The Financial Report of

Transurban Holdings Limited

(ABN 86 098 143 429)

and

Controlled Entities

(Including Transurban Limited and Transurban Holding Trust)

For the Year Ended

30 June 2006

CONTENTS

This financial report covers the Transurban Group which consists of Transurban Holdings Limited, Transurban Holdings Trust and Transurban Limited and their controlled entities as described in Note 1 to the Financial Statements. The financial report is presented in the Australian currency.

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

Entities within the group are domiciled and incorporated in Australia or the United States of America. Its registered office and principal place of business is:

Level 43 Rialto South Tower

525 Collins Street

Melbourne VIC 3000

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

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

Directors' Report on the Financial Report of the Transurban Group

Directors Report

The directors of Transurban Holdings Limited, Transurban Limited and Transurban Infrastructure Management Limited as Responsible Entity for Transurban Holding Trust present their report on the Transurban Group for the year ended 30 June 2006.

Group Accounts

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

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

Directors

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

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

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

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

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

Principal Activities

During the year the principal continuing activities of the Group consisted of:

(a) Operation of the Melbourne CityLink and the M2 Hills Motorway;

(b) Participation in the direction of the activities responsible for the development of the Westlink M7 Motorway projects;

(c) Provision of the tolling and customer management system for the Westlink M7 Motorway project;

(d) Tendering for participation in and/or acquisition of other toll roads;

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

(f) Identification and development of infrastructure projects in accordance with the investment strategies of Transurban Group entities.

Results

The result of operations for the financial year ended 30 June 2006 was an operating loss of $60.9 million (2005: $90.4 million).

Distributions

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

	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

	2006 $'000	2005 $'000
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	**93,007**	32,042
Funds available for future distribution reinvestment plans	**32**	-
	336,631	163,728

The proposed final distribution includes $0.4 million to be settled against the benefits received by executives via the Executive Loan Plan.

Review of Operations

(a) CityLink Melbourne

Transaction volume for the year ended 30 June 2006 was 234.5 million transactions, representing a 3.1 per cent increase on the prior year. Traffic growth was stronger in the first half of the year at 3.4 per cent moderating to 2.7 per cent in the second half. Continuing the trend of previous years, the light commercial vehicle class experienced the strongest growth achieving 5.0 per cent over the prior year.

The growth in transaction volumes combined with the toll escalation as provided for in the Concession Deed resulted in toll and fee revenue (net of GST) of $304.5 million, an increase of 10.9 per cent over the previous year.

As in prior years, Citylink has maintained its focus on effective cost control delivering a 7.3 per cent efficiency gain. During the year the following initiatives were delivered:

- The new Late Toll Invoice ("LTI") initiative implemented in July 2005 delivered a significant change in the enforcement process for CityLink. Prior to the introduction of the LTI initiative motorists without valid travel arrangements for CityLink were issued with an infringement notice from Victoria Police. Under the new regime motorists are issued with an invoice comprising the applicable tolls plus an administration fee. Costs to administer the LTI system are fully recovered by CityLink through the administration fee revenue.
- Rear Camera gantries were constructed on all toll points generating increased toll revenue through improved image quality.
- Extended incident response covering the Westgate Freeway between the tunnels and the Bolte Bridge as well as the Tullamarine Freeway and Calder Freeway interchange has provided quick restoration of traffic flow following road incidents.
- Customer account numbers continue to grow. At 30 June 2006, there were 763,391 accounts (including 81,533 Access accounts), and 1,083,880 e-TAGs linked to e-TAG accounts. This represents increases of 6.1 per cent and 6.9 per cent respectively.
- In addition, CityLink achieved all of its customer service performance requirements with respect to the CityLink customer charter.

(b) Hills Motorway Group

During the year Transurban upgraded the M2 with new Electronic Toll Collection ("ETC") gantries at both the Main Toll Plaza and Pennant Hills ramps. A marketing and community relations campaign was conducted to educate customers about the benefits of having a tag. The upgrade was completed in February and has delivered increased traffic flows by eliminating the need to stop or slow down while travelling through the toll point.

Transaction volume for the M2 for the year ended 30 June 2006 was 29.0 million transactions representing a growth of 7.8 per cent over the prior year. Both the ETC project and the opening of the Westlink M7 in which Transurban has a 45 per cent share, have contributed positively to an increase in electronic tolling transactions on weekdays to 80 per cent, an increase of 20 per cent over the previous year.

During the year the Hills Motorway activities were successfully integrated into Transurban's operations with all of the acquisition benefits and synergies being achieved.

(c) Westlink M7

The Westlink M7 motorway opened on 16 December 2005 eight months ahead of schedule. Westlink M7 is a 40 kilometre motorway in Western Sydney which links the M2 at Baulkham Hills, the M4 at Eastern Creek and the M5 at Preston, and bypasses 48 sets of traffic lights.

Transurban developed and implemented the electronic toll collection system along with the tolling and customer management ("TCM") system for the Westlink project. Transurban received an early completion bonus of $8.3 million for delivery of the tolling system 10 months ahead of schedule.

In line with the opening, Transurban increased its equity interest from 40 per cent to 45 per cent. Transurban and Macquarie Infrastructure Group have pre-emptive rights over the remaining 10 per cent held by Abigroup Limited and Leighton Holdings Limited.

(d) Roam Tolling

The tolling and customer management system for Westlink M7 was successfully delivered with the road opening on 16 December 2005 (refer above). Tolling operations commenced on 16 January 2006 following a one month toll free period.

As a direct result of Transurban's marketing campaign to educate the market about the Groups Roam brand, 106,000 customer accounts were opened during the period (including 19,600 "e-PASS" or video accounts), with 125,000 e-TAGs issued and 208,000 vehicles registered.

(e) Business Development

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

(i) Transurban Acquisition of Pocahontas Parkway

On 29 June 2006, Transurban and the Commonwealth of Virginia reached financial close on a Comprehensive Agreement granting Transurban a 99 year concession for the Pocahontas Parkway in Virginia, USA.

The Pocahontas Parkway (route 895) is a 14 kilometre, four lane toll road located southeast of the city of Richmond in Virginia which provides a crossing of the James River and facilitates access to the Richmond International Airport.

The cost of acquiring the 99 year concession was USD $604.0 million.

(ii) Transurban Acquisition of Tollaust Pty. Limited

On 1 May 2006, Transurban acquired Tollaust Pty Limited for $38.9 million from Abigroup Limited and Egis Projects SA. Tollaust are the operators of the Hills Motorway in Sydney performing cash collections and operations and maintenance activities on the M2.

The acquisition will enable the Transurban Group to retain traffic incentive payments payable over the life of the concession estimated to be in excess of $200 million in nominal terms.

The acquisition also included an existing customer base of approximately 75,000 tags branded as "EXPRESS Tag" in the Sydney market. The EXPRESS Tags are being transitioned to the Transurban brand "Roam EXPRESS". This process will deliver account management cost efficiencies through utilisation of Transurban's existing tolling business.

(iii) Lane Cove Tunnel Letter of Intent

The Lane Cove Tunnel Company ("LCTC") and Transurban have signed a Letter of Intent for Transurban to utilise its Roam EXPRESS brand as the preferred tag and electronic pass provider for the Lane Cove Tunnel. Transurban will earn a fee per transaction for its service.

(iv) Participation in Capital Beltway project – Virginia USA

Transurban, through its wholly owned subsidiary Transurban USA Inc, is partnering with Fluor Corporation to investigate the feasibility of developing High Occupancy Toll ("HOT") lanes along a 22.4 kilometre segment of the Capital Beltway (I495) in Northern Virginia, USA.

The Transurban-Fluor team has signed a development agreement with the Virginia Department of Transportation ("VDOT") and is currently undertaking detailed evaluation of project feasibility.

In the event that a Financial Close is achieved in early 2007 Transurban will act as both an investor and tolling operator of the HOT lanes.

(v) I95 Virginia USA Proposal

In January 2006, Transurban and its development partner, Fluor Enterprises, were confirmed by the Commonwealth of Virginia's Public Private Transportation Act ("PPTA") Advisory Panel as the preferred proponent to develop Bus Rapid Transit ("BRT") / High Occupancy Toll ("HOT") Lane Systems for the I95 / 395 Motorway in Virginia, USA.

Work is progressing on the feasibility of the project with Financial Close anticipated to occur in the second half of 2007.

Significant Changes in the State of Affairs

(a) Refinancing

During the year Transurban refinanced medium and short term debt facilities through the following debt issues:

- A US private placement of US $380 million on 11 August 2005. Proceeds of the placement have been applied to maturing wrapped and unwrapped bonds. The placement consisted of three tranches with tenors of 10, 12 and 15 years respectively.
- AUD $600 million wrapped bond issue to refinance existing wrapped bonds, maturing in 2007 and 2009, that were redeemed early to extend the overall term of the debt and to take advantage of favourable market conditions. The issue consists of two tranches of AUD $300 million each with maturities in 2015 and 2017.
- In addition, Westlink M7 renegotiated its bank debt facilities of $1,250 million in December 2005. The renegotiated, interest only facilities, have extended the average debt maturity profile to 6.8 years. Fixed interest rate hedging has been put in place in relation to 85 per cent of the face value of the debt.

(b) Transurban Acquisition of Pocahontas Parkway

The Debt funding of Pocahontas was achieved with non recourse senior bank debt of USD $408 million. The majority of the debt (76 per cent), is hedged against adverse movements in interest rates through a series of interest rate swaps. For further information on the acquisition of Pocahontas Parkway refer to Item (e)(i) of Review of Operations.

(c) Transurban Acquisition of Tollaust Pty. Limited

Refer to item (e)(ii) of Review of Operations

(d) Lane Cove Tunnel Letter of Intent

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

(e) Participation in Capital Beltway project – Virginia USA

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

(f) I95 Virginia USA Proposal

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

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

Refer to item (a) of Matters Subsequent to the End of the Financial Year

(h) Distribution Reinvestment Plan

During the year Transurban re-introduced its Distribution Reinvestment Plan ("DRP") entitling security holders to receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. Stapled securities issued pursuant to the DRP were subject to a discount to market price of 2.5 per cent and were free of all brokerage, commission or other transaction costs, stamp duty or other duties. DRP acceptance was 47.9 per cent for the interim distribution and 50.2 per cent for the final distribution.

Matters Subsequent to the End of the Financial Year

(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.

(c) High Court of Australia Decision – Deductibility of Concession Fees

On 20 July 2006 the High Court ruled in favour of Transurban in relation to the tax deductibility of the Concession Fees paid to the State of Victoria under the Melbourne CityLink Concession Deed. The case was heard by the High Court of Australia after the Australian Taxation Office ("ATO") appealed the unanimous judgement of the Full Court of the Federal Court in October 2004.

The High Court awarded the costs of the legal action to Transurban which are yet to be quantified.

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

Environmental Regulation

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

- discharges from the tunnel ventilation system;
- discharges from the tunnel drainage systems; and

- groundwater quality in the aquifers surrounding the tunnels

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

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

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

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

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

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.

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.

Information on Directors

Laurence G Cox AO, B. Com, FCPA, FSIA. *Chairman – non-executive*

Experience and expertise

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

Other current directorships

Non-executive Chairman of SMS Management and Technology Limited, executive director of Macquarie Bank Limited and non-executive director of Smorgon Steel Group.

Former directorships in last 3 years

Non-Executive Director of Hills Motorway Limited (April 2005 – August 2005).

Date of initial appointment

13 February 1996

Special responsibilities

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

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

Experience and expertise

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

Other current directorships

None

Former directorships in last 3 years

Executive Director of Hills Motorway Limited (April 2005 – August 2005)

Date of initial appointment

29 October 1996

Special responsibilities

Managing Director

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

Experience and expertise

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

Other current directorships

None

Former directorships in last 3 years

Non-executive director of Hills Motorway Limited (1995 – 2005).

Date of initial appointment

2 January 1996

Special responsibilities

Member of Audit Committee

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

Experience and expertise

Formerly held executive management roles with Melbourne and Metropolitan Board of Works and has had extensive experience in the information technology industry, including the founding Managing Director of MITS Limited. MITS grew to 600 staff and nearly $100 million in sales of information technology solutions from its formation until December 2000 when it was acquired by Logica Pty Limited. He is currently a Director of LogicaCMG Pty Limited and UXC Limited which have significant international and local activities in information technology solutions and services as well as a Council Member for Leadership Victoria.

Other current directorships

Non-executive director of UXC Limited

Former directorships in last 3 years

None.

Date of initial appointment

19 December 2000

Special responsibilities

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

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

Experience and expertise

Professor Davis is a Professor Emeritus of the University of New South Wales after retiring from the Australian Graduate School of Management in January 2006. He spent 10 years as a management consultant with the Boston Consulting Group and is a former Director of the Australian Stock Exchange Limited. He is currently a director of Singapore Power Limited.

Other current directorships

Non-executive director of SP AusNet

Former directorships in last 3 years

Non-executive director of Gradipore Limited (2002 – 2003).

Date of initial appointment

16 December 1997

Special responsibilities

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

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

Experience and expertise

Former Senior Manager of Andersen Consulting and former Managing Director of the Australian Commission for the Future Limited. Experience covers private and public sector senior management roles, strategic and technology consulting and business development. She is currently a non-executive director and Chairperson of the remuneration committee of MBF Australia Limited; and executive director and owner of wwITe Pty. Limited.

Other current directorships

Non-executive director of Programmed Maintenance Services Limited

Former directorships in last 3 years

None

Date of initial appointment

25 June 1996

Special responsibilities

Chairperson of Risk Committee, Chairperson of Corporate Social Responsibility Committee.

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

Experience and expertise

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

Other current directorships

Non-executive Chairman of Coal & Allied Industries Limited and the Rio Tinto Aboriginal Foundation, Governor of the ATSE Ian Clunes Ross Foundation and non-executive director of Downer - EDI Limited.

Former directorships in last 3 years

Multiple executive directorships with Rio Tinto Group (1986-2004)

Date of initial appointment

26 July 2005

Special responsibilities

Member of the Risk Committee and Corporate and Social Responsibility Committee.

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

Experience and expertise

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

Other current directorships

Non- executive director of Lend Lease Corporation Limited, ABC Learning Centres Limited and Non-executive Chairman of Tooth & Co Limited.

Former directorships in last 3 years

Non-executive director of Virgin Blue Holdings Limited (2003 – 2005).

Date of initial appointment

29 April 2003.

Special responsibilities

Chairman of the Audit Committee and member of the Risk Committee.

Company Secretary

Mark Licciardo BBus (Acc), GradDip CSP, ASA, FCIS

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

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

Mr O'Shea is a Company Secretary and Group General Manager, Legal and Risk Management (previously General Counsel, Transurban Legal). He was originally appointed General Counsel in March 1996 and appointed Company Secretary in March 1998. Before joining Transurban he held a senior legal role at Transfield for 18 months and prior to that worked as a solicitor with two major legal firms.

Meetings of directors

The number of meetings of the board of directors of Transurban Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2006, and the numbers of meetings attended by each director were:

Name	Board of Directors Transurban Limited		Board of Directors Transurban Holdings Limited		Board of Directors Transurban Infrastructure Management Limited	
	A	B	A	B	A	B
L G Cox	14	14	14	14	14	14
P C Byers (1)	10	14	10	14	10	14
G O Cosgriff	14	14	14	14	14	14
J G A Davis	14	14	14	14	14	14
S M Oliver	14	14	14	14	14	14
C J S Renwick	11	13	11	13	11	13
D J Ryan	14	14	14	14	14	14
K Edwards	14	14	14	14	14	14
G R Phillips (4)	2	2	2	2	2	2

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

The number of meetings of each board committee of Transurban Limited, Transurban Holdings Limited and Transurban Infrastructure Management Limited held during the year ended 30 June 2006, and the numbers of meetings attended by each director are set out in the following table. All meetings were held jointly.

Name	Audit Committee		Nomination & Remuneration Committee		Risk Committee		Corporate & Social Responsibility Committee	
	A	B	A	B	A	B	A	B
L G Cox	4	4	7	7	X	X	x	x
P C Byers [(1)]	3	4	X	X	X	X	X	X
G O Cosgriff	X	X	7	7	4	4	X	X
J G A Davis	4	4	7	7	X	X	X	X
S M Oliver [(2)]	X	X	X	X	4	4	4	4
C J S Renwick	x	X	X	X	3	4	4	4
D J Ryan	4	4	X	X	4	4	X	X
K Edwards [(3)]	X	X	X	X	X	x	X	X
G R Phillips [(4)]	X	X	X	X	0	0	X	X

A= Number of meetings attended

B= Number of meetings held during the time the director held office or was a member of the committee during the year

X= Not a member of the relevant committee

(1) Mr Byers did not participate in 4 board meetings due to illness. The Board granted leave for an indefinite period on 20 April 2006.

(2) Ms Oliver is not a member of the Audit Committee but attended 3 of these meetings in her capacity as Chair of the Risk Committee.

(3) Mr. Edwards is not a member of the Audit Committee and Nomination and Remuneration Committee but attends these meetings. Mr Edwards was excluded from discussions on his own remuneration.

