The Financial Report of

Transurban Holding Trust
and
Controlled Entities

ABN 30 169 362 255

For the Year Ended

30 June 2006

CONTENTS

This financial report covers both Transurban Holding Trust as an individual entity and the consolidated entity consisting of Transurban Holding Trust and its controlled entities. The financial report is presented in the Australian currency.

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

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

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

The financial report was authorised for issue by the directors on 22 August 2006. The Trust has the power to amend and reissue the financial report.

Directors Report

The directors of Transurban Infrastructure Management Limited, the responsible entity of Transurban Holding Trust, present their report on the consolidated entity consisting of Transurban Holding Trust ("the Trust"), and the entities it controlled (collectively "the Group") at the end of, and during, the year ended 30 June 2006.

Transurban Holding Trust forms part of the Transurban Group. The securities of the entities comprising the Transurban Group are stapled. A Stapled Security comprises one share in Transurban Holdings Limited, one share in Transurban Limited and one unit in Transurban Holding Trust. None of the components of the Stapled Security can be traded separately.

Responsible Entity

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

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

Non-executive directors

Laurence G Cox
Geoffrey O Cosgriff
Jeremy G A Davis
Peter C Byers
Susan M Oliver
David J Ryan
Christopher J S Renwick (2)

Executive Directors

Kimberley Edwards (1)
Geoffrey R Phillips (3)

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

(2) Christopher J S Renwick was appointed a non-executive director on 26 July 2005 and continues in office at the date of this report

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

Principal Activities and Operations

During the year the principal activities of the consolidated entity consisted of holding 100% of the units in the CityLink Trust, the Transurban Finance Trust, the Hills Motorway Trust and the Transurban CARS Trust. The Transurban CARS Trust holds the Transurban Group's investment in Westlink M7.

Results

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

	2006 $'000	2005 $'000
Revenue from continuing operations	**359,202**	257,085
Profit for the year	**60,428**	20,759

Distributions

	Parent Entity	
	2006 $'000	2005 $'000
Distributions proposed		
Final distribution payable and recognised as a liability: 25.5 cents (2005 - 18 cents) per fully paid stapled security payable 25 August 2006	**207,422**	142,455
Distributions paid during the year		
Final distribution for 2005 financial year of 18.0 cents (2004 - 13.5 cents) per fully paid Stapled Security paid 2 September 2005	**142,443**	71,983
Interim distribution for 2006 financial year of 24.5 cents cents (2005 - 17.0 cents) per fully paid Stapled Security paid 28 February 2006	**194,188**	91,745
Total distributions paid	**336,631**	163,728
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2006 and 30 June 2005		
Paid in cash	**243,240**	131,686
Executive loans - repayments	**352**	-
Satisfied by issue of Stapled Securities (1)	**93,007**	32,042
Distributions waiting to be applied to future DRP	**32**	-
	336,631	163,728

(1) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust ($88.9 million), Transurban Holdings Limited ($4.1 million).

Review of Operations

a) Construction Phase Loan Notes ("CPLN")

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

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

CPLN's held by the Trust converted to Term Loan Notes ("TLN") on the Equity Contribution Date defined as the earlier of:

- the date of completion of construction of the Westlink M7 Motorway;
- the date which is 42 months after Financial close ; and
- the date on which a demand is made after the occurrence of an event of default under the subscription agreement.

Construction of the Westlink M7 Motorway was completed on 16 December 2005, accordingly CPLN's converted to Term Loan Notes accruing interest at 11.93 per cent. Any unpaid interest capitalises into additional term loan notes.

b) Convertible Adjusting Rate Securities ("CARS")

During the period, TCT paid distributions to CARS holders at the fixed rate of 7.0 per cent per annum. The distributions which are paid twice annually with payment dates of 31 July and 31 December respectively were 100.0 per cent tax deferred for the year ended 30 June 2006.

Under the terms of the CARS prospectus, unit holders are eligible to convert their CARS units into Transurban triple stapled securities ("Transurban securities") at any time after the second anniversary of the issue date (14 April 2005). During the year exchange notices were received electing to convert units into Transurban Group stapled securities. The table below sets out the conversions for the year ended 30 June 2006

	Units on issue	Conversion factor	Stapled Securities issued '000
30 June 2005	4,300,000		
31 December 2005, stapled securities were issued on 3 January 2006	(288,711)	17.0679	4,928
30 June 2006, stapled securities were issued on 3 July 2006	(273,953)	17.4966	4,793
30 June 2006	3,737,336		9,721

Distributions paid to holders of Convertible Adjusting Rate Securities ("CARS") made during the year consisted of:

	$ per security	$'000
Distribution for the period 1 January 2005 to 30 June 2005 at a fixed rate of 7.0 per cent per annum paid 29 July 2005.	3.4712	14,926
Distribution for the period 1 July 2005 to 31 December 2005 at a fixed rate of 7.0 per cent per annum paid 31 January 2006.	3.5288	15,174

A further distribution for the period 1 January 2006 to 30 June 2006 of $13.9 million was paid on 31 July 2006.

c) Westlink M7

The Trust increased its equity interest from 40 per cent to 45 per cent in the Westlink M7 project on 16 December 2005 in line with the opening of the Westlink M7 Motorway, eight months ahead of schedule.

Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 10 per cent held by Abigroup Limited and Leighton Holdings Limited.

Transurban's role in the Westlink project involves:

- A 45 per cent equity stake in the road's owner, Westlink Motorway
- Supply of the tolling system, and
- Provision of tolling and customer management services.

Westlink M7 is a 40km motorway in Western Sydney which links the M2 at Baulkham Hills, the M4 at Eastern Creek and the M5 at Prestons, and bypasses 48 sets of traffic lights.

Significant Changes in the State of Affairs

With the exception of the events mentioned in the "Review of Operations" above, in the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the financial year under review.

Matters Subsequent to the End of the Financial Period

(a) West Gate – CityLink – Monash Freeway Corridor Improvement Project

Transurban has reached agreement with the State of Victoria and VicRoads to jointly fund upgrades and improvements to 75 kilometres of the West Gate – CityLink (Southern Link) – Monash Freeway corridor.

The CityLink component of the upgrade, which is estimated to cost $166.0 million over the three year construction period, will be funded via the Distribution Reinvestment Plan. The State will fund the non-CityLink works, estimated to cost $737.0 million. Full project completion is expected by December 2010.

Under the agreement, the State of Victoria will also assign to Transurban all remaining and future Concession Note liabilities incurred under the provisions of the Melbourne CityLink

Concession Deed. These liabilities have a face value of $2.9 billion and will be replaced by payments over the next four years totalling $614.0 million.

Transurban and the State will share in the revenue uplift generated by the project after Transurban has fully recovered the capital cost and any lost revenue from the construction phase of the Southern Link upgrades.

(b) Westlink M7 increase in equity interest

Transurban has exercised its pre-emptive right to purchase an additional 2.5 per cent equity interest in the Westlink M7 for $34.3 million. This will increase Transurban's holding in the Westlink M7 from 45.0 per cent to 47.5 per cent. Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 5.0 per cent held by Leighton Holdings Limited.

With the exception of the above events, at the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2006 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 2006.

Likely Developments and Expected Results of Operations

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

Insurance and Indemnification

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the responsible entity or any of its agents. So long as the officers of the responsible entity act in accordance with the Trust Constitution and the Law, the officers remain 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 during the year are disclosed in note 28 to the financial statements.

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

Interests in the Trust issued during the financial year

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	'000	'000	**'000**	'000
Balance at 1 July	**791,416**	532,630	**791,416**	532,630
Units issued during the year	**25,217**	258,786	**25,217**	258,786
Balance at 30 June	**816,633**	791,416	**816,633**	791,416

Value of Assets

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Value of Trust assets at 30 June	**7,149,605**	6,930,959	**4,756,864**	4,433,352

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

Units under option

Unissued units of Transurban Holding Trust under option at the date of this report are as follows. No options were granted in the current year.

Date options granted	Expiry date	Issue price of stapled securities	Number under option
26 April 2001	30 April 2006	$3.817	-
23 October 2001	31 October 2006	$4.404	-
1 February 2002	30 April 2007	$4.280	-
9 April 2002	30 April 2007	$4.030	-
20 May 2002	30 April 2007	$4.220	76,283

Units issued on the exercise of options

The following Transurban Stapled Securities, which include a unit in the Trust were issued during the year ended 30 June 2006 on the exercise of options granted under the Transurban Group's Employee Option Plan. No further securities have been issued since that date. No amounts are unpaid on any of the securities

Date options granted	Issue price of securities	Number of securities issued
26 April 2001	$3.817	390,000
23 October 2001	$4.404	1,500,000
1 February 2002	$4.280	-
9 April 2002	$4.030	223,200
20 May 2002	$4.220	586,102

Directors' Interests

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

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	1,142,500	-	-
P C Byers	70,580	-	-
G O Cosgriff	31,110	-	121
J G A Davis	51,817	-	-
S M Oliver	68,009	-	-
C J S Renwick	-	-	-
D J Ryan	22,394	-	-
K Edwards	1,873,500	-	-

Environmental Regulation

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

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

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

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

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

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

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

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

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

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

CityLink Melbourne is obliged to take remedial action if traffic noise at abutting developments exceeds 63dB(A) L10.

WestLink M7 operations are not subject to any special environmental regulation apart from that which would apply to any other road or development of a similar nature except where protection for sensitive areas and specified trees that are endangered sites used by bats for roosting.

Hills Motorway Limited is subject to environmental regulation in respect to:

- discharge of stormwater runoff from the M2 Motorway into the Lane Cove River; and
- Carbon-Monoxide levels within the M2 tunnels.

Monitoring of these parameters indicates that environmental requirements have been satisfied.

Auditors' independence declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on page 9.

Rounding off

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

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

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

Laurence G Cox	**Kimberley Edwards**
Chairman	Managing Director

Melbourne
22 August 2006

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
Southbank Vic 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77 Melbourne
Australia
www.pwc.com/au
Telephone +61 3 8603 1000
Facsimile +61 3 8603 1999

Auditors' Independence Declaration

As lead auditor for the audit of the Transurban Group for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit, other than a contravention covered by ASIC Class Order 05/910; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
22 August 2006

The Transurban Holding Trust and Controlled Entities
Income Statements for the year ended 30 June 2006

	Notes	Consolidated		Parent Entity	
		2006 **$'000**	2005 $'000	**2006** **$'000**	2005 $'000
Revenue from continuing operations	6	**359,202**	257,085	**151,173**	121,931
Other income	7	**2,940**	-	**-**	-
Administration costs		**(1,881)**	(1,179)	**(501)**	(270)
Operational costs		**(17,686)**	(31,625)	**(13,926)**	(27,017)
Promissory Notes		**(2,025)**	(541)	**-**	-
Depreciation and amortisation expense		**(104,548)**	(45,892)	**-**	-
Finance costs	8	**(166,940)**	(157,089)	**(4,189)**	(6,303)
Share of net losses of associate and joint venture partnership accounted for using the equity method	35	**(8,634)**	-	**-**	-
Profit for the year attributable to members of Transurban Holding Trust		**60,428**	20,759	**132,557**	88,341
Earnings per unit for profit attributable to the ordinary unit holders:					
		Cents	Cents		
Basic earnings per unit	40	**7.6**	3.5		
Diluted earnings per unit	40	**7.6**	3.5		

The above income statements should be read in conjunction with the accompanying notes.

