financial statements
2004

financials

The Financial Report of Transurban Infrastructure Developments Limited and Controlled Entities (ABN 96 098 143 410)

for the year ended 30 june 2004

contents

This financial report covers both Transurban Infrastructure Developments Limited as an individual entity and the consolidated entity consisting of Transurban Infrastructure Developments Limited and its controlled entities.

Transurban Infrastructure Developments Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transurban Infrastructure Developments Limited
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

Your directors present their report on the consolidated entity consisting of Transurban Infrastructure Developments Limited and the entities it controlled at the end of, or during, the year ended 30 June 2004.

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

Directors

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

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

Principal activities

During the year the principal continuing activities of the consolidated entity consisted of:

(a) Providing management services to Transurban Holdings Limited ("Holding Company") and CityLink Melbourne Limited ("CityLink Company");

(b) Providing services to Transurban Infrastructure Management Limited ("TIML") in TIML's capacity as responsible entity of Transurban Holding Trust ("Holding Trust"), Transurban CARS Trust and CityLink Trust;

(c) Identification and development of infrastructure projects in accordance with the investment strategies of Holding Company and Holding Trust;

(d) The continued development and enhancement of the existing Melbourne CityLink ("CityLink") electronic tolling system and processes;

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

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

Review of operations

During the year Transurban Infrastructure Developments Limited has expanded its operations to include management of the Westlink M7 Project as well as continuing to pursue new business development opportunities in both the domestic and international markets.

(a) Westlink M7

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

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

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

(b) Business development

Opportunities pursued during the period include:

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

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

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

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

(ii) Stockholm Congestion Charging Project

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

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

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

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

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

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

(iv) I95 Virginia USA proposal

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

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

Likely developments and expected results of operations

Information on likely developments in the operations of the company 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 company.

Information on directors

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

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

Date of initial appointment: 13 February 1996.

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

Independence status: independent.

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

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

Date of initial appointment: 2 January 1996.

Special Responsibilities: Group Managing Director.

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

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

Date of initial appointment: 2 January 1996.

Special Responsibilities: Chairman of Audit Committee.

Independence status: independent.

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

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

Date of initial appointment: 19 December 2000.

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

Independence status: independent.

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

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

Date of initial appointment: 16 December 1997.

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

Independence status: independent.

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

Ms Susan Oliver is a director of MBF Group, Programmed Maintenance Services Ltd, Methodist Ladies College Ltd and The Smith Family Ltd, The Australian Business Foundation Ltd and wwITe Pty Ltd. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd.

Date of initial appointment: 25 June 1996

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

Independence status: independent.

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

Mr Geoffrey Phillips joined Transurban in 1996 as Executive General Manager, Finance and was subsequently appointed Finance Director. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as director in both the Corporate Finance and Fixed Interest Divisions. He is currently a director of Yarra Valley Water Limited.

Date of appointment: 28 August 1998.

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

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

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

Date of appointment: 29 April 2003.

Special Responsibilities: Member of Risk Management and Compliance Committee.

Independence status: independent.

directors' report

Meetings of directors

The numbers of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

Name	Board of directors meetings		Audit committee		Mitcham Frankston Freeway committee		Nomination & remuneration committee		Risk management & compliance	
	A	B	A	B	A	B	A	B	A	B
L G Cox	12 (1)	14	3 (1)	4	x	x	2	2	x	x
P C Byers	13	14	4	4	11	11	x	x	x	x
G O Cosgriff	14	14	x	x	9	11	1	2	3	3
J G A Davis	14	14	4	4	11	11	2	2	x	x
S M Oliver	13	14	x	x	11	11	x	x	3	3
D J Ryan	13	14	x	x	11	11	x	x	3	3
K Edwards (2)	14	14	x	x	10	11	x	x	x	x
G R Phillips (2)	14	14	x	x	11	11	x	x	3	3

A= Number of meetings attended

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

X= Not a member of the relevant committee

(1) Mr Cox was granted leave of absence from meetings of the Board of directors in April and May 2004 and one Audit Committee meeting in May 2004, due to illness.

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

In addition to the meetings of the Full Board listed above, a number of meetings of directors were held during the period for administrative purposes.

Directors' interests

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

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

Remuneration report

Principles used to determine the nature and amount of remuneration.

Non-executive directors

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

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

Executive directors and executives

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

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

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

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

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

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

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

The components of executive remuneration are described below:

Base pay

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

Short-term incentives

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

Long-term incentives

Two forms of Long-term Incentives ("LTI") are currently in operation, the Executive Option Plan ("EOP") and the Executive Long-term Incentive Plan ("ELTIP"). The EOP provides Executives with equity-based rewards, where as the ELTIP provides cash-based rewards. Both plans utilise Total Shareholder Return as the basis for determining payment. The EOP was introduced with a five year term in 2001. Following a review of the EOP in 2003, it was decided to make no further issues of options under the EOP and to introduce the ELTIP to provide long-term incentives beyond the period covered by the EOP. No options were granted under the EOP during this financial year. Details regarding the EOP are available in the note 21 of the financial statements.

Business generation incentive plan

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

Employee security ownership plan

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

Employee insurance

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

Details of remuneration

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

Directors of Transurban Infrastructure Developments Limited

	Primary				Post-employment		Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
L G Cox	167,529	-	-	-	15,078	105,453	-	288,060
P C Byers	64,552	-	-	-	5,810	31,962	-	102,324
J G A Davis	60,298	-	-	-	8,053	25,304	-	93,655
S M Oliver	63,938	-	-	-	5,754	29,605	-	99,297
G O Cosgriff	57,790	-	-	-	5,201	70,869	-	133,860
D J Ryan	63,589	-	-	-	5,723	-	-	69,312
K Edwards	1,013,000	550,000	204,528	7,300	87,000	-	184,503	2,046,331
G R Phillips	463,998	225,000	-	7,300	11,002	-	61,501	768,801
Total	1,954,694	775,000	204,528	14,600	143,621	263,193	246,004	3,601,640

Emoluments of non-executive directors represent the portion of emoluments which relate to the consolidated entity. For full disclosure, see the Transurban Group Report.

Other executives of Transurban Infrastructure Developments Limited

	Primary				Post-employment	Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
K Daley	218,851	100,000	40,906	18,532	91,149	37,264	506,702
P O'Shea	193,851	130,000	31,281	9,778	91,149	31,940	487,999
K Reynolds	261,469	90,000	30,078	18,434	23,531	31,940	455,452
F Browne	348,530	-	-	18,585	31,470	47,798	446,383
L Hunt	261,379	100,000	30,078	13,000	15,110	11,774	431,341
Total	1,284,080	420,000	132,343	78,329	252,409	160,716	2,327,877

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

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

Shares under option

Unissued stapled securities of the Transurban Group which include options over shares of the company, under option at the date of this report are as follows. No options were issued during the year.

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

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

Shares issued on the exercise of options

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

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

Insurance of officers

Article 12.1 of the Articles of Association of the Company and consolidated entity provides that to the extent permitted by law, each person who is or has been an officer of the Company and consolidated entity shall be indemnified against liability incurred by the person in his capacity as an officer of the Company and consolidated entity unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Company and consolidated entity also indemnifies each person who is or has been an officer of the Company and consolidated entity against liability for costs or expenses incurred by the person in his or her capacity as an officer of the Company and consolidated entity 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.

In accordance with common practice, the insurance policy prohibits disclosure of the nature of the liability covered and the amount of the premium.

Rounding off

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and 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.