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

Directors' Interests

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

Name	Number of Stapled Securities	Options over Stapled Securities	Number of CARS
L G Cox	1,142,500	-	-
P C Byers	70,580	-	-
G O Cosgriff	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	-	-

Remuneration Report

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

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation
E. Additional information

The information provided under the headings A-D includes remuneration disclosures that are required under Accounting Standards AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

A. Principles used to determine the nature and amount of remuneration (audited)

Non-Executive Directors

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.

In 1997, the Board implemented a policy to provide retirement allowances to non-executive directors. The policy provided for an entitlement to a lump sum payment (not exceeding the maximum allowable under the Corporations Act 2001) if the non-executive director completed a minimum of three years service. The lump sum was equivalent to the total emoluments received during the Relevant Period. The Relevant Period was one-third of the director's total period of service or three years (both calculated to the day of retirement), whichever was the lesser. This policy was reviewed in September 2005 when it was resolved to discontinue retirement benefits for all participating non-executive directors with effect from 30 September 2005 such that future directors are not entitled to this benefit. The value of benefits accrued up to this date will attract interest from 1 October 2005 at the statutory FBT rate (currently 7.05%). The accrued `frozen' retirement benefits plus interest will be paid to directors upon their retirement.

Executive Directors and Executives

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

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

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

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

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

Executives are remunerated through a combination of base salary and benefits, short-term incentives ("STI") in the form of cash bonuses and long-term incentives ("LTI").

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

The incentive component of executive remuneration is determined by:

- financial performance relative to short-term profitability targets
- business achievements through the achievement of Group key result areas ("KRAs")
- project successes
- total shareholder return relative to other companies in the ASX Industrials index and
- individual performance as measured by the achievement of key performance indicators ("KPIs") and the upholding of Group values

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

The components of executive remuneration are described below:

Base Pay

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

Benefits

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

Short-term Incentives

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

- The extent to which the Group has met its key result areas ("KRAs");
- The extent to which a profit-related financial performance target is achieved; and
- The extent to which the executive has achieved his/her individual KPIs.

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

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

Each year, key result areas, including a financial performance target are established by the Board, based on recommendations made by the Managing Director. The KPIs for the Managing Director are established by the Board based on recommendations made by the Nomination and Remuneration Committee. KPIs for executives reporting to the Managing Director are established by the Managing Director.

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

Long Term Incentives

Three forms of long-term incentives ("LTI") are currently in operation. The executive Option Plan ("EOP") provides equity rewards, the Executive Long term Incentive Plan ("ELTIP") provides cash rewards linked to equity performance and the Executive Loan Plan ("ELP") performance based plan which is linked to improvements is the price of stapled securities over a three year period. All plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period when all options issued under the EOP has vested. No options were granted under the EOP during this financial year. Details of the EOP and ELTIP are set out in note 41.

A further review of LTIs was undertaken in 2005 and as a result a revised Executive Loan Plan was introduced. The objective of this plan is to implement a more cost effective plan to the Group for a given amount of incentive. In addition, the revised plan takes into consideration those plans which had been introduced by a number of other companies whose equity securities are stapled. Details of the ELP are set out in note 41.

Employee Security Ownership Plan

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

Business Generation Incentive Plan

The Group also operates a Business Generation Incentive Plan ("BGIP") in which executives may participate, depending upon their level of involvement in generating new business. The BGIP provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture.

The BGIP is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business. BGIP payments are determined and awarded by the Board, on the recommendation of the Nomination and Remuneration Committee and Managing Director.

Key Characteristics of Transurban's Business Generation Incentive Plan ("BGIP") - Rewards are:

- based on success, not effort;
- based on the added value of new business;
- determined by a risk adjusted market value analysis; and
- distributed based on contribution.

B. Details of remuneration (audited)

Transurban Holdings Limited does not employ any executive key management personnel or executive directors. All related remuneration disclosures refer to other Group entities and have not been apportioned between the Group entities as a relevant basis of apportionment is not available.

Non-executive remuneration reported as "Transurban Holdings Limited" represents the parent's share of remuneration with the remainder divided between Transurban Holding Trust and Transurban Limited.

Share-based disclosures relate to the Transurban Stapled Group. The full amounts have been disclosed within the parent disclosures as a reasonable basis of apportionment is not available.

Details of the remuneration of the directors, key management personnel and each of the 5 highest paid executives of Transurban Holdings Limited and the Transurban Holdings Group are set out in the following tables.

The 5 highest paid executives who are not directors of the Group are:

- M Kulper – Vice President North America
- K Daley – Vice President International Development
- C Brant – Chief Finance Officer
- B Bourke – Group General Manager Operations
- P O'Shea – Group General Manager Legal and Risk Management

The key management personnel of the Group are the directors of the Transurban Group (see pages 9 to 12 above) and those executives that report directly to the managing director. The executives are:

- C Brant – Chief Finance Officer
- B Bourke – Group General Manager Operations
- P O'Shea – Group General Manager Legal and Risk Management
- G Mann – Group General Manager Development (from 3/10/2005 – 30/6/2006)

All of the above persons were also key management persons during the year ended 30 June 2005, except for G Mann who commenced employment with the Group on 3 October 2005. C Brant was a key management person for only part of the year ended 30 June 2005 as he commenced employment on 22 November 2004.

Key management personnel of Transurban Holdings Limited

2006	Short-term benefits			Post-employment benefits		Share-based payments			
Name	**Cash salary and fees**	**Cash Bonus**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits[4]**	**Options[1]**	**Executive Loan Plan [2]**	**Long term Incentive Plan [3]**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive directors									
L G Cox *Chairman*	112,410	-	-	3,763	20,623	-	-	-	136,796
P C Byers	44,768	-	-	4,029	7,924	-	-	-	56,721
G O Cosgriff	37,699	-	-	5,564	6,003	-	-	-	49,266
J G A Davis	26,348	-	-	18,445	8,079	-	-	-	52,872
S M Oliver	42,394	-	-	3,815	7,972	-	-	-	54,181
CJS Renwick [1]	12,893	-	-	31,182	-	-	-	-	44,075
D J Ryan	44,985	-	-	4,049	-	-	-		49,034
Executive directors									
K Edwards *Managing Director*	-	-	-	-	-	57,972	93,151	512,111	663,234
G R Phillips [2] *Deputy Managing Director*	-	-	-	-	-	19,324	-	-	19,324
Other key management personnel									
C Brant	-	-	-	-	-	-	35,174	36,030	71,204
B Bourke	-	-	-	-	-	-	30,405	98,389	128,794
P O'Shea	-	-	-	-	-	-	22,356	77,822	100,178
G Mann	-	-	-	-	-	-	33,534	-	33.534
5 executives receiving the highest remuneration – not already mentioned above									
M Kulper	-	-	-	-	-	-	-	27,821	27,821
K Daley	-	-	-	-	-	-	-	116,816	116,816
Total	321,497	-	-	70,847	50,601	77,296	214,620	868,989	1,603,850

Key management personnel of the Group

2006	**Short-term benefits**			**Post-employment benefits**		**Share-based payments**			
Name	**Cash salary and fees**	**Cash Bonus**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits[4]**	**Options[1]**	**Executive Loan Plan [2]**	**Long term Incentive Plan [3]**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Non-executive directors									
L G Cox *Chairman*	362,614	-	-	12,139	66,526	-	-	-	441,279
P C Byers	144,412	-	-	12,997	25,562	-	-	-	182,971
G O Cosgriff	121,611	-	-	17,948	19,364	-	-	-	158,923
J G A Davis	84,994	-	-	59,500	26,061	-	-	-	170,555
S M Oliver	136,755	-	-	12,308	25,717	-	-	-	174,780
CJ S Renwick [1]	41,591	-	-	100,587	-	-	-	-	142,178
D J Ryan	145,114	-	-	13,060	-	-	-	-	158,174
Executive directors									
K Edwards *Managing Director*	1,400,006	1,100,000	7,900	100,587	-	57,972	93,151	512,111	3,271,727
G R Phillips [2] *Deputy Managing Director*	174,592	-	658	861,261	-	19,324	-	-	1,055,835
Other key management personnel									
C Brant	515,872	465,000	7,900	45,460	-	-	35,174	36,030	1,105,436
B Bourke	445,682	442,500	7,900	41,303	-	-	30,405	98,389	1,066,179
P O'Shea	351,333	464,000	7,900	31,399	-	-	22,356	77,822	954,810
G Mann	386,148	120,000	13,400	12,139	-	-	33,534	-	565,221
5 executives receiving the highest remuneration – not already mentioned above									
M Kulper	222,095	1,599,134	-	31,964	-	-	-	27,821	1,881,014
K Daley	340,992	904,100	-	28,748	-	-	-	116,816	1,390,656
Total	4,873,811	5,094,734	45,658	1,381,400	163,230	77,296	214,620	868,989	12,719,738

(1) C J S Renwick was appointed a non-executive director on 26 July 2005.

(2) G R Phillips was an executive director from the beginning of the financial year until his resignation on 26 July 2005. His remuneration includes a termination benefit of $990,000 in recognition of his long term service to the Group.

Key management personnel of the Group

2005	Short-term benefits			Post-employment benefits		Share-based payments			
Name	Cash salary and fees	Cash Bonus	Non-monetary benefits	Super-annuation	Retirement benefits(4)	Options(1)	Executive Loan Plan (2)	Long term Incentive Plan (3)	Total
	$	$	$	$	$	$	$	$	$
Non-executive directors									
L G Cox *Chairman*	265,718	-	-	20,331	168,992	-	-	-	455,041
P C Byers	100,935	-	-	9,085	78,822	-	-	-	188,842
G O Cosgriff	97,918	-	-	8,812	47,078	-	-	-	153,808
J G A Davis	77,013	-	-	80,000	79,311	-	-	-	236,324
S M Oliver	101,852	-	-	9,167	82,340	-	-	-	193,359
D J Ryan	117,566	-	-	10,581	-	-	-	-	128,147
Executive directors									
K Edwards *Managing Director*	1,154,259	1,000,000	7,300	95,940	-	183,999	-	2,545,620	4,987,118
G R Phillips *Deputy Managing Director*	538,509	262,500	7,300	11,585	-	61,333	-	-	881,227
Other key management personnel									
C Brant	265,936	220,000	4,867	23,934	-	-	-	114,060	628,797
B Bourke	385,342	230,000	7,300	46,660	-	35,791	-	485,490	1,190,583
P O'Shea	304,319	225,000	7,300	27,312	-	26,181	-	387,751	977,863
5 executives receiving the highest remuneration – not already mentioned above									
K Daley	321,352	230,000	6,083	27,337	-	30,544	-	482,286	1,097,602
V Howard	254,315	432,500	7,300	15,000	-	21,817	-	350,699	1,081,631
L Hunt	305,473	137,000	13,400	26,511	-	11,742	-	375,935	870,061
Total	4,290,507	2,737,000	60,850	412,255	456,543	371,407	-	4,741,841	13,070,403

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

(2) The amounts disclosed as remuneration is that part of the value of the Executive Loan Plan benefit which is attributable to the current year portion of the vesting period.

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

(4) Retirement benefits were frozen for all participating non-executive directors at their current levels up to 30 September 2005. Interest accrues on directors entitlement balances at 7.05 per cent per annum.

C. Service agreements (audited)

Remuneration for the Managing Director and the key management personnel are formalised in service agreements. Each of these agreements provides for access to performance-related cash bonuses and other benefits including death and disability insurance, salary continuance insurance and car parking. Although not specified in agreements, executives are eligible to participate in the Executive Loan Plan (or equivalent Cash plan) and the Business Generation Incentive Plan. Other major provisions of the agreements, relating to remuneration, are set out below:

Current Target Remuneration Mix

	% of Total Remuneration		
	TEC	STI	LTI
Executive Director			
Managing Director	56%	22%	22%
Key Management Personnel			
Average	59%	18%	24%

Executive Directors

K Edwards, *Managing Director*

- Term of Agreement – permanent, subject to 6 months' notice of termination;
- The payment of one year's fixed remuneration upon termination as disclosed in the 2005 Annual Report;
- Fixed remuneration including base salary and superannuation, for the year ended 30 June 2006 of $1,500,000 to be reviewed annually by the Nomination and Remuneration Committee and the Board;
- Long Term Incentive allocation for FY07 based on 35 per cent of current TEC allocation; and
- The Managing Director is ineligible to participate in the Employee Share Ownership Plan.

Key Management Personnel and other executives

The major provisions contained in the service agreements of key management personnel and other executives are the same for all persons (except for the base salary component) and include the following provisions:

- Term of agreement – permanent, subject to termination on 6 months' notice; and
- Total Employment Cost ("TEC") reviewed annually by the Nomination and Remuneration Committee and approved by the Board.

D. Share-based compensation (audited)

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 stapled securities provided as remuneration to each director of the Transurban Group and each of the key management personnel of the Group are set out below. Further information on options is set out in note 41 to the financial statements.

Name	Number of options granted during the year		Number of options vested during the year	
	2006	2005	**2006**	2005
Directors of the Group				
K Edwards	-	-	-	500,000
G R Phillips	-	-	-	166,667
Other key management personnel of the Group				
C Brant	-	-	-	-
B Bourke	-	-	-	116,667
P O'Shea	-	-	-	100,000
G Mann	-	-	-	-

Stapled securities provided on exercise of remuneration options

Details of stapled securities provided as a result of the exercise of remuneration options to each director of the Transurban Group and other key management personnel of the Group are set out below.

Name	**Number of stapled securities issued on exercise of options during the year**	
	2006	2005
Directors of the Group		
K Edwards	**1,500,000**	-
G R Phillips	**-**	500,000
Other key management personnel of the Group		
C Brant	**-**	-
B Bourke	**-**	350,000
P O'Shea	**-**	204,300
G Mann	**-**	-

The amounts paid per stapled security, by each director and other key management personnel on the exercise of options at the date of exercise were as follows:

Exercise date	**Amount paid per stapled security**
21 September 2005	$4.404
13 December 2005	$4.404
20 June 2005	$4.404

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

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	Value per unit at grant date	Value per unit at reporting date	Date Payable
30 Sept 2003	30 Sept 2005	$4.23	$0.46	fully paid	30 Nov 2005
30 Sept 2004	30 Sept 2006	$5.45	$0.54	$1.79	30 Nov 2006

Details of ELTIs provided and paid to each director of the Transurban Group and other key management personnel of the Group are set out below.

Name	Number of ELTIs granted during the year		Number of ELTIs paid during the year		$ Value of ELTIs paid during the year	
	2006	2005	**2006**	2005	**2006**	2005
Directors Transurban Holdings Limited						
K Edwards	**-**	800,000	850,000	-	**2,558,500**	-
G Phillips	**-**	-	-	-	**-**	-
Other key management personnel of the Group						
C Brant	**-**	170,000	-	-	**-**	-
B Bourke	**-**	160,000	160,000	-	**481,600**	-
P O'Shea	**-**	120,000	130,000	-	**391,300**	-
G Mann	**-**	-	-	-	**-**	-

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.

Details of securities provided to each director of Transurban Limited and other key management personnel of the Group are set out below.

Name	**Number of securities granted**		**Number of securities vested**		**Number of securities exercised**	
	2006	2005	**2006**	2005	**2006**	2005
Directors Transurban Limited						
K Edwards	**312,500**	-	**-**	-	**-**	-
Other key management personnel of the Group						
C Brant	**118,000**	-	**-**	-	**-**	-
B Bourke	**102,000**	-	**-**	-	**-**	-
P O'Shea	**75,000**	-	**-**	-	**-**	-
G Mann	**112,500**	-	**-**	-	**-**	-

Executive Loan Plan for Executives Located Overseas

An Executive Long Term Incentive Cash Plan mirroring that of the Executive Loan Plan is used for participants outside Australia. The terms and conditions of each grant of units under this cash plan affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Grant price	Value per unit at grant date	Value per unit at reporting date	Date Payable
1 Nov 2005	1 Nov 2008	$6.47	$1.35	$1.40	1 November 2008

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.

E. Additional information (not audited)

Principles used to determine the nature and amount of remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Group. In particular the following items are considered in determining executive remuneration:

- financial performance relative to short-term profitability targets;
- the extent to which the Group has met its key result areas
- total shareholder return relative to other companies in the ASX Industrials index; and
- individual performance as measured by the achievement of key performance indicators and the upholding of Group values.

Short term profitability targets for the Group were achieved for the year evidenced by the decreased loss reported for the period of $60.9 million compared to $90.4 million for the prior corresponding period. In addition, key result areas were achieved with the business delivering synergies of $9.0 million following the acquisition of the Hills Motorway Group which was further enhanced by the acquisition of the Tolling and Operations manager of Hills, Tollaust Pty Limited.

Transurban's ability to grow distributions represents a combination of strong cash generation and its increased debt capacity. Since commencement of operations, Transurban's annual cash contribution from operations has increased from a surplus in 2001 of $0.02 million to $172.2 million for the current period.

Transurban is currently ranked in the top 50 public companies listed on the ASX.