The Transurban Holding Trust and Controlled Entities
Balance Sheets as at 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
CURRENT ASSETS					
Cash and cash equivalents	10	**131,972**	191,908	**5,785**	131,339
Trade and other receivables	11	**9,464**	20,760	**50,623**	52,932
Derivative financial instruments	13	**694**	-	**-**	-
Total Current Assets		**142,130**	212,668	**56,408**	184,271
NON-CURRENT ASSETS					
Receivables	14	**243,803**	148,120	**617,581**	165,932
Investments accounted for using the equity method	15	**15,732**	6,236	**6,236**	6,236
Held-to-maturity investments	16	**469,767**	392,000	**-**	-
Derivative financial instruments	13	**2,288**	-	**-**	-
Other financial assets	17	**3,576,386**	3,345,077	**4,076,639**	4,076,639
Property, plant and equipment	18	**2,699,499**	2,804,047	**-**	-
Other	19	**-**	22,811	**-**	274
Total Non-Current Assets		**7,007,475**	6,718,291	**4,700,456**	4,249,081
TOTAL ASSETS		**7,149,605**	6,930,959	**4,756,864**	4,433,352
CURRENT LIABILITIES					
Trade and other payables	20	**93,330**	72,810	**40,189**	17,570
Non-interest bearing liabilities	21	**23,835**	123,780	**131**	100,988
Provisions	22	**207,070**	142,455	**207,070**	142,455
Derivative financial instruments	13	**45**	-	**-**	
Total Current Liabilities		**324,280**	339,045	**247,390**	261,013
NON-CURRENT LIABILITIES					
Borrowings	23	**3,348,587**	2,877,321	**807,731**	300,513
Non-interest bearing liabilities	24	**11,711**	67,778	**-**	45,662
Total Non-Current Liabilities		**3,360,298**	2,945,099	**807,731**	346,175
TOTAL LIABILITIES		**3,684,578**	3,284,144	**1,055,121**	607,188
NET ASSETS		**3,465,027**	3,646,815	**3,701,743**	3,826,164
UNITHOLDERS' FUNDS					
Issued units	25	**4,194,672**	4,051,220	**4,194,672**	4,051,220
Reserves	26	**(910)**	-	**1,168**	-
Accumulated losses	26	**(728,735)**	(404,405)	**(494,097)**	(225,056)
TOTAL UNITHOLDERS' FUNDS		**3,465,027**	3,646,815	**3,701,743**	3,826,164

The above balance sheets should be read in conjunction with the accompanying notes.

The Transurban Holding Trust and Controlled Entities
Statements of changes in equity for the year ended 30 June 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Total equity at the beginning of the year		**3,646,815**	2,117,723	**3,826,164**	2,229,490
Adjustment on adoption of AASB 132 and AASB 139					
Retained Profits	26	**16,840**	-	**-**	-
Reserves	26	**(14,074)**	-	**-**	-
Restated total equity at the beginning of the financial year		**3,649,581**	-	**3,826,164**	-
Changes in fair value of share-based payments	26	**1,168**	-	**1,168**	-
Changes in fair value of cash flow hedges	26	**11,996**	-	**-**	-
Net income recognised directly in equity		**13,164**	-	**1,168**	-
Profit for the year		**60,428**	20,759	**132,557**	88,341
Total recognised income and expense for the year		**73,592**	20,759	**133,725**	88,341
Transactions with equity holders in their capacity as equity holders:					
Exercise of employee unit options	25	**10,711**	10,936	**10,712**	10,936
Conversion of CARS	25	**53,544**	-	**53,543**	-
Treasury units acquired	25	**(9,784)**	-	**(9,784)**	-
Hills Motorway Group acquisition		**-**	1,771,744	**-**	1,771,744
Distribution reinvestment plan	25	**88,981**	31,982	**88,981**	31,982
Dividends provided for or paid	27	**(401,598)**	(306,183)	**(401,598)**	(306,183)
Transaction costs		**-**	(146)	**-**	(146)
		(258,146)	1,508,333	**(258,146)**	1,508,333
Total equity at the end of the year attributable to Members of Transurban Holding Trust		**3,465,027**	3,646,815	**3,701,743**	3,826,164

The above statements of changes in equity should be read in conjunction with the accompanying notes.

The Transurban Holding Trust and Controlled Entities
Cash Flow Statements for the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**76,531**	25,669	**34**	15
Payments to suppliers (inclusive of GST)		**(33,382)**	(13,502)	**(2,023)**	(7,042)
Interest received		**17,038**	29,487	**2,192**	2,651
Interest paid		**(200,039)**	(181,926)	**(23,855)**	(5,059)
Net cash outflow from operating activities	38	**(139,852)**	(140,272)	**(23,652)**	(9,435)
Cash flows from investing activities					
Payment for purchase of subsidiaries, net of cash acquired		**(69,534)**	(35,504)	**(20,595)**	(51,469)
Payments for property, plant and equipment		**-**	(2,411)	**(1,589)**	-
Payments for Tullamarine/Calder Freeway Upgrade		**(150,985)**	-	**(150,985)**	-
Loans to related parties		**(385,541)**	(145,227)	**(386,230)**	(147,540)
Repayment of loans by related parties		**338,297**	351,240	**46,047**	104,369
Distributions received		**-**	4,650	**141,672**	117,037
Net cash inflow/(outflow) from investing activities		**(267,763)**	172,748	**(371,680)**	22,397
Cash flows from financing activities					
Proceeds from issue of units		**10,712**	10,937	**10,712**	10,937
Proceeds from borrowings		**8,000**	-	**-**	-
Unit issue transaction costs		**-**	(146)	**-**	(146)
Payments for treasury securities	25	**(9,784)**	-	**(9,786)**	-
Finance costs capitalised		**-**	-	**(91)**	-
Loans from related parties		**2,360,912**	810,488	**579,760**	300,321
Repayment of loans to related parties		**(1,778,921)**	(590,083)	**(67,577)**	(80,060)
Distributions paid	27	**(243,240)**	(131,686)	**(243,240)**	(131,686)
Net cash inflow from financing activities		**347,679**	99,510	**269,778**	99,366
Net (decrease)/increase in cash held		**(59,936)**	131,986	**(125,554)**	**112,328**
Cash at the beginning of the financial year		**191,908**	59,922	**131,339**	19,011
Cash at the end of the financial year	10	**131,972**	191,908	**5,785**	131,339

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This general purpose financial report for the year ended 30 June 2006 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards ("AIFRS"), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. Where necessary, comparatives have been reclassified for consistency with current year disclosures. The financial report is presented in the Australian Currency.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards

These financial statements are the first Group financial statements to be prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of the Group until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles ("AGAAP"). AGAAP differs in certain respects from AIFRS. When preparing the Group 2006 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 and AASB 139 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on the Group's equity and its net income are given in note 41.

Early adoption of standards

The Group has not elected to adopt any new accounting standards early.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by Transurban Holding Trust as at 30 June 2006 and the results of all controlled entities for the year then ended. Transurban Holding Trust and its controlled entities together are referred to in this financial report as the consolidated entity or group. The effects of all transactions between entities in the group are eliminated in full.

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

Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Interests in joint ventures are where the Group jointly controls an entity with another party.

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements, after initially being recognised at cost. Similarly, the interest in the joint venture partnership is accounted for using the equity method.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates and joint ventures are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate, the Trust does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

(b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised in the major business activities as follows:

(i) Rental revenue

Rental revenue is recognised as earned in accordance with the lease contract.

(ii) Interest income

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

(iii) *Distribution Revenue*

Distribution revenue is recognised when the Trust's right to receive payment is established.

(d) Income Tax

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

(e) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(f) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instrument or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the impairment occurs.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, cash deposits held at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Trade Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 31 days from the date of revenue recognition.

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 established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement.

(j) Investments and other Financial Assets

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 only from 1 July 2005. The Group has applied previous AGAAP to the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Under previous AGAAP, interests in listed and unlisted securities, other than subsidiaries and associates, were brought to account at cost and dividend income was recognised in the income statement when receivable.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that, with the exception of held-to-maturity investments and loan and receivables which are measured at amortised cost (refer below), fair value is the measurement basis. Fair value is inclusive of transaction costs. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes to carrying amounts are taken to retained earnings or reserves

From 1 July 2005

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available for sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

(k) Derivatives

From 1 July 2004 to 30 June 2005

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

The following sets out how derivatives were accounted for under previous AGAAP.

Interest rate swaps

The net amount receivable or payable under interest rate swap agreements was progressively brought to account over the period to settlement. The amount recognised was accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Where an interest rate swap was terminated early and the underlying hedged transaction was:

(a) still expected to occur as designated: the gains and losses arising on the swap upon its early termination continued to be deferred and were progressively brought to account over the period during which the hedged transactions were recognised; and

(b) no longer expected to occur as designated: the gains or losses arising on the swap upon its early termination were recognised in the income statement at termination.

Adjustments on transition date: 1 July 2005

The nature of the main adjustments to make this information comply with AASB 132 and AASB 139 are that derivatives are measured on a fair value basis. Changes in fair value are either taken to the income statement or an equity reserve (refer below). At the date of transition (1 July 2005) changes in the carrying amounts of derivatives were taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

For further information concerning the adjustments on transition date reference should be made to:

- Derivative financial instruments – note 13
- Reserves and retained losses – note 26
- Explanation of transition to AIFRS – note 40: section (a) of this note discloses the adjustment to each line item in the financial statements on transition date.

From 1 July 2005

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivatives are designated as hedging instruments, and if so, the nature of the item being hedged. The Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of the cash flow of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of the hedging transaction, the Trust documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 13. Movements in the hedging reserve in shareholders' equity are shown in note 26.

(i) fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are reported in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in the income statement within other income or other expense together with the gain or loss relating to the ineffective portion and changes in the fair value of the hedge fixed rate borrowings attributable to interest rate risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to ineffective portion is recognised immediately in the income statement within other income or other expense.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for the hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(l) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated at the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximately equal their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(m) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Amortisation and Depreciation

CityLink fixed assets

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

M2 Motorway Fixed Assets

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

Other plant and equipment

Depreciation is calculated on a straight line basis so as to write off the net cost of items of plant and equipment over their expected useful lives. Estimates of remaining useful lives will be made on a regular basis for all assets. The expected useful lives are 3 – 15 years.

Impairment

The fixed assets are assessed for impairment in line with the policy stated in note 1(g) Impairment of Assets.

(n) Trade and other payables

Trade and other payables 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.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amount are recognised in the income statement over the period of the borrowings using an effective interest method.

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

(p) Concession Notes and Promissory Notes

Non-interest bearing long term debt represented by the Promissory Notes has been included in the financial statements at the present value of expected future repayments. The Group also recognises a receivable representing Concession Notes assigned from the State of Victoria as part of the Tulla-Calder transaction. As the timing and profile of these amounts is largely determined by the available equity cashflows of the underlying asset, the present value of the expected future cashflows is determined using a discount rate of 9.7% (2005: 12%) which recognises their subordinated nature.

(q) Borrowing Costs

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

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

(r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(s) Contributed equity

Stapled securities and ordinary shares and units are classified as equity. Convertible Adjusting Rate Securities ("CARS") are classified as liabilities (note 23).