Auditor

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

statements of financial performance

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from ordinary activities	3	**37,718**	27,852	**25,172**	26,702
Expenses from ordinary activities:					
Operational costs		**(6,184)**	(3,130)	**(3,220)**	(3,131)
Administration costs		**(13,305)**	(9,328)	**(12,906)**	(9,117)
Business Development		**(9,243)**	(9,855)	**(9,243)**	(9,855)
Corporate and Community Relations		**(2,455)**	(2,503)	**(2,455)**	(2,503)
Depreciation and amortisation expenses	4	**(4,699)**	(1,775)	**(4,699)**	(1,775)
Borrowing costs expense	4	**(590)**	(358)	**(564)**	(322)
Profit from ordinary activities before income tax		**1,242**	903	**(7,915)**	-
Income tax expense	5	**-**	-	**-**	-
Profit from ordinary activities after income tax		**1,242**	903	**(7,915)**	-

		Cents	Cents
Basic earnings per share	30	**0.2**	0.2
Diluted earnings per share	30	**0.1**	0.2

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

financials

statements of financial position

as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6	**6,470**	972	**4,092**	125
Receivables	7	**2,258**	2,576	**2,247**	1,194
Other	8	**4,930**	7,599	**2,861**	7,599
Total current assets		**13,658**	11,147	**9,200**	8,918
Non-current assets					
Receivables		**5,128**	-	**5,128**	-
Property, plant and equipment	9	**24,652**	19,591	**24,652**	19,591
Intangible assets	10	**8,752**	9,252	**8,752**	9,252
Other	11	**9,139**	1,626	**7,760**	1,626
Total non-current assets		**47,671**	30,469	**46,292**	30,469
Total assets		**61,329**	41,616	**55,492**	39,387
Current liabilities					
Payables	12	**4,429**	4,301	**4,130**	4,277
Interest bearing liabilities	13	**8,000**	8,000	**8,000**	8,000
Non-interest bearing liabilities	14	**10,636**	20,660	**15,250**	19,365
Provisions	15	**3,946**	3,621	**3,946**	3,621
Total current liabilities		**27,011**	36,582	**31,326**	35,263
Non-current liabilities					
Non-interest bearing liabilities	16	**30,328**	3,150	**30,328**	3,150
Provisions	17	**1,838**	974	**1,753**	974
Total non-current liabilities		**32,166**	4,124	**32,081**	4,124
Total liabilities		**59,177**	40,706	**63,407**	39,387
Net assets		**2,152**	910	**(7,915)**	-
Equity					
Contributed equity	18	**-**	-	**-**	-
Retained profits	19	**2,152**	910	**(7,915)**	-
Total equity		**2,152**	910	**(7,915)**	-

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

statements of cash flows

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Entity 2004 $'000	Parent Entity 2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**39,776**	30,835	**30,299**	25,088
Payments to suppliers (inclusive of GST)		**(35,665)**	(34,590)	**(31,389)**	(33,165)
Interest received		**211**	118	**120**	78
Borrowing costs		**(579)**	(316)	**(560)**	(286)
Net cash inflow/(outflow) from operating activities	29	**3,743**	(3,953)	**(1,530)**	(8,285)
Cash flows from investing activities					
Payments for property, plant and equipment		**(10,696)**	(7,374)	**(9,439)**	(7,374)
Payments for project development		**(5,334)**	-	**(5,334)**	-
Payment for single purpose		**(3,150)**	(3,700)	**(3,150)**	(3,700)
Proceeds from sales of assets		**6**	-	**6**	-
Loans to related parties		**(4,142)**	(35,234)	**(9,533)**	(34,192)
Repayment of loans by related parties		**7,399**	55,899	**12,492**	54,934
Net cash (outflow)/inflow from investing activities		**(15,917)**	9,591	**(14,958)**	9,668
Cash flows from financing activities					
Loans from related parties		**59,530**	47,973	**68,039**	51,229
Repayment of loans to related parties		**(41,888)**	(55,040)	**(47,614)**	(54,613)
Net cash inflow/(outflow) from financing activities		**17,642**	(7,067)	**20,425**	(3,384)
Net increase/(decrease) in cash at bank		**5,468**	(1,429)	**3,937**	(2,001)
Cash at bank at the beginning of the financial year		**972**	2,401	**125**	2,126
Effects of exchange rate changes on cash		**30**	-	**30**	-
Cash at bank at the end of the financial year	6	**6,470**	972	**4,092**	125

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

notes to the financial statements

for the year ended 30 June 2004

1. Summary of significant accounting policies

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

It is prepared in accordance with historical cost convention, except for certain assets which, as noted, are at valuation. Where necessary, comparatives have been reclassified for consistency with current year disclosures. In the current year amounts previously categorised under the two main headings of Administration and Operational costs have been split to more accurately reflect the nature of the company's operations.

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

a) Principles of consolidation

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

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

b) Income tax

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

Tax consolidation legislation

The Transurban Group has completed an analysis of the tax consolidation legislation and its application to the Group. In reaching a decision to adopt the provisions of the legislation, the Group considered the following:

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

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

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

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

c) Foreign currency translation

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

d) Acquisition of assets

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

e) Revenue recognition

Revenue is recognised when services have been provided in accordance with relevant service agreements.

f) Recoverable amount of non-current assets

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

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

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

g) Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over its expected useful life to the consolidated entity. Estimates of remaining useful lives will be made on a regular basis for all assets.

The expected useful lives are as follows:

Plant and Equipment	3 – 15 years

h) Non-current assets constructed by the consolidated entity

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

I) Intangible assets – goodwill

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

j) Trade and other creditors

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

k) Interest bearing liabilities

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

l) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 21.

No accounting entries are made in relation to the Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 21 include the assessed fair value of options at the date they were granted.

iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long-term Incentive Plan. Information relating to this plan is set out in note 21.

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

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

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

(v) Superannuation

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

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

m) Borrowing costs

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

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

n) Cash

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

o) Earnings per Share

Basic earnings per share

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

Diluted earnings per share

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

p) Project development costs

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

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

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

Costs meeting these criteria are capitalised.

q) Rounding of amounts

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

r) International financial reporting standards ("IFRS")

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

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

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

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

(i) Income tax

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

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

The Company has presently recognised deferred tax balances but due to the existence of unrecognised tax losses these offset future tax liabilities. On the adoption of IFRS, the Company may recognise deferred tax assets, liabilities and tax losses to the extent it is probable they will be available for use by the Company.

(ii) Intangible assets – goodwill

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

(iii) Equity-based compensation benefits

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

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

(iv) Financial instruments

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

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

2. Segment information

Primary reporting – business segment

The primary business segment for the year ending 30 June 2004 was the Management of the entities operating the Melbourne City Link Toll road and investigating possible investment opportunities. All revenues and expenses are directly attributable to this sole purpose. The management structure and internal financial reporting are based on this single business segment.

Secondary reporting – geographical segments

	Segment revenues		Segment assets		Segment liabilities	
	2004	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Victoria	**28,387**	27,852	**57,536**	41,373	**59,177**	40,706
New South Wales	**9,331**	-	**3,793**	243	**-**	-
	37,718	27,852	**61,329**	41,616	**59,177**	40,706

3. Revenue

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Revenue from operating activities				
Management fees	**12,465**	22,847	**12,465**	22,846
IT development charges	**14,245**	3,716	**6,043**	3,716
Responsible entity fees	**4,187**	1,032	**-**	-
	30,897	27,595	**18,508**	26,562
Revenue from outside the operating activities				
Interest	**219**	101	**121**	59
Proceeds from sale of non-current assets	**6**	-	**6**	-
Net foreign exchange gains (note 4)	**59**	-	**-**	-
Management fee	**6,523**	-	**6,523**	-
Other	**14**	156	**14**	81
	6,821	257	**6,664**	140
Revenue from ordinary activities	**37,718**	27,852	**25,172**	26,702

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for the year ended 30 June 2004

4. Profit from ordinary activities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net gains				
Net gain on disposal of property, plant and equipment	**6**	-	**6**	-
Net foreign exchange gains recognised in profit from ordinary activities for the year (as either revenue or expense)	**59**	-	**-**	-
Expenses				
Depreciation and amortisation				
Plant and equipment	**4,199**	1,275	**4,199**	1,275
Amortisation				
Goodwill	**500**	500	**500**	500
Total depreciation and amortisation	**4,699**	1,775	**4,699**	1,775
Borrowing costs				
Interest and finance charges paid/payable	**590**	358	**564**	322
Rental expenses relating to operating leases – minimum lease payments	**1,424**	1,203	**1,424**	1,203

5. Income tax

Tax consolidation legislation

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
a) Income tax expense for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**1,242**	903	**(7,915)**	-
Income tax calculated at 30% (2003-30%)	**373**	271	**(2,375)**	-
Tax effect of permanent differences:				
Non-deductible depreciation and amortisation	**150**	150	**150**	150
Other	**158**	92	**158**	92
Income tax adjusted for permanent differences	**681**	513	**(2,067)**	242
Benefit of tax losses of prior years recouped	**(681)**	(513)	**-**	(242)
Benefit of tax losses not recognised	**-**	-	**2,067**	-
Income tax expense attributable to profit from ordinary activities before impact of tax consolidation	**-**	-	**-**	-
Profit from ordinary activities before income tax expense-tax consolidated group (excluding parent entity)	**-**	-	**9,157**	-
Income tax calculated at 30% (2003-30%)	**-**	-	**2,747**	-
Income tax adjusted for permanent differences	**-**	-	**2,747**	-
Benefit of tax losses of prior years recouped	**-**	-	**(249)**	-
Benefit of current year tax loss			**(2,498)**	
Income tax expense attributable to profit from ordinary activities	**-**	-	**-**	-
b) Tax losses at beginning of the year	**249**	1,625	**1,152**	1,625
Tax (profit)/losses for the year	**5,089**	(1,376)	**14,300**	(473)
Tax (profit)/losses at end of the year	**5,338**	249	**15,452**	1,152

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for the year ended 30 June 2004

Potential future income tax benefits at 30 June 2004 for tax losses that have not been brought to account for the consolidated entities are $1,601,400 (gross $5,338,000). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements described in note 1b.