Cash Bonuses and options

Cash bonuses

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

Cash bonuses aggregating $6.34 million were incurred under the Business Generation Incentive Plan in relation to the purchase of the Pocahontas Parkway (Virginia, US) and the agreement with the Victorian Government to upgrade the 75 kilometre, west to east corridor.

For each cash bonus paid to the directors and the 5 executives receiving the highest remuneration listed in the above tables, the percentage of the available bonus that was paid in the financial year and the percentage that was forfeited because the person did not meet his or her performance criteria is set out below. No part of the cash bonuses are payable in future years.

	Cash Bonus	
Name	**Paid** **%**	**Forfeited** **%**
K Edwards	100	-
M Kulper	100	-
K Daley	100	-
C Brant	100	-
B Bourke	100	-
P O'Shea	100	-

Mr G R Phillips resigned on 26 July 2005 and was ineligible for a bonus in the current financial year.

Options

No options on issue to the directors and the 5 executives receiving the highest remuneration listed in the above tables vesting in the current year and there are no remaining options on issue.

Long Term Incentive Units

Long term incentive units which were issued in September 2003 vested in September 2005 and were paid in November 2005. No amounts were forfeited.

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

Name	A Remuneration %	B Value at grant date $	C Value at exercise date $	D Value at lapse date $	E Total of columns B-D $
K Edwards – options	-	-	3,963,002	-	3,963,002
K Edwards – ELTI	-	-	2,558,500	-	2,558,500
K Edwards – share plan	30	437,500	-	-	437,500
G R Phillips – options	-	-	-	-	-
G R Phillips – ELTI	-	-	-	-	-
G R Phillips – share plan	-	-	-	-	-
M Kulper – options	-	-	-	-	-
M Kulper – ELTI	30	126,000	-	-	126,000
M Kulper – share plan	-	-	-	-	-
K Daley – options	-	-	723,247	-	723,247
K Daley – ELTI	30	103,950	511,700	-	615,650
K Daley – share plan	-	-	-	-	-
C Brant – options	-	-	-	-	-
C Brant – ELTI	-	-	-	-	-
C Brant – share plan	30	165,000	-	-	165,000
B Bourke – options	-	-	-	-	-
B Bourke – ELTI	-	-	481,600	-	481,600
B Bourke – share plan	30	142,500	-	-	142,500
P O'Shea – options	-	-	-	-	-
P O'Shea – ELTI	-	-	391,300	-	391,300
P O'Shea – share plan	30	105,000	-	-	105,000

A = The percentage of the value of remuneration, based on the value at grant date set out in column B

B = The value at grant date calculated in accordance with AASB 2 Share-based Payment.

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

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

Shares under option

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

Grant date	Expiry date	Issue price of stapled securities	Number under option
20 May 2002	30 April 2007	$4.220	76,283

Shares issued on the exercise of options

The following Transurban Stapled Securities 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

Indemnification and Insurance

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

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

Rounding off

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

Non-audit services

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

The Board of Directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

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

During the year the following fees 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.	**689,850**	335,750	**37,500**	42,900
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports	**-**	40,000	**-**	-
Total remuneration for audit services	**689,850**	375,750	**37,500**	42,900
Other assurance services				
PricewaterhouseCoopers Australian firm:				
Due diligence	**158,621**	432,500	**158,621**	-
Compliance plan audit	**24,700**	24,700	**-**	-
Other assurance services including IFRS	**329,335**	115,000	**111,691**	-
Controls assistance	**163,000**	-	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**-**	12,360	**-**	-
Total remuneration for other assurance services	**675,656**	584,560	**270,312**	-

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$	$	**$**	$
2. Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of income tax returns	**104,735**	191,865	**104,735**	5,180
International tax consulting	**1,128,028**	-	**-**	-
Indirect taxation services	**434,714**	619,530	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**-**	26,436	**-**	-
Total remuneration for taxation services	**1,667,477**	837,831	**104,735**	5,180

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 36.

Auditor

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

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

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

Melbourne
22 August 2006

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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 — Melbourne
Partner — 22 August 2006

Liability limited by a scheme approved under Professional Standards Legislation

Transurban Group
Income statements for the year ended 30 June 2006

	Notes	Consolidated		Parent Entity	
		2006	2005	**2006**	2005
		$'000	$'000	**$'000**	$'000
Revenue from continuing operations	5	**690,408**	510,938	**111**	47
Other income	6	**4,410**	714	**232,837**	-
Expenses from ordinary activities:					
Operational costs		**(105,291)**	(74,222)	**-**	-
Corporate costs		**(28,979)**	(26,730)	**(1,454)**	(792)
Corporate and Community Relations		**(6,278)**	(3,523)	**-**	-
Business Development		**(9,033)**	(18,158)	**-**	-
Concession Fees		**(22,053)**	(16,268)	**-**	-
Promissory Notes		**(2,025)**	(541)	**-**	-
Depreciation and amortisation expense		**(258,065)**	(178,896)	**-**	-
Finance costs	7	**(372,092)**	(280,207)	**(364)**	-
Share of net loss of associates and joint venture partnership accounted for using the equity method		**(8,634)**	-	**-**	-
Loss before income tax		**(117,632)**	(86,893)	**231,130**	(745)
Income tax benefit/(expense)		**56,732**	(3,544)	**608**	224
Loss for the year attributable to members of Transurban Group		**(60,900)**	(90,437)	**231,738**	(521)
Earnings per security for loss from continuing operations attributable to the ordinary equity holders:		**Cents**	Cents		
Basic earnings per Stapled Security		**(7.6)**	(15.3)		
Diluted earnings per Stapled Security		**(7.6)**	(15.3)		

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

Transurban Group
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	9	**323,110**	395,561	**411**	7,903
Trade and other receivables	10	**46,901**	25,394	**6,626**	29
Derivative financial instruments	16	**1,709**	-	**-**	-
Other	11	**-**	9,178	**-**	7
Total Current Assets		**371,720**	430,133	**7,037**	7,939
NON-CURRENT ASSETS					
Receivables	13	**186**	-	**-**	-
Investments accounted for using the equity method	14	**15,732**	6,236	**-**	-
Held-to-maturity investments	15	**469,767**	392,000	**-**	-
Derivative financial instruments	16	**20,217**	-	**-**	-
Other financial assets	17	**-**	-	**124,262**	75,100
Property, plant and equipment	18	**5,760,346**	5,946,814	**-**	-
Deferred tax assets	19	**260,570**	255,394	**221,978**	559
Intangible assets	20	**805,511**	115,030	**-**	-
Other	21	**-**	26,898	**-**	-
Total Non-Current Assets		**7,332,329**	6,742,372	**346,240**	75,659
TOTAL ASSETS		**7,704,049**	7,172,505	**353,277**	83,598
CURRENT LIABILITIES					
Trade and other payables	22	**78,625**	104,301	**139**	44
Borrowings	23	**265,142**	598,000	**-**	-
Non-Interest bearing liabilities	24	**39,205**	129,578	**2,609**	7,996
Provisions	25	**229,115**	157,601	**645**	593
Current tax liabilities		**-**	5,429	**-**	95
Derivative financial instruments	15	**13,423**	-	**-**	-
Total Current Liabilities		**625,510**	994,909	**3,393**	8,728
NON-CURRENT LIABILITIES					
Borrowings	26	**3,550,294**	2,275,976	**36,190**	-
Deferred tax liabilities	27	**784,601**	843,937	**5**	-
Non-Interest bearing liabilities	28	**213,477**	243,296	**-**	-
Provisions	29	**364**	3,999	**-**	-
Derivative financial instruments	16	**67,652**	-	**-**	-
Total Non-Current Liabilities		**4,616,388**	3,367,208	**36,195**	-
TOTAL LIABILITIES		**5,241,898**	4,362,117	**39,588**	8,728
NET ASSETS		**2,462,151**	2,810,388	**313,689**	74,870
EQUITY					
Contributed equity	30	**4,277,736**	4,127,228	**83,068**	76,007
Reserves	31	**(53,087)**	-	**20**	-
Accumulated losses	31	**(1,762,498)**	(1,316,840)	**230,601**	(1,137)
TOTAL EQUITY		**2,462,151**	2,810,388	**313,689**	74,870

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

Transurban Group
Statements of changes in equity for the year ended 30 June 2006

	Notes	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Total equity at the beginning of the financial year		**2,810,388**	1,321,810	**74,870**	4,710
Adjustment on adoption of AASB 132 and AASB 139, net of tax:					
Retained Profits		**16,840**	-	**-**	-
Reserves	30	**(40,074)**	-	**-**	-
Restated total equity at the beginning of the financial year		**2,787,154**	1,321,810	**74,870**	4,710
Changes in fair value of share-based payments	30	**1,188**	-	**20**	-
Transfer to net profit - gross	30	**1,127**	-	**-**	-
Deferred tax - derivatives	30	**18,626**	-	**-**	-
Changes in fair value of cash flow hedges, net of tax	30	**(33,954)**	-	**-**	-
Net income recognised directly in equity		**(13,013)**	-	**20**	-
Loss for the year		**(60,900)**	(90,437)	**231,738**	(521)
Total recognised income and expense for the year		**(73,913)**	(90,437)	**231,758**	(521)
Transactions with equity holders in their capacity as equity holders:					
Exercise of employee security options	29	**11,464**	11,559	**755**	621
Treasury securities	29	**(10,227)**	-	**(442)**	-
CARS conversion	29	**56,265**	-	**2,722**	-
Issue on acquisition of Hills Motorway, inclusive of transaction costs		**-**	1,841,597	**-**	70,000
Distribution reinvestment plan	29	**93,006**	32,042	**4,026**	60
Distributions provided for or paid	31	**(401,598)**	(306,183)	**-**	-
		(251,090)	1,579,015	**7,061**	70,681
Total equity at the end of the financial year		**2,462,151**	2,810,388	**313,689**	74,870

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

Transurban Group
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)		**485,874**	379,532	**62**	21
Payments to suppliers (inclusive of GST)		**(207,766)**	(176,353)	**(1,377)**	(397)
Interest received		**186,189**	223,554	**122**	21
Other revenue		**6,256**	15,258	**-**	-
Income taxes paid		**(9,688)**	(2,720)	**-**	-
Interest paid		**(288,643)**	(292,299)	**-**	-
Net cash inflows/(outflows) from operating activities	43	**172,222**	146,972	**(1,193)**	(355)
Cash flows from investing activities					
Payment for purchase of subsidiaries, net of cash acquired		**(98,412)**	332,580	**(36,190)**	-
Payments for property, plant and equipment		**(67,953)**	(29,361)	**-**	-
Payments for intangibles		**(673,217)**	(4,400)	**-**	-
Payments for Tullamarine/Calder Freeway upgrade		**(161,985)**	-	**-**	-
Payment to secure release from single purpose restrictions		**-**	(3,150)	**-**	-
Distributions received		**-**	4,650	**-**	-
Loans to related parties		**-**	(2,576)	**(7,996)**	(111)
Repayment of loans by related parties		**691**	3,778	**8,171**	166
Net cash (outflows)/inflows from investing activities		**(1,000,876)**	301,521	**(36,015)**	55
Cash flows from financing activities					
Proceeds from issue of stapled securities		**11,468**	11,559	**756**	622
Share issue transaction costs		**-**	(146)	**-**	-
Increase in cash collateral		**38,507**	35,007	**-**	-
Proceeds from borrowings		**2,810,451**	810,321	**-**	-
Payments for establishing borrowing facilities		**(22,708)**	(10,394)	**-**	-
Payments for treasury securities		**(10,228)**	-	**(442)**	-
Repayment of borrowings		**(1,788,000)**	(590,000)	**-**	-
Loans from related parties		**-**	-	**48,083**	12,061
Repayment of loans to related parties		**-**	-	**(18,681)**	(4,514)
Distributions paid	32	**(243,240)**	(131,686)	**-**	-
Net cash inflows from financing activities		**796,250**	124,661	**29,716**	8,169
Net (decrease)/increase in cash at bank and cash collateral		**(32,404)**	573,154	**(7,492)**	7,869
Cash at bank and cash collateral at the beginning of the financial year		**2,029,636**	1,456,452	**7,903**	34
Effects of exchange rate changes on cash and cash equivalents		**(1,540)**	30	**-**	-
Cash at bank and cash collateral at the end of the financial year	9	**1,995,692**	2,029,636	**411**	7,903
Less cash collateral	9	**(1,672,582)**	(1,634,075)	**-**	-
Cash and cash equivalents at the end of the financial year	9	**323,110**	395,561	**411**	7,903

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.

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 AIFRSs on the Group's equity and its net income are given in note 45.

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

Upon the adoption of AIFRS, the Group must apply the requirements of UIG Interpretation 1013 "Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements". UIG 1013 requires that where a stapling arrangement is effected prior to the date of transition, one of the combining entities shall be identified as the parent for the purposes of preparing consolidated financial reports. Further, it requires that the consolidated financial report of the "parent" under the stapling arrangement shall be the combined financial report of the entities whose securities are stapled, prepared on the same basis as the combined financial report for those entities immediately before adopting AIFRS.

Transurban Holdings Limited has been identified as the parent in the Stapled Group based on the size of its net assets and its operations. Accordingly, it presents the consolidated financial report of the Stapled Group. This differs from AGAAP where the Transurban Holdings Limited financial report included only those entities which were controlled by Transurban Holdings Limited.

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

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

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

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 Group 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) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Group financial statements are presented in Australian dollars, which is Transurban Holdings Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

(d) 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) Toll and fee revenue

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

(ii) Advertising revenue

Advertising revenue is recognised in accordance with contractual arrangements with the signage contractors.

(iii) IT development fees (contract)

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as an expense incurred, and where it is probable that costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed term contracts, the stage of completion is measured by reference to labour hours incurred to date as a percentage of estimated total labour hours for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

(iv) Interest income

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

(e) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Tax consolidation legislation

The Transurban Group has adopted the tax consolidation legislation for:

- Transurban Limited and its wholly-owned Australian controlled entities as of 1 July 2003; and
- Transurban Holdings Limited and its wholly-owned Australian entities as of 1 July 2005.

All entities within each tax consolidation group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidation groups continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, the parent entities also recognise the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and tax credits assumed from controlled entities in the tax consolidation group.

(f) Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases (note 36). 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.

(g) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments 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 and internal costs are expensed as incurred.

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 (refer to note 1(0)). 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.

(h) 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.

(i) 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.

Refer note 1(r) for details of cash collateral assets.

(j) 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 provison 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.

(k) 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 loans 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.

(l) 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.

Forward foreign exchange contracts

Gains or costs arising from entering into a contract intended to hedge the purchase or sale of goods or services, together with the subsequent exchange gains or losses resulting from measurement of those contracts by reference to movements in spot exchange rates were deferred in the balance sheet from the inception of the hedging transaction up to the date of the purchase or sale and included in the measurement of the purchase or sale.

Early termination of forward foreign exchange contracts was accounted for on a basis consistent with interest rate swaps (refer above). For both interest rate swaps and foreign exchange contracts if the hedged transaction was not expected to occur as originally designated, or if the hedge was no longer expected to be effective, any previously deferred gains or losses were recognised as revenue or expense immediately.

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 16
- Reserves and retained losses – note 31
- Explanation of transition to AIFRS – note 46: section 4 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 Group 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 16. Movements in the hedging reserve in shareholders' equity are shown in note 31.

(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.

(m) 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 approximate 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.

(n) 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

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 (h) Impairment of Assets.

(o) Intangible Assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Development Costs

Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and whether its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services and direct labour. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life.

Following the initial recognition of the development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation is based on the useful life of the development costs. Useful lives are assessed on an annual basis and adjustments, where applicable, are made on a prospective basis.

The carrying value of development costs is reviewed for impairment when an indicator of impairment arises.

(iii) Pocahontas Permit

The Pocahontas permit has a finite useful life of 99 years and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the asset over its estimated useful life.

(p) 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.

(q) 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 the effective interest method.

On issue of Convertible Adjusting Rate Securities ("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.

(r) Infrastructure Loan Facilities

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

(s) Concession Notes and Promissory Notes

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

The discount rate applied to Concession Notes is 9.7 per cent (2005 – 12 per cent) and to Promissory Notes 12 per cent (2005 – 12 per cent). Refer note 28.

(t) 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.

(u) 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.

(v) Employee benefits

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Equity-based compensation benefits

Equity-based compensation benefits have been provided to employees via the Transurban Group Executive Option Plan. The Group has applied the exemptions included in AASB1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards whereby no accounting entries are made in relation to the Executive Option Plan until the options are exercised, at which time the amounts receivable from employees are recognised in the balance sheet as share capital. This exemption is only available to option plans granted prior to 7 November 2002.

(iv) Share-based compensation benefits

i. Cash rewards

Share based compensation benefits are provided to employees via the Transurban Group Long-term Incentive Plan. Units are allocated to reporting periods on a prorata basis from the grant date to the maturity date. Units allocated to a particular reporting period are valued on the reporting date and an employee benefit expense and an employee benefit liability are recognised at the amount of the valuation for each unit allocated.

