue until the nature of the receipt is virtually certain and supports the classification as revenue.

p) Earnings per Share

(i) Basic Earnings per Share

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

(ii) Diluted Earnings per Share

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

q) Rounding of amounts

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

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
2. REVENUE				
Revenue from operating activities				
Toll revenue	**143,129**	29,894	**142,606**	29,894
Fees revenue	**4,193**	892	**4,193**	892
Advertising revenue	**3,530**	1,204	**3,530**	1,204
	150,852	31,990	**150,329**	31,990
Revenue from outside the operating activities				
Interest	**142,439**	71,078	**141,979**	70,417
Other	**1,482**	8	**1,482**	8
	143,921	71,086	**143,461**	70,425
Total Revenue	**294,773**	103,076	**293,790**	102,415

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
3. OPERATING LOSS				
Expenses				
Losses from ordinary activities before income tax expense includes the following specific expenses:				
Operational expenses	**62,474**	40,073	**62,474**	40,073
Depreciation and amortisation				
CityLink and Exhibition Street Extension	**84,260**	42,381	**83,697**	42,381
Other fixed assets	**2,441**	187	**2,441**	187
	86,701	42,568	**86,138**	42,568
Amortisation of plant and equipment under finance lease	**129**	65	**129**	65
Total depreciation and amortisation	**86,830**	42,633	**86,267**	42,633
Bad and doubtful debts - trade debtors	**525**	19	**525**	19
Borrowing costs				
Interest and finance charges paid/payable	**241,190**	120,760	**241,189**	120,760
Provision for employee entitlements	**1,322**	176	**1,322**	176
Rental expenses relating to operating leases	**816**	182	**816**	182

	Consolidated		Parent Entity	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
4. INCOME TAX				
a) The income tax loss 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	**(221,382)**	(163,358)	**(221,801)**	(164,007)
Income tax calculated at 34% (2000: 36%)	**(75,270)**	(58,809)	**(75,412)**	(59,043)
Tax effect of permanent differences				
Infrastructure borrowing facility interest not deductible	**33,766**	17,327	**33,766**	17,327
Benefit of tax losses not recognised	**41,504**	41,482	**41,646**	41,716
Income tax expense	**-**	-	**-**	-
b) Tax losses at beginning of year	**655,229**	361,061	**655,229**	361,061
Tax Losses for the year	**153,999**	294,168	**153,999**	294,168
Tax Losses at end of year	**809,228**	655,229	**809,228**	655,229

Potential future income tax benefits at 30 June 2001 for tax losses not brought to account for the consolidated entity are $242,768,000 (gross $809,228,000). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements of note 1g. Legislation has been introduced to reduce the tax rate to 30% from the 2001-2002 income tax year and probable that tax losses not brought to account for the Company will be realised at 30%.

These benefits of tax losses will only be realised 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;

(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 consolidated entity to realise the benefit from the deductions for the losses.

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

Transurban has advice from Senior Counsel that the concession fees should be immediately deductible expenditure. The Accounts have been prepared on this basis. Deductions in respect of concession fees account for $509,254,000 of the consolidated entity's carried-forward loss of $809,228,000 at 30 June 2001.

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

Transurban lodged an objection to this assessment on 16 August 2000 and on 17 November 2000 the ATO disallowed the objection. On 21 December 2000, Transurban lodged an appeal in the Federal Court against the ATO decision to disallow the objection. The appeal is still progressing through directions and discovery processes and no date is set for hearing of the matter.