Incremental costs directly attributable to the issue of new units or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new units or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, e.g. as the result of a security buy-back, those instruments are deducted from equity and the associated securities are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(t) Distributions

Provision is made for the amount of any distribution declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

(u) Earnings per Unit

(i) Basic Earnings per Unit

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

(ii) Diluted Earnings per Unit

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

(v) Financial instruments transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous Australian GAAP (AGAAP) in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed under financial instruments in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

(w) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(x) 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 in accordance with that Class Order to the nearest thousand dollars or in certain cases the nearest dollar.

(y) New Accounting Standards and UIG Interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2006 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) UIG 4 *Determining whether an Asset Contains a Lease*

UIG 4 is applicable to annual periods beginning on or after 1 January 2006. The Group has not elected to adopt UIG 4 early. It will apply UIG 4 in its 2007 financial statements and the UIG 4 transition provisions. The Group will therefore apply UIG 4 on the basis of facts and circumstances that existed as of 1 July 2006. Implementation of UIG 4 is not expected to change the accounting for any of the Group's current arrangements.

(ii) AASB 7 *Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]*

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Group has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's financial instruments.

2. TRUST FORMATION AND TERMINATION

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

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

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the Finance department under policies approved by the Board of Directors. Finance identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

Forward contracts, transacted by Finance, are used to manage foreign exchange risk. Finance is responsible for managing exposures in each foreign currency by using external forward currency contracts. External foreign exchange contracts are designated at Group level as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

(ii) Interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that transactions are made with customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions. The Group continually monitors the credit ratings and credit exposure of each counterparty.

(c) Liquidity risk

The Group maintains sufficient cash, uncommitted and overdraft facilities to maintain short-term flexibility and enable the Group to meet financial commitments in a timely manner.

(d) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not have significant fixed rate exposures.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly semi-annually), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

The Group has interest-bearing assets in the form of Term Loan Notes. The interest rate receivable on this facility is fixed and therefore the Group is not subject to risk arising from interest rate fluctuations.

4. CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Valuation of Promissory notes and Concession Notes Receivable

The Trust holds non-interest bearing long term debt represented by promissory notes and a long term receivable that offsets concession notes liability held in CityLink Melbourne, that are included in the financial statements at the present value of expected future repayments. The calculations to discount these notes to their present value are based on the timing and profile of the repayments. Assumptions are made in determining the timing and profile, based on expected available equity cash flows of the Trust's cash generating units.

A discount rate is used to value the promissory notes and concession notes receivable to their present value, which is determined through reference to other facilities in the market with similar characteristics.

(ii) Option Valuation

On adoption of AASB 139 options held to acquire an interest in the Westlink M7 project have been revalued at their fair value. These fair value calculations have been based on assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities on the M7. Gains or losses arising from changes in the fair value of the options are presented in the income statement in the period in which they arise.

(iii) Impairment of Assets

The Group tests whether its cash generating units have suffered any impairment when an event occurs that indicates that this maybe the case. The recoverable amount of any cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions regarding traffic flows, discount rates, growth rates and other factors affecting operating activities.

5. SEGMENT INFORMATION

The Trust's principle business segment for the period ending 30 June 2006 was the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to this principle segment. The management structure and internal reporting of the Trust are based on the principle business segment.

Assets of the Transurban Group which the Trust has funded are located in two separate states of Australia and one State within the United States of America.

	Segment Revenues		**Segment Assets**		**Segment Liabilities**	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Victoria	**204,653**	219,111	**3,908,428**	4,008,871	**2,375,150**	2,275,837
New South Wales	**154,549**	37,974	**2,903,183**	2,922,088	**971,311**	1,008,307
America	**-**	-	**337,994**	-	**338,117**	-
	359,202	257,085	**7,149,605**	6,930,959	**3,684,578**	3,284,144

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

6. REVENUE

From continuing operations				
Rental income	**179,648**	127,709	**-**	-
Distribution from subsidiaries	**-**	-	**148,517**	116,777
Recovery of interest and related fees	**175,518**	123,229	**-**	685
	355,166	250,938	**148,517**	117,462
Other revenue				
Interest	**4,036**	4,122	**2,656**	2,444
Distribution from other corporations	**-**	2,025	**-**	2,025
	4,036	6,147	**2,656**	4,469
	359,202	257,085	**151,173**	121,931

7. OTHER INCOME

Fair value gains on other financial assets at fair value through profit or loss (note 12)	**2,940**	-	**-**	-
	2,940	-	**-**	-

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

8. EXPENSES

Profit before income tax includes the following specific expenses:				
Finance costs excluding concession notes and promissory notes				
Interest and finance charges paid / payable	**185,025**	147,863	**25,080**	6,303
Interest rate hedging charges paid / payable	**14,488**	9,226	**-**	-
Revaluation of Tullamarine/Calder Freeway upgrade payable	**4,505**	-	**4,505**	-
	204,018	157,089	**29,585**	6,303
Movement in concession note receivable				
Recognised in finance costs:				
Revaluation of notes on issue	**(3,518)**	-	**(3,518)**	-
Revaluation of notes due to change in discount rate to 9.7 per cent (2005 - 12 per cent)	**(21,878)**	-	**(21,878)**	-
	(25,396)	-	**(25,396)**	-
Movement in promissory notes payable				
Recognised in finance costs:				
Revaluation of Promissory Notes on issue at the beginning of the year (note 24)	**(11,682)**	-	**-**	-
	166,940	157,089	**4,189**	6,303

9. INCOME TAX

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Tax losses at beginning of year	**102,349**	152,903	**9,453**	17,217
Tax losses/(Income) for the year	**(93,799)**	(50,554)	**(9,453)**	(7,764)
Tax losses at end of year	**8,550**	102,349	**-**	9,453

Potential future income tax benefits at 30 June 2006 for tax losses not brought to account for the consolidated entity are $2.6 million (2005: $30.7 million). These losses cannot be used directly by the consolidated entity for the reason outlined in note 1d, but may be available for the benefit of unit holders in the future.

This benefit for tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; and
(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by tax legislation; and,
(iii) no changes in tax legislation adversely affect the ability of the entity in realising the benefit from the deductions for the losses.

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

10. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**131,972**	191,908	**5,785**	131,339
Balance per statement of cash flows	**131,972**	191,908	**5,785**	131,339

(a) Cash at bank and on hand

These are interest bearing (refer to note 11).

(b) Funds not for general use

The amount shown in Cash at Bank includes $12.4 million (2005: $20.1 million) held in reserve accounts to fund future CARS distributions.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

11. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Loans to related parties	**6,744**	15,845	**7,028**	16,011
Prepayments	**2,494**	4,590	**83**	232
Other receivables	**226**	325	**43,512**	36,689
	9,464	20,760	**50,623**	52,932

(a) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group. The Parent Entity balance for 2006 is principally comprised of a distribution receivable from its subsidiaries.

(b) Fair values

The fair values and carrying values of receivables of the Group are the same.

(c) Effective Interest rates

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

2006		**Fixed Interest Rate Maturing in:**							
	Floating Interest Rate $'000	**1 year or less $'000**	**Over 1 to 2 yrs $'000**	**Over 2 to 3 yrs $'000**	**Over 3 to 4 yrs $'000**	**Over 4 to 5 yrs $'000**	**Over 5 yrs $'000**	**Non interest bearing $'000**	**TOTAL $'000**
Cash	131,972	-	-	-	-	-	-	-	131,972
Sundry debtors	-	-	-	-	-	-	-	226	226
Loans to related parties	-	-	-	-	-	-	-	6,744	6,744
Advances to related parties	1,644,360	-	-	-	-	-	355,426	1,673,181	3,672,967
TLN's advanced	-	-	-	-	-	-	469,767	-	469,767
	1,776,332	-	-	-	-	-	825,193	1,680,151	4,281,676
Weighted average interest rate	6.80%	-	-	-	-	-	11.94%		

2005		**Fixed Interest Rate Maturing in:**							
	Floating Interest Rate $'000	**1 year or less $'000**	**Over 1 to 2 yrs $'000**	**Over 2 to 3 yrs $'000**	**Over 3 to 4 yrs $'000**	**Over 4 to 5 yrs $'000**	**Over 5 yrs $'000**	**Non interest bearing $'000**	**TOTAL $'000**
Cash	191,908	-	-	-	-	-	-	-	191,908
Sundry debtors	-	-	-	-	-	-	-	325	325
Loans to related parties	-	-	-	-	-	-	-	15,845	15,845
Advances to related parties	1,432,310	-	-	-	-	-	336,167	1,576,600	3,345,077
Investment in CPLN's	-	392,000	-	-	-	-	-	-	392,000
Advance to other parties	-	-	-	-	-	-	-	24,321	24,321
	1,624,218	392,000	-	-	-	-	336,167	1,617,091	3,969,476
Weighted average interest rate	6.39%	6.27%	-	-	-	-	11.94%		

(d) 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 receivables. Refer to note 3 for more information on the risk management policy of the Group.

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

12. CURRENT ASSETS – OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

At beginning of year	**-**	-	**-**	-
Adjusted on adoption of AASB 139	**16,840**	-	**-**	-
Revaluation	**2,940**	-	**-**	-
Exercised	**(19,780)**	-	**-**	-
At end of year	**-**	-	**-**	-

Transition to AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption* of Australian Equivalents to *International Reporting Standards* to apply AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to this standard at 1 July, the Group recognised the fair value of options held to acquire an additional 5 per cent interest in the Westlink M7. The effect was the recognition of a financial asset of $16,840,000 and an increase in retained earnings of the same amount.

These options were revalued and exercised on 16 December 2005.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current assets				
Interest rate swap contracts - cash flow hedges (b)	**694**	-	**-**	-
Total current derivative financial instrument assets	**694**	-	**-**	-
Non-current assets				
Interest rate swap contracts - cash flow hedges (b)	**2,288**	-	**-**	-
Total non-current derivative financial instrument assets	**2,288**	-	**-**	-
Current liabilities				
Interest rate swap contracts - cash flow hedges (b)	**45**	-	**-**	-
Total current derivative financial instrument liabilities	**45**	-	**-**	-
	2,937	-	**-**	-

(a) Transition to AASB 132 and AASB 139

Derivative financial assets and liabilities relating to interest rate swaps have been recognised in accordance with note 1k. The Group has taken the exemption available under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB 139 and AASB 132 from 1 July 2005. Note 41 explains the adjustments on transition.

(b) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 3).

Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 6.4%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Swaps currently in place cover approximately 80 per cent (2005: 80 per cent) of long term debt. The fixed interest rates range between 5.6 per cent and 6.17 per cent (2005: 5.6 per cent and 6.17 per cent) and the variable rates are the appropriate bank bill rate.

At 30 June 2006, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Less than 1 year	**-**	-	**-**	-
1- 2 years	**-**	-	**-**	-
2 - 3 years	**132,000**	-	**-**	-
3 - 4 years	**-**	132,000	**-**	-
4 - 5 years	**220,000**	-	**-**	-
Greater than 5 years	**-**	220,000	**-**	-
	352,000	352,000	**-**	-

The contracts require settlement of net interest receivable or payable. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re classified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in income immediately. In the year ended 30 June 2006 $132,648 was transferred to profit and loss.

(c) Credit risk exposure

Credit risk arises from the potential failure of counterparties to meet their obligations under the respective contracts at maturity.

The Group continually monitors the credit ratings and credit exposure of each counterparty.