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

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

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
6. Current assets – cash assets				
Cash at bank	**6,470**	972	**4,092**	125
	6,470	972	**4,092**	125
7. Current assets – receivables				
Trade debtors	**1,769**	1,811	**1,769**	111
Other debtors	**489**	765	**478**	1,083
	2,258	2,576	**2,247**	1,194

Trade debtors

Trade debtors includes $1.4 million, which is the current portion of the $6.5 million management fee. The remaining balance is classified as non-current receivables.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
8. Current assets – other				
Prepayments	**363**	143	**363**	143
Advances to related parties	**4,567**	7,456	**2,498**	7,456
	4,930	7,599	**2,861**	7,599
9. Non-current assets – property, plant and equipment				
a) Equipment and Fittings				
Equipment and fittings at cost	**30,922**	21,684	**30,922**	21,684
Less: Accumulated depreciation	**(6,270)**	(2,093)	**(6,270)**	(2,093)
	24,652	19,591	**24,652**	19,591

b) Reconciliations

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

	Equipment and fittings – at cost $'000
Consolidated – 2004	
Carrying amount at 1 July 2003	19,591
Additions	9,260
Depreciation/amortisation expense (note 4)	(4,199)
Carrying amount at 30 June 2004	24,652
Parent entity – 2004	
Carrying amount at 1 July 2003	19,591
Additions	9,260
Depreciation/amortisation expense (note 4)	(4,199)
Carrying amount at 30 June 2004	24,652

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000

10. Non-current assets – intangible assets

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

11. Non-current assets – other

Project development	**9,139**	1,626	**7,760**	1,626
	9,139	1,626	**7,760**	1,626

12. Current liabilities – payables

Trade creditors	**2,086**	2,704	**2,060**	2,700
Other creditors	**2,343**	1,597	**2,070**	1,577
	4,429	4,301	**4,130**	4,277

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for the year ended 30 June 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
13. Current liabilities – interest bearing liabilities				
Secured				
Bank loan	**8,000**	8,000	**8,000**	8,000
	8,000	8,000	**8,000**	8,000

The loan facility is fully drawn down at 30 June 2004.

14. Current liabilities – non-interest bearing liabilities

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Loans from related parties	**5,656**	12,585	**12,100**	16,215
Unearned income	**1,830**	4,925	**-**	-
Release from single purpose	**3,150**	3,150	**3,150**	3,150
	10,636	20,660	**15,250**	19,365

15. Current liabilities – provisions

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Employee entitlements	**3,946**	3,621	**3,946**	3,621
	3,946	3,621	**3,946**	3,621

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

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Unsecured				
Release from single purpose	**-**	3,150	**-**	3,150
Loans from related parties	**30,328**	-	**30,328**	-
	30,328	3,150	**30,328**	3,150

17. Non-current liabilities – provisions

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Directors' retirement	**1,235**	974	**1,150**	974
Other employee entitlements	**603**	-	**603**	-
	1,838	974	**1,753**	974

On retirement, non-executive directors with more than 3 years service are entitled to receive a lump sum payment equivalent to the total emoluments received during a third of the director's total period of service or 3 years, which ever is the lesser.

	Parent entity 2004 Shares '000	Parent entity 2003 Shares '000	Parent entity 2004 $'000	Parent entity 2003 $'000
18. Contributed equity				
a) Share capital – ordinary shares				
fully paid	**532,630**	518,473	**-**	-

b) Movement in ordinary share capital

Date	Details	Notes	Number of shares '000	Issue price	$'000
1 July 2003	Opening balance		518,473	-	-
8 October 2003	Distribution reinvestment plan issue	d	4,957	-	-
26 February 2004	Exercise of April 2001 options	f	96	-	-
26 March 2004	Distribution reinvestment plan issue	d	9,104	-	-
30 June 2004	Closing balance		532,630	-	-

The shares issued as part of the distribution reinvestment plan form part of the Transurban Group stapled securities issued. A nil value is assigned to Transurban Infrastructure Developments Limited, with the value being apportioned between Transurban Holdings Limited and Transurban Holding Trust.

c) Ordinary Shares

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

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

d) Distribution reinvestment plan

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

e) Employee share scheme

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

f) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 21.

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for the year ended 30 June 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
19. Retained profits				
Retained profits at the beginning of the financial year	**910**	7	**-**	-
Net profits/(loss) from the current year	**1,242**	903	**(7,915)**	-
Retained profits/(loss) at the end of the financial year	**2,152**	910	**(7,915)**	-

20. Financial instruments

Interest rate risk

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

2004

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Fixed interest maturing in: Between 1 and 5 years $'000	Fixed interest maturing in: More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial assets							
Cash	6	6,470	-	-	-	-	6,470
Sundry debtors	7	-	-	-	-	2,258	2,258
Non-current receivables		-	-	-	-	5,128	5,128
Advances to related parties	8	-	-	-	-	4,567	4,567
Total financial assets		6,470	-	-	-	11,953	18,423
Weighted average interest rate		3.37%	-	-	-		
Financial liabilities							
Creditors	12	-	-	-	-	4,429	4,429
Release from single purpose	14	-	-	-	-	3,150	3,150
Loans from related parties	14,16	-	-	-	-	35,984	35,984
Bank loan	13	-	8,000	-	-	-	8,000
Total financial liabilities		-	8,000	-	-	43,563	51,563
Weighted average interest rate		-	7.19%	-	-		
Net financial assets/(liabilities)		6,470	(8,000)	-	-	(31,610)	(33,140)

2003

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial assets							
Cash	6	972	-	-	-	-	972
Sundry debtors	7	-	-	-	-	2,576	2,576
Advances to related parties	8	-	-	-	-	7,456	7,456
Total financial assets		972	-	-	-	10,032	11,004
Weighted average interest rate		3.69%	-	-	-		
Financial liabilities							
Creditors	12	-	-	-	-	4,301	4,301
Loans from related parties	14	-	-	-	-	12,585	12,585
Release from single purpose	14,16	-	-	-	-	6,300	6,300
Bank loan	13	-	8,000	-	-	-	8,000
Total financial liabilities		-	8,000	-	-	23,186	31,186
Weighted average interest rate		-	6.56%	-	-		
Net financial assets/(liabilities)		972	(8,000)	-	-	(13,154)	(20,182)

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	Notes	2004 $'000	2003 $'000
Reconciliation of net financial (liabilities) to net assets			
Net financial liabilities as above		**(33,140)**	(20,182)
Non-financial assets and liabilities			
Property, plant and equipment	9	**24,652**	19,591
Other assets	8,10,11	**18,254**	11,021
Other liabilities	14,15,17	**(7,614)**	(9,520)
Net assets per balance sheet		**2,152**	910

Credit risk

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

Net fair values of financial assets and liabilities

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

21. Director and executive disclosures

Directors

The following persons were directors of Transurban Infrastructure Developments Limited during the financial year:

Chairman – non-executive
Laurence G Cox

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

Executive directors
Kimberley Edwards
Geoffrey R Phillips

Specified executives

The following persons were the nine executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year. All executives are employees of Transurban Infrastructure Developments Limited.

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

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration.

Non-executive directors

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

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

Executive remuneration

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

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

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

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and

- Providing strong, transparent linkages between individual and group performance and rewards.