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

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
5. CASH ASSETS – CURRENT ASSETS				
Cash at bank	**42,819**	25,032	**42,819**	24,532
	42,819	25,032	**42,819**	24,532
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Cash at bank - as above	**42,819**	25,032	**42,819**	24,532
Cash collateral (see note 1j)	**1,249,000**	1,249,000	**1,249,000**	1,249,000
	1,291,819	1,274,032	**1,291,819**	1,273,532
The amount shown in Cash at Bank includes $36.6 million which is held in Reserve Accounts related to borrowing facilities and is not available for general use. (2000: $14.6 million)				
6. RECEIVABLES – CURRENT ASSETS				
Trade Debtors	**7,593**	3,859	**7,593**	3,859
Less: Provision for Doubtful Debts	**(342)**	(19)	**(342)**	(19)
	7,251	3,840	**7,251**	3,840
Other Debtors	**13,528**	8,999	**13,528**	8,999
	20,779	12,839	**20,779**	12,839

		Consolidated		Parent Entity	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
7.	**OTHER – CURRENT ASSETS**				
	Prepayments	**693**	1,160	**693**	1,160
	Advance to Clepco	**-**	-	**35,844**	36,420
		693	1,160	**36,537**	37,580
8.	**PROPERTY, PLANT AND EQUIPMENT – NON CURRENT ASSETS**				
a)	**CityLink Fixed Assets**				
	CityLink and Exhibition Street Extension	**2,936,979**	2,925,343	**2,899,480**	2,888,343
	Less: Accumulated depreciation	**(126,641)**	(42,382)	**(126,078)**	(42,382)
		2,810,338	2,882,961	**2,773,402**	2,845,961
	Equipment and Fittings				
	Equipment and fittings at cost	**14,455**	3,498	**14,455**	3,498
	Less: Accumulated depreciation	**(2,902)**	(480)	**(2,902)**	(480)
		11,553	3,018	**11,553**	3,018
	Equipment and fittings under finance lease	**979**	979	**979**	979
	Less: Accumulated amortisation	**(592)**	(463)	**(592)**	(463)
		387	516	**387**	516
Total Property, plant and equipment		**2,822,278**	2,886,495	**2,785,342**	2,849,495

Non-current assets pledged as security

Refer to note 13 for information on non-current assets pledged as security by the parent entity or its controlled entities.

notes to the financial statements

for the year ended 30 June 2001

b) Reconciliations

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

	CityLink and ESE $'000	Equipment and Fittings - at cost $'000	Equipment and Fittings - leased $'000	Total $'000
Consolidated - 2001				
Carrying amount at the start of the year	2,882,961	3,018	516	2,886,495
Additions	11,637	11,031	-	22,668
Disposals	-	(55)	-	(55)
Depreciation/amortisation expense charged to statement of financial performance	(84,260)	(2,441)	(129)	(86,830)
Carrying amount at year end	2,810,338	11,553	387	2,822,278
Consolidated - 2000				
Carrying amount at the start of the year	2,688,336	402	645	2,689,383
Additions	237,007	3,096	-	240,103
Disposals	-	-	-	-
Depreciation/amortisation expense charged to statement of financial performance	(42,382)	(187)	(65)	(42,634)
Depreciation/amortisation expense capitalised	-	(293)	(64)	(357)
Carrying amount at year end	2,882,961	3,018	516	2,886,495
Parent Entity - 2001				
Carrying amount at the start of the year	2,845,961	3,018	516	2,849,495
Additions	11,138	11,031	-	22,169
Disposals	-	(55)	-	(55)
Depreciation/amortisation expense charged to statement of financial performance	(83,697)	(2,441)	(129)	(86,267)
Carrying amount at year end	2,773,402	11,553	387	2,785,342
Parent Entity - 2000				
Carrying amount at the start of the year	2,688,336	402	645	2,689,383
Additions	200,007	3,096	-	203,103
Disposals	-	-	-	-
Depreciation/amortisation expense charged to statement of financial performance	(42,382)	(187)	(65)	(42,634)
Depreciation/amortisation expense capitalised	-	(293)	(64)	(357)
Carrying amount at year end	2,845,961	3,018	516	2,849,495