(d) Interest rate risk exposure

Refer to note 23 for the Group's exposure to interest rate risk on interest rate swaps.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

14. NON-CURRENT ASSETS – RECEIVABLES

Prepayments	**-**	1,973	**-**	-
Tullamarine/Calder Freeway upgrade	**147,222**	121,826	**147,222**	121,826
Other related party loans	**96,581**	24,321	**470,359**	44,106
	243,803	148,120	**617,581**	165,932

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

Under the agreement, Transurban paid $151.0 million to Vic Roads which is being used to fund the upgrade. In exchange, the State has assigned to Transurban $305.3 million of the Concession Notes issued by CityLink to the State under the provisions of the Melbourne CityLink Concession Deed.

The receivable classified as "Tullamarine/Calder Freeway upgrade" recognises the discounted value of Concession Notes reassigned from the State to the Trust.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

15. NON-CURRENT ASSETS – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Interest in joint venture partnership and associates (note 35)	**15,732**	6,236	**6,236**	6,236

16. NON-CURRENT ASSETS – HELD-TO- MATURITY INVESTMENTS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Construction Phase Loan Notes	**-**	392,000	**-**	-
Investment in Term Loan Notes	**469,767**	-	**-**	-
	469,767	392,000	**-**	-

Investment in Term Loan Notes ("TLN")

On the construction completion of the WestLink M7 motorway in December 2005, the Group's Construction Phase Loan Notes ("CPLN") converted to TLN. The notes current and former state represent Transurban's funding contribution to the Westlink Motorway Partnership. On conversion the interest receivable on these notes increased to 11.93 per cent from 6.27 per cent. Any unpaid interest capitalises into additional TLN. In the period to 30 June 2006, $28.8 million of interest was capitalised into additional TLN. The TLN are instruments which will be repaid to the Transurban Group when conditions are satisfied relating to the operations of the M7. As this repayment is expected the TLN are not considered as part of the investment in M7 accounted for using the equity method and will not be reduced by future losses Westlink may incur.

17. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Non-traded investments				
Units in controlled entities	**-**	-	**4,076,639**	4,076,639
	-	-	**4,076,639**	4,076,639
Other financial assets				
Advances to related parties	**3,576,386**	3,345,077	**-**	-
	3,576,386	3,345,077	**-**	-
Total other financial assets	**3,576,386**	3,345,077	**4,076,639**	4,076,639

Non-traded investments

The investment in controlled entities represents 100 per cent of the ordinary units of The CityLink Trust and 100 per cent of the ordinary units in The Hills Motorway Trust. Both Trusts were registered in Australia.

18. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
a) CityLink Fixed Assets				
CityLink at cost	**822,315**	822,315	**-**	-
Less: Accumulated depreciation	**(119,472)**	(93,114)	**-**	-
	702,843	729,201	**-**	-
b) M2 Motorway Fixed Assets				
M2 at cost	**2,093,333**	2,093,333	**-**	-
Less: Accumulated depreciation	**(97,549)**	(19,531)	**-**	-
	1,995,784	2,073,802	**-**	-
c) Equipment & Fittings				
At cost	**1,047**	1,047	**-**	-
Less: Accumulated depreciation	**(175)**	(3)	**-**	-
	872	1,044	**-**	-
Total Property, plant and equipment	**2,699,499**	2,804,047	**-**	-

d) Reconciliations

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

	CityLink $'000	**M2 $'000**	**Equipment & Fittings $'000**	**Total $'000**
Consolidated				
Year ended 30 June 2006				
Opening net book balance	**729,201**	**2,073,802**	**1,044**	**2,804,047**
Additions	**-**	**-**	**-**	**-**
Disposals	**-**	**-**	**-**	**-**
Depreciation/amortisation charge	**(26,358)**	**(78,018)**	**(172)**	**(104,548)**
Closing net book amount	**702,843**	**1,995,784**	**872**	**2,699,499**
Year ended 30 June 2005				
Opening net book balance	726,906	-	-	726,906
Additions	28,653	2,093,333	1,047	2,123,033
Disposals	-	-	-	-
Depreciation/amortisation charge	(26,358)	(19,531)	(3)	(45,892)
Closing net book amount	729,201	2,073,802	1,044	2,804,047

Refer to note 23 for information on non-current assets pledged as security by the Trust .

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

19. NON-CURRENT ASSETS - OTHER

Deferred borrowing costs	**-**	22,811	**-**	274
	-	22,811	**-**	274

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* to apply AASB 139 and AASB 132. At the date of transition to this standard, costs incurred in the raising of debt "Deferred borrowing costs" for the consolidated entity valued at $22,811,000 and for the parent valued at $274,000 that were classified in the balance sheet under previous AGAAP as other non-current assets were either re-classified as a reduction in non-current liabilities – borrowings or reclassified to the cash flow reserve.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

20. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	**6**	-	**-**	-
CARS coupon payment	**13,924**	14,926	**-**	-
Related party payables	**76,008**	53,611	**40,133**	17,443
Other payables	**3,392**	4,273	**56**	127
	93,330	72,810	**40,189**	17,570

CARS coupon payment represents the interest payment due to holders of Convertible Adjusting Rate Securities ("CARS"). The distribution on these securities of 7.0 per cent per annum for the period 1 January 2006 to 30 June 2006 totalling $13.9 million (2004: $14.9 million) has been charged to the statement of financial performance as a borrowing cost due to the CARS being classified as a liability. This coupon was paid to CARS holders on 31 July 2006.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

21. CURRENT LIABILITIES – NON-INTEREST BEARING LIABILITIES

Unearned income (related parties)	**23,835**	22,962	**131**	170
Tullamarine/Calder freeway upgrade	**-**	100,818	**-**	100,818
	23,835	123,780	**131**	100,988

22. CURRENT LIABILITIES – PROVISIONS

Distribution to security holders	**207,070**	142,455	**207,070**	142,455
	207,070	142,455	**207,070**	142,455

The provision recognised in June 2005 was paid to security holders on 2 September 2005. The final 2006 distribution is payable on 25 August 2006.

23. NON-CURRENT LIABILITIES - BORROWINGS

Secured				
Convertible Adjusting Rate Securities	**361,777**	430,000	**-**	-
Term debt	**440,000**	440,000	**-**	-
Working Capital Facilities	**15,000**	7,000	**-**	-
Loans from related parties	**2,531,810**	2,000,321	**807,731**	300,513
	3,348,587	2,877,321	**807,731**	300,513

Financing Arrangements and Credit Facilities

a) Convertible Adjusting Rate Securities

$430.0 million was raised in April 2003 via the issue of 4.3 million CARS. Semi-annual interest is paid at a fixed rate of 7 per cent per annum until the first re-set date on 14 April 2007. These securities are generally convertible into Transurban Securities at a discount of 2.5 per cent and rank ahead of Transurban Stapled Securities on a winding up of Transurban in conjunction with a winding up of Transurban CARS Trust. The Trust acts as guarantor for the interest payments until the first re-set date at which time the guarantee may or may not be extended. The option in 2007 Is purely for conversion to equity and there is no intention to repay the debt and thus non-current disclosure has been adopted.

During the year CARS holders had two opportunities to convert their holdings to Transurban Stapled Securities:

31 December 2005, when 288,711 CARS were converted, and

30 June 2006, when 273,953 CARS were converted.

Reconciliation of the movement in the CARS liability.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Balance at 1 July	**430,000**	430,000	**-**	-
Conversion on 31 December 2005 at the rate of 17.0679 stapled securities	**(28,871)**	-	**-**	-
	401,129	430,000	**-**	-
Conversion on 30 June 2006 at the rate of 17.4966 stapled securities	**(27,395)**	-	**-**	-
Capitalised borrowing costs	**(11,957)**	-	**-**	-
Balance at 30 June	**361,777**	430,000	**-**	-

b) Term Debt

$440.0 million bank facility, maturing in June 2009. The facility was fully utilised at 30 June 2006. This facility is fully secured against the respective rights of Hills Motorway Ltd and Hills Motorway Trust in the Motorway and their assets.

c) Working Capital Facilities

$30.0 million facility which is available for use until June 2009. At 30 June 2006, $15.0 million of this facility was drawn-down.

d) Loans from related parties

$1.78 billion was borrowed from Transurban Finance Company to refinance Transurban's debt in relation to the construction of the Melbourne CityLink project. The remaining $751.8 million was used to meet the various activities, including:

- Cash component paid to Hills Motorway Group investors on the acquisition of the Hills Motorway Group in 2005 ($42.5 million);
- Fund the acquisition of Tollaust Pty Ltd ($36.2 million);
- Fund the buyout of additional equity in Westlink M7 ($47.3 million);
- The financing of the payable to the State of Victoria in relation to the Tullamarine/Calder freeway upgrade ($150.8 million); and
- To assist the Transurban Group security holder distributions ($88 million).

These amounts will not be called upon before 30th June 2007.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Loan facilities				
Total facilities	**2,986,810**	2,447,321	**-**	-
Used at balance date	**(2,986,810)**	(2,447,321)	**-**	-
Unused at balance date	**-**	-	**-**	-

Interest rate risk exposure

The following table sets out the Group's exposure to interest rate risk, including the contractual repricing dates and the effective weighted average interest rate by maturity periods.

2006		Fixed Interest Rate Maturing in:							
	Floating Interest Rate $'000	**1 year or less $'000**	**Over 1 to 2 yrs $'000**	**Over 2 to 3 yrs $'000**	**Over 3 to 4 yrs $'000**	**Over 4 to 5 yrs $'000**	**Over 5 yrs $'000**	**Non interest bearing $'000**	**TOTAL $'000**
Sundry Creditors	-	-	-	-	-	-	-	17,322	17,322
Promissory notes	-	-	-	-	-	-	-	27,034	27,034
Term Debt	440,000	-	-	-	-	-	-	-	440,000
Working Capital Facilities	15,000	-	-	-	-	-	-	-	15,000
Loans from related parties	2,381,810	-	-	-	150,000	-	-	76,008	2,607,818
Interest rate swaps	(352,000)	-	-	-	-	-	352,000	-	-
CARS	-	-	-	-	-	-	361,777	-	361,777
	2,484,810	-	-	-	150,000	-	713,777	120,364	3,468,951
Weighted average interest rate	6.26%	-	-	-	6.00%	-	6.49%		

2005		**Fixed Interest Rate Maturing in:**							
	Floating Interest Rate $'000	**1 year or less $'000**	**Over 1 to 2 yrs $'000**	**Over 2 to 3 yrs $'000**	**Over 3 to 4 yrs $'000**	**Over 4 to 5 yrs $'000**	**Over 5 yrs $'000**	**Non interest bearing $'000**	**TOTAL $'000**
Sundry Creditors	-	-	-	-	-	-	-	19,199	19,199
Tullamarine/Calder upgrade	-	-	-	-	-	-	-	146,480	146,480
Promissory notes	-	-	-	-	-	-	-	22,116	22,116
Term Debt	440,000	-	-	-	-	-	-	-	440,000
Working Capital Facilities	7,000	-	-	-	-	-	-	-	7,000
Loans from related parties	1,415,321	435,000	-	-	-	150,000	-	53,611	2,053,932
Interest rate swaps	(352,000)	-	-	-	-	-	1,380,000	-	-
CARS	-	-	-	-	-	-	430,000	-	430,000
	1,510,321	435,000	-	-	-	150,000	1,810,000	241,406	3,118,727
Weighted average interest rate	6.16%	6.25%	-	-	-	6.00%	6.22%		

Fair value

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

	Consolidated		Parent Entity	
	2006 $'000	2005 $'000	**2006 $'000**	2005 $'000

24. NON-CURRENT LIABILITIES – NON-INTEREST BEARING

Promissory Notes	**11,711**	22,116	**-**	-
Tullamarine/Calder freeway upgrade	**-**	45,662	**-**	45,662
	11,711	67,778	**-**	45,662

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

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

A change in the accounting treatment for Promissory Notes to exclude the construction period of the M2 from the repayment profile has occurred. This change has extended the timing of the commencement of repayments by 9 years to 2022.