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

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

ii. Executive Loan Plan

Share based payment benefits are provided to employees in the form of Option Awards via the Transurban Executive Loan Plan ("ELP"). Transurban Group stapled securities are assigned to employees and locked, restricting their existence to that of the plan. An option-pricing model is used to fair value the awards at grant date and at each subsequent reporting date until vesting, a charge to the income statement is calculated. This charge is calculated using the fair value at the grant date, an estimate of the awards likely to vest and the expired portion of the vesting period (3 years).

The charge to the income statement for each reporting period is the cumulative amount calculated at the reporting date, less the amounts already charged in previous periods with a corresponding credit to equity reserves. Once the awards have vested no further accounting adjustments are made to the cost of the award.

(v) Superannuation

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

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

(vi) Business Generation Incentive Plan

The Group recognises a liability for bonuses as part of a Business Generation Incentive Plan. The Plan provides for cash bonuses to be paid from a bonus pool determined by the risk adjusted net present value of a project or business venture. The Plan is intended to reward executives for successful business generation activities, based on the increase in security holder value derived from new business.

(w) Contributed equity

Stapled securities and ordinary shares and units are classified as equity. Convertible Adjusting Rate Securities ("CARS") are classified as liabilities (note 26).

Incremental costs directly attributable to the issue of new stapled securities or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new securities 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.

(x) 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.

(y) Earnings per Share

(i) Basic Earnings per Stapled Security

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

(ii) Diluted Earnings per Stapled Security

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

(z) 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.

(aa) 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.

(ab) Trust Formation

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

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

(ac) 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.

(ad) 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. 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 Finance 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. The Group is also exposed to foreign exchange risk on its US private placement borrowings.

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) Price Risk

The Group is exposed to securities price risk. This arises from arrangements of the Group which are classified on the balance sheet as either available-for-sale or fair value through profit or loss.

(iii) 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 commercial 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

As the Group has no significant floating interest rate assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

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 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's risk management policy is to hedge approximately 80% of its borrowings out to 5 years in fixed rate instruments. Beyond 5 years the maturity of the hedge should match the maturity of the underlying debt.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are disclosed below.

(i) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact current and deferred tax provisions in the period in which such determination is made.

(ii) Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. This estimate is based on projected product lifecycles of technology. It could change significantly as a result of technical innovations. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets.

Management depreciates the assets associated with the various toll road infrastructure over the life of the respective concession agreements.

(iii) Estimated impairment of intangibles and cash generating units

The Group tests whether goodwill and cash generating units have suffered any impairments, in accordance with the accounting policy stated in note 1(o). The recoverable amount of 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 of the cash generating units. Refer to note 20 for details of these assumptions.

(iv) Valuation of Concession notes and Promissory notes

The Group holds non-interest bearing long term debt represented by concession notes and promissory notes 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 Group's cash generating units.

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

(v) 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 require and have been based on assumptions, regarding traffic flows, discount rates, growth rates and other factors affecting operating activities of 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.

4. SEGMENT INFORMATION

The Group's primary business segment for the year ending 30 June 2006 was the operation of the toll roads being Melbourne City Link, the Hills Motorway M2 in Sydney, a 45 per cent interest in the Westlink M7 project and the investigation of possible investment opportunities in the segment.

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

	Segment Revenues		Segment Assets		Segment Liabilities	
	2006	2005	**2006**	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Vic - Australia	**466,146**	436,035	**3,874,293**	4,200,495	**3,784,458**	3,358,093
NSW - Australia	**224,262**	74,903	**3,109,967**	2,970,082	**920,742**	1,004,024
United States of America	**-**	-	**717,226**	1,928	**536,698**	-
Other	**-**	-	**2,563**	-	**-**	-
	690,408	510,938	**7,704,049**	7,172,505	**5,241,898**	4,362,117

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

5. REVENUE

From continuing operations				
Toll revenue	**384,211**	291,138	**-**	-
Fee revenue	**16,007**	6,672	**-**	-
Advertising revenue	**4,028**	3,594	**-**	-
IT development fees	**25,321**	12,206	**-**	-
Customer management	**3,137**	-	**-**	-
Other	**3,091**	943	**-**	-
	435,795	314,553	**-**	-
Other revenue				
Interest	**244,631**	185,704	**111**	47
Finance fee	**8,697**	-	**-**	-
Equity investment distributions	**-**	2,025	**-**	-
Other	**1,285**	8,656	**-**	-
	254,613	196,385	**111**	47
	690,408	510,938	**111**	47

6. OTHER INCOME

Foreign exchange gains (net)	**1,470**	714	**-**	-
Tax benefits from subsidiaries	**-**	-	**232,837**	-
Fair value gains on financial assets at fair value through profit or loss (note 12)	**2,940**	-	**-**	-
	4,410	714	**232,837**	-

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

7. EXPENSES

Loss before income tax includes the following specific expenses:				
Net loss on disposal of property, plant and equipment	**207**	-	-	-
Bad and doubtful debts - trade debtors	**986**	1,287	-	-
Mitcham Frankston Freeway project Development impairment	-	9,423	-	-
Project development impairment	**1,949**	382	-	
Finance costs				
Interest and finance charges paid/payable	**312,300**	246,130	**364**	-
Interest rate hedging charges paid/payable	**14,533**	9,226	-	-
Revaluation of Tullamarine/Calder Freeway upgrade payable	**4,505**	-	-	-
	331,338	255,356	**364**	-
Movement in concession notes				
Recognised in finance costs:				
Revaluation of notes on issue from prior periods	**11,010**	24,851	-	-
Revaluation of notes due to change in discount rate to 9.7 per cent (2005 - 12 per cent)	**41,426**	-	-	-
	52,436	24,851	-	-
Movement in promissory notes payable				
Recognised in finance costs:				
Revaluation of Promissory Notes on issue at the beginning of the year	**(11,682)**	-	-	-
Total Finance costs	**372,092**	280,207	**364**	-
Rental expenses relating to operating leases	**3,592**	2,555	-	-
Employee benefit expense	**36,911**	22,867	-	-

8. INCOME TAX EXPENSE

Tax consolidation legislation

The Transurban Group elected to implement tax consolidation legislation for Transurban Limited and its wholly owned Australian entities with effect from 1 July 2003 and for Transurban Holdings Limited and its wholly owned Australian entities with effect from 1 July 2005. The accounting policy on implementation of the legislation is set out in note 1(e).

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
a) Income tax expense				
Current tax	**-**	(9,365)	**-**	96
Deferred tax	**(49,938)**	3,694	**(512)**	(319)
Under (over) provided in prior years	**(6,794)**	9,215	**(96)**	-
	(56,732)	3,544	**(608)**	(223)
Income tax expense is attributable to:				
profit from continuing operations	**(56,732)**	3,544	**(608)**	(223)
Deferred income tax (revenue) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 19)	**14,236**	6,176	**(509)**	(319)
(Decrease) increase in deferred tax liabilities (note 27)	**(64,174)**	(2,482)	**(3)**	-
	(49,938)	3,694	**(512)**	(319)

		Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
b)	**Numerical reconciliation of income tax expense to prima facie tax payable**				
	Profit from continuing operations before income tax expense	**(117,632)**	(86,893)	**231,130**	(745)
	Trust and overseas entities not subject to tax in Australia	**(65,267)**	(20,759)	**-**	-
	Revised Profit from continuing operations before income tax expense	**(182,899)**	(107,652)	**-**	-
	Tax at the Australian tax rate of 30% (2005 - 30%)	**(54,870)**	(32,296)	**69,339**	(224)
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
	Market value uplift on CityLink Depreciable assets on tax consolidation	**(34,200)**	-	**-**	-
	Infrastructure bond interest	**26,440**	26,440	**-**	-
	Benefits from tax group subsidiaries	**-**	-	**(69,851)**	-
	RIB Interest	**11,552**	-	**-**	-
	Non-deductible depreciation	**642**	-	**-**	-
	Entertainment	**142**	11	**-**	-
	Other	**356**	174	**-**	-
		4,932	26,625	**(69,851)**	-
	Under (over) provision in prior years	**(6,794)**	9,215	**(96)**	-
	Prior year tax losses not recognised now recouped	**-**	-	**-**	-
	Income tax expense	**(56,732)**	3,544	**(608)**	(224)
c)	**Amounts recognised directly in equity**				
	Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
	Net deferred tax - debited (credited) directly to equity (refer note 31)	**(18,626)**	-	**-**	-
		(18,626)	-	**-**	-

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
d) Franking Credits				
Balance 1 July	**-**	-	**-**	-
Transfer from tax group subsidiaries	**30,378**	-	**30,378**	-
Balance 30 June	**30,378**	-	**30,378**	-

High Court Decision

On 20 July 2006 the High Court ruled in favour of Transurban in relation to the tax deductibility of the concession fees paid to the State of Victoria under the Melbourne CityLink Concession Deed. The case was heard by the High Court of Australia after the Australian Taxation Office appealed the unanimous judgement of the Full Court of the Federal Court in October 2004.

9. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Cash at bank	**323,110**	395,561	**411**	7,903
Balance per statement of cash flows	**323,110**	395,561	**411**	7,903

(a) Reconciliation of cash to cash collateral at the end of the year

Cash at bank - as above	**323,110**	395,561	**411**	7,903
Cash collateral, Infrastructure Loan Facility (note 1(r))	**795,000**	795,000	**-**	-
Cash collateral, Infrastructure Note Facility (note 1(r))	**454,000**	454,000	**-**	-
Cash collateral, Refinancing Infrastructure (note 1(r))	**423,582**	385,075	**-**	-
	1,995,692	2,029,636	**411**	7,903

(b) Cash at bank and on hand

These are interest bearing (refer note 10(d)).

(c) Funds not for general use

The amount shown in Cash at Bank includes $70.8 million comprising the amount required under the CityLink Concession Deed and Pocahontas permit to be held in maintenance reserve accounts, and amounts held in the CARS and Pocahontas funding reserves. These amounts were not available for general use at 30 June 2006 (2005: $28.1 million).

10. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Trade receivables	**21,505**	12,509	**-**	-
Less: Provision for Doubtful receivables	**(2,769)**	(1,429)	**-**	-
	18,736	11,080	**-**	-
Prepayments	**4,430**	-	**-**	-
Receivables from related parties	**2,330**	-	**6,598**	-
Other receivables	**21,405**	14,314	**28**	29
	46,901	25,394	**6,626**	29

(a) Bad and doubtful trade receivables

The Group has recognised a loss of $1.0 million (2005 - $1.3 million) in respect of bad and doubtful trade receivables during the year ended 30 June 2006.

(b) Other receivables

These amounts generally arise from transactions outside the usual operating activities of the Group.

(c) Fair values

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

(d) Effective Interest rates

Information concerning the effective interest rate of current and non-current receivables, and held to maturity investments is set out in the tables below.

2006	**Floating interest rate $'000**	**Fixed Interest Maturing in: 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	323,110	-	-	-	-	-	-	-	323,110
Debtors	-	-	-	-	-	-	-	36,010	36,010
Debtors related party	-	-	-	-	-	-	-	2,330	2,330
Term Loan Notes	-	-	-	-	-	-	469,767	-	469,767
	323,110	-	-	-	-	-	469,767	38,340	831,217
Weighted average interest rate	4.35%	-	-	-	-	-	11.93%		

2005	**Floating interest rate $'000**	**Fixed Interest Maturing in: 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	395,561	-	-	-	-	-	-	-	395,561
Debtors	-	-	-	-	-	-	-	25,394	25,394
Debtors related party	-	-	-	-	-	-	-	3,488	3,488
Construction phase loan notes	-	392,000	-	-	-	-	-	-	392,000
	395,561	392,000	-	-	-	-	-	28,882	816,443
Weighted average interest rate	4.60%	6.27%	-	-	-	-	-		

(e) 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 2 for more information on the risk management policy of the Group.

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

11. CURRENT ASSETS – OTHER

Prepayments	-	3,792	-	-
Deferred expenditure	-	1,898	-	-
Debtors from related parties	-	3,488	-	7
	-	9,178	-	7

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'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. NON-CURRENT ASSETS – RECEIVABLES

Debtor from related party	**-**	-	**-**	-
Prepayments	**186**	-	**-**	-
	186	-	**-**	-

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

Interest in joint venture partnership and associates (note 40)	**15,732**	6,236	**-**	-
	15,732	6,236	**-**	-

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

Investment in 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, Transurban's Construction Phase Loan Notes ("CPLN") converted to TLN. These notes current and former state represent Transurban's funding contribution to the Westlink Motorway Partnership. The fixed maturity date of the TLN is 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.

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. During the year ended 30 June 2006 $28.8 million of interest was capitalised into additional TLN.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Current assets				
Interest rate swap contracts - cash flow hedges ((b) (i))	**1,709**	-	-	-
Total current derivative financial instrument assets	**1,709**	-	-	-
Non-current assets				
Interest rate swap contracts - cash flow hedges ((b) (i))	**20,217**	-	-	-
Total non-current derivative financial instrument assets	**20,217**	-	-	-
Current liabilities				
Interest rate swap contracts - cash flow hedges ((b) (ii))	**13,423**	-	-	-
Total current derivative financial instrument liabilities	**13,423**	-	-	-
Non-current liabilities				
Interest rate swap contracts - cash flow hedges ((b) (ii))	**67,652**	-	-	-
Total current derivative financial instrument liabilities	**67,652**	-	-	-
	(59,149)	-	-	-

(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 1l. 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 45 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. Financial instruments include interest and foreign exchange contracts entered into to hedge exposure in accordance with the financial risk management policies. (refer to note 2).

(i) Interest rate swap contracts - cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 6.4 per cent. 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 91 per cent (2005: 93 per cent) of long term debt excluding the bridging and working capital facilities. 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	**672,179**	220,000	**-**	-
Greater than 5 years	**1,318,153**	1,160,000	**-**	-
	2,122,332	1,512,000	**-**	-

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.

(ii) Cross-currency interest rate swap contracts - cash flow hedges

The Group has made several U.S. Private Placements raising fixed rate debt. It is company policy to protect foreign currency facilities from exposure to unfavourable exchange rate movements. Accordingly, the entity has entered into cross-currency interest rate swap contracts under which it is obliged to receive foreign currency interest at fixed rates and to pay AUD interest at floating rates.

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

These contracts are marked to market by comparing the contractual rate to the current market rate. As these contracts are hedging anticipated interest payments and principal, any unrealised gains and losses on the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated. The contracts are settled on a net basis and the net amount receivable or payable at the reporting date is included in other debtors or other creditors.

(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 25 for the Group's exposure to interest rate risk on interest rate swaps.

17. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Investment in subsidiaries (refer note 38)	**-**	-	**124,262**	75,100
	-	-	**124,262**	75,100

As there is no tax funding arrangement, current tax payable is assumed by the tax head entity and recognised as an increase in subsidiary investments.

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

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

a) CityLink Fixed Assets

CityLink at cost	**3,947,871**	3,937,269	**-**	-
Less: Accumulated depreciation	**(640,469)**	(500,031)	**-**	-
	3,307,402	3,437,238	**-**	-
M2 Motorway Fixed Assets				
M2 at cost	**2,456,833**	2,446,819	**-**	-
Less: Accumulated depreciation	**(114,117)**	(23,161)	**-**	-
	2,342,716	2,423,658	**-**	-
Equipment and Fittings				
Equipment and fittings at cost	**177,310**	128,050	**-**	-
Less: Accumulated depreciation	**(67,082)**	(42,132)	**-**	-
	110,228	85,918	**-**	-
Total Property, plant and equipment	**5,760,346**	5,946,814	**-**	-

b) Reconciliations

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

	CityLink	**Equipment & Fittings**	**M2**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Consolidated				
Year ended 30 June 2006				
Opening net book balance	**3,437,238**	**85,918**	**2,423,658**	**5,946,814**
Additions	**11,000**	**49,601**	**10,014**	**70,615**
Disposals	**(297)**	**-**	**-**	**(297)**
Depreciation/amortisation charge	**(140,539)**	**(25,291)**	**(90,956)**	**(256,786)**
Closing net book amount	**3,307,402**	**110,228**	**2,342,716**	**5,760,346**
Year ended 30 June 2005				
Opening net book balance	3,551,456	52,825	-	3,604,281
Additions	26,653	47,957	2,446,819	2,521,429
Disposals	-	-	-	-
Depreciation/amortisation charge	(140,871)	(14,864)	(23,161)	(178,896)
Closing net book amount	3,437,238	85,918	2,423,658	5,946,814

	CityLink	Equipment & Fittings	M2	Total
	$'000	$'000	$'000	$'000
Parent entity				
Year ended 30 June 2006	-	-	-	-
Opening net book balance	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation/amortisation charge	-	-	-	-
Closing net book amount	-	-	-	-
Year ended 30 June 2005				
Opening net book balance	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Depreciation/amortisation charge	-	-	-	-
Closing net book amount	-	-	-	-

(c) Non-current assets pledged as security

Refer to note 25 for information on non-current assets pledged as security by the Group.

19. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Accrued expenses	**186**	1,244	**3**	7
Provisions	**7,273**	1,004	**194**	178
Borrowing costs	**-**	38	**-**	-
Prior year losses	**223,265**	236,672	**221,284**	195
Current year losses	**497**	180	**497**	179
Fixed assets	**1,921**	5,136	**-**	-
Other	**3,119**	171	**-**	-
	236,261	244,445	**221,978**	559
Amounts recognised directly in equity				
Cash flow hedges	**24,309**	-	**-**	-
	260,570	244,445	**221,978**	559
Amounts recognised on acquisition of subsidiary				
M2 bonus payment	**-**	10,950	**-**	-
	260,570	255,395	**221,978**	559
Movements:				
Opening balance at 1 July	**255,395**	250,621	**559**	240
Under/(over) adjustment	**8,648**	-	**9**	-
Credited/(charge) to the income statement	**(14,236)**	(6,176)	**509**	319
M2 bonus payment	**(10,950)**	10,950	**-**	-
Credit/(charge) to equity for cash flow hedge	**24,309**	-	**-**	-
Other	**(2,596)**			
Transfer from tax group subsidiaries [(1)]	**-**	-	**220,901**	-
Closing balance at 30 June	**260,570**	255,395	**221,978**	559
Deferred tax assets to be recovered after more than 12 months	**251,587**	241,736	**221,781**	-
Deferred tax assets to be recovered within 12 months	**8,983**	13,657	**197**	559
	260,570	255,393	**221,978**	559

(1) During the year entities within the Transurban Holdings Limited tax consolidation group transferred losses of $232,837,000 (refer note 6) to the head entity Transurban Holdings

Limited. Current year tax liabilities of $11,936,000 transferred to the head entity of the tax consolidated group are reflected in the investment in subsidiaries (refer note 17).

20. NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Development costs (1) $'000	Goodwill $'000	Pocahontas Permit $'000	Total $'000
Consolidated				
Year ended 30 June 2005				
Opening net book amount	9,139	-	-	9,139
Additions	5,404	110,292	-	115,696
Impairment (2)	(9,805)	-	-	(9,805)
Amortisation charge	-	-	-	-
Closing net book amount	4,738	110,292	-	115,030
At 30 June 2005				
Cost	14,543	110,292	-	124,835
Accumulated amortisation	-	-	-	-
Impairment (2)	(9,805)	-	-	(9,805)
Net book amount	4,738	110,292	-	115,030
Year ended 30 June 2006				
Opening net book amount	4,738	110,292	-	115,030
Additions	17,750	11,508	664,451	693,709
Impairment (2)	(1,949)	-	-	(1,949)
Amortisation charge	(1,279)	-	-	(1,279)
Closing net book amount	19,260	121,800	664,451	805,511
At 30 June 2006				
Cost	32,293	121,800	664,451	818,544
Accumulated amortisation	(1,279)	-	-	(1,279)
Impairment (2)	(11,754)	-	-	(11,754)
Net book amount	19,260	121,800	664,451	805,511

(1) Capitalised development costs are an internally generated intangible asset.

(2) Impairment of capitalised development costs represents projects where it is no longer considered probable that adequate future economic benefits will arise.

Goodwill

On 12 April 2005 the Transurban Group gained control of the Hills Motorway Group. The net assets acquired were restated to fair value on acquisition. Upon transition to AIFRS the application of AASB 112 to the acquisition accounting has given rise to a deferred tax liability of $84.7 million relating to Hills Motorway Limited with a corresponding entry to create goodwill under AASB 3.

Within the 12 months following the acquisition date an additional goodwill balance of $25.5 million was identified and the comparative data has been restated. Refer note 36(ii). Goodwill recognised in relation to this acquisition is $110.3 million at 30 June 2006 (2005 - $110.3 million).

On 1 May 2006 the group gained control of Tollaust Pty Limited. The net assets acquired were restated to fair value on acquisition. Goodwill recognised in relation to this acquisition is $11.5 million at 30 June 2006 (2005 – nil).

Impairment testing

Goodwill is allocated to the Group's cash-generating units ("CGU"). The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management. Cash flows beyond the budgeted period are extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations

The Group makes assumptions in calculating the value-in-use of its cash generating units. These include assumptions around expected traffic flows and forecast operational costs. In performing the calculations the Group has applied discount rates, representing the Group's internal weighted cost of capital, to discount the forecast future attributable cash flows. The group has also applied a weighted average growth rate to extrapolate cash flows beyond the budget period.

Pocahontas Permit

On 29 June 2006, the Transurban Group and the Commonwealth of Virginia reached financial close on a Comprehensive Agreement granting Transurban a 99 year concession for the Pocahontas Parkway in Virginia, USA . The cost of acquiring the 99 year concession was $664.5 million.

Development costs

Impairment charge

The impairment charge represents business development projects which were either unsuccessful bids or projects which are no longer considered probable that the asset will generate economic benefits. The costs associated with these business opportunities were expensed in the income statement during the period.

Impairment testing

Business development costs are capitalised when:

- the outcome of the project has been determined and the outcome will result in the generation of future economic benefits; or
- the outcome of the project has not been determined but it is considered reasonably probable that the outcome, when determined, will result in future economic benefits.

The carrying value of development costs is reviewed for impairment when an indicator of impairment arises. For example, Transurban decides to withdraw from a project tender or is not selected as the preferred applicant.

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

21. NON-CURRENT ASSETS – OTHER

Debtor from related party	**-**	2,114	**-**	-
Prepayments	**-**	1,973	**-**	-
Deferred borrowing costs	**-**	22,811	**-**	-
	-	26,898	**-**	-

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 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to this standard, costs incurred in the raising of debt "Deferred borrowing costs" valued at $22,811,000 that were classified in the balance sheet under previous AGAAP as other non-current assets were 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

22. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade payables	**15,837**	29,434	**129**	21
CARS coupon payment	**13,924**	14,926	**-**	-
Other payables	**48,864**	59,941	**10**	23
	78,625	104,301	**139**	44

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

Other payables

Other payables represents accruals for operating expenses, interest on the Group's borrowings and an amount accrued pursuant to proceedings in the Supreme Court of Australia for recovery of costs under a statutory demand by UBS AG, Australia Branch.

23. CURRENT LIABILITIES – BORROWINGS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Secured				
Infrastructure Loan facility	**795,000**	-	**-**	-
Less: Cash collateral (note 1r)	**(795,000)**	-	**-**	-
Infrastructure Note facility	**454,000**	-	**-**	-
Less: Cash collateral (note 1r)	**(454,000)**	-	**-**	-
Capital Markets debt	**-**	590,000	**-**	-
Bridging Facility	**265,142**	-	**-**	-
Bank loan	**-**	8,000	**-**	-
	265,142	598,000	**-**	-

a) Infrastructure Loan Facility

$795.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the Infrastructure Loan facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2006.

b) Infrastructure Note Facility

$454.0 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The loan is secured by cash collateral equal to the amount of the loan which is set-off against the loan liability. The principal of the infrastructure note facility will be repaid from the cash collateral on 15 April 2007. The facility was fully drawn as at 30 June 2006.

c) Bank loan

The Bank loan was repaid on 6 March 2006.

d) Interest rate risk exposure

Details of the Group's exposure to interest rate changes on Group borrowings are set out in note 26.

e) Set-off of Assets and Liabilities

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

f) Bridging Facility

Transurban entered into a USD 200 million Bridge Facility on 16 June 2006 to finance the purchase of the Pocahontas Parkway Permit. The permit was funded from the Group's dividend reinvestment plan with the Bridge required to cover the period up to the Group's final distribution for 2006, payable in August 2006. At 30 June 2006, USD 197.1 million of the facility was drawn.

g) Capital Markets Debt

Transurban refinanced Series 1-4 of Capital Markets debt during the August 2005 U.S. Private Placement refinancing activity.

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
24. CURRENT LIABILITIES – NON-INTEREST BEARING LIABILITIES				
Prepaid tolls	**39,054**	21,083	**-**	-
Unearned income	**151**	7,677	**-**	-
Advances from related parties	**-**	-	**2,609**	7,996
Tullamarine/Calder freeway upgrade	**-**	100,818	**-**	-
	39,205	129,578	**2,609**	7,996
25. CURRENT LIABILITIES – PROVISIONS				
Employee entitlements	**22,045**	15,146	**645**	593
Distribution to security holders	**207,070**	142,455	**-**	-
	229,115	157,601	**645**	593

26. NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Secured				
Infrastructure Loan facility	-	795,000	-	-
Less: Cash collateral (note 1r)	-	(795,000)	-	-
Infrastructure Note facility	-	454,000	-	-
Less: Cash collateral (note 1r)	-	(454,000)	-	-
Refinancing Infrastructure Bonds	**423,582**	385,075	-	-
Less: Cash collateral (note 1r)	**(423,582)**	(385,075)	-	-
Term Debt	**440,000**	440,000	-	-
U.S. Private Placement	**911,037**	396,080	-	-
Working Capital Facilities	**573,232**	259,500	-	-
Land Transport Notes	**422**	396	-	-
Capital Markets Debt	**733,370**	750,000	-	-
Convertible Adjusting Rate Securities	**361,777**	430,000	-	-
Pocahontas debt	**530,456**	-	-	-
Advances from related parties	-	-	**36,190**	-
	3,550,294	2,275,976	**36,190**	-

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 from 1 July 2005. At the date of transition to this standard, costs incurred in the raising of debt "Deferred borrowing costs" valued at $22,811,000 that were classified in the balance sheet under previous AGAAP as other non-curent assets were re-classified as a reduction in non-current liabilities – borrowings or reclassified to the cash flow reserves.

Set-off of Assets and Liabilities

A legal right of set-off exists in respect of the specific cash deposits of $423.6 million representing collateralisation of the Refinancing Infrastructure Bonds.

Financing Arrangements and Credit Facilities

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

Details of each facility are as follows:-

a) Refinancing Infrastructure Bonds

$423.6 million facility certified by the Development Allowance Authority to qualify for concessional tax treatment under the Income Tax Legislation. The bonds are secured by cash collateral equal to the amount of the loan which is set off against the loan facility, the principal of the refinancing bonds will be repaid from the cash collateral on 31 December 2009. The facility was fully drawn down as at 30 June 2006.

b) Term Debt

$440.0 million bank facility, maturing in June 2009. The facility was fully utilised at 30 June 2005. This facility is fully secured against the respective rights of Hills Motorway Ltd and Hills Motorway Trust in the M2 Motorway and their assets.

c) U.S. Private Placement

Maturing wrapped and unwrapped Capital Market debt was replaced with a US Private Placement consisting of long term debt facilities on 10 August 2005. The placement consists of three tranches with maturities ranging from August 2015 to August 2020 and supplements the December 2004 placement.

The composition of the two US Private Placements is outlined below:

	USD $'000	AUD $'000	Maturity
Fixed Interest Rate			
Dec 04 - Tranche A	100,000	134,535	Dec 2014
Dec 04 - Tranche B	38,900	52,334	Dec 2016
Dec 04 - Tranche C	108,600	146,105	Dec 2019
Aug 05 - Tranche A	98,000	131,844	Aug 2015
Aug 05 - Tranche B	125,500	168,842	Aug 2017
Aug 05 - Tranche C	156,500	210,548	Aug 2020
	627,500	844,208	
Floating Interest Rate			
Dec 04 - Tranche D	-	72,000	Dec 2019
	-	72,000	
Total US Private Placement	627,500	916,208	
Deferred borrowing costs		(5,171)	
TOTAL		911,037	

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

e) Working Capital Facilities

The following facilities are in place.

- $150.0 million facility which is for a term of 3 years from 18 March 2005. At 30 June 2006, $132.5 million of this facility was drawn-down.
- $450.0 million facility which is composed of two Tranches from 27 June 2005. Tranche A ($255 million) which is for a term of 3 years and Tranche B ($195.0 million) which is for a term of 5 years. At 30 June 2006, $255 million of the Tranche A facility was drawn-down and $171.0 million of Tranche B facility was drawn-down.
- $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.

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

f) Land Transport Notes

Land Transport Notes are carried at a present value of $0.4 million and will be repaid no later than 30 days prior to the last day of the CityLink concession period.

g) Capital Markets Debt

Comprises bonds issued by Transurban Finance Company with terms of 10 and 12 years on 10 November 2005. These bonds refinanced the existing wrapped bonds maturing in 2007 and 2009, which were redeemed early to extend the overall term of debt and to take advantage of favourable market conditions.

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

	Maturing 2009 $'000	Maturing 2016 $'000	Maturing 2018 $'000	Total $'000
Fixed interest rate				
Non-credit wrapped	150,000	-	-	150,000
	150,000	-	-	150,000
Floating interest rate				
Credit wrapped	-	300,000	300,000	600,000
	-	300,000	300,000	600,000
Total Capital Markets Debt	150,000	300,000	300,000	750,000
Deferred borrowing costs	-	-	-	(16,630)
TOTAL				733,370

h) Convertible Adjusting Rate Securities

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

Transurban Holding Trust acts as guarantor for Transurban CARS Trust in relation to the interest payments to holders of CARS. The term of this guarantee is until the first reset date, 14 April 2007, at which time the guarantee may or may not be extended. The option in 2007 is purely for conversion to equity and there is no intention to repay the debt and as a result 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 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'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)**	-	-	-
Balance at 30 June	**373,734**	430,000	-	-
Deferred borrowing costs	**(11,957)**	-	-	-
Total	**361,777**	430,000	-	-

i) Pocahontas debt

Comprises non recourse long-term debt maturing in June 2036. The loans are fully secured by the assets of the project.

	USD $'000	AUD $'000	Maturity
Floating Interest Rate			
Tranche A	305,700	411,273	Jun 2036
Tranche B	93,860	126,275	Jun 2036
Total Pocahontas Debt	399,560	537,548	
Deferred borrowing costs		(7,092)	
TOTAL		530,456	

Tranche B includes a committed but undrawn amount of USD 8.4 million.

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Loans				
Total facilities	**4,708,143**	3,858,155	-	-
Used at balance date	**4,636,481**	3,487,655	-	-
Unused at balance date	**71,662**	370,500	-	-

The unused balance represents undrawn amounts from the working capital, USD bridge (refer note 22) and Pocahontas Tranche B facilities.

Interest rate risk exposures

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	Floating interest rate $'000	Fixed Interest Maturing in: 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
Creditors	-	-	-	-	-	-	-	78,624	78,624
Prepaid tolls	-	-	-	-	-	-	-	39,054	39,054
Land Transport Notes	-	-	-	-	-	-	422	-	422
Concession Notes	-	-	-	-	-	-	-	201,766	201,766
Promissory Notes	-	-	-	-	-	-	-	11,711	11,711
Term Debt	440,000	-	-	-	-	-	-	-	440,000
Working Capital Facilities	573,232	-	-	-	-	-	-	-	573,232
Capital Markets Debt	583,370	-	-	-	150,000	-	-	-	733,370
US Private Placement	72,000	-	-	-	-	-	839,037	-	911,037
Bridging Facility	265,142	-	-	-	-	-	-	-	265,142
Pocahontas debt	530,456	-	-	-	-	-	-	-	530,456
Cross-currency interest rate swaps	835,821	-	-	-	-	-	(835,821)	-	-
Infrastructure loan facility	-	1,249,000	-	-	423,582	-	-	-	1,672,582
Cash collateral	-	(1,249,000)	-	-	(423,582)	-	-	-	(1,672,582)
CARS	-		-	-	-	-	361,777	-	361,777
Interest rate swaps	(2,122,332)	-	-	-	132,000	672,179	1,318,153	-	-
	1,177,689	-	-	-	282,000	672,179	1,683,568	331,155	4,146,591
Weighted average interest rate	6.10%	4.14%	-	-	5.81%	6.08%	6.22%		

2005	Floating interest rate $'000	Fixed Interest Maturing in: 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
Creditors	-	-	-	-	-	-	-	104,301	104,301
Prepaid tolls	-	-	-	-	-	-	-	21,083	21,083
Tullamarine/Calder freeway upgrade	-	-	-	-	-	-	-	146,480	146,480
Land Transport Notes	-	-	-	-	-	-	396	-	396
Concession Notes	-	-	-	-	-	-	-	127,277	127,277
Promissory Notes	-	-	-	-	-	-	-	22,116	22,116
Bank loan	8,000	-	-	-	-	-	-	-	8,000
Term Debt	440,000	-	-	-	-	-	-	-	440,000
Working Capital Facilities	259,500	-	-	-	-	-	-	-	259,500
Capital Markets Debt	755,000	435,000	-	-	-	150,000	-	-	1,340,000
US Private Placement	72,000	-	-	-	-	-	324,080	-	396,080
Cross-currency interest					-				
rate swaps	335,821	-	-	-	-	-	(335,821)	-	-
Forward Exchange Contract	-	-	-	-	-	-	11,741	-	11,741
Infrastructure loan facility	-	-	1,249,000	-	-	385,075	-	-	1,634,075
Cash collateral	-	-	(1,249,000)	-	-	(385,075)	-	-	(1,634,075)
CARS	-	-	-	-	-		430,000	-	430,000
Interest rate swaps	(1,512,021)	-	-	-	-	132,000	1,380,021	-	-
	358,300	435,000	-	-	-	282,000	1,810,417	421,257	3,306,974
Weighted average interest rate	6.23%	6.25%	4.14%	-	-	7.40%	6.08%		

Fair values

The fair values and carrying values of financial assets and liabilities brought to account at balance date are the same.

27. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Receivables	**1,815**	1,860	**5**	-
Fixed assets	**446,875**	465,467	**-**	-
Prepayments	**116**	-	**-**	-
Deferred revenue	**-**	1,473	**-**	-
Concession Fees and Promissory Notes	**191,479**	192,765	**-**	-
Other	**1,819**	695	**-**	-
	642,104	662,260	**5**	-
Amounts recognised directly in equity				
Cash flow hedges	**5,676**	-	**-**	-
	5,676	-	**-**	-
Other				
Uplift on acquisition	**171,021**	181,677	**-**	-
Market value uplift on CityLink depreciable assets on tax consolidation	**(34,200)**	-	**-**	-
	784,601	843,937	**5**	-
Movements:				
Opening balance at 1 July	**843,937**	757,248	**-**	-
Under/(over) adjustment	**(838)**	-	**8**	-
Charged/(credited) to the income statement	**(64,174)**	(2,482)	**(3)**	-
Deferred tax balance acquired on business combination	**-**	89,171	**-**	-
Charge(credited) to equity	**5,676**	-	**-**	-
Closing balance at 30 June	**784,601**	843,937	**5**	-

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

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Forward exchange contract	**-**	11,741	**-**	-
Concession notes	**201,766**	127,277	**-**	-
Promissory notes	**11,711**	22,116	**-**	-
M2 bonus payments	**-**	36,500	**-**	-
Tullamarine/Calder freeway upgrade	**-**	45,662	**-**	-
	213,477	243,296	**-**	-

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 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to this standard, a forward exchange contract valued at $11,741,000 that was classified in the balance sheet under previous AGAAP as a non-interest bearing, non-current liability was re-classified and is now recognised in a hedging reserve within equity.

M2 bonus payment

In accordance with AASB 3 *Business Combinations* a contingent liability of $36.5 million payable to Tollaust Pty Limited (the operator) of the M2 Motorway was recognised. Upon the Group's acquisition of Tollaust Pty Limited (refer note 36), the liability was derecognised.

Concession Notes

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

Concession Notes have been included in the Financial Report as non interest bearing liabilities at the present value of the expected future repayments. As the timing and profile of these repayments is largely determined by the available equity cash flows of CityLink, the present value of the expected future repayments is determined using a discount rate of 9.7 (2005 – 12 per cent) per cent which recognises their subordinated nature. The movement in the discount rate reflects the change in characteristics of the concession notes due to the Westgate-CityLink-Monash Freeway Corridor Improvements Project.

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 Vic Roads $151.0 million to fund the upgrade and in exchange, the State 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 face value of Concession Notes on issue at 30 June 2006 is $987.3 million (2005: $891.7 million) of which $305.3 million (2005 – $305.3 million) have been assigned to the Group. The Net Present Value at 30 June 2006 of the redemption payments relating to these Concession Notes is $201.8 million (2005: $127.3 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
Concession Note Redemption				
Estimated Concession Note payments				
Later than 5 years but not later than 10 years:				
- Payable to the State	**284,008**	263,334	**-**	-
- Reassigned from the State	**(284,008)**	(263,334)	**-**	-
Later than 10 years but not later than 15 years:				
- Payable to the State	**530,583**	628,320	**-**	-
- Reassigned from the State	**(21,246)**	(41,920)	**-**	-
Later than 15 years but not later than 20 years:				
- Payable to the State	**172,663**	-	**-**	-
- Reassigned from the State	**-**	-	**-**	-
	682,000	586,400	**-**	-

Reconciliation of the movement in the Concession Note liability

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Concession Note liability at the start of the year	**127,277**	207,681	**-**	-
Concession Notes issued during the year	**95,600**	95,600	**-**	-
Valuation adjustments for the year:				
Charge/(credit) for Concession Notes on issue at beginning of period	**52,436**	24,851	**-**	-
Credit for Concession Notes issued during the year	**(73,547)**	(79,029)	**-**	-
Tullamarine/Calder freeway upgrade adjustment	**-**	(121,826)	**-**	-
Concession Note liability at the end of the year	**201,766**	127,277	**-**	-

Promissory Notes

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

Promissory Notes 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 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	**-**	31,900	**-**	-
later than 15 years	**78,071**			
	78,071	69,232	**-**	-

Reconciliation of the movement in the Promissory Note liability

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Promissory Notes liability at the start of the year	**22,116**	-	**-**	-
Charge/(credit) for promissory notes on issue at the beginning of the period				
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	**-**	-

29. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Employee benefits	**364**	3,999	**-**	-
	364	3,999	**-**	-

30. CONTRIBUTED EQUITY

b)

Date	Details	Notes	Consolidated Number of Securities '000	Consolidated Issue Price	Consolidated $'000	Parent entity Issue Price	Parent entity $'000
1 July 2004	Opening Balance		791,416	-	4,127,228	-	76,007
7 Sep 2005	Exercise of May 2002 Options	e	46	$4.2200	193	$0.2800	13
21 Sep 2005	Exercise of October 2001 Options	e	250	$4.4042	1,101	$0.2800	70
21 Sep 2005	Exercise of April 2001 Options	e	140	$3.8170	534	$0.2800	39
1 Dec 2005	Exercise of May 2002 Options	e	33	$4.2200	141	$0.2800	9
13 Dec 2005	Exercise of May 2002 Options	e	67	$4.2200	281	$0.2800	19
13 Dec 2005	Exercise of May 2002 Options	e	15	$4.2200	64	$0.2800	4
13 Dec 2005	Exercise of April 2001 Options	e	250	$3.8170	954	$0.2800	70
13 Dec 2005	Exercise of October 2001 Options	e	250	$4.4020	1,101	$0.2800	70
16 Dec 2005	Exercise of April 2002 Options	e	137	$4.0300	553	$0.2800	38
31 Dec 2005	Acquisition of Treasury Securities	g	(1,580)	$6.4726	(10,227)	$0.2800	(442)
3 Jan 2006	Conversion of CARS	f	4,928	$5.8590	28,871	$0.2800	1,380
28 Feb 2006	Distribution Reinvestment Plan	d	14,377	$6.4689	93,006	$0.2800	4,026
20 Mar 2006	Exercise of May 2002 Options	e	67	$4.2200	281	$0.2800	19
20 June 2006	Exercise of May 2002 Options	e	359	$4.2200	1,513	$0.2800	100
20 June 2006	Exercise of April 2002 Options	e	86	$4.0300	346	$0.2800	24
20 June 2006	Exercise of October 2001 Options	e	1,000	$4.4020	4,402	$0.2800	280
30 June 2006	Conversion of CARS	f	4,793	$5.7154	27,394	$0.2800	1,342
30 June 2006	Closing Balance		816,633		4,277,738		83,068

c) Stapled Securities

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

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

d) Distribution Reinvestment Plan

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

e) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 31

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 securities

Stapled securities were issued to executives under the Executive Loan Plan. The 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.

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

31. RESERVES AND RETAINED LOSSES

(a) Reserves				
Cash flow hedges reserve	**(54,275)**	-	**-**	-
Share based payments reserve	**1,188**	-	**20**	-
	(53,087)	-	**20**	-
Movements				
Cash flow reserve				
Balance 1 July	**-**	-	**-**	-
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**40,074**			
Revaluation - gross	**33,954**	-	**-**	-
Deferred tax (note 19 and 27)	**(18,626)**	-	**-**	-
Transfer to net profit - gross	**(1,127)**	-	**-**	-
Balance 30 June	**54,275**	-	**-**	-
Share-based payments reserve				
Balance 1 July	**-**	-	**-**	-
Amortisation of benefits	**470**	-	**20**	-
Employee distribution	**718**	-	**-**	-
Balance 30 June	**1,188**	-	**20**	-
(b) Accumulated losses				
Balance 1 July	**(1,316,840)**	(920,220)	**(1,137)**	(616)
Adjustment on adoption of AASB 132 and AASB 139, net of tax	**16,840**	-	**-**	-
Net losses for the year	**(60,900)**	(90,437)	**231,738**	(521)
Distributions	**(401,598)**	(306,183)	**-**	-
Balance 30 June	**(1,762,498)**	(1,316,840)	**230,601**	(1,137)

(c) Nature and purpose of reserves

(i) Cash flow reserve – cash flow hedges

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

(ii) Share-based payments reserve

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

32. DISTRIBUTIONS

The distributions set out below represent distributions to stapled securities holders. Group distributions are paid by a Group entity; the Transurban Holding Trust.

	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

	2006 $'000	2005 $'000
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	**93,007**	32,042
Funds available for future distribution reinvestment plans	**32**	-
	336,631	163,728

33. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

With the exception of the changes noted below, the following persons were directors of Transurban Holdings 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
Kimberley Edwards
Geoffrey R Phillips [(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) Geoffrey R Phillips resigned from the position of executive director on 26 July 2005.

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year. All executives are employees of Transurban Limited.

Name	Position
Chris Brant	Chief Finance Officer
Brendan Bourke	Group General Manager Operations
Paul O'Shea	Group General Manager Legal and Risk Management
Gareth Mann	Group General Manager Development (from 3/10/2005 – 30/6/2006)

All of the above persons were also key management persons during the year ended 30 June 2005, except for G Mann who commenced employment with the Group on 3 October 2005. C Brant was a key management person for only part of the year ended 30 June 2005 as he commenced employment on 22 November 2004.

(c) Key management personnel compensation

	Consolidated		Parent entity	
	2006 $	2005 $	**2006 $**	2005 $
Short-term employee benefits	**6,947,882**	5,142,036	**321,497**	238,897
Post-employment benefits	**1,483,918**	616,076	**121,448**	183,874
Share-based payments	**1,016,268**	3,840,225	**1,016,268**	3,840,225
	9,448,068	9,598,337	**1.459.213**	4,262,996

The company has taken advantage of the relief provided by the Corporations Regulations allowing the transfer of the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 16 to 23.

(d) Equity instrument disclosures relating to key management personnel

(i) Share-based payments

Details of options and other executive long term incentives, together with terms and conditions, can be found in section D of the remuneration report on pages 24 to 30.

(ii) Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Transurban Holdings Limited and other key management personnel of the Group, including their personally related parties, are 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**
Directors of Transurban Holdings Limited						
K Edwards	1,500,000	-	1,500,000	-	-	-
Other key management personnel of the Group						
C Brant	-	-	-	-	-	-
B Bourke	-	-	-	-	-	-
P O'Shea	-	-	-	-	-	-
G Mann	-	-	-	-	-	-

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
Directors of Transurban Holdings Limited						
K Edwards	1,500,000	-	-	-	1,500,000	1,500,000
G R Phillips	500,000	-	500,000	-	-	-
Other key management personnel of the Group						
C Brant	-	-	-	-	-	-
B Bourke	350,000	-	350,000	-	-	-
P O'Shea	204,300	-	204,300	-	-	-

(iii) Executive long term incentive holdings

The number of ELTI units held during the financial year by each director of Transurban Holdings Limited and other key management personnel of the Group, including their personally related parties, are set out below.

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
Directors of Transurban Holdings Limited						
K Edwards	1,650,000	-	850,000	-	800,000	-
Other key management personnel of the Group						
C Brant	170,000	-	-	-	170,000	-
B Bourke	320,000	-	160,000	-	160,000	-
P O'Shea	250,000	-	130,000	-	120,000	-
G Mann	-	-	-	-	-	-

2005 **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**
Directors of Transurban Holdings Limited						
K Edwards	850,000	800,000	-	-	1,650,000	-
G R Phillips	-	-	-	-	-	-
Other key management personnel of the Group						
C Brant	-	170,000	-	-	170,000	-
B Bourke	160,000	160,000	-	-	320,000	-
P O'Shea	130,000	120,000	-	-	250,000	-

(iv) Executive Loan Plan

The number of securities held during the financial year by each director of Transurban Limited and other key management personnel of the Group, including their personally related parties, are 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**
Directors of Transurban Holdings Limited						
K Edwards	-	312,500	-	-	312,500	-
Other key management personnel of the Group						
C Brant	-	118,000	-	-	118,000	-
B Bourke	-	102,000	-	-	102,000	-
P O'Shea	-	75,000	-	-	75,000	-
G Mann	-	112,500	-	-	112,500	-

2005

No comparative data for the prior period as the plan was introduced on 1 November 2005.

(v) 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 Limited and other key management personnel of the Group, including their personally-related parties, 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**
Directors of Transurban Holdings Limited					
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
K Edwards	61,000	1,500,000	312,500	-	1,873,500
Other key management personnel of the Group					
C Brant	-	-	118,000	1,448	119,448
B Bourke	357,710	-	102,000	15,039	474,749
P O'Shea	380,739	-	75,000	(18,415)	437,324
G Mann	-	-	112,500	100	112,600

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**
Directors of Transurban Holdings Limited					
L G Cox	775,000	-	-	367,500	1,142,500
P C Byers	50,000	-	-	20,580	70,580
G O Cosgriff	24,910	-	-	-	24,910
J G A Davis	50,000	-	-	-	50,000
S M Oliver	60,993	-	-	1,547	62,540
D J Ryan	21,043	-	-	534	21,577
K Edwards	61,000	-	-	-	61,000
G R Phillips	-	500,000	-	8,820	508,820
Other key management personnel of the Group					
C Brant	-	-	-	-	-
B Bourke	5,493	350,000	-	2,217	357,710
P O'Shea	179,055	204,300	-	(2,616)	380,739

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
Directors of Transurban Holdings Limited				
L G Cox	-	-	-	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	-
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
G R Phillips	-	-	-	-
Other key management personnel of the Group				
C Brant	-	-	-	-
B Bourke	400	-	-	400
P O'Shea	-	-	-	-
G Mann	-	-	-	-

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
Directors of Transurban Holdings Limited				
L G Cox	1,000	-	(1,000)	-
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	-	-	-	-
S M Oliver	-	-	-	-
D J Ryan	-	-	-	-
K Edwards	-	-	-	-
G R Phillips	-	-	-	-
Other key management personnel of the Group				
C Brant	-	-	-	-
B Bourke	400	-	-	400
P O'Shea	400	-	(400)	-

Other transactions with directors and key management personnel

Mr Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Limited). Transurban Limited is entitled to receive management fees of $6.5 million from Macquarie Bank in relation to the extension of the term of the Infrastructure Borrowing Facilities provided by Macquarie Bank. This fee was recognised during the year ended 30 June 2004 and is receivable quarterly until April 2007. During this year $2.8 million was received with the remaining balance of $2.3 million due to be received over the next year. Transurban Limited also shares the cost of Mr Cox's personal assistant with Macquarie Bank.

Macquarie Bank Limited acted as principal financial advisor during the acquisition of the Hills Motorway Group and was also involved in the financial arrangements concerning the Land Transport Notes of which Mr. Cox holds 51,188 of Class B Land Transport Notes.

Mr Byers was a director of Hills Motorway Limited, in which the Group held a 8.1 per cent interest until the Group gained control on 12 April 2005.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Amounts recognised as revenue				
Distribution from Hills Motorway Group	**-**	2,025	**-**	-
	-	2,025	**-**	-
Amounts recognised as expenses				
Assistant fees	**23**	31	**23**	-
Interest	**-**	-	**364**	-
	23	31	**387**	-
Amounts recognised as acquisition costs				
Current liabilities - Macquarie Bank Limited	**-**	12,649	**-**	-
	-	12,649	**-**	-

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

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

Current assets - other related parties	**-**	690	**6,598**	-
Current assets - Macquarie Bank Limited	**2,330**	2,798	**-**	-
Non-current assets - Macquarie Bank Limited	**-**	2,114	**-**	-
Non-current liability - funding	**-**	-	**36,190**	-
Current liabilities	**-**	-	**2,609**	7,996

34. REMUNERATION OF AUDITORS

During the year the fees 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.	**689,850**	335,750	**37,500**	42,900
Fees paid to non-PricewaterhouseCoopers audit firms for the audit or review of financial reports	**-**	40,000	**-**	-
Total remuneration for audit services	**689,850**	375,750	**37,500**	42,900
Other assurance services				
PricewaterhouseCoopers Australian firm:				
Due diligence	**158,621**	432,500	**158,621**	-
Compliance plan audit	**24,700**	24,700	**-**	-
Other assurance services including IFRS	**329,335**	115,000	**111,691**	-
Controls assistance	**163,000**	-	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**-**	12,360	**-**	-
Total remuneration for other assurance services	**675,656**	584,560	**270,312**	-
2. Taxation services				
PricewaterhouseCoopers Australian firm:				
Tax compliance services, including review of income tax returns	**104,735**	191,865	**104,735**	5,180
International tax consulting	**1,128,028**	-	**-**	-
Indirect taxation services	**434,714**	619,530	**-**	-
Fees paid to non-PricewaterhouseCoopers audit firms	**-**	26,436	**-**	-
Total remuneration for taxation services	**1,667,477**	837,831	**104,735**	5,180

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

35. CONTINGENT LIABILITIES/ASSETS

Contingent Liabilities

(a) In May 2003, VicRoads submitted an invoice to CityLink Melbourne Limited for costs of approximately $5.0 million for rectification works associated with the Swan Street Bridge. CityLink Melbourne Limited does not believe that it has any liability to VicRoads to pay those costs. In January 2005, VicRoads served a writ in the Supreme Court of Victoria on CityLink Melbourne Limited and the entities forming the Transfield Obayashi joint venture, claiming certain damage was sustained by the Swan Street Bridge. VicRoads claim that this damage was due to tunnelling, roadworks and associated infrastructure works on and in the vicinity of the Swan Street Bridge, arising from the Melbourne CityLink project. The parties are currently discussing the claim.