notes to the financial statements

for the year ended 30 June 2001

	Consolidated		Parent Entity	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
9. PAYABLES – CURRENT LIABILITIES				
Trade creditors	**18,371**	6,440	**18,371**	6,440
Other creditors	**10,656**	9,952	**10,632**	9,521
Final EIB distribution	**8,477**	8,477	**8,477**	8,477
	37,504	24,869	**37,480**	24,438
10. INTEREST BEARING LIABILITIES – CURRENT LIABILITIES				
Secured				
Lease liability (note 22)	**434**	137	**434**	137
	434	137	**434**	137
11. NON-INTEREST BEARING LIABILITIES – CURRENT LIABILITIES				
Prepaid tolls	**14,412**	16,466	**14,412**	16,466
Provisional payments - liquidated damages	**106,811**	80,084	**106,811**	80,084
	121,223	96,550	**121,223**	96,550
12. PROVISIONS – CURRENT LIABILITIES				
Employee entitlements	**2,568**	580	**2,568**	580
	2,568	580	**2,568**	580
13. INTEREST BEARING LIABILITIES – NON CURRENT LIABILITIES				
Secured				
Lease Liabilities (note 22)	**-**	434	**-**	434
Land Transport Notes	**94,549**	94,549	**94,549**	94,549
Infrastructure Loan facility	**795,000**	795,000	**795,000**	795,000
Less: Cash collateral (note 1j)	**(795,000)**	(795,000)	**(795,000)**	(795,000)
Infrastructure Note facility	**454,000**	454,000	**454,000**	454,000
Less: Cash collateral (note 1j)	**(454,000)**	(454,000)	**(454,000)**	(454,000)
Advance from the Trust	**1,296,713**	1,174,670	**1,296,713**	1,174,670
	1,391,262	1,269,653	**1,391,262**	1,269,653

Set-off of Assets and Liabilities

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

Financing Arrangements and Credit Facilities

Credit facilities are provided as part of the overall debt funding structure and comprise an Infrastructure Loan facility, an Infrastructure Note facility and a Land Transport Notes facility.

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 during the nine years from 4 March 1996. The facility was fully drawn as at 30 June 2001.

b) Infrastructure Note Facility

$454.09 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. The facility was fully drawn as at 30 June 2001.

c) Land Transport Notes

$94.5 million facility is subject to an Infrastructure Borrowing Taxation Offset Agreement with the Federal Department of transport and Regional Services. The Noteholders qualify for an income tax rebate on interest received. The facility was fully drawn as at 30 June 2001.

Details of the utilisation of borrowing facilities are as follows: -

	Infrastructure Facilities
2001	$'000
Available facilities	1,343,549
Amount utilised	(1,343,549)
Amount unutilised	-
2000	$'000
Available facilities	1,343,549
Amount utilised	(1,343,549)
Amount unutilised	-

		Consolidated		Parent Entity	
		2001	2000	**2001**	2000
		$'000	$'000	**$'000**	$'000
14.	**NON INTEREST BEARING LIABILITIES – NON CURRENT LIABILITIES**				
	Advance from the Trust	**1,576,600**	1,576,600	**1,576,600**	1,576,600
	Concession Notes	**135,682**	114,253	**135,682**	114,253
		1,712,282	1,690,853	**1,712,282**	1,690,853
15.	**PROVISIONS – NON CURRENT LIABILITIES**				
	Employee entitlements	**-**	666	**-**	666
	Directors' retirement	**936**	476	**936**	476
		936	1,142	**936**	1,142
16.	**EQUITY**				
a)	**Paid up capital**				
	510,000,000 shares - fully paid	**5,100**	5,100	**5,100**	5,100
		5,100	5,100	**5,100**	5,100

b) Options

2,350,000 options were granted under the Transurban Executive Options Plan to eight senior executives of Transurban City Link Ltd (see note 19). No stapled securities were issued at 30 June 2001.