The face value of promissory Notes on issue at 30 June 2006 is $78.1 million (2005:$69.2 million). The Net Present Value at 30 June 2006 of the redemption payments relating to these Promissory Notes is $11.7 million (2005: $22.1 million).

The indicative timing of these redemption payments is set out in the following table.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Promissory Note Redemption				
Estimated Promissory Note payments				
Later than 5 years but not later than 10 years	**-**	37,332	**-**	-
Later than 10 years but not later than 15 years	**78,071**	31,900	**-**	-
	78,071	69,232	**-**	-

Reconciliation

Reconciliation of movement in the Promissory Note liability.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Promissory Notes liability at the start of the year	**22,116**	-	**-**	-
Promissory Notes acquired	**-**	20,001	**-**	-
Promissory Notes issued during the year	**8,839**	8,583	**-**	-
Discount of Promissory Notes on issue at the beginning of the year	**(11,682)**	-	**-**	-
Discount of Promissory Notes issued during the year	**(7,562)**	(6,468)	**-**	-
Promissory Note liability at the end of the year	**11,711**	22,116	**-**	-

25. UNITHOLDERS' FUNDS

The issued units of the Trust are a component of a parcel of stapled securities, each parcel comprising one share in Transurban Holdings Limited, one unit in Transurban Holding Trust and one share in Transurban Limited.

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

	Consolidated		Consolidated	
	2006 Units '000	2005 Units '000	**2006 $'000**	2005 $'000
a) Ordinary units				
Ordinary units fully paid	**816,633**	791,416	**4,194,672**	4,051,220
	816,633	791,416	**4,194,672**	4,051,220

b)

Date	Details	Notes	Number of Units '000	Issue Price	$'000
1 Jul 2005	Opening Balance		791,416	-	4,051,220
7 Sep 2005	Exercise of May 2002 Options	e	46	$3.9400	180
21 Sep 2005	Exercise of Oct 2001 Options	e	250	$4.1242	1,031
21 Sep 2005	Exercise of April 2001 Options	e	140	$3.5370	495
1 Dec 2005	Exercise of May 2002 Options	e	33	$3.9400	131
13 Dec 2005	Exercise of May 2002 Options	e	67	$3.9400	263
13 Dec 2005	Exercise of May 2002 Options	e	15	$3.9400	59
13 Dec 2005	Exercise of April 2001 Options	e	250	$3.5370	884
13 Dec 2005	Exercise of Oct 2001 Options	e	250	$4.1242	1,031
16 Dec 2005	Exercise of April 2002 Options	e	137	$3.7500	515
31 Dec 2005	Acquisition of Treasury Securities	g	(1,580)	$6.1926	(9,784)
3 Jan 2006	Conversion of CARS	f	4,928	$5.5790	27,492
28 Feb 2006	Dividend Reinvestment Plan	d	14,377	$6.1889	88,981
20 Mar 2006	Exercise of May 2002 Options	e	67	$3.9400	263
20 Jun 2006	Exercise of May 2002 Options	e	359	$3.9400	1,413
20 Jun 2006	Exercise of April 2002 Options	e	86	$3.7500	322
20 Jun 2006	Exercise of Oct 2001 Options	e	1,000	$4.1242	4,124
30 Jun 2006	Conversion of CARS	f	4,793	$5.4354	26,052
30 Jun 2006	Closing Balance		816,633		4,194,672

All units issued form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holding Trust, with the remaining value apportioned to Transurban Holdings Limited.

c) Trust Units

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

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

d) Distribution reinvestment plan

The Transurban Group has established a distribution reinvestment plan under which holders of stapled securities elect to have all or part of their distribution entitlements satisfied by the issue of new stapled securities rather than by cash. Securities issued under the plan are at a 2.5 per cent discount to the market price and include a unit in Transurban Holding Trust and a share in Transurban Holdings Limited.

e) Options over Trust units

Options over Trust units are granted pursuant to the Transurban Group Executive Option Plan as the Trust units form part of the Transurban Group Stapled Security. Details of options on issue are set out in note 28.

f) Conversion of CARS

During the year exchange notices electing to convert 563 thousand units into Transurban Group Stapled Securities were received. On conversion 9.8 million Trust units were issued.

g) Treasury Units

Stapled Securities (including units in the Trust) issued to executives under the Executive Loan Plan. The stapled securities are held by the executive but will only vest in the executive in accordance with the terms of the plan. The acquired securities cannot be transferred or sold while the loan is outstanding.

26. RESERVES AND ACCUMULATED LOSSES

(a) Reserves

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Cash flow reserve	**(2,078)**	-	**-**	-
Share-based payments reserve	**1,168**	-	**1,168**	-
	(910)	-	**1,168**	-

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

(b) Movements:

Cash flow reserve				
Balance 1 July	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**(14,074)**	-	**-**	-
Revaluation - gross	**10,521**	-	**-**	-
Transfer to net profit - gross	**1,475**	-	**-**	-
Balance 30 June	**(2,078)**	-	**-**	-
Share-based payments reserve				
Balance 1 July	**-**	-	-	-
Amortisation of benefits	**451**	-	451	-
Executive loans distributions	**717**	-	717	-
Balance 30 June	**1,168**	-	1,168	-

(c) Accumulated losses

Balance 1 July	**(404,405)**	(118,981)	**(225,056)**	(7,214)
Adjustment on adoption of AASB 139 (note 12)	**16,840**	-	**-**	-
Net profit from ordinary activities	**60,428**	20,759	**132,557**	88,341
Distributions	**(401,598)**	(306,183)	**(401,598)**	(306,183)
Balance 30 June	**(728,735)**	(404,405)	**(494,097)**	(225,056)

(d) Nature and purpose of reserves

(i) Cash flow reserve

The cash flow reserve is used to record gains or losses on hedging instruments in a cash flow hedge that are recognised directly in equity, as described in note 1(k). Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

This reserve also contains finance costs associated with the early termination of swap contracts and their related amortisation.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the value of options issued but not exercised.

27. DISTRIBUTIONS

	Parent Entity	
	2006	2005
	$'000	$'000
Distributions proposed		
Final distribution payable and recognised as a liability: 25.5 cents (2005 - 18 cents) per fully paid stapled security payable 25 August 2006	**207,422**	142,455
Distributions paid during the year		
Final distribution for 2005 financial year of 18.0 cents (2004 - 13.5 cents) per fully paid Stapled Security paid 2 September 2005	**142,443**	71,983
Interim distribution for 2006 financial year of 24.5 cents cents (2005 - 17.0 cents) per fully paid Stapled Security paid 28 February 2006	**194,188**	91,745
Total distributions paid	**336,631**	163,728
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2006 and 30 June 2005		
Paid in cash	**243,240**	131,686
Executive loans - repayments	**352**	-
Satisfied by issue of Stapled Securities (1)	**93,007**	32,042
Distributions waiting to be applied to future DRP	**32**	-
	336,631	163,728

(1) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust ($89.0 million) and Transurban Holdings Limited ($4.0 million).

28. DIRECTOR DISCLOSURES

With the exception of the changes noted below, the following persons were directors of Transurban Infrastructure Management Limited during the financial year:

Chairman – non-executive
Laurence G Cox

Non-executive directors
Peter C Byers
Geoffrey O Cosgriff
Jeremy GA Davis
Susan M Oliver
David J Ryan
Christopher J S Renwick [(1)]

Executive directors
Geoffrey R Phillips [(3)]
Kimberley Edwards [(2)]

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

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

[(3)] Geoffrey R Phillips resigned from the position of executive director on 26 July 2005.

Key management personnel

The directors of Transurban Infrastructure Management Limited are the Key management personnel.

Remuneration Report

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of non-executive director remuneration
B. Details of remuneration
C. Share-based compensation

A. Principles used to determine the nature and amount of non-executive directors remuneration

The remuneration of non-executive directors consists of director's fees and committee fees. Non-executive directors are not currently provided with any form of equity-based compensation.

The constitutions of the entities comprising the Transurban Group ("the Group") provide that the total remuneration paid in a year to non-executive directors may not exceed $950,000 per entity. Subject to this limit, remuneration structure and amounts for non-executive directors are recommended by the Nomination and Remuneration Committee of the Board with assistance from external remuneration consultants. Liability for the Superannuation Guarantee

Contribution is met from gross remuneration. The current fee arrangements were last reviewed with effect from 1 October 2005.

B. Details of remuneration

Details of the remuneration of the directors who are also the key management personnel of Transurban Infrastructure Management Limited are set out in the following tables. Non-executive directors are remunerated by Transurban Limited. The share based payments relate to the Transurban Group as a whole. As a reasonable basis of apportionment is not available, the full amount has been disclosed.

2006

	Short-term Benefits	Post-employment benefits		Share-based payment			
Name	Cash salary and fees $	Super-annuation $	Retirement benefits $	Options $	Employee Security Plan $	Long term incentives $	Total $
L G Cox	72,523	2,428	13,305	-	-	-	88,256
P C Byers	28,882	2,599	5,112	-	-	-	36,593
J G A Davis	16,999	11,900	5,212	-	-	-	34,111
S M Oliver	27,351	2,462	5,143	-	-	-	34,956
G O Cosgriff	24,322	3,590	3,873	-	-	-	31,785
D J Ryan	29,023	2,612	-	-	-	-	31,635
C J S Renwick	8,318	20,117	-	-	-	-	28,435
K Edwards	-	-		57,972	93,151	512,111	663,234
G R Phillips	-	-		19,324	-	-	19,324
Total	207,418	45,708	32,645	77,296	93,151	512,111	968,329

2005

	Short-term Benefits	Post-employment benefits		Share-based payment			
Name	**Cash salary and fees**	**Super-annuation**	**Retirement benefits**	**Options**	**Employee Security Plan**	**Long term incentives**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
L G Cox	55,362	4,236	33,606	-	-	-	93,204
P C Byers	19,309	1,738	15,675	-	-	-	36,722
J G A Davis	15,128	15,714	15,772	-	-	-	46,614
S M Oliver	18,571	1,671	16,374	-	-	-	36,616
G O Cosgriff	21,502	1,935	9,362	-	-	-	32,799
D J Ryan	21,797	1,962	-	-	-	-	23,759
G R Phillips	-	-	-	61,333	-	-	61,333
Total	151,669	27,256	90,789	61,333	-	-	331,047

C. Share-based compensation

Options

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

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

The exercise price of options was the volume weighted average price at which the Group's stapled securities were traded on the Australian Stock Exchange during the 5 business days immediately prior to granting the options. When exercised, each option was converted into one stapled security, comprising one ordinary share in Transurban Limited, one ordinary share in Transurban Holdings

Limited and one unit in Transurban Holding Trust. Options were exercisable at any time after vesting.