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

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

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

The components of executive remuneration are described below:

Base pay

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

Short-term incentives

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

Long-term incentives

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

Business generation incentive plan

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

Employee security ownership plan

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

Employee insurance

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

Details of remuneration

Details of the remuneration of each director of Transurban Infrastructure Developments Limited and each of the nine specified executives of the consolidated entity, including their personally related entities, are set out in the following tables:

Directors of Transurban Infrastructure Developments Limited

2004

	Primary				Post-employment		Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
L G Cox	167,529	-	-	-	15,078	105,453	-	288,060
P C Byers	64,552	-	-	-	5,810	31,962	-	102,324
J G A Davis	60,298	-	-	-	8,053	25,304	-	93,655
S M Oliver	63,938	-	-	-	5,754	29,605	-	99,297
G O Cosgriff	57,790	-	-	-	5,201	70,869	-	133,860
D J Ryan	63,589	-	-	-	5,723	-	-	69,312
K Edwards	1,013,000	550,000	204,528	7,300	87,000	-	184,503	2,046,331
G R Phillips	463,998	225,000	-	7,300	11,002	-	61,501	768,801
Total	1,954,694	775,000	204,528	14,600	143,621	263,193	246,004	3,601,640

Emoluments of non-executive directors represent the portion of emoluments which relate to the consolidated entity. For full disclosure, see the Transurban Group Report.

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

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

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for the year ended 30 June 2004

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

2003

	Primary				Post-employment		Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total	1,733,080	965,000	-	14,600	133,606	253,355	245,332	3,344,973

Specified executives of the consolidated entity

2004

	Primary				Post-employment	Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
K Daley	218,851	100,000	40,906	18,532	91,149	37,264	506,702
P O'Shea	193,851	130,000	31,281	9,778	91,149	31,940	487,999
K Reynolds	261,469	90,000	30,078	18,434	23,531	31,940	455,452
F Browne	348,530	-	-	18,585	31,470	47,798	446,383
L Hunt	261,379	100,000	30,078	15,110	23,621	11,774	441,962
V Delosa	261,379	90,000	-	18,527	23,621	29,435	422,962
J Barber	203,246	100,000	24,062	18,520	36,754	26,617	409,199
M Roberts	229,270	100,000	-	18,821	20,730	29,435	398,256
C Tizi	229,270	-	-	12,187	20,730	31,940	294,127
Total	2,207,245	710,000	156,405	148,494	362,755	278,143	3,863,042

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

2003

	Primary				Post-employment	Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Options(1)**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Total	1,314,180	971,500	-	44,200	115,713	160,277	2,605,870

Service agreements

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

Executive directors

K Edwards, Managing Director

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

G R Phillips, Deputy Managing Director

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

Specified executives

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

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

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

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

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

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

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

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

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

Share-based Compensation – Executive Long-term Incentive ("ELTI") Plan

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

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

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

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

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

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Transurban Infrastructure Developments Limited and each of the nine specified executives of the consolidated entity are set out below. Further information on options is set out in note 25.

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

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Shares provided on exercise of remuneration options

Details of ordinary shares in the company provided as a result of the exercise of remuneration options to each director of Transurban Infrastructure Developments Limited and each of the nine specified executives of the consolidated entity are set out below.

Name	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year
Specified executives of the consolidated entity		
P O'Shea	26 February 2004	95,700

The amounts paid per stapled security which includes one share in Transurban Infrastructure Developments Limited, by each director and executive on the exercise of options at the date of exercise were as follows:

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

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

Option holdings

The number of options over ordinary shares in the company held during the financial year by each director of Transurban Infrastructure Developments Limited and each of the nine specified executives of the consolidated entity, including their personally-related entities, are set out below.

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

Share holdings

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

Stapled Securities

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

CARS

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

Other transactions with directors and specified executives

Directors of Transurban Infrastructure Developments Limited

Mr Laurie Cox is a director of Macquarie Corporate Finance Limited (a wholly owned subsidiary of Macquarie Bank Limited). Transurban Infrastructure Developments 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.

With the exception of K Edwards, all directors of the consolidated entity are also directors of Transurban Infrastructure Management Limited ("TIML"). TIML is the Responsible Entity for Transurban Holding Trust, CityLink Trust and Transurban CARS Trust. All directors are also directors of CityLink Melbourne Limited. The consolidated entity has earned revenue from these entities for the provision of Management Services, IT Development Services and Responsible Entity Services.

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Amounts recognised as expense				
Consulting fees expense	**-**	372	**-**	372
Reimbursement of out of pocket expenses	**-**	21	**-**	21
	-	393	**-**	393
Amounts recognised as revenue				
Management fees	**18,988**	22,847	**18,988**	22,846
Responsible entity fees	**4,187**	1,032	**-**	-
IT development fees	**5,000**	3,716	**6,043**	3,716
	28,175	27,595	**25,031**	26,562

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Infrastructure Developments Limited:

Current assets	**5,962**	7,456	**3,893**	7,456
Non-current assets	**5,128**	-	**5,128**	-
	11,090	7,456	**9,021**	7,456

Aggregate amounts payable to directors of Transurban Infrastructure Developments Limited at balance date relating to the above types of other transactions:

Current liabilities	**5,656**	12,585	**12,100**	16,215
Non-current liabilities	**30,328**	-	**30,328**	-
	35,984	12,585	**42,428**	16,215

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22. Remuneration of auditors

During the year the following services were paid to the auditor of the parent entity and its related practices.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Assurance services				
1. Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001	**51,600**	46,100	**33,600**	32,800
Total remuneration for audit services	**51,600**	46,100	**33,600**	32,800
2. Other assurance services				
Due diligence	**168,125**	242,100	**168,125**	242,100
Compliance plan audit	**21,544**	75,940	**21,544**	-
Other assurance services	**-**	51,100	**-**	51,100
Total remuneration for assurance services	**189,669**	369,140	**189,669**	293,200
Taxation services				
Tax compliance services, including review of income tax returns	**153,000**	49,950	**153,000**	49,950
Total remuneration for taxation services	**153,000**	49,950	**153,000**	49,950

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

23. Contingent liability

Guarantees

The company has established a bank guarantee of $5 million in favour of a Transurban Infrastructure Management Limited, a controlled entity in a form prescribed by ASIC to accommodate the net tangible asset conditions of the controlled entity's Australian Financial Services Licence. The controlled entity is unable to act as a Responsible Entity if the bank guarantee conditions are not satisfied.

24. Commitments for expenditure

Lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Within one year	**1,836**	475	**1,836**	475
Later than one year but not later than 5 years	**8,488**	2,176	**8,488**	2,176
Later than 5 years	**-**	-	**-**	-
	10,324	2,651	**10,324**	2,651

25. Employee entitlements

Employee benefit and related on-costs liabilities				
Current (note 15)	**3,946**	3,621	**3,946**	3,621
Non-current (note 17)	**1,838**	974	**1,753**	974
	5,784	4,595	**5,699**	4,595

	2004 Number	2003 Number	**2004 Number**	2003 Number
Employee numbers				
Average number of employees during the financial year	**114**	91	**114**	91
	114	91	**114**	91

a) Transurban group employee option plan

Refer to note 21 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	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
Consolidated and parent – 2004							
26 April 2001	30 April 2006	$3.817	2,100,000	-	95,700	-	2,004,300
23 October 2001	31 October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	$4.220	1,550,000	-	-	50,000	1500,000
Total			6,350,000	-	95,700	50,000	6,204,300
Consolidated and parent – 2003							
26 April 2001	30 April 2006	$3.817	2,350,000	-	-	250,000	2,100,000
23 October 2001	31 October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	$4.220	1,650,000	-	-	100,000	1,550,000
Total			6,700,000	-	-	350,000	6,350,000

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

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

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

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

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

The amount recognised above represents the full Group proceeds received from the exercise of options during the year. These proceeds are apportioned between Transurban Holdings Limited and Transurban Holding Trust, with Transurban Infrastructure Developments Limited receiving nil.

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

b) Employee share scheme

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

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

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

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

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	Number	Number	**Number**	Number
Stapled securities purchased on market under the the plan and provided for participating employees on 27 February 2004[(1)]	**40,440**	34,560	**40,440**	34,560

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

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

Refer to note 21 for details.

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

26. Related parties

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 21.

Wholly-owned group

The wholly-owned group consists of Transurban Infrastructure Developments Limited and its wholly-owned controlled entities. Ownership interests in these controlled entities is set out in note 27.