17.	**RETAINED LOSSES**				
	Retained losses at the beginning of the period	**(163,358)**	-	**(164,007)**	-
	Net losses incurred during the period	**(221,382)**	(163,358)	**(221,801)**	(164,007)
	Retained losses at the end of the financial year	**(384,740)**	(163,358)	**(385,808)**	(164,007)
18.	**REMUNERATION OF DIRECTORS**				
	Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entity	**1,440**	1,464	**1,440**	1,464

notes to the financial statements

for the year ended 30 June 2001

The number of directors whose income was within the following specified bands:

			2001 Number	2000 Number
$20,000	-	$29,999	**1**	-
$40,000	-	$49,999	**-**	4
$50,000	-	$59,999	**4**	-
$70,000	-	$79,999	**-**	1
$110,000	-	$119,999	**-**	1
$120,000	-	$129,999	**-**	1
$140,000	-	$149,999	**1**	-
$340,000	-	$349,999	**-**	1
$360,000	-	$369,999	**1**	-
$620,000	-	$629,999	**-**	1
$670,000	-	$679,999	**1**	-

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
19. REMUNERATION OF EXECUTIVES				
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by executive officers (including directors) whose remuneration was at least $100,000	**2,651**	2,432	**2,651**	2,432

Remuneration above does not include option value

Executive Option Plan

The establishment of the Executive Option Plan was approved by the Board in March 2001.

The first issue pursuant to the Plan was made on 26 April 2001 when 2,350,000 options were offered to eight executives, excluding the Managing Director and the Executive Finance Director. Each option is convertible into one Stapled Security.

Each option is issued at no cost to the Optionholder. The exercise price of $3.817, has been determined by Transurban City Link Limited, as the weighted average market price over the week preceding the issue. Options vest in three equal tranches on the second, third and fourth anniversaries of their issue. The Exercise is subject to an Exercise Condition. The Exercise Condition involves a comparison between Total Shareholder Return (TSR) of Transurban'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. Transurban 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 Transurban's TSR exceeds the 65th percentile of the ranking, 100% of the vested options may be exercised. If Transurban'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.

Transurban City Link Limited has determined the market value of the Stapled Securities at their issue date to be $8,969,950.

No Stapled Securities were issued during the year ended 30 June 2001 pursuant to the exercise of options. The market price per Stapled Security at 30 June 2001 was $4.50.

The number of executive officers whose remuneration was within the following specified bands:

			2001 Number	2000 Number
$110,000	-	$119,999	**-**	1
$140,000	-	$149,999	**-**	1
$170,000	-	$179,999	**1**	-
$190,000	-	$199,999	**1**	-
$200,000	-	$209,999	**1**	1
$210,000	-	$219,999	**1**	1
$220,000	-	$229,999	**-**	1
$240,000	-	$249,999	**1**	-
$270,000	-	$279,999	**1**	1
$290,000	-	$299,999	**1**	1
$340,000	-	$349,999	**-**	1
$360,000	-	$369,999	**1**	-
$620,000	-	$629,999	**-**	1
$670,000	-	$679,999	**1**	-

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

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
20. REMUNERATION OF AUDITORS				
Remuneration for the audit or review of the financial reports of the parent or any entity in the consolidated entity	**122**	176	**122**	176
Remuneration for other services	**27**	194	**27**	194

21. CONTINGENT LIABILITIES

Challenge to Infrastructure Bond Certificates – Allan v Transurban City Link Ltd

Several persons applied to the Commonwealth Administrative Appeals Tribunal (AAT) for a review of the Development Allowance Authority (DAA) decision to issue infrastructure borrowing certificates in respect of the Infrastructure Loan facilities of the Company. All applications for review were denied.

On 7 August 1997, the Federal Court dismissed an appeal by Mr. Peter Allan against the DAA. Mr Allan then appealed to the Full Federal Court and on 27 February 1998 the Court allowed his appeal and remitted the matter to the AAT for determination of certain factual issues.

The Company applied to be joined as second respondent and became a party to the proceedings. On 9 September 1998 the AAT handed down its decision in favour of the DAA and Transurban.

Mr Allan again appealed and the Federal Court (Justice Merkel) ordered that the matter again be remitted to the AAT for a further hearing. Transurban appealed this decision to the Full Court of the Federal Court.