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

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

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

Details of options over ordinary units in the Trust provided as remuneration to each director of Transurban Infrastructure Management Limited is set out below.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
G R Phillips	**-**	-	**-**	166,667
K Edwards	**-**	-	**-**	500,000

Units provided on exercise of remuneration options

Details of ordinary units in the Trust provided as a result of the exercise of remuneration options to each director of Transurban Infrastructure Management Limited is set out below:

Name	Number of units issued on exercise of options during the year	
	2006	2005
G R Phillips	**-**	500,000
K Edwards	**1,500,000**	-

The amount paid per ordinary unit by each director on the exercise of options at the date of exercise were as follows:

Exercise date	Amount paid per unit
21 September 2005	$4.404
13 December 2005	$4.404
20 June 2005	$4.402

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

Option holdings

The number of options over ordinary units in the Trust held during the financial year by each director of Transurban Infrastructure Management Limited, including their personally related parties is set out below.

2006						
Name	**Balance at the start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
G R Phillips	-	-	-	-	-	-
K Edwards	1,500,000	-	1,500,000	-	-	-

2005						
Name	**Balance at the start of the year**	**Granted during the year as remuneration**	**Exercised during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at the end of the year**
G R Phillips	500,000	-	500,000		-	-
K Edwards	1,500,000	-	-	-	1,500,000	1,500,000

Executive long term incentive plan

The executive long term incentive plan ("ELTIP") was introduced in 2003 to provide long term incentives to executive directors and executives in the period after issued options had fully vested.

Under the ELTIP, participants were allocated "ELTI units". Each ELTI unit entitled the holder to a cash payment on the maturity date, approximately two years after the date of allocation. The cash payment per unit is equal to the increase in the stapled security price over the period between the date of allocation and the maturity date. The proportion of ELTI units which vest with the executive at maturity is dependent on the Transurban Group's ranking in the Total Shareholder

Returns ("TSRs") of the companies within the ASX 200 Industrials over the two years prior to maturity. If Transurban's TSR ranking is below the 40th percentile, no payment will be made. For TSR rankings between the 40th and 70th percentiles, the proportion increases linearly from 25 per cent to 100 per cent. If Transurban's TSR ranking is above the 70th percentile, the proportion is 100 per cent.

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

Grant date	Expiry date	Grant price	Units on issue	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	$4.23	-	$0.46	-	30 Nov 2005
30 Sept 2004	30 Sept 2006	$5.45	800,000	$0.54	$1.01	30 Nov 2006

Name	Number of ELTIs granted during the year		Number of ELTIs paid during the year	
	2006	2005	**2006**	2005
K Edwards	-	800,000	850,000	-

Executive Loan Plan ("ELP")

The Executive Loan plan ("ELP") was introduced in 2005 as it offered payoff characteristics similar to those of an option-based plan and thus rewarded TSR out performance. The ELP, similar to those which had been introduced by a number of other companies whose equity securities were stapled, was also more cost effective than an option-based plan in terms of cost to the Group for a given amount of incentive. (The cost referred to above was in the form of fringe benefits tax that was payable by the Group on the allocation of Options.)

The ELP is structured as a performance loan plan which is linked to improvements in the price of stapled securities over a three year period. The Plan has been structured so that rewards are only obtained if there are materially improved security holder returns.

Executives participating in the ELP are provided with an interest free loan to assist them to acquire stapled securities at market price. The term of the loan is three years and there is only one testing date. The stapled securities are held by the executive but will only vest in the executive in accordance with the terms of the Plan. Expiry occurs 3 years plus 60 days from the date of commencement of the Plan, unless the rules of the Plan otherwise provide. Holding locks are applied to the stapled securities to ensure that the stapled securities can only be dealt with in accordance with the terms of the Plan. The acquired shares cannot be transferred or sold while the loan is outstanding.

Stapled securities will vest in the executive if:

(a) the executive is employed by the Transurban Group for at least 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide; and

(b) the performance hurdle relevant to the offer is met.

If the stapled securities vest in the executive:

(a) then the executive can either pay the amount of the loan which needs to be repaid and which is attributable to those vested stapled securities, in which case they will be free to deal with those stapled securities as they see fit; or

(b) The Group will otherwise sell the vested securities and apply for the proceeds of sale in discharge of the amount of the loan which is repayable attributable to those stapled securities, with any surplus to be provided to the executive.

Any unvested stapled securities will also be sold by the Group and the proceeds will be applied in reduction of the repayable amount of the loan attributable to those unvested securities, with the executive having no entitlement to the surplus.

The Plan has been designed so that the executive does not need to provide any money to purchase securities in the Transurban Group and is not himself or herself directly responsible for repayment of any loan provided. The proceeds of sale of stapled securities are, unless the rules of the Plan provide otherwise, applied to discharge the repayable portion of any loan.

If the executive does not meet the hurdle identified, and remains employed by the Transurban Group for a period of 3 years from the date of commencement of the Plan, unless the rules of the Plan otherwise provide, no stapled securities will vest in the executive and all stapled securities will be sold with the proceeds being applied in repayment of the repayable portion of the loan, with no surplus being provided to the executive.

If an executive leaves the employ of the Transurban Group those unvested securities will lapse and will be sold with the proceeds being applied in repayment of the repayable portion of the loan.

All dividends and distributions payable in respect of the stapled securities subject of the Plan, net of deductions for tax, are to be applied in reduction of the outstanding loan balance.

The performance hurdle attached to stapled securities has been set to ensure that both executives and stapled security holders generally benefit from the allocation of stapled securities to executives under the Plan.

The performance hurdle involves a comparison of Total Shareholder Returns (TSR). The TSR of Transurban's listed stapled securities is compared with the TSR of each other company (Test Company) in the S&P / ASX 100 Industrials (or similar or replacement index) for the whole period of comparison. The period of comparison (Performance Hurdle Test Period) is the three years post the date of commencement of the Plan.

TSR measures total return on investment of a security. It takes into account both capital appreciation and distributed income. It assumes a notional reinvestment of distributions paid on the security (on a pre-tax basis) in additional securities, at the market price on the day before the securities begin trading ex the relevant distribution.

Transurban and each of the Test Companies will be ranked according to their respective TSRs over the Performance Hurdle Test Period.

This ranking determines the extent to which stapled securities will vest.

- If Transurban's TSR is ranked at or above the 75th percentile, 100 per cent of the stapled securities will vest.
- If Transurban's TSR is ranked above the 50th percentile but below the 75th percentile, the percentage of stapled securities ("P") that will vest will be that calculated according to the following formula:
- P = 50 + 2 x (RTransurban – 50)
- Where: RTransurban = The percentile rank of Transurban's TSR.
- If Transurban's TSR is ranked at or below the 50th percentile, none of the stapled securities will vest.

The allocation of ELP units is determined by the following:

A remuneration value is determined for each participant relative to their total employment cost. These values are referenced to external market benchmarks.

(i) The number of stapled securities an executive is entitled to is derived by using an option valuation methodology such as the Black Scholes with Monte Carlo simulations or other similar method of calculation. These valuation methods take into account the fact that the loan will need to be repaid along with performance and other conditions. By dividing the remuneration value or number by this adjusted valuation, the number of stapled securities is derived;

(ii) the stapled securities are acquired and transferred to each participant;

(iii) the purchase price per stapled security is the average market price of stapled securities weighted by reference to volume over the week leading up to and including the date of commencement of the Plan; and

(iv) the amount of the loan provided to a participant is equal to the purchase price per stapled security multiplied by the participant's stapled securities entitlement.

2006 **Name**	**Balance at the start of the year**	**Granted during the year as remuneration**	**Matured and paid during the year**	**Other changes during the year**	**Balance at the end of the year**	**Matured and payable at the end of the year**
K Edwards	-	312,500	-	-	312,500	-

Announced Taxation Changes Impacting Stapled Securities

In the May 2006 Budget, the Federal Government announced its intention to extend the employee share scheme and related capital gains tax provisions to stapled securities that include an ordinary share and are listed on the Australian Stock Exchange, with effect from 1 July 2006. Draft legislation is expected to be introduced around September/October of 2006.

The government's announcement is welcome and will offer some relief to companies with other than ordinary shares and to their employees. Given this announcement, a review of Transurban's Equity Plans will be carried out once legislation is past to ensure that the long term incentive programs and Employee Share Plans remain relevant and aligned to the interests of stapled security holders. However, Transurban's ability to offer a full range of alternative incentive plans is impacted by the constitution of Transurban Holding Trust.

Share holdings

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

Stapled Securities

2006					
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received during the year via the Executive Loan Plan**	**Other changes during the year**	**Balance at the end of the year**
L G Cox	1,142,500	-	-	-	1,142,500
P C Byers	70,580	-	-	-	70,580
G O Cosgriff	24,910	-	-	6,200	31,110
J G A Davis	50,000	-	-	1,817	51,817
S M Oliver	62,540	-	-	5,469	68,009
D J Ryan	21,577	-	-	817	22,394
C J S Renwick	-	-	-	-	-
K Edwards	61,000	1,500,000	312,500	-	1,873,500

2005					
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Received during the year via the Executive Loan Plan**	**Other changes during the year**	**Balance at the end of the year**
L G Cox	775,000	-		367,500	1,142,500
P C Byers	50,000	-		20,580	70,580
G O Cosgriff	24,910	-		-	24,910
J G A Davis	50,000	-		-	50,000
S M Oliver	60,993	-		1,547	62,540
D J Ryan	21,043	-		534	21,577
G R Phillips	-	500,000		8,820	508,820
K Edwards	61,000	-		-	61,000

CARS

2006				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
L G Cox	-	-	-	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
C J S Renwick	-	-	-	-
K Edwards	-	-	-	-

2005				
Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
G R Phillips	-	-	-	-
K Edwards	-	-	-	-

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

29. REMUNERATION OF AUDITORS

During the year the following services were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
1. Assurance services				
Audit services				
PricewaterhouseCoopers Australian firm:				
Audit and review of financial reports and other audit work under the Corporations Act 2001.	**198,000**	28,587	**34,500**	28,500
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports	**-**	20,000	**-**	-
Total remuneration for audit services	**198,000**	48,587	**34,500**	28,500
Other assurance services				
PricewaterhouseCoopers Australian firm:				
Compliance plan audit	**4,940**	12,360	**-**	-
Other assurance services	**95,810**	-	**-**	-
Total remuneration for other assurance services	**100,750**	12,360	**-**	-
2. Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of income tax returns	**28,400**	26,571	**27,900**	26,540
Indirect taxation services	**-**	191,363	**-**	191,360
Fees paid to non-PricewaterhouseCoopers audit firms	**-**	22,172	**-**	-
Total remuneration for taxation services	**28,400**	240,106	**-**	217,900

It is the consolidated entity's policy to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the consolidated entity are important. These assignments are principally tax advice.

30. CONTINGENT LIABILITIES

Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of Convertible Adjusting Rate Securities ("CARS"). This guarantee is in place until the first reset date, 14 April 2007, at which time the guarantee may or may not be extended. The distributions are semi-annual distributions fixed until the first reset date at 7.0 per cent per annum on an amount of $430.0 million.

31. COMMITMENTS FOR EXPENDITURE

Promissory Notes

The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into leases with the Roads and Traffic Authority of New South Wales ("RTA"). Annual lease liabilities under these leases total $7.0 million indexed annually to the Consumer Price Index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. Refer to note 24 for details.

32. RELATED PARTY INFORMATION

(a) Parent entities

The parent entity within the Group is the Transurban Holding Trust. The ultimate parent entity of the Transurban Group is Transurban Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 28.