(b) Transurban Finance Company ("TFC") maintains numerous debt facilities. Some of these facilities are subject to a pricing matrix based on the credit assigned to TFC by a rating agency. A reduction in rating will lead to an increase in the margin payable under the finance documents.

Contingent Asset

CityLink Melbourne Limited ("CML") is seeking compensation from the State of Victoria, claiming that Wurundjeri Way (Docklands) has had a Material Adverse Effect on the toll revenue earning capacity by CML. The claim was for approximately $36.0 million (net present value at the time of the initial claim under the Concession Deed). The matter is the subject of arbitration proceedings.

36. COMMITMENTS FOR EXPENDITURE

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Lease commitments				
Commitments for minimum payments in relation to non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities payable:				
Within one year	**4,004**	2,706	**-**	-
Later than one year but not later than 5 years	**13,826**	9,354	**-**	-
Later than 5 years	**15,332**	-	**-**	-
	33,162	12,060	**-**	-

Concession Fees

The Melbourne CityLink Concession Deed between the Transurban Group and the State of Victoria provides for annual concession fees of $95.6 million during the construction phase and for the first 25 years of the operations phase, $45.2 million for years 26 to 34 of the operations phase and $1.0 million thereafter if the concession continues beyond year 34. Until a certain threshold return is achieved, payments of concession fees due under the Concession Deed will be satisfied by means of the issue of non-interest bearing Concession Notes to the State. Refer to note 28 for details.

Promissory Notes

The Responsible Entity, on behalf of the Hills Motorway Trust, has entered into leases with the Roads and Traffic Authority of New South Wales ("RTA"). Annual lease liabilities under these leases total $7.0 million indexed annually to the Consumer Price Index over the estimated period that the M2 Motorway will be used. Until such time as a threshold return is achieved, payments under these leases can be made at the discretion of the Responsible Entity, by means of the issue of non-interest bearing promissory notes to the RTA. Refer to note 28 for details.

37. RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity of the Group is Transurban Holdings Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 39.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 33.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Tax consolidation legislation				
Current tax payable assumed from wholly-owned tax consolidation entities	**-**	-	**11,936**	-
Tax losses assumed from wholly-owned tax consolidated entities	**-**	-	**232,837**	-
Revenue from services				
Electronic tolling system provided to other related party	**25,321**	12,206	**-**	12,206
Operating electronic tolling system for another related party	**3,137**	-	**-**	-
Interest received				
Construction Phase Loan Notes	**11,380**	24,578	**-**	-
Term Loan Notes	**28,767**	-	**-**	-
Losses from joint venture partnership	**(8,634)**	-	**-**	-

(f) Loans to/from related parties

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

No provision for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts from related parties.

(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.

38 BUSINESS COMBINATION

(i) Additional 5 per cent interest in Westlink M7

On 16 December 2005 Transurban AL Trust acquired 100 per cent of the issued capital of the following entities:

LMI WSO Holding No. 4 Pty Limited

Abigroup WSO Holding No. 4 Pty Limited

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:

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

(ii) Initial Accounting for Hills Motorway Group acquisition determined provisionally

On 12 April 2005 the Transurban Group gained control of the Hills Motorway Group through the acquisition of the remaining stapled securities of the Hills Group. At the time of the acquisition the fair values to be assigned to the identifiable assets, liabilities and contingent liabilities acquired could be determined only provisionally.

Within the twelve months following the acquisition date, an additional contingent liability of $36.5 million has been identified along with an associated deferred tax asset of $10.9 million. The fair value of assets and liabilities acquired has been restated resulting in additional goodwill of $25.5 million.

(iii) Tollaust Pty Limited Acquisition

(a) *Summary of acquisition*

On 1 May 2006 Transurban Holdings Limited acquired 100 per cent of the issued share capital of Tollaust Pty Limited.

The acquired business contributed revenues of $0.6 million and net loss of $1.4 million to the Group after consolidation adjustments for the period from 1 May 2006 to 30 June 2006. If the acquisition had occurred on 1 July 2005, consolidated revenue and consolidated loss of the Group would have been $692.4 million and $69.0 million respectively. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the inter-group trading with Hills Motorway Limited.

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

	$'000
Purchase consideration (refer to (b) below):	
Cash paid	37,576
Direct costs relating to the acquisition	1,353
	38,929
Fair value of net identifiable assets acquired (refer to (c) below):	27,421
Goodwill (refer to (c))	11,508

(b) *Purchase consideration*

	Consolidated		Parent Entity	
	2006	2005	**2006**	2005
	$'000	$'000	**$'000**	$'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	**38,929**	-	**38,929**	-
Less cash acquired	**-**	-	**-**	-
Outflow of cash	**38,929**	-	**38,929**	-

(c) *Assets and Liabilities acquired*

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

	Acquiree's Carrying Amount $'000	Fair Value $'000
Trade receivables	660	660
Other receivables	8,020	8,020
Interest receivable	36	36
Prepayments	9	9
GST refundable	101	101
Deferred tax asset	121	289
Plant and equipment	2,008	2,008
Other financial assets	-	36,500
Trade payables	(583)	(583)
Other payables	(7,510)	(7,510)
Provision for employee benefits	(567)	(943)
Current tax liability	(69)	(69)
Deferred tax liability	-	(11,097)
Net assets	2,226	27,421

The goodwill is attributable to the synergies the Group expects to achieve within the Hills Motorway Group following the acquisition. The fair value of assets and liabilities acquired are based on discounted cash flow models. No acquisition provisions were created.

The fair values assigned to the identifiable assets, liabilities and contingent liabilities were determined provisionally at the time of acquisition.

39. 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	
CityLink Melbourne Limited	Australia	Ordinary	100	100	
City Link Extension Pty Ltd	Australia	Ordinary	100	100	
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100	
Transurban Collateral Security Pty Ltd	Australia	Ordinary	100	100	
Transurban Finance Trust	Australia	Ordinary	100	100	
Transurban Finance Company Pty Ltd	Australia	Ordinary	100	100	
Transurban Nominees Pty Ltd	Australia	Ordinary	100	100	

Transurban Nominees 2 Pty Ltd	Australia	Ordinary	100	100	
Transurban WSO Pty Ltd	Australia	Ordinary	100	100	
Transurban AL Trust	Australia	Ordinary	100	100	
Transurban CARS Trust	Australia	Ordinary	100	100	
Transurban WSO Trust	Australia	Ordinary	100	100	
Roam Tolling Pty Ltd (formerly Transurban Infrastructure Developments WSO Pty Ltd)	Australia	Ordinary	100	100	
Transurban Retail Pty Ltd (formerly Transurban MF 1 Pty Ltd)	Australia	Ordinary	100	100	
Transurban (USA) Holdings No.1 Pty Ltd (formerly Transurban MF 2 Pty Ltd)	Australia	Ordinary	100	100	
Transurban Asset Management Pty Ltd	Australia	Ordinary	100	100	
Roam Operations Pty Ltd (formerly Transurban Operations Pty Ltd)	Australia	Ordinary	100	100	
Transurban (USA) Holdings No.2 Pty Ltd (formerly Transurban MF Holdings Pty Ltd)	Australia	Ordinary	100	100	
Transurban Investments Pty Ltd	Australia	Ordinary	100	100	
The Hills Motorway Ltd	Australia	Ordinary	100	100	
Hills Motorway Management Ltd	Australia	Ordinary	100	100	
Hills Motorway Construction Company Pty Ltd	Australia	Ordinary	100	100	
Hills Motorway Underwriting No.1 Pty Ltd	Australia	Ordinary	100	100	
Hills Motorway Underwriting No.2 Pty Ltd	Australia	Ordinary	100	100	
Hills Motorway Trust	Australia	Ordinary	100	100	
Abigroup Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
Abirgroup Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
Abigroup WSO Holding No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
LMI Westlink Partner Holding No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
LMI Westlink Partner No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
LMI WSO Holding No.4 Pty Ltd	Australia	Ordinary	100		16/12/05
Tollaust Pty Ltd	Australia	Ordinary	100		01/05/06
Transurban (USA) Inc	USA	Ordinary	100	100	
Transurban (USA) Holdings Inc	USA	Ordinary	100		11/07/05
Transurban (USA) Development Inc.	USA	Ordinary	100		11/07/05
Transurban (895) LLC	USA	Ordinary	100	100	01/05/05
Transurban (895) Finance Inc.	USA	Ordinary	100	100	01/05/05
Transurban (895) Holdings Inc	USA	Ordinary	100	100	01/05/05
Transurban (895) General Partnership	USA	Ordinary	100	100	01/05/05

40. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

(a) Carrying amount

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

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

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.

	Consolidated	
	2006	2005
	$'000	$'000

(b) Movements in carrying amounts

Carrying amount at the beginning of the financial year	**6,236**	6,236
Additional investment acquired	**18,130**	-
Share of loss after income tax	**(8,634)**	-
Carrying amount at the end of the financial year	**15,732**	6,236

(c) Share of losses

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

	Consolidated	
	2006	2005
	$'000	$'000

(d) Losses not recognised

Balance at 1 July	**-**	-
Unrecognised losses for the year	**30,479**	-
Balance at 30 June	**30,479**	-

The unrecognised losses were incurred by WSO Company Pty Limited. The carrying value of the investment prior to these losses was $90. The Group's investment in this entity has been fully extinguished.

(e) Summarised financial information

	Groups share of:			
	Assets	Liabilities	Revenue	Result
	$'000	$'000	$'000	$'000
2006				
Westlink Motorway Limited	**-**	**-**	**-**	**-**
WSO Finance Pty Limited	**6,810**	**6,810**	**48,616**	**-**
WSO Company Pty Limited	**139,287**	**169,767**	**21,555**	**(30,479)**
Westlink Motorway Partnership	**856,437**	**865,071**	**41,798**	**(8,634)**
	1,002,534	**1,041,648**	**111,969**	**(39,113)**
2005				
Westlink Motorway Limited	-	-	-	-
WSO Finance Pty Limited	272,400	272,400	10,800	-
WSO Company Pty Limited	-	-	-	-
Westlink Motorway Partnership	585,934	585,934	-	-
	858,334	858,334	10,800	-

	Consolidated	
	2006	2005
	$'000	$'000

(f) Share of expenditure commitments

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

(g) Contingent liabilities

As at the reporting date there are no contingent liabilities.

41. SHARE-BASED PAYMENTS

(a) Employee Option Plan

Refer to section D of the remuneration report on pages 23 to 29 for details.

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

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
Consolidated and parent- 2006								
26 April 2001	30 April 2006	$3.817	390,000	-	390,000	-	-	-
23 October 2001	31 October 2006	$4.404	1,500,000	-	1,500,000	-	-	-
1 February 2002	30 April 2007	$4.280	-	-	-	-	-	-
9 April 2002	30 April 2007	$4.030	237,300	-	223,200	14,100	-	-
20 May 2002	30 April 2007	$4.220	744,852	-	586,102	82,467	76,283	76,283
Total			2,872,152	-	2,699,302	96,567	76,283	76,283
Weighted average exercise price			$4.25	-	$4.25	$4.19	$4.220	$4.220

Consolidated and parent - 2005

Grant date	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Expired during the year	Balance at end of the year	Exercisable at end of the year
26 April 2001	30 April 2006	$3.817	2,004,300	-	1,493,231	121,069	390,000	390,000
23 October 2001	31 October 2006	$4.404	2,000,000	-	500,000	-	1,500,000	1,500,000
1 February 2002	30 April 2007	$4.280	400,000	-	89,867	310,133	-	-
9 April 2002	30 April 2007	$4.030	300,000	-	62,700	-	237,300	62,700
20 May 2002	30 April 2007	$4.220	1,500,000	-	715,598	39,550	744,852	744,852
Total			6,204,300	-	2,861,396	470,752	2,872,152	
Weighted average exercise price			$4.14	-	$4.04	$4.16	$4.25	$4.26

The weighted average price of Transurban Securities at the date of exercise of options exercised regularly during the year ended 30 June 2006 was $7.0 (2005 - $6.94)

The weighted average remaining contractual life of share options outstanding at the end of the year was 0.83 years (2005 – 1.31 years)

(b) Employee Long Term Incentives ("ELTI") Plan

Refer to section D of the remuneration report on pages 23 to 29 for details.

Set out below are ELTI granted under the plan.

Consolidated and parent - 2006

Grant date	Expiry date	Grant price	Balance at the start of the year Number	Granted during the year Number	Matured and paid during the year Number	Balance at the end of the year Number	Matured and payable at the end of the year Number
30 Sep 2003	30 Sep 2005	$4.23	1,912,000	-	1,912,000	-	-
30 Sep 2004	30 Sep 2006	$5.45	2,965,000	-	-	2,965,000	-
Total			4,877,000	-	1,912,000	2,965,000	-
Weighted average exercise price			$4.97	-	$4.23	$5.45	-

Consolidated and parent - 2005

Grant date	Expiry date	Grant price	Balance at the start of the year Number	Granted during the year Number	Matured and paid during the year Number	Balance at the end of the year Number	Matured and payable at the end of the year Number
30 Sep 2003	30 Sep 2005	$4.23	1,912,000	-	-	1,912,000	-
30 Sep 2004	30 Sep 2006	$5.45	-	2,965,000	-	2,965,000	-
Total			1,912,000	2,965,000	-	4,877,000	-
Weighted average exercise price			$4.23	$5.45	-	$4.97	-

No ELTI were forfeited during the periods covered by the above tables.

The weighted average price of Transurban Securities at the date of maturity was $7.24.

The weighted average remaining contractual life ELTI at the end of the year was 0.18 years (2005 – 0.75 years)

c) Employee security Plan

Refer to section D of the remuneration report on pages 23 to 29 for details.

Set out below are securities granted under the plan.

Australian Based Plan

Consolidated and parent - 2006

Grant date	Expiry date	Grant price	Balance at the start of the year Number	Granted during the year Number	Exercised during the year Number	Lapsed during the year Number	Balance at end of the year Number
1 Nov 2005	1 Nov 2008	$6.47	-	1,579,800	-	-	1,579,800
Weighted average exercise price			-	$6.47	-	-	$6.47

Overseas based Plan

Consolidated and parent - 2006

Grant date	Expiry date	Grant price	Balance at the start of the year Number	Granted during the year Number	Matured and paid during the year Number	Balance at the end of the year Number	Matured and payable at the end of the year Number
01 Nov 2005	01 Nov 2008	$6.47	-	189,700	-	189,700	-
Weighted average exercise price			-	$6.47	-	$6.47	-

2005

No prior period comparative data as the plan was introduced on 1 November 2005.

d) Employee share scheme

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

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

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

In February 2006, each participant was allocated 100 stapled securities (2005 - 100 stapled securities) at a value of $6.90 per stapled security (2005 - $7.65). Stapled Securities provided under the plan were purchased on the open market.

	2006 Number	2005 Number	**2006 Number**	2005 Number
Shares purchased on market under the plan and provided to participating employees	**44,000**	37,000	**44,000**	37,000

e) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense was $0.1 million (2005 - $0.08 million).

42. EVENTS OCCURRING AFTER THE BALANCE DATE

(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.

(c) High Court of Australia Decision – Deductibility of Concession Fees

On 20 July 2006 the High Court ruled in favour of Transurban in relation to the tax deductibility of the Concession Fees paid to the State of Victoria under the Melbourne CityLink Concession Deed. The case was heard by the High Court of Australia after the Australian Taxation Office ("ATO") appealed the unanimous judgement of the Full Court of the Federal Court in October 2004.

The High Court awarded the costs of the legal action to Transurban which are yet to be quantified.