Transurban's appeal of the decision of Justice Merkel to the Full Court of the Federal Court was heard on 30 August 1999 before Chief Justice Black and Justices Hill, Kenny, Marshall and Sundberg. Their decision was handed down on 10 December 1999. The court unanimously rejected Mr Allan's arguments in a single judgement. They found that he did not have standing to challenge the certificates isued by the Development Allowance Authority.

Mr Allan obtained special leave to appeal to the High Court. The appeal was heard by six judges of the Court on 23 May 2001. There is no indication as to when the court will hand down its decision.

No material losses are anticipated in respect of this contingent liability.

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
22. CAPITAL COMMITMENTS				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**-**	5,115	**-**	5,115
Later than one year but not later than 5 years	**-**	-	**-**	-
	-	5,115	**-**	5,115

The Company has entered into a Design and Construct Contract with the Transfield-Obayashi Joint Venture to design and construct CityLink for a fixed price of $1,020 million, and is subject to cross guarantees between the Trustee and the Company in relation to their respective obligations.

Payments under the Design and Construct Contract make up the majority of the prior year capital commitments in the above table.

	Consolidated		Parent Entity	
	2001	2000	**2001**	2000
	$'000	$'000	**$'000**	$'000
Lease Commitments				
Commitments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**1,146**	227	**1,146**	227
Later than one year but not later than five years	**1,856**	392	**1,856**	392
Later than five years	**-**	-	**-**	-
	3,002	619	**3,002**	619
Commitments in relation to finance leases are payable as follows:				
Within one year	**450**	176	**450**	176
Later than one year but not later than five years	**-**	450	**-**	450
Later than five years	**-**	-	**-**	-
	450	626	**450**	626
Less: Future finance charges	**16**	55	**16**	55
Total finance lease liabilities	**434**	571	**434**	571
Representing lease liabilities				
Current (note 10)	**434**	137	**434**	137
Non-current (note 13)	**-**	434	**-**	434
	434	571	**434**	571

Concession Fees

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

Due to uncertainty in determining when the Concession Note liability will be paid, it has not been included in the aged analysis of amounts payable detailed above.

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
23. EMPLOYEE ENTITLEMENTS				
Provision for employee entitlements:				
Current (note 12)	**2,568**	580	**2,568**	580
Non current (note 15)	**-**	666	**-**	666
	2,568	1,246	**2,568**	1,246
	Number		Number	
Employee numbers				
Average number of employees during the financial year	**244**	142	**244**	142
	244	142	**244**	142

24. RELATED PARTY INFORMATION

Controlling Entities

The Company is an ultimate chief entity.

Directors

The name of each person who was a director of the Company at any time during the financial year is as follows:

Laurence G Cox, Kimberley Edwards, WH John Barr, Peter C Byers, Geoffrey O Cosgriff, Jeremy GA Davis, Susan M Oliver, Geoffrey R Phillips.

Remuneration and Service Agreements

Remuneration received or receivable by the directors of the Company is disclosed in the Directors' Report and note 18 to the financial statements.

Transactions of Company Directors and their Director-Related Entities Concerning Stapled Securities

The aggregate numbers of Stapled Securities acquired or disposed of and held at 30 June 2001 by directors or their director-related entities were as follows:

	Beneficial	**Non Beneficial**	**Total**
Balance at 1 July 2000	930,000	11,228,494	12,158,494
Acquired	20,745	2,636,021	2,656,766
Disposed	-	(32,794)	(32,794)
Balance at 30 June 2001	950,745	13,831,721	14,782,466

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

Other Transactions with Company Directors and Director Related Entities

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

Laurence is a director of Macquarie Bank Ltd which was involved in the financial arrangements concerning the Land Transport Notes. During the year he acquired a further 245,895 Land Transport Notes issued at $1.00 bringing his total holding to 2 million LTNs.