(d) Other related parties

Related party transactions have occurred with the following entities who are related parties of Transurban Holding Trust and controlled entities:

- Abigroup WSO Holding No 4 Pty Ltd;
- Transurban Holdings Ltd;
- Transurban Ltd;
- Transurban Asset Management Pty Ltd;
- Roam Tolling Pty Ltd;
- Transurban (USA) Holdings No 1 Pty Ltd;
- Transurban (USA) Holdings No 2 Pty Ltd;
- Citylink Melbourne Ltd;
- Hills Motorway Ltd;

- Transurban Finance Company;
- Transurban Infrastructure Management Ltd; and
- Transurban (895) US Holdings LLC

All of the directors of Transurban Infrastructure Management Limited are also directors of Transurban Holdings Limited and Transurban Limited. The following services are provided by the Trust to these consolidated entities:

- Financial suport through interest bearing and non-interest bearing loans; and
- The rental of land.

Financial support is received from Transurban Finance Company Pty Limited in the form of an interest bearing loan. The Trust pays interest and related finance charges for such loan.

Transurban Infrastructure Management Limited is the Responsible Entity of Transurban Holding Trust, CityLink Trust and CARS Trust and receives Responsible Entity and Management Fees.

Aggregate amounts of each of the above types of other transactions with directors of Transurban Infrastructure Management Limited:

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Amounts recognised as revenue				
Rental income	**179,648**	127,709	**-**	-
Interest income	**135,371**	98,651	**-**	-
	315,019	226,360	**-**	-
Amounts recognised as expenses				
Interest and other related charges paid	**142,623**	119,330	**-**	-
Responsible Entity fees	**4,400**	5,509	**1,112**	1,068
Management fees	**13,287**	25,949	**12,814**	33,018
	160,310	150,788	**13,926**	34,086

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Amounts recognised as successful projects				
Business Development fees	**-**	8,000	**-**	-
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of the Group:				
Current receivables	**6,744**	15,845	**7,028**	16,011
Non-current receivables	**96,581**	24,321	**470,359**	44,106
	103,325	40,166	**477,387**	60,117
Aggregate amounts payable at balance date relating to the above types of other transactions with directors of the Group:				
Current payables	**76,008**	53,611	**40,133**	17,443
Unearned income	**23,835**	22,962	**131**	170
Non-current payables	**-**	-	**-**	-
	99,843	76,573	**40,264**	17,613
Interest and finance charges				
Subsidiaries	**-**	-	**24,352**	5,573
Joint venture partnership	**40,147**	24,578	**-**	-
Distributions				
Subsidiaries - revenue	**-**	-	**148,517**	149,017

(e) Outstanding balances arising from the provision of services

Current receivables - interest and finance charges	**10,357**	23,881	**-**	-

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
(f) Loan to/from related parties				
Loans to subsidiaries				
Beginning of the year	**-**	-	**19,785**	19,096
Loans advanced	**-**	-	**101,708**	689
Loan repayments received	**-**	-	**-**	-
End of year	**-**	-	**121,494**	19,785
Loans from subsidiaries				
Beginning of the year	**-**	-	**300,254**	78,575
Loans advanced	**-**	-	**580,494**	306,067
Loan repayments received	**-**	-	**(71,385)**	(84,129)
End of year	**-**	-	**809,363**	300,513
Loans to associate				
Beginning of the year	**392,000**	392,000	**-**	-
Loans advanced	**49,000**	-	**-**	-
Interest capitalised	**28,767**	-	**-**	-
End of year	**469,767**	392,000	**-**	-
Loans to other related parties				
Beginning of the year	**3,345,077**	3,109,226	**-**	-
Loans advanced	**1,002,510**	908,435	**-**	-
Loan repayments received	**(771,201)**	(672,584)	**-**	-
End of year	**3,576,386**	3,345,077	**-**	-
Loans from other related parties				
Beginning of the year	**2,000,321**	1,817,559	**-**	-
Loans advanced	**1,529,950**	1,058,462	**1,324**	-
Loan repayments received	**(998,461)**	(875,700)	**(2,956)**	-
End of year	**2,531,810**	2,000,321	**(1,632)**	-

g) Loan to associate

The "loan to associate" is via Term Loan Notes ("TLN") (formerly Construction Phase Loan Notes ("CPLN")). The CPLN represent the Group's funding contribution to the Westlink Motorway Partnership and on completion of the Westlink M7 Motorway the CPLN converted to TLN. The TLN earn interest at a fixed rate of 11.93 per cent from 16 December 2005 (the completion date of Westlink M7) until the earlier of 34 years and the termination of the "Agreement to Lease" between the Roads and Traffic Authority of New South Wales and Westlink Motorway Limited.

Any unpaid interest is capitalised and deemed to subscribe for further loan notes with an aggregate principal amount equal to that unpaid interest.

The TLN have not been affected by equity accounting losses from the associate.

(h) Terms and conditions

All transactions were made on normal terms and conditions and at market rates.

33. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1 (a):

Name of Entity	Country of Incorporation	Class of Security	Equity Holding 2006 %	Equity Holding 2005 %	Date Acquired
The CityLink Trust	Australia	Ordinary	100	100	
Transurban Finance Trust	Australia	Ordinary	100	100	
Transurban AL Trust	Australia	Ordinary	100	100	
Transurban CARS Trust	Australia	Ordinary	100	100	
Transurban WSO Trust	Australia	Ordinary	100	100	
Hills Motorway Trust	Australia	Ordinary	100	100	
Abigroup Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100	-	16/12/2005
Abigroup Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100	-	16/12/2005
LMI Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100	-	16/12/2005
LMI Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100	-	16/12/2005

34. BUSINESS COMBINATION

a) Westlink M7

On 16 December 2005 Transurban AL Trust, a subsidiary of Transurban CARS Trust exercised an option which allowed it to acquire 100 per cent of the issued capital of the following entities:

LMI Westlink Partner Holding No. 4 Pty Limited and its subsidiary LMI Westlink Partner No. 4 Pty Limited

Abigroup Westlink Partner Holding No. 4 Pty Limited and its subsidiary Abigroup Westlink Partner No. 4 Pty Limited.

The acquired entities contributed $3,195,802 of net profit to the Group for the period 16 December 2005 to 30 June 2006.

At the date of acquisition, the acquired entities held a contingent asset which allowed them to subscribe for subordinated term loan notes. This was exercised by Transurban AL Trust and an additional $49.0 million of term loan notes were issued.

Details of the fair value of assets and liabilities acquired are as follows:

	$'000
Purchase consideration	
Cash paid	47,350
Fair value of option exercised	19,780
Total purchase consideration	67,130
Fair value of net identifiable assets acquired	67,130
Goodwill	-

The assets and liabilities arising from the acquisition are as follows:

Term loan notes	49,000
Investment in associate entities	18,130
	67,130

b) Hills Group

The final payment of $22.1 million related to the Transurban Group's acquisition of the Hill's Group occurred in the current financial year.

35. INVESTMENT IN ASSOCIATE AND JOINT VENTURE

(a) Carrying amounts

	Ownership interest		Consolidated carrying amount		Parent entity carrying amount	
	2006	2005	**2006**	2005	**2006**	2005
	%	%	**$'000**	$'000	**$'000**	$'000
Westlink Motorway Limited	**45**	40	**-**	-	**-**	-
WSO Finance Pty Limited	**45**	40	**-**	-	**-**	-
Westlink Motorway Partnership	**45**	40	**15,732**	6,236	**6,236**	6,236

Each of the above is a member of the Westlink Motorway Group, established to invest in, construct and operate the Westlink M7 toll road in Sydney. All were incorporated in Australia.

Westlink Motorway Limited is the nominee manager of the Westlink Motorway Partnership and is carried at cost of $90.

WSO Finance Pty Limited is the financier of the Westlink M7 toll road and is carried at a cost of $90.

Westlink Motorway Partnership was responsible for the construction of the Westlink M7 Motorway in Sydney. The M7 opened for operation on 16 December 2005.

(b) Movements in carrying amounts

	Consolidated	
	2006	2005
	$'000	$'000
Carrying amount at the beginning of the financial year	**6,236**	6,236
Additional investment acquired	**18,130**	-
Share of losses	**(8,634)**	-
Carrying amount at the end of the financial year	**15,732**	6,236

	Consolidated	
	2006	2005
	$'000	$'000

(c) Share of losses

Loss before income tax	**(8,634)**	-
Income tax expense	**-**	-
Loss after income tax	**(8,634)**	-

(d) Summarised financial information

	Group share of:			
	Assets	Liabilities	Revenue	Result
	$'000	$'000	$'000	$'000
2006				
Westlink Motorway Limited	**-**	**-**	**-**	**-**
WSO Finance Pty Limited	**6,810**	**6,810**	**48,616**	**-**
Weslink Motorway partnership	**856,437**	**865,071**	**41,798**	**(8,634)**
	863,247	**871,881**	**90,414**	**(8,634)**
2005				
Westlink Motorway Limited	-	-	-	-
WSO Finance Pty Limited	272,400	272,400	10,800	-
Weslink Motorway partnership	585,934	585,934	-	-
	858,334	858,334	10,800	-

	Consolidated	
	2006	2005
	$'000	$'000

(e) Share of expenditure commitments

Capital commitments	**-**	522,288
	-	522,288

(f) Contingent liabilities

As at the reporting date there are no contingent liabilities.

36. ECONOMIC DEPENDENCY

The consolidated entity is reliant on distributions from the CityLink Trust and the Hills Motorway Trust and interest on Construction Phase Loan Notes for its ongoing viability.

37. EVENTS OCCURRING AFTER BALANCE DATE

Transurban has exercised its pre-emptive right to purchase an additional 2.5 per cent equity interest in the Westlink M7 for $34.3 million. This will increase Transurban's holding in the Westlink M7 from 45 per cent to 47.5 per cent. Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 5 per cent held by Leighton Holdings Limited.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

38. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Profit for the year	**60,428**	20,759	**132,557**	88,341
Depreciation and amortisation	**104,548**	45,892	**-**	-
Amortisation deferred borrowing costs	**6,143**	-	**56**	-
Share of loss of associates and joint venture partnership	**8,634**	-	**-**	-
Capitalised TLN interest	**(28,767)**	-	**-**	-
Concession Note revaluations	**(20,890)**	-	**-**	-
Promissory Notes revaluation	**(11,682)**	-	**-**	-
Distribution income	**-**	-	**(141,672)**	4,763
Change in operating assets and liabilities				
Decrease in payables	**(6,383)**	(201,995)	**(17,493)**	(100,698)
(Increase)/decrease in receivables	**4,168**	(7,043)	**(10,199)**	(1,841)
Increase in Promissory Note liability	**1,277**	2,115		-
Loans to/from related parties	**(257,328)**	-	**13,099**	-
Net cash outflow from operating activities	**(139,852)**	(140,272)	**(23,652)**	(9,435)

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000

39. NON-CASH FINANCING AND INVESTING ACTIVITIES

Distributions satisfied by the issue of units under the distribution reinvestment plan	**88,981**	32,042	**88,981**	32,042
Conversion of CARS to Transurban Stapled Securities	**53,543**	-	**53,543**	-
	142,524	32,042	**142,524**	32,042

40. EARNINGS PER UNIT

	Consolidated	
	2006	2005
Basic earnings per unit	**7.6 cents**	3.5 cents
Diluted earnings per unit	**7.6 cents**	3.5 cents
Weighted average number of units used as the denominator in calculating basic earnings per unit	**799,431,057**	591,871,852
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**800,300,233**	592,764,422

The earnings used in the diluted earnings per unit calculation are exclusive of any CARS related adjustments as they are anti-dilutive.