Transactions between Transurban Infrastructure Developments Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:

(a) management services provided by Transurban Infrastructure Developments Limited
(b) information technology services provided by Transurban Infrastructure Developments Limited
(c) loans advanced to Transurban Infrastructure Developments Limited
(d) loans repaid by Transurban Infrastructure Developments Limited
(e) loans advanced by Transurban Infrastructure Developments Limited
(f) loans repaid to Transurban Infrastructure Developments Limited

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	Parent entity	
	2004	2003
	$'000	$'000
Management fees	**8,577**	18,363
IT development fees	**1,043**	-
	9,620	18,363
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Current receivables	**585**	1,257
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current liabilities (loans)	**9,174**	3,630

Controlling entities

The ultimate parent entity in the wholly-owned group is Transurban Infrastructure Developments Limited.

27. Investments in controlled entities

Name of entity	Country of incorporation	Class of security	Equity holding 2004 (%)	Equity holding 2003 (%)	Date acquired
Transurban Infrastructure Management Limited	Australia	Ordinary	100	100	
Transurban Infrastructure Developments WSO Pty Limited	Australia	Ordinary	100	100	
Transurban MF 1 Pty Ltd	Australia	Ordinary	100	-	01/03/04
Transurban MF 2 Pty Ltd	Australia	Ordinary	100	-	01/03/04
Transurban Asset Management Pty Ltd	Australia	Ordinary	100	-	16/10/03
Transurban Operations Pty Ltd	Australia	Ordinary	100	-	01/03/04

Acquisition of controlled entity

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

28. Economic dependency

Transurban Infrastructure Developments Limited is dependent on Management and IT fees charged to CityLink Melbourne Limited, Transurban Infrastructure Management Limited and Transurban Infrastructure Developments WSO Pty Limited and Transurban Holding Trust for short term funding. A controlled entity, Transurban Infrastructure Management Limited is dependent on Management Fees and Responsible Entity Fees from Transurban Holding Trust, Transurban CARS Trust and CityLink Trust.

29. Reconciliation of profit from ordinary activities after income tax to net cash outflow from operating activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Profit/(loss) from ordinary activities after related income tax	**1,242**	903	**(7,915)**	-
Depreciation and amortisation	**4,699**	1,775	**4,699**	1,775
Net exchange differences	**(59)**	-	**(30)**	-
Change in operating assets and liabilities				
(Increase) in prepayments	**(220)**	(90)	**(220)**	(90)
(Decrease) in creditors	**(592)**	(1,443)	**(770)**	(1,627)
(Increase) in debtors	**(4,810)**	(2,799)	**(6,181)**	(1,119)
Increase in provisions	**1,189**	2,301	**1,104**	2,301
(Decrease)/increase in unearned income	**(3,095)**	4,925	**-**	-
Fees capitalised into loans	**5,389**	(9,525)	**7,783**	(9,525)
Net cash outflow from operating activities	**3,743**	(3,953)	**(1,530)**	(8,285)

notes to the financial statements

for the year ended 30 June 2004

30. Earnings per share

	Consolidated 2004	2003
Basic earnings per share	**0.2 cents**	0.2 cents
Diluted earnings per share	**0.1 cents**	0.1 cents
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**524,512,875**	512,976,259
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**985,000,351**	970,462,464

Information concerning the classification of securities

(a) Shares

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

(b) Options

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

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

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

directors' declaration

The directors declare that the financial statements and notes set out on pages 12 to 47.

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

b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion

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

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

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Independent audit report to the members of Transurban Infrastructure Development Limited

Audit opinion

In our opinion, the financial report of Transurban Infrastructure Development Limited:

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

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Infrastructure Development Limited (the Company) and the Transurban Infrastructure Development Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers
PricewaterhouseCoopers

T Goldsmith
Tim Goldsmith
Partner

Melbourne
25 August 2004

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financials

The Financial Report of Transurban Holdings Limited and Controlled Entities (ABN 86 098 143 429)

For the Year Ended 30 June 2004

contents

This financial report covers both Transurban Holdings Limited as an individual entity and the consolidated entity consisting of Transurban Holdings Limited and its controlled entities.

Transurban Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Transurban Holdings Limited
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

Your directors present their report on the consolidated entity consisting of Transurban Holdings Limited and the entities it controlled at the end of, and during, the year ended 30 June 2004.

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

Directors

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

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

Principal activities

During the year the principal continuing activity of the consolidated entity was the operation of the Melbourne CityLink ("CityLink").

Review of operations

(a) CityLink traffic

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

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

(b) CityLink customer service

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

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

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

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

- Renegotiation of the call centre services contract achieving annual savings of $1.0 million from June 2004.
- Transition of transactional banking arrangements delivering cost reduction of $0.3 million per year from August 2004.
- Operational improvements in the Image Processing area due to enhanced image quality and improved system performance resulting in a 16 per cent increase in productivity ($0.3 million) per annum during FY04.

The result of these cost initiatives is a decrease in costs per transaction (excluding non-recurring costs) of 2.0 per cent over the prior year. Non-recurring costs comprised costs for the launch of the Access product

($0.4 million) and recall of e-TAGs following the battery failures detected in August 2003.

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

(c) Infrastructure group operations

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

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

(d) Extension of term of Infrastructure borrowing facilities

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

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

(e) Income tax

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

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

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

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

These amendments are quantified in the following table, assuming that the amendments were applicable for the year ended 30 June 2004:

Item	**Current Basis $000**	**Amended Basis $000**
Statement of Financial Performance		
• Concession Note Valuation Adjustment (Expense)/Benefit	36,985	78,170
Statement of Financial Position		
• Non-interest bearing non-current liabilities	207,681	166,496
• Accumulated losses	(288,013)	(246,828)
Carried forward tax loss at 30 June 2004 ($million)	839.5	43.4

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

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

Significant changes in the state of affairs

Extension of Infrastructure borrowing facilities

Refer to Item (d) of Review of Operations.

Matters subsequent to the end of the financial year

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

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

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

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

Likely developments and expected results of operations

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

Environmental regulation

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

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

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

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

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

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

Information on directors

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

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

Date of initial appointment: 13 February 1996.

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

Independence status: independent.

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

Mr Kim Edwards joined Transurban when it was originally bidding for the CityLink project. He brought international engineering, business and project management experience that added a new dimension to the bid.

Over the past 25 years, Mr Edwards has held senior management positions on major commercial and infrastructure projects in Australia, the United Kingdom and the Middle East. More recently, as Managing Director of Transurban, he oversaw the expansion of the company into the Sydney market through the company's successful bid for the Westlink M7 project. In recent years Mr Edwards has led the development of the Group into other toll road opportunities and the deployment of its electronic tolling technology in Australia and overseas.

Date of initial appointment: 29 October 1996.

Special Responsibilities: Group Managing Director.

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

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

Date of initial appointment: 2 January 1996.

Special Responsibilities: Chairman of Audit Committee.

Independence status: independent.

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

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

Date of initial appointment: 19 December 2000.

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

Independence status: independent.

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

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

Date of initial appointment: 16 December 1997.

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

Independence status: independent.

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

Ms Susan Oliver is a director of MBF Group, Programmed Maintenance Services Ltd, Methodist Ladies College Ltd and The Smith Family Ltd, The Australian Business Foundation Ltd and wwITe Pty Ltd. Ms Oliver was formerly a Senior Manager of Andersen Consulting. She has held board positions with the Victorian Institute of Marine Sciences, Interact Events Limited, FHA Design Pty Ltd and The Swish Group Ltd. Ms Oliver was also Managing Director of the Australian Commission for the Future Ltd.

Date of initial appointment: 25 June 1996.

Special Responsibilities: Chairperson of Risk

Management and Compliance Committee and Chairperson of Corporate Social Responsibility Committee.

Independence status: independent.

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

Mr Geoffrey Phillips joined Transurban in 1996 as Executive General Manager, Finance and was subsequently appointed Finance Director. Prior to joining Transurban, he worked for the Potter Warburg Group for 6 years as director in both the Corporate Finance and Fixed Interest Divisions. He is currently a director of Yarra Valley Water Limited.

Date of initial appointment: 28 August 1998.

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

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

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

Date of initial appointment: 29 April 2003.

Special Responsibilities: Member of Risk Management and Compliance Committee.

Independence status: independent.