43. RECONCILIATION OF LOSSES AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Operating loss after income tax	**(60,900)**	(90,437)	**231,738**	(521)
Depreciation and amortisation	**258,065**	179,396	**-**	-
Net exchange differences	**(1,470)**	(714)	**-**	-
Tax benefits from subsidiaries		-	**(232,837)**	-
Share of loss of associates and joint venture partnership	**8,634**	-	**-**	-
Project expenses written off	**-**	9,423	**-**	-
Change in operating assets and liabilities				
Increase in Concession Note liability	**74,489**	43,537	**-**	-
Increase in Promissory Note liability	**(10,405)**	-	**-**	-
(Decrease)/increase in creditors	**(38,676)**	(74,818)	**95**	(41)
Decrease/(increase) in debtors	**(7,569)**	66,884	**1**	(29)
Increase in provisions	**3,264**	10,007	**52**	555
Increase/(decrease) in provision for deferred income tax	**(49,938)**	3,694	**-**	(319)
Loans to/from related parties	**(3,272)**	-	**(242)**	-
Net cash inflow from operating activities	**172,222**	146,972	**(1,193)**	(355)

44. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Consolidated 2006 $'000	Consolidated 2005 $'000	Parent Entity 2006 $'000	Parent Entity 2005 $'000
Distributions satisfied by the issue of stapled securities under the distribution reinvestment plan	**93,006**	32,042	**4,026**	60
Conversion of CARS to Transurban Stapled Securities	**56,265**	-	**2,722**	-
	149,271	32,042	**6,747**	60

45. EARNINGS PER STAPLED SECURITY

	2006	2005
Basic earnings per Stapled Security	**(7.6) cents**	(15.3) cents
Diluted earnings per Stapled Security	**(7.6) cents**	(15.3) cents
Weighted average number of Stapled Securities used as the denominator in calculating basic earnings per Stapled Security	**799,431,057**	591,871,852
Weighted average number of Stapled Securities and potential Stapled Securities used as the denominator in calculating diluted earnings per Stapled Security	**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 securities

(a) *Stapled Securities*

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

(b) *Options*

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

46. 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

	Notes	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 and cash equivalents		207,452	-	207,452	34	-	34
Receivables		25,757	-	25,757	-	-	-
Other		6,914	-	6,914	1	-	1
Total Current Assets		240,123	-	240,123	35	-	35
NON-CURRENT ASSETS							
Investments accounted for using the equity method		6,236	-	6,236	-	-	-
Financial assets		486,419	-	486,419	5,100	-	5,100
Property, plant and equipment		3,604,281	-	3,604,281	-	-	-
Deferred tax assets	c		250,621	250,621		240	240
Intangible assets	a,b	8,752	387	9,139	-	-	-
Other	b	29,920	(9,139)	20,781	-	-	-
Total Non-Current Assets		4,135,608	241,869	4,377,477	5,100	240	5,340
TOTAL ASSETS		4,375,731	241,869	4,617,600	5,135	240	5,375
CURRENT LIABILITIES							
Payables		79,422	-	79,422	21	-	21
Interest bearing liabilities		8,000	-	8,000	-	-	-
Non-Interest bearing liabilities		25,585	-	25,585	511	-	511
Provisions		5,570	-	5,570	-	-	-
Total Current Liabilities		118,577	-	118,577	532	-	532
NON-CURRENT LIABILITIES							
Deferred tax liabilities	c	-	757,248	757,248	-	-	-
Interest bearing liabilities		2,210,248	-	2,210,248	-	-	-
Non-Interest bearing liabilities		207,681	-	207,681	-	-	-
Provisions		2,036	-	2,036	133	-	133
Total Non-Current Liabilities		2,419,965	757,248	3,177,213	133	-	133
TOTAL LIABILITIES		2,538,542	757,248	3,295,790	665	-	665
NET ASSETS		1,837,189	(515,379)	1,321,810	4,470	240	4,710
EQUITY							
Contributed equity		2,242,030	-	2,242,030	5,326	-	5,326
Accumulated losses	j	(404,841)	(515,379)	(920,220)	(856)	240	(616)
TOTAL EQUITY		1,837,189	(515,379)	1,321,810	4,470	240	4,710

(b) At the end of the last reporting period under previous AGAAP: 30 June 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		395,561	-	395,561	7,903	-	7,903
Receivables		25,394	-	25,394	29	-	29
Other		9,178		9,178	7	-	7
Total Current Assets		430,133	-	430,133	7,939	-	7,939
NON-CURRENT ASSETS							
Property, plant and equipment	b	5,943,389	3,425	5,946,814	-	-	-
Intangible assets	a,b,d	8,252	106,778	115,030	-	-	-
Deferred tax assets	c, d	-	255,394	255,394	-	559	559
Other financial assets		392,000	-	392,000	75,100	-	75,100
Investments accounted for using the equity method		6,236	-	6,236	-	-	-
Other	a,b	35,061	(8,163)	26,898	-	-	-
Total Non-Current Assets		6,384,938	357,434	6,742,372	75,100	559	75,659
TOTAL ASSETS		6,815,071	357,434	7,172,505	83,039	559	83,598
CURRENT LIABILITIES							
Payables		104,301	-	104,301	44	-	44
Current tax liabilities	c	5,429		5,429	-	95	95
Interest bearing liabilities	l	8,000	590,000	598,000	-	-	-
Non-Interest bearing liabilities		129,578	-	129,578	7,996	-	7,996
Provisions		157,601	-	157,601	593	-	593
Total Current Liabilities		404,909	590,000	994,909	8,633	95	8,728
NON-CURRENT LIABILITIES							
Interest bearing liabilities	l	2,865,976	(590,000)	2,275,976	-	-	-
Non-Interest bearing liabilities	d	206,796	36,500	243,296	-	-	-
Deferred tax liabilities	c	5,024	838,913	843,937	-	-	-
Provisions		3,999	-	3,999	-	-	-
Total Non-Current Liabilities		3,081,795	285,413	3,367,208	-	-	-
TOTAL LIABILITIES		3,486,704	875,413	4,362,117	8,633	-	8,728
NET ASSETS		3,328,367	(517,979)	2,810,388	74,406	464	74,870
EQUITY							
Contributed equity		4,127,228	-	4,127,228	76,007	-	76,007
Accumulated losses		(798,861)	(517,979)	(1,316,840)	(1,601)	464	(1,137)
TOTAL EQUITY		3,328,367	(517,979)	2,810,388	74,406	464	74,870

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

	Notes	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 activities		511,652	-	511,652	47	-	47
Expenses from ordinary activities:							
Operational Costs		(74,222)	-	(74,222)	-	-	-
Corporate Costs		(26,730)	-	(26,730)	(792)	-	(792)
Corporate and Community Relations		(3,523)	-	(3,523)	-	-	-
Business Development		(18,158)	-	(18,158)	-	-	-
Concession Fees	k	(41,421)	25,153	(16,268)	-	-	-
Promissory Notes		(541)	-	(541)	-	-	-
Depreciation and amortisation expenses	a	(179,396)	500	(178,896)	-	-	-
Borrowing costs expense	k	(255,054)	(25,153)	(280,207)	-	-	-
Loss from ordinary activities before income tax		(87,393)	500	(86,893)	(745)	-	(745)
Income tax expense	c	(444)	(3,100)	(3,544)	-	224	224
Loss from ordinary activities after income tax		(87,837)	(2,600)	(90,437)	(745)	224	(521)

(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			Parent Entity		
		30 June 2005 $'000	Adjustment $'000	1 July 2005 $'000	30 June 2005 $'000	Adjustment $'000	1 July 2005 $'000
CURRENT ASSETS							
Cash assets		395,561	-	395,561	7,903	-	7,903
Receivables		25,394	-	25,394	29	-	29
Other		9,178	-	9,178	7	-	7
Other financial assets at fair value through profit and loss	e	-	16,840	16,840	-	-	-
Total Current Assets		430,133	16,840	446,973	7,939	-	7,939
NON-CURRENT ASSETS							
Property, plant and equipment		5,946,814	-	5,946,814	-	-	-
Intangible assets		115,030	-	115,030	-	-	-
Deferred tax assets	c,f	255,394	17,948	273,342	-	559	559
Held-to-maturity investments		392,000	-	392,000	-	-	-
Other financial assets		-	-	-	75,100	-	75,100
Investments accounted for using the equity method		6,236	-	6,236	-	-	-
Derivative financial instruments	f	-	5,910	5,910	-	-	-
Other	g,h	26,898	(22,811)	4,087	-	-	-
Total Non-Current Assets		6,742,372	1,047	6,743,419	75,100	559	75,659
TOTAL ASSETS		7,172,505	17,887	7,190,392	83,039	559	83,598
CURRENT LIABILITIES							
Payables		104,301	-	104,301	44	-	44
Current tax liabilities	c	5,429	-	5,429	-	96	96
Interest bearing liabilities		8,000	-	8,000	-	-	-
Non-Interest bearing liabilities		129,578	-	129,578	7,996	-	7,996
Derivative financial instruments	f	-	20,817	20,817	-	-	-
Provisions		157,601	-	157,601	593	-	593
Total Current Liabilities		404,909	20,817	425,726	8,633	96	8,729
NON-CURRENT LIABILITIES							
Interest bearing liabilities	g	2,865,976	(16,320)	2,849,656	-	-	-
Non-Interest bearing liabilities	i	243,296	(11,741)	231,555	-	-	-
Deferred tax liabilities	f	843,937	1,773	845,710	-	-	-
Derivative financial instruments	f	-	46,592	46,592	-	-	-
Provisions		3,999		3,999	-	-	-
Total Non-Current Liabilities		3,957,208	20,304	3,977,512	-	-	-
TOTAL LIABILITIES		4,362,117	41,121	4,403,238	8,633	96	8,729
NET ASSETS		2,810,388	(23,234)	2,787,154	74,406	463	74,869
EQUITY							
Contributed equity		4,127,228	-	4,127,228	76,007	-	76,007
Cash Flow reserve	f,h,i	-	(40,074)	(40,074)	-	-	-
Accumulated losses	j	(1,316,840)	16,840	(1,300,000)	(1,601)	463	(1,138)
TOTAL EQUITY		2,810,388	(23,234)	2,787,154	74,406	463	74,869

(5) Notes to the reconciliations

(a) Intangible Assets

The goodwill recognised upon the payment of an amount to the Victorian State Government to be released from the Single Purpose Entity restrictions has been derecognised on adoption of AIFRS, due to the failure to meet the criteria of an intangible asset under AASB 138. The effect on the consolidated entity is:

(i) At 1 July 2004

The intangible asset of $8,752,000 is reduced to zero. Retained earnings has reduced by this amount.

(ii) At 30 June 2005

The intangible asset of $8,252,000 is reduced to zero. Retained earnings has reduced by this amount.

(iii) For the year ended 30 June 2005

Depreciation and amortisation expense has reduced by $500,000.

On 12 April 2005 the Transurban Group gained control of the Hills Motorway Group. The assets acquired from this transaction were restated to fair value on acquisition. The application of AASB 112 to the acquisition accounting has given rise to a deferred tax liability relating to Hills Motorway Limited (as explained in note (b)) with a corresponding entry to create goodwill under AASB 3. The effect on the consolidated entity is:

(i) At 30 June 2005

The creation of an intangible asset (Goodwill) of $84,742,000.

(b) Non-current Assets – other

Under previous AGAAP cost associated with Project Development were classified as other non-current assets. This asset has been re-classified as either an intangible asset or property, plant and equipment depending on the nature of the project development work undertaken. The effect is on the Group is:

(i) At 1 July 2004

An increase in intangible assets of $9,139,000 for the Group. Other non-current assets have decreased by these amounts.

(ii) At 30 June 2005

An increase in intangible assets of $4,738,000 and an increase in property, plant and equipment of $3,425,000. Other non-current assets have decreased by these amounts.

(c) Deferred Tax Assets and Liabilities

Under previous AGAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences.

Through the application of AASB 112 *Income Taxes*, income tax expense or revenue is the tax payable on taxable income based on the national income tax rate, adjusted for changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, in addition to unused tax losses.

Deferred income tax liabilities are provided on most temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets are recognised for most deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

Entries to recognise the tax effect of timing differences as a future income tax benefit or a deferred tax liability were not recorded under AGAAP because the Company's deferred tax liabilities calculated under AGAAP were offset by tax losses. The application of AASB 112 has resulted in the recognition of significant deferred tax assets and liabilities with related adjustments to the income statement. The effect on the consolidated entity is:

(i) At 1 July 2004

The recognition of deferred tax assets of $250,621,000. Retained earnings has increased by this amount.

The recognition of deferred tax liabilities of $757,248,000. Retained earnings has reduced by this amount.

(ii) At 30 June 2005

The recognition of deferred tax assets of $244,444,000. Retained earnings has increased by this amount.

The recognition of deferred tax liabilities of $838,913,000. Retained earnings has reduced by this amount.

(iii) For the year ended 30 June 2005

The movements in tax deferred assets and liabilities for the period 1 July 2004 to 30 June 2005 has created an income tax expense of $3,100,000.

The effect on the parent entity is:

(i) At 1 July 2004

The recognition of deferred tax assets of $240,000. Retained earnings has increased by this amount.

(ii) At 30 June 2005

The recognition of deferred tax assets of $559,000. Retained earnings has increased by this amount.

Recognition of current tax payable of $95,000. Retained earnings has reduced by this amount.

(iii) For the year ended 30 June 2005

The movements in deferred tax assets for the period 1 July 2004 to 30 June 2005 has created income tax revenue of $319,000.

(d) Non-interest bearing liabilities

Within the twelve months following the acquisition of the Hills Motorway Group, an additional contingent liability has been identified along with an associated deferred tax asset. The fair value of assets and liabilities acquired has been restated resulting in additional goodwill. The effect on the Group is:

At 30 June 2005

The recognition of a non-current payable of $36,500,000, an increase in deferred tax assets of $10,950,000 and an increase in intangible assets of $25,550,000.

(e) Financial Assets

Options held to acquire an additional 5 per cent interest in the Westlink M7 project at a cost of $49.0 million 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.

(f) Derivative financial instruments

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

At 1 July 2005

The recognition of a non-current asset of $5,910,000 and an increase in cash flow reserves of the same amount. The recognition of a current liability of $20,817,000 and a reduction in cash flow reserves of the same amount. The recognition of a non-current liability of $46,592,000 and a reduction in reserves of the same amount.

The recognition of a tax deferred asset of $17,948,000 and an increase in cash flow reserves of the same amount. The recognition of a deferred tax liability of $1,773,000 and a reduction in cash flow reserves of the same amount.

(g) 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 $16,320,000 and a reduction reflected against interest bearing liabilities of the same amount.

(h) Financial Swap Contract Break Costs

In May 2005, the company 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 a reduction in equity reserves of the same amount.

(i) *Non-interest bearing liabilities*

The US private placement involved raising fixed US dollar debt. In relation to this the Group entered into cross-currency interest rate swap contracts under which it is obliged to receive foreign currency interest at fixed rates and to pay Australian dollar interest at floating rates. The amount payable is revalued at each reporting date to reflect any changes in foreign exchange rates. The contracts are settled on a net basis. Under AGAAP the net amount receivable or payable at the reporting date was included in non-interest bearing liabilities. Under AIFRS, on adoption of AASB 139, these net payables or receivables are recognised in a cash flow reserve within equity. The effect is:

At 1 July 2005

A reduction in non-interest bearing liabilities of $11,741,000. Cash flow reserves has increased by the same amount.

(j) Retained Earnings

The effect on retained earnings of the changes set out above are as follows:

	Consolidated		Parent Entity	
	1 July 2004 $'000	30 June 2005 $'000	1 July 2004 $'000	30 June 2005 $'000
Intangible asset	(8,752)	76,490	-	-
Deferred tax asset	250,621	244,444	240	559
Current tax payable	-	-	-	(95)
Deferred tax liability	(757,248)	(838,913)	-	-
Total adjustment	(515,379)	(517,979)	240	464

(k) Concession Note Re-classification

The concession notes are carried at the net present value of future cash flows. As such, the income statement charge for concession fees includes an amount in relation to an increase in the liability in each period to reflect the passage of time. Under AGAAP this was disclosed separately on the face of the income statement. Under AIFRS, the impact of the passing of time should be disclosed within borrowing costs. The effect is:

(i) For the year ended 30 June 2005

An increase in borrowing costs of $25,153,000 and a reduction in concession fees of the same amount. There is no net income statement impact.

(l) *Current interest bearing liabilities*

Transurban refinanced $590.0 million of Series 1-4 Capital Markets debt during the August 2005 U.S. Private Placement refinancing activity.

In the directors' opinion:

a) the financial statements and notes set out on pages 37 to 125 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 Group's financial position as at 30 June 2006 and of its performance, as represented by the results of its 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 Group will be able to pay its debts as and when they become due and payable; and

c) the audited remuneration disclosures set out on pages 15 to 29 of the directors' report comply with Accounting Standards AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*.

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

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

Laurence G Cox
Chairman

Kimberley Edwards
Managing Director

Melbourne

22 August 2006

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Independent audit report to the members of Transurban Holdings Limited

Matters relating to the electronic presentation of the audited financial report

This audit report relates to the concise financial report of Transurban Holdings Limited for the financial year ended 30 June 2006 included on Transurban Holdings Limited's web site. Transurban Holdings Limited's directors are responsible for the integrity of the Transurban Holdings Limited web site. 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 the Transurban Holdings Limited 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 balance sheet, income statement, cash flow statement, statement of changes in equity, notes to the financial statements, and the directors' declaration of the Transurban Holdings Limited Group (the Group) for the year ended 30 June 2006. The Group comprises the aggregation of Transurban Limited (TL), Transurban Holdings Limited (THL) and the Transurban Holdings Trust (THT) and their controlled entities.

The directors of THL, TL and Transurban Infrastructure Management Limited, the Responsible Entity for THT, 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 Group. 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 Group 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

Tim Goldsmith

Tim Goldsmith
Partner

Melbourne
22 August 2006