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 the Transurban Group 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.

41. EXPLANATION OF TRANSITION TO AUSTRALIAN EQUIVALENTS TO IFRSs

(1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles ("AGAAP") to equity under Australian equivalents to IFRSs ("AIFRS")

(a) At the date of transition to AIFRS: 1 July 2004

	Consolidated			Parent Entity		
	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
CURRENT ASSETS						
Cash assets	59,922	-	59,922	19,011	-	19,011
Receivables	3,079	-	3,079	2,714	-	2,714
Other	2,383	-	2,383	400	-	400
Total Current Assets	65,384	-	65,384	22,125	-	22,125
NON-CURRENT ASSETS						
Property, plant and equipment	726,906	-	726,906	-	-	-
Financial assets	3,566,230	-	3,566,230	2,279,746	-	2,279,746
Investments accounted for using the equity method	6,236	-	6,236	6,236	-	6,236
Other	15,653	-	15,653	-	-	-
Total Non-Current Assets	4,315,025	-	4,315,025	2,285,982	-	2,285,982
TOTAL ASSETS	4,380,409	-	4,380,409	2,308,107	-	2,308,107
CURRENT LIABILITIES						
Payables	52,686	-	52,686	42	-	42
Total Current Liabilities	52,686	-	52,686	42	-	42
NON-CURRENT LIABILITIES						
Interest bearing liabilities	2,210,000	-	2,210,000	78,575	-	78,575
Total Non-Current Liabilities	2,210,000	-	2,210,000	78,575	-	78,575
TOTAL LIABILITIES	2,262,686	-	2,262,686	78,617	-	78,617
NET ASSETS	2,117,723	-	2,117,723	2,229,490	-	2,229,490
UNITHOLDERS' FUNDS						
Issued units	2,236,704	-	2,236,704	2,236,704	-	2,236,704
Undistributed losses	(118,981)	-	(118,981)	(7,214)	-	(7,214)
TOTAL UNITHOLDERS' FUNDS	2,117,723	-	2,117,723	2,229,490	-	2,229,490

(b) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Consolidated			Parent Entity		
	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
CURRENT ASSETS						
Cash assets	191,908	-	191,908	131,339	-	131,339
Receivables	20,760	-	20,760	52,932	-	52,932
Total Current Assets	212,668	-	212,668	184,271	-	184,271
NON-CURRENT ASSETS						
Receivables	148,120	-	148,120	165,932	-	165,932
Property, plant and equipment	2,804,047	-	2,804,047	-	-	-
Held-to-maturity investments	392,000	-	392,000	-	-	-
Other financial assets	3,345,077	-	3,345,077	4,076,639	-	4,076,639
Investments accounted for using the equity method	6,236	-	6,236	6,236	-	6,236
Other	22,811	-	22,811	274	-	274
Total Non-Current Assets	6,718,291	-	6,718,291	4,249,081	-	4,249,081
TOTAL ASSETS	6,930,959	-	6,930,959	4,433,352	-	4,433,352
CURRENT LIABILITIES						
Payables	72,810	-	72,810	17,570	-	17,570
Non-interest bearing liabilities	123,780	-	123,780	100,988	-	100,988
Provisions	142,455	-	142,455	142,455	-	142,455
Total Current Liabilities	339,045	-	339,045	261,013	-	261,013
NON-CURRENT LIABILITIES						
Non-interest bearing liabilities	67,778	-	67,778	45,662	-	45,662
Interest bearing liabilities	2,877,321	-	2,877,321	300,513	-	300,513
Total Non-Current Liabilities	2,945,099	-	2,945,099	346,175	-	346,175
TOTAL LIABILITIES	3,284,144	-	3,284,144	607,188	-	607,188
NET ASSETS	3,646,815	-	3,646,815	3,826,164	-	3,826,164
UNITHOLDERS' FUNDS						
Issued units	4,051,220	-	4,051,220	4,051,220	-	4,051,220
Undistributed losses	(404,405)	-	(404,405)	(225,056)	-	(225,056)
TOTAL UNITHOLDERS' FUNDS	3,646,815	-	3,646,815	3,826,164	-	3,826,164

(2) Reconciliation of profit for the year ended 30 June 2005

	Consolidated			Parent Entity		
	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000	Previous AGAAP $'000	Effect of transition to AIFRS $'000	AIFRS $'000
Revenue from ordinary operations	257,085	-	257,085	121,931	-	121,931
Expenses from ordinary activities						
Borrowing costs	(157,089)	-	(157,089)	(6,303)	-	(6,303)
Depreciation	(45,892)	-	(45,892)	-	-	-
Administration	(1,179)	-	(1,179)	(270)	-	(270)
Operational	(31,625)	-	(31,625)	(27,017)	-	(27,017)
Promissory Notes	(541)	-	(541)	-	-	-
Net profit for the year	20,759	-	20,759	88,341	-	88,341

(3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

(4) Adjustments on transition to AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement: 1 July 2005.

	Notes	Consolidated Previous AGAAP $'000	Consolidated Effect of transition to AIFRS $'000	Consolidated AIFRS $'000	Parent Entity Previous AGAAP $'000	Parent Entity Effect of transition to AIFRS $'000	Parent Entity AIFRS $'000
CURRENT ASSETS							
Cash assets		191,908	-	191,908	131,339	-	131,339
Receivables		20,760	-	20,760	52,932	-	52,932
Other financial assets at fair value through profit and loss	a	-	16,840	16,840	-	-	-
Total Current Assets		212,668	16,840	229,508	184,271	-	184,271
NON-CURRENT ASSETS							
Receivables		148,120	-	148,120	165,932	-	165,932
Property, plant and equipment		2,804,047	-	2,804,047	-	-	-
Held-to-maturity investments		392,000	-	392,000	-	-	-
Other financial assets		3,345,077	-	3,345,077	4,076,639	-	4,076,639
Investments accounted for using the equity method		6,236	-	6,236	6,236	-	6,236
Other	b,c	22,811	(22,812)	-	274	(274)	-
Total Non-Current Assets		6,718,291	(22,812)	6,695,480	4,249,081	(274)	4,248,807
TOTAL ASSETS		6,930,959	(5,972)	6,924,988	4,433,352	(274)	4,433,078
CURRENT LIABILITIES							
Payables		72,810	-	72,810	17,570	-	17,570
Non-interest bearing liabilities		123,780	-	123,780	100,988	-	100,988
Derivative financial instruments	d	-	1,338	1,338	-	-	-
Provisions		142,455	-	142,455	142,455	-	142,455
Total Current Liabilities		339,045	1,338	340,383	261,013	-	261,013
NON-CURRENT LIABILITIES							
Non-interest bearing liabilities		67,778	-	67,778	45,662	-	45,662
Interest bearing liabilities	c	2,877,321	(16,321)	2,861,000	300,513	(274)	300,239
Derivative financial instruments	d	-	6,245	6,245	-	-	-
Total Non-Current Liabilities		2,945,099	(10,076)	2,935,023	346,175	(274)	345,901
TOTAL LIABILITIES		3,284,144	(8,738)	3,275,406	607,188	(274)	606,914
NET ASSETS		3,646,815	2,766	3,649,582	3,826,164	-	3,826,164
UNITHOLDERS' FUNDS							
Issued units		4,051,220	-	4,051,220	4,051,220	-	4,051,220
Cash Flow reserve	b,c	-	(14,074)	(14,074)	-	-	-
Undistributed losses	a	(404,405)	16,840	(387,565)	(225,056)	-	(225,056)
TOTAL UNITHOLDERS' FUNDS		3,646,815	2,766	3,649,581	3,826,164	-	3,826,164

(5) Notes to the reconciliations

(a) Financial Assets

Options held to acquire an additional 5 per cent interest in the Westlink M7 project have been recognised and recorded at fair value on the adoption of AASB 139. The effect is:

1 July 2005

The recognition of a financial asset of $16,840,000 and an increase in retained earnings of the same amount.

(b) Financial Swap Contract Break Costs

In May 2005, the Trust incurred finance costs associated with the early termination of swap contracts. Under previous AGAAP these costs were treated as an asset and amortised accordingly. Under AIFRS these costs are to be recognised in a cash flow reserve within equity. The effect is:

At 1 July 2005

A decrease in the carrying amount of deferred borrowing costs of $6,491,000 and an increase in equity reserves of the same amount.

(c) Re-classification of capitalised borrowing costs

Costs incurred with the raising of debt has been re-classified as a reduction in interest bearing liabilities as required by AASB 139, rather than a non-current asset. The effect is:

1 July 2005

A reduction in non-current assets of $16,321,000 in the consolidated Trust and $274,000 in the parent and a reduction reflected against interest bearing liabilities of the same amounts.

(d) Derivative financial instruments

Derivative financial assets and liabilities relating to interest rate swaps have been recognised in accordance with note 1(k). The effect is:

At 1 July 2005

The recognition of a current liability of $1,338,000 and an increase in cash flow reserves of the same amount. The recognition of a non-current liability of $6,245,000 and an increase in reserves of the same amount.

Directors' Declaration

In the directors' opinion:

a) The financial statements and notes set out on pages 10 to 74 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   (ii) giving a true and fair view of the Trust's and consolidated entity's financial position as at 30 June 2006 and of their performance, as represented by the results of their operations, changes in equity and their cash flows, for the financial year ended on that date; and

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

The directors have been given the declarations by the chief executive officer and chief finance officer required by section 295A of the Corporations Act 2001,

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

Laurence G Cox
Chairman

Kimberley Edwards
Managing Director

Melbourne
22 August 2006

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Freshwater Place
2 Southbank Boulevard
SOUTHBANK VIC 3006
GPO Box 1331L
MELBOURNE VIC 3001
DX 77
Website:www.pwc.com/au
Telephone 61 3 8603 1000
Facsimile 61 3 8603 1999

Independent audit report to the members of Transurban Holdings Trust

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the concise financial report of Transurban Holdings Trust (the Trust) for the financial year ended 30 June 2006 included on Transurban Holding Trust's web site. The Trust's directors are responsible for the integrity of the Transurban Holdings Trust's website. We have not been engaged to report on the integrity of this web site. The audit report refers only to the concise financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the concise financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited concise financial report to confirm the information included in the audited concise financial report presented on this web site.

Audit opinion

In our opinion, the concise financial report of Transurban Holdings Trust for the year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

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

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated balance sheet, consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity, notes to the financial statements, and the directors' declaration for Transurban Holdings Trust for the year ended 30 June 2006.

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

PRICEWATERHOUSECOOPERS

Audit approach

We conducted an independent audit of the concise financial report in order to express an opinion on it to the members of the Trust. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

We also performed an independent audit of the full financial report of the Trust for the financial year ended 30 June 2006. Our audit report on the full financial report was signed on 22 August 2006, and was not subject to any qualification.

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

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

- testing that the information included in the concise financial report is consistent with the information in the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, and other disclosures in the concise financial report which were not directly derived from the full financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Independence

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

PricewaterhouseCoopers

PricewaterhouseCoopers

T. Goldsmith

Tim Goldsmith
Partner

Melbourne
22 August 2006