Meetings of directors

The numbers of meetings of the company's board of directors and each board committee held during the year ended 30 June 2004, and the numbers of meetings attended by each director were:

Name	**Board of directors meeting**		**Audit committee**		**Nomination & remuneration committee**		**Risk management & compliance**	
	A	B	A	B	A	B	A	B
L G Cox	7	8	3 (1)	4	2	2	x	x
P C Byers	8	8	4	4	x	x	x	x
G O Cosgriff	8	8	x	x	1	2	3	3
J G A Davis	8	8	4	4	2	2	x	x
S M Oliver	8	8	x	x	x	x	3	3
D J Ryan	8	8	x	x	x	x	3	3
G R Phillips (2)	8	8	x	x	x	x	3	3
K Edwards (2)	8	8	x	x	x	x	x	x

X= Not a member of the relevant committee

A= Number of meetings attended

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

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

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

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

Directors' interests

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

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

Remuneration report

Principles used to determine the nature and amount of remuneration

Non-Executive Directors

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

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

Executive Directors and Executive

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

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

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

- Offering remuneration levels which are attractive relative to those offered by comparable employers; and

- Providing strong, transparent linkages between individual and group performance and rewards.

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

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

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

The components of Executive remuneration are described below:

Base pay

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

Short-term incentives

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

Long-term incentives

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

Business generation incentive plan

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

Employee security ownership plan

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

Employee insurance

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

Details of remuneration

Details of the nature and amount of each element of the emoluments of each non-executive director of Transurban Holdings Limited and the sole officer of the company and the consolidated entity for the year ended 30 June 2004 are set out in the following tables.

Directors of Transurban Holdings Limited

	Primary				Post-employment		Equity	
Name	**Cash salary and fees** $	**Cash bonus** $	**Long-term incentive** $	**Non-monetary benefits** $	**Super-annuation** $	**Retirement benefits** $	**Options(1)** $	**Total** $
L G Cox	82,514	-	-	-	7,426	51,940	-	141,880
P C Byers	31,794	-	-	-	2,861	15,743	-	50,398
J G A Davis	29,699	-	-	-	3,966	12,463	-	46,128
S M Oliver	31,492	-	-	-	2,834	14,581	-	48,907
G O Cosgriff	28,464	-	-	-	2,562	34,905	-	65,931
D J Ryan	37,346	-	-	-	3,361	-	-	40,707
Total	241,309	-	-	-	23,010	129,632	-	393,951

Executive director remuneration is paid by Transurban Infrastructure Developments Limited ("TIDL"). Full details of the remuneration paid to executive directors by the Transurban Group for the year ended 30 June 2004 is disclosed in the financial reports of TIDL and the Transurban Group.

Other executives of the consolidated entity

	Primary				Post-employment		Equity	
Name	**Cash salary and fees** $	**Cash bonus** $	**Long-term incentive** $	**Non-monetary benefits** $	**Super-annuation** $	**Retirement benefits** $	**Options(1)** $	**Total** $
B Bourke	332,057	150,000	38,499	15,942	42,943	-	43,664	623,105

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

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

Shares under option

Unissued stapled securities of the Transurban Group which include options over shares of the company, under option at the date of this report are as follows. No options were issued during the year.

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

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

Shares issued on the exercise of options

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

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

Indemnification and insurance

Article 12.1 of the Articles of Association of the Company provides that to the extent permitted by law, each person who is or has been an officer of the Company and its consolidated entities shall be indemnified against liability incurred by the person in his capacity as an officer of the Company and its consolidated entities unless the liability arises out of conduct on the part of the officer which involves a lack of good faith. The Company also indemnifies each person who is or has been an officer of the Company and its consolidated entities against liability for costs or expenses incurred by the person in his or her capacity as an officer of the Company in defending civil or criminal proceedings in which judgment is given in favour of the person or the person is acquitted or in connection with an application in which the Court grants relief to the person under the Corporations Act 2001. 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 company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars.

Auditor

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

statements of financial performance

for the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$'000	$'000	**$'000**	$'000
Revenue from ordinary activities	3	**530,718**	488,669	**-**	-
Expenses from ordinary activities:					
Operational costs		**(70,186)**	(64,939)	**-**	-
Administration		**(5,046)**	(4,831)	**(730)**	(58)
Concession Fees		**(95,600)**	(95,600)	**-**	-
Net valuation adjustment on Concession Notes		**58,615**	62,896	**-**	-
Rental of land from CityLink Trust		**(111,272)**	(101,157)	**-**	-
Depreciation and amortisation expenses	4	**(121,343)**	(120,099)	**-**	-
Borrowing costs	4	**(297,597)**	(293,179)	**-**	-
Loss from ordinary activities before income tax		**(111,711)**	(128,240)	**(730)**	(58)
Income tax expense	5	**-**	-	**-**	-
Loss from ordinary activities after income tax		**(111,711)**	(128,240)	**(730)**	(58)

		Cents	Cents
Basic earnings per share	30	**(21.3)**	(25.0)
Diluted earnings per share	30	**(11.3)**	(24.7)

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

statements of financial position

as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	6	**141,060**	130,066	**34**	4
Receivables	7	**21,815**	43,997	**-**	-
Other	8	**48,030**	9,674	**1**	-
Total current assets		**210,905**	183,737	**35**	4
Non-current assets					
Property, plant and equipment	9	**2,852,723**	2,955,394	**-**	-
Other financial assets	10	**1,780,000**	1,700,000	**5,100**	5,100
Total non-current assets		**4,632,723**	4,655,394	**5,100**	5,100
Total assets		**4,843,628**	4,839,131	**5,135**	5,104
Current liabilities					
Payables	11	**59,867**	42,328	**21**	15
Non-interest bearing liabilities	12	**20,632**	18,385	**511**	31
Provisions	13	**1,625**	1,451	**-**	-
Total current liabilities		**82,124**	62,164	**532**	46
Non-current liabilities					
Interest bearing liabilities	14	**3,259,228**	3,200,789	**-**	-
Non-interest bearing liabilities	15	**1,784,765**	1,747,296	**-**	-
Provisions	16	**198**	-	**133**	-
Total non-current liabilities		**5,044,191**	4,948,085	**133**	-
Total liabilities		**5,126,315**	5,010,249	**665**	46
Net (liabilities)/assets		**(282,687)**	(171,118)	**4,470**	5,058
Equity					
Contributed equity	17	**5,326**	5,184	**5,326**	5,184
Accumulated losses	18	**(288,013)**	(176,302)	**(856)**	(126)
Total equity		**(282,687)**	(171,118)	**4,470**	5,058

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

statements of cash flows

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**295,401**	256,177	**16**	-
Payments to suppliers (inclusive of GST)		**(121,916)**	(92,257)	**(607)**	(56)
Interest received		**248,716**	224,673	**-**	-
Other revenue		**15,897**	6,270	**-**	-
Liquidated damages		**-**	4,000	**-**	-
Borrowing costs		**(192,644)**	(170,037)	**-**	-
Net cash inflow/(outflow) from operating activities	28	**245,454**	228,826	**(591)**	(56)
Cash flows from investing activities					
Payments for property, plant and equipment		**(11,906)**	(11,887)	**-**	-
Loans to related parties		**(120,854)**	(44,626)	**-**	-
Repayment of loans by related parties		**40,828**	55,040	**50**	-
Net cash (outflow)/inflow from investing activities		**(91,932)**	(1,473)	**50**	-
Cash flows from financing activities					
Proceeds from borrowings		**80,000**	3,040,000	**-**	-
Proceeds from issue of shares – options		**1**	84	**1**	84
Repayment of borrowings		**-**	(1,340,000)	**-**	-
Repayment of loans to related parties		**(224,793)**	(3,204,794)	**(411)**	(13,573)
Loans from related parties		**2,264**	1,352,737	**981**	13,543
Net cash (outflow)/inflow from financing activities		**(142,528)**	(151,973)	**571**	54
Net increase/(decrease) in cash at bank and cash collateral		**10,994**	75,380	**30**	(2)
Cash at bank and cash collateral at the beginning of the financial year		**1,379,066**	1,303,686	**4**	6
Cash at bank and cash collateral at the end of the financial year		**1,390,060**	1,379,066	**34**	4
Less cash collateral	6	**1,249,000**	1,249,000	**-**	-
Cash at bank at the end of the financial year	6	**141,060**	130,066	**34**	4
Financing arrangements and credit facilities	14				
Non-cash financing and investing activities	29				

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

notes to the financial statements

for the year ended 30 June 2004

1. Summary of significant accounting policies

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

Where necessary, comparatives have been reclassified for consistency with current year disclosures. In the current year, amounts previously categorised under the two main headings of Administration and Operational costs have been split to more accurately reflect the nature of the company's operations. Prior year comparative information has been amended in a consistent manner.

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

(a) Principles of consolidation

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

Where control of an entity is obtained during the financial year, its results are included in the consolidated statement of financial performance from the date on which control commences.