He is Chairman of SMS Management Group and Technology Ltd which is contracted to provide information technology consulting.

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

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
Consulting fees	**636**	38	**636**	38
Reimbursement of out of pocket expenses	**24**	15	**24**	15
Design and construct payments	**-**	11,602	**-**	11,602
Operator payments	**-**	14,494	**-**	14,149
	660	26,149	**660**	25,804
All of the above amounts represent payments on normal commercial terms made in relation to the provision of goods and services.				
Aggregate amounts payable to directors and their director related entities at balance date:				
Current liabilities	**55**	1,149	**55**	1,149
Aggregate amounts receivable from directors and their director related entities at balance date:				
Current assets	**-**	44	**-**	44

notes to the financial statements

for the year ended 30 June 2001

	Consolidated		Parent Entity	
	2001 **$'000**	2000 $'000	**2001** **$'000**	2000 $'000
Other Related Parties				
Aggregate amounts that were either capitalised as part of leasehold improvements or charged to the statement of financial performance that resulted from transactions with other related parties were as follows:				
Trustee fees	**-**	32	**-**	32
Aggregate amounts payable to and receivable from other related parties at balance date:				
Current liabilities	**-**	-	**-**	-

Wholly-Owned Group

The wholly-owned group consists of Transurban City Link Limited and its wholly-owned controlled entity, City Link Extension Pty Ltd. Ownership interest in this controlled entity is set out in note 25.

Transactions between Transurban City Link Limited and its controlled entity during the years ended 30 June 2001 and 2000 consisted of:

(a) loans advanced by Transurban City Link Limited; and

(b) loans repaid to Transurban City Link Limited.

	Parent Entity	
	2001 **$'000**	2000 $'000
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Non-current receivables (loans)	**35,844**	36,420

25. INVESTMENT IN CONTROLLED ENTITY

Transurban City Link Ltd owns 100 percent of City Link Extension Pty Ltd. The book value of this investment is $12.

26. FINANCIAL INSTRUMENTS DISCLOSURE

Interest Rate Risk

The consolidated entity's exposure to interest rate risk and the effective rates on financial assets and liabilities at 30 June 2001 were:

			Fixed Interest Rate Maturity				
	Notes	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	5	42,819	-	-	-	-	42,819
Sundry debtors	6	-	-	-	-	20,779	20,779
Cash collateral	5	-	-	-	1,249,000	-	1,249,000
Total Financial Assets		42,819	-	-	1,249,000	20,779	1,312,598
Weighted average interest rate		3.17%	-	-	11.20%	-	-
Financial Liabilities							
Trade creditors	9	-	-	-	-	37,504	37,504
Prepaid tolls	11	-	-	-	-	14,412	14,412
Provisional payments	11	-	-	-	-	106,811	106,811
Advance from Trust	13,14	1,296,713	-	-	-	1,576,600	2,873,313
Lease liabilities	10	-	434	-	-	-	434
Land Transport Notes	13	94,549	-	-	-	-	94,549
Concession Notes	14	-	-	-	-	135,682	135,682
Infrastructure Loan facility	13	-	-	-	1,249,000	-	1,249,000
Total Financial Liabilities		1,391,262	434	-	1,249,000	1,871,009	4,511,705
Weighted average interest rate		10.93%	7.70%	-	7.95%	-	-
Net Financial Assets/(Liabilities)		(1,348,443)	(434)	-	-	(1,850,230)	(3,199,107)

The consolidated entity's exposure to interest rate risk and the effective rates on financial assets and liabilities at 30 June 2000 were:

	Notes	Floating interest rate $'000	Fixed Interest Rate Maturity: 1 year or less $'000	between 1 and 5 years $'000	more than 5 years $'000	Non interest bearing $'000	Total $'000
Financial Assets							
Cash	5	25,032	-	-	-	-	25,032
Sundry debtors	6	-	-	-	-	12,839	12,839
Cash collateral	5	-	-	-	1,249,000	-	1,249,000
Total Financial Assets		25,032	-	-	1,249,000	12,839	1,286,871
Weighted average interest rate		5.75%	-	-	11.20%	-	-
Financial Liabilities							
Trade creditors	9	-	-	-	-	24,869	24,869
Prepaid tolls	11	-	-	-	-	16,466	16,466
Provisional payments	11	-	-	-	-	80,084	80,084
Advance from Trust	13,14	1,174,670	-	-	-	1,576,600	2,751,270
Lease liabilities	10,13	-	137	434	-	-	571
Land Transport Notes	13	94,549	-	-	-	-	94,549
Concession Notes	14	-	-	-	-	114,253	114,253
Infrastructure Loan facility	13	-	-	-	1,249,000	-	1,249,000
Total Financial Liabilities		1,269,219	137	434	1,249,000	1,812,272	4,331,062
Weighted average interest rate		11.92%	7.70%	7.70%	7.73%	-	-
Net Financial Assets/(Liabilities)		(1,244,187)	(137)	(434)	-	(1,799,433)	(3,044,191)

	Notes	**2001 $'000**	2000 $'000
Reconciliation of Net Financial Assets/(Liabilities) to Net Assets/(Liabilities)			
Net financial assets/(liabilities) as above		**(3,199,107)**	(3,044,191)
Non-financial assets and liabilities			
Property, plant and equipment	8	**2,822,278**	2,886,495
Other assets	7	**693**	1,160
Other liabilities	12,15	**(3,504)**	(1,722)
Net assets/(liabilities) per balance sheet		**(379,640)**	(158,258)

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.

27. SEGMENT INFORMATION

The consolidated entity operates in one geographic segment in Victoria, Australia and one industry segment being the design, construction and operation of the Melbourne City Link.

	Consolidated		Parent Entity	
	2001 $'000	2000 $'000	**2001 $'000**	2000 $'000
28. RECONCILIATION OF OPERATING LOSS AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES				
Operating loss after income tax	**(221,382)**	(163,358)	**(221,801)**	(164,007)
Depreciation and amortisation	**86,830**	42,633	**86,267**	42,633
(Increase)/Decrease in prepayments	**(693)**	920	**(693)**	920
Increase in creditors	**11,955**	7,959	**12,387**	7,529
(Increase) in debtors	**(13,287)**	(6,313)	**(13,313)**	(6,313)
Revaluation of Concession Notes	**21,429**	11,665	**21,429**	11,665
Increase in provisions	**1,763**	660	**1,763**	660
Increase in Loans	**217,724**	-	**217,724**	-
Net cash inflow/(outflow) from operating activities	**104,339**	(105,834)	**103,763**	(106,913)

29. EARNINGS PER SHARE

Basic earnings per share	**(43 cents)**	(34 cents)
Diluted earnings per share	**(43 cents)**	(34 cents)
Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	**510,000,000**	486,191,781
Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	**510,476,438**	486,191,781

Information concerning the classification of securities

(a) Shares

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

(b) Options

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

30. ECONOMIC DEPENDENCY

The consolidated entity is reliant on the Trust for the ongoing funding of operations.

directors' declaration

The directors declare that the financial statements and notes set out on pages 35 to 58

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

b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2001 and of their performance, as represented by the results of their operations and its 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 company 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.

Laurence G Cox AO
Chairman

Kimberley Edwards
Managing Director

Melbourne

28 August, 2001

independent audit report

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Independent Audit Report to the Members of Transurban City Link Limited

Scope

We have audited the financial report of Transurban City Link Limited ("the Company") for the financial year ended 30 June 2001 as set out on pages 35 to 59. The Company's directors are responsible for the financial report which includes the financial statements of the Company and the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the end of, or during, the financial year. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 in Australia so as to present a view which is consistent with our understanding of the Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of the Company is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2001 and of their performance for the financial year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements.

PricewaterhouseCoopers
Chartered Accountants

P J Fekete
Partner

Melbourne
28 August 2001