Investments in associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the profits or losses of the associate is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

(b) Historical cost convention

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

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

(c) Income tax

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

Tax consolidation legislation

The Transurban Group has completed an analysis of the tax consolidation legislation and its applicability to Transurban Holdings Limited and controlled entities. In reaching a decision to adopt the provisions of the legislation, the following points were considered:

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

Based on its analysis, the Group has elected not to implement tax consolidation legislation for Transurban Holdings Limited and its wholly owned entities. The Australian Tax Office has not yet been notified of this decision.

(d) Acquisition of assets

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

(e) Revenue recognition

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

(f) Receivables

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

(g) Recoverable amount of non-current assets

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

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

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

(h) Amortisation and depreciation of fixed assets

CityLink fixed assets

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

Other plant and equipment

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

Plant and Equipment	3 – 15 years

(i) Leased non-current assets

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

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

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

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

(j) Non-current assets constructed by the consolidated entity

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

(k) Trade and other creditors

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

(l) Infrastructure loan facilities

The consolidated entity has two 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. (refer note 14).

(m) Interest bearing liabilities

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

(n) Concession notes

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

(o) Maintenance and repairs

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

(p) Financial instruments

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

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

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

(q) Employee entitlements

(i) Wages, salaries and annual leave

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

(ii) Long service leave

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

(iii) Equity-based compensation benefits

Equity based compensation benefits are provided to employees via the Transurban Group Executive Option Plan. Information relating to this scheme is set out in note 20.

No accounting entries are made in relation to the Option Plan until options are exercised, at which time the amounts receivable from employees are recognised in the statement of financial position as share capital. The amounts disclosed for remuneration of directors and executives in note 20 include the assessed fair value of options at the date they were granted.

(iv) Share-based compensation benefits

Share based compensation benefits are provided to employees via the Transurban Group Long-term Incentive Plan. Information relating to this plan is set out in note 20.

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

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

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

(v) Superannuation

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

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

(r) Borrowing costs

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

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

(s) Cash

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

(t) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(u) 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.

(v) International Financial Reporting Standards ("IFRS")

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

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

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

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

(i) Income tax

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

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

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

(ii) Equity-based compensation benefits

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

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

(iii) Financial instruments

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

- financial assets held by the consolidated entity being subject to classification as either held for trading, held-to-maturity, available for sale or loans receivable and, depending upon classification, measured at fair value or amortised cost.
- The Company enters into interest rate swaps to hedge the Company's exposure to interest rate movements. Presently the fair value of the hedges are not recognised in the financial statements. Under AASB 139 the fair value of the hedges will be recognised on the balance sheet at each reporting date and the change in fair value during the reporting period reflected directly in equity to the extent hedging criteria is met, or in profit and loss if the hedging criteria is not met. The Company is presently evaluating the effectiveness of the hedges.

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

2. Segment information

The primary business segment for the period ending 30 June 2004 was the operation of the Melbourne CityLink toll road. All operating revenues and expenses are directly attributable to this sole purpose and geographical location. The management structure and internal financial reporting are based on this single business segment.

notes to the financial statements

for the year ended 30 June 2004

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

3. Revenue

Revenue from operating activities				
Toll revenue	**248,097**	223,162	**-**	-
Fee revenue	**6,361**	7,923	**-**	-
Advertising revenue	**3,451**	3,378	**-**	-
	257,909	234,463	**-**	-
Revenue from outside operating activities				
Interest	**260,173**	251,039	**-**	-
Other	**12,636**	3,167	**-**	-
	272,809	254,206	**-**	-
Revenue from ordinary activities	**530,718**	488,669	**-**	-

4. Loss from ordinary activities

Expenses				
Depreciation and amortisation				
CityLink	**114,842**	116,244	**-**	-
Other fixed assets	**6,501**	3,855	**-**	-
Total depreciation	**121,343**	120,099	**-**	-
Bad and doubtful debts – trade debtors	**635**	1,057	**-**	-
Borrowing costs				
Interest and finance charges paid/payable	**286,505**	280,160	**-**	-
Interest rate hedging charges paid/payable	**11,092**	13,019	**-**	-
Total borrowing costs	**297,597**	293,179	**-**	-
Rental expenses relating to operating leases	**860**	497	**-**	-

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000

5. Income tax

a) The income tax expense for the financial year differs from the amount calculated on the loss. The differences are reconciled as follows:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Loss from ordinary activities before income tax expense	**(111,711)**	(128,240)	**(730)**	(48,062)
Income tax calculated at 30% (2003-30%)	**(33,513)**	(38,472)	**(219)**	(14,419)
Tax effect of permanent differences:				
Infrastructure borrowing facility interest not deductible	**26,439**	26,288	**-**	-
Other	**12**	-	**-**	-
Income tax adjusted for permanent differences	**(7,062)**	(12,184)	**(219)**	(14,419)
Benefit of tax losses not recognised	**7,062**	12,184	**219**	14,419
Income tax expense	**-**	-	**-**	-

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
b) Tax losses at beginning of the year	**845,986**	771,288	**126**	68
Tax losses for the year	**(6,486)**	74,698	**598**	58
Tax losses at end of the year	**839,500**	845,986	**724**	126

Potential future income tax benefits at 30 June 2004 for tax losses not brought to account for the consolidated entities are $251.9 million (gross $839.5 million). These future income tax benefits are not being brought to account as an asset as they do not meet the requirements as described in note 1c.

The benefit of tax losses will only be realised if:

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

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

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

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

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Transurban has advice from Senior Counsel that the concession fees are immediately deductible expenditure. The Company financial statements have been prepared on this basis for the year ended 30 June 2004 and all prior years.

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

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

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

Tax consolidation legislation

Transurban Holdings Limited together with its wholly owned entities has elected not to implement tax consolidation legislation. The Australian Tax Office has not yet been notified of this decision.

The accounting policy on implementation of the legislation is set out in note 1(c).

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
6. Current assets – cash assets				
Cash at bank	**141,060**	130,066	**34**	4
	141,060	130,066	**34**	4
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:				
Cash at bank – as above	**141,060**	130,066	**34**	4
Cash collateral (see note 1m)	**1,249,000**	1,249,000	**-**	-
	1,390,060	1,379,066	**34**	4

The amount shown in Cash at Bank includes $8.0 million required under the CityLink Concession Deed to be held in the maintenance reserve account and was not available for general use at 30 June 2004 (2003: $8.0 million).

7. Current assets – receivables

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Trade debtors	**11,508**	8,755	**-**	-
Less: provision for doubtful debts	**(755)**	(706)	**-**	-
	10,753	8,049	**-**	-
Other debtors	**11,062**	35,948	**-**	-
	21,815	43,997	**-**	-

Other debtors generally arise from transactions outside the usual operating activities of the consolidated entity, principally interest.

8. Current assets – other

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Prepayments	**882**	436	**-**	-
Advances to related entities	**47,148**	9,238	**1**	-
	48,030	9,674	**1**	-

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

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
a) CityLink fixed assets				
CityLink at cost	**3,116,954**	3,116,945	**-**	-
Less: accumulated depreciation	**(292,404)**	(177,562)	**-**	-
	2,824,550	2,939,383	**-**	-
Equipment and fittings				
Equipment and fittings at cost	**47,211**	28,557	**-**	-
Less: accumulated depreciation	**(19,038)**	(12,546)	**-**	-
	28,173	16,011	**-**	-
Total property, plant and equipment	**2,852,723**	2,955,394	**-**	-

Non-current assets pledged as security

Refer to note 14 for information on non-current assets pledged as security by the parent entity or its controlled entities.

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for the year ended 30 June 2004

b) Reconciliations

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

	CityLink $'000	Equipment and fittings – at cost $'000	Total $'000
Consolidated – 2004			
Carrying amount at 1 July 2003	**2,939,383**	**16,011**	**2,955,394**
Additions	**9**	**18,663**	**18,672**
Depreciation/amortisation expense (note 4)	**(114,842)**	**(6,501)**	**(121,343)**
Carrying amount at 30 June 2004	**2,824,550**	**28,173**	**2,852,723**
Parent entity – 2004			
Carrying amount at 1 July 2003	**-**	**-**	**-**
Additions	**-**	**-**	**-**
Disposals	**-**	**-**	**-**
Depreciation/amortisation expense (note 4)	**-**	**-**	**-**
Carrying amount at 30 June 2004	**-**	**-**	**-**

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

10. Non-current assets – financial assets

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Non-traded investments				
Shares in controlled entities	**-**	-	**5,100**	5,100
	-	-	**5,100**	5,100
Other financial assets				
Loan to Transurban Finance Trust	**1,780,000**	1,700,000	**-**	-
	1,780,000	1,700,000	**5,100**	5,100

The investment in controlled entities represents 100% of the issued capital of CityLink Melbourne Limited (incorporated in Australia).

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

11. Current liabilities – payables

Trade creditors	**5,249**	5,373	**2**	2
Other creditors	**54,618**	36,955	**19**	13
	59,867	42,328	**21**	15

12. Current liabilities – non-interest bearing liabilities

Prepaid tolls	**20,121**	18,044	**-**	-
Advances from related parties	**511**	341	**511**	31
	20,632	18,385	**511**	31

13. Current liabilities – provisions

Employee entitlements	**1,625**	1,451	**-**	-
	1,625	1,451	**-**	-

14. Non-current liabilities – interest bearing liabilities

Secured

Land transport notes	**248**	94,549	**-**	-
Infrastructure loan facility	**795,000**	795,000	**-**	-
Less: cash collateral (note 1l)	**(795,000)**	(795,000)	**-**	-
Infrastructure note facility	**454,000**	454,000	**-**	-
Less: cash collateral (1l)	**(454,000)**	(454,000)	**-**	-
Tranche B debt	**510,000**	510,000	**-**	-
Capital markets debt	**1,190,000**	1,190,000	**-**	-
Subordinated debt facility	**80,000**	-	**-**	-
Advance from CityLink Trust	**1,478,980**	1,406,240	**-**	-
	3,259,228	3,200,789	**-**	-

Set-off of assets and liabilities

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

Financing arrangements and credit facilities

Credit facilities are provided as part of the overall debt funding structure of the consolidated entity.

Details of each facility are as follows:

a) **Land transport notes**

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

b) **Infrastructure loan facility**

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

c) **Infrastructure Note facility**

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

d) **Tranche B bank debt**

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

e) **Capital markets debt**

Comprises the following facilities with terms of 3, 5, and 7 years from 8 August 2002. These facilities are secured by a first ranking charge over the cash flows of the Melbourne CityLink Project.

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

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

f) Subordinated debt facility

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

g) Advance from CityLink Trust

The advance is subordinated to the bank and capital markets facilities and is set at terms agreed between CityLink Melbourne Limited and the responsible entity of the CityLink Trust. A portion of the advance is presently non-interest bearing at the discretion of the CityLink Trust. The consolidated entity has recorded the non-interest bearing portion at face value as it is unable to reliably determine its present value.

h) Cash advance facility

$50 million facility which is for a term of 3 years from 28 June 2002. The facility has not been utilised at 30 June 2004.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Loans				
Total facilities	**3,079,248**	3,173,549	**-**	-
Used at balance date	**3,029,248**	3,043,549	**-**	-
Unused at balance date	**50,000**	130,000	**-**	-

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

Advance from CityLink Trust (refer note 14g)	**1,576,600**	1,576,600	**-**	-
Unearned income	**484**	-	**-**	-
Concession notes	**207,681**	170,696	**-**	-
	1,784,765	1,747,296	**-**	-

CityLink Melbourne Limited issues Concession Notes annually in satisfaction of its obligations to pay Concession Fees to the State of Victoria ("the State") equal to $95.6 million. The notes are due for redemption at the end of the Concession Period, but may be presented earlier where a Notional Initial Equity Investor has achieved a real after tax internal rate of return on its equity investment in the Project equal to 10 per cent per annum. Once the threshold rate of return is achieved, subsequent Concession Note 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 12 per cent which recognises their subordinated nature.

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

Reconciliation

Reconciliation of movement in the Concession Note liability during the period.

	2004 $'000	2003 $'000
Consolidated		
Concession note liability at beginning of period	**170,696**	137,992
Concession notes issued during the period	**95,600**	95,600
Valuation adjustments for the period:		
Charge/(credit) for concession notes on issue at beginning of period	**20,483**	16,559
Credit for concession notes issued during the period	**(79,098)**	(79,455)
Concession note liability at end of period	**207,681**	170,696
Parent		
Concession note liability at beginning of period	**-**	-
Concession notes issued during the period	**-**	-
Valuation adjustments for the period:		
Charge/(credit) for concession notes on issue at beginning of period	**-**	-
Credit for concession notes issued during the period	**-**	-
Concession note liability at end of period	**-**	-

16. Non-current liabilities – provisions

	Consolidated		Parent entity	
	2004 $'000	2003 $'000	**2004 $'000**	2003 $'000
Employee entitlements	**198**	-	**133**	-
	198	-	**133**	-

The balance above includes a provision for directors' retirement. In the prior year, this provision was provided for by Transurban Infrastructure Developments Limited ("TIDL"). There was no apportionment between the related entities as this could not be done on a reasonable basis. The retirement provision for the year ended 30 June 2003 for the directors of all related entities is disclosed in the financial report of TIDL.

17. Contributed equity

	Parent entity		Parent entity	
	2004	2003	**2004**	2003
	Shares	Shares		
	'000	'000	**$'000**	$'000
a) Share capital				
Shares fully paid	**532,630**	518,473	**5,326**	5,184
	532,630	518,473	**5,326**	5,184

b)

Date	Details	Notes	Number of shares '000	Issue price	$'000
1 July 2003	Opening balance		518,473	-	5,184
8 October 2003	Distribution reinvestment plan issue	d	4,957	$0.0100	50
26 February 2004	Exercise of April 2001 options	f	96	$0.0100	1
26 March 2004	Distribution reinvestment plan issue	d	9,104	$0.0100	91
30 June 2004	Closing balance		532,630		5,326

The shares issued as part of the distribution reinvestment plan form part of the Transurban Group stapled securities issued. The amounts above represent the value apportioned to Transurban Holdings Limited, with the remaining value apportioned to Transurban Holding Trust.

c) Shares

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

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

d) Distribution reinvestment plan

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

e) Employee share scheme

Information relating to the employee share scheme, including details of shares issued under the plan, are set out in note 20.

f) Options

Information relating to the Transurban Group Executive Option Plan, including details of options issued, exercised, and lapsed during the financial year and options outstanding at the end of the financial year are set out in note 19.

18. Accumulated losses

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Accumulated losses at the beginning of the financial year	**(176,302)**	(48,062)	**(126)**	(68)
Net losses from the current year	**(111,711)**	(128,240)	**(730)**	(58)
Accumulated losses at the end of the financial year	**(288,013)**	(176,302)	**(856)**	(126)

19. Financial instruments

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

Interest rate swap contracts

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

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
4 – 5 years	**1,160,000**	1,160,000	**-**	-
	1,160,000	1,160,000	**-**	-

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Interest rate risk

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

2004

			Fixed interest maturing in:				
	Note	**Floating interest rate $'000**	**1 year or less $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**	**Non Interest bearing $'000**	**Total $'000**
Financial assets							
Cash	6	141,060	-	-	-	-	141,060
Sundry debtors	7	-	-	-	-	21,815	21,815
Advances to related parties	8	-	-	-	-	47,148	47,148
Loan to Transurban Finance Trust	10	1,345,000	-	435,000	-	-	1,780,000
Total financial assets		1,486,060	-	435,000	-	68,963	1,990,023
Weighted average interest rate		6.10%	-	6.25%	-		
Financial liabilities							
Trade and other creditors	11	-	-	-	-	59,867	59,867
Prepaid tolls	12	-	-	-	-	20,121	20,121
Advance from CityLink Trust	14,15	1,478,980	-	-	-	1,576,600	3,055,580
Advances from related parties	12	-	-	-	-	511	511
Land transport notes	14	-	-	-	248	-	248
Tranche B debt	14	510,000	-	-	-	-	510,000
Capital markets debt	14	755,000	-	435,000	-	-	1,190,000
Sub debt facility	14	80,000	-	-	-	-	80,000
Concession notes	15	-	-	-	-	207,681	207,681
Infrastructure note facility	14	-	-	1,249,000	-	-	1,249,000
Cash collateral	14	-	-	(1,249,000)	-	-	(1,249,000)
Interest rate swaps	18	(1,160,000)	-	1,160,000	-	-	-
Total financial liabilities		1,663,980	-	1,595,000	248	1,864,780	5,124,008
Weighted average interest rate		6.02%	-	2.89%	8.00%		
Net financial (liabilities)		(177,920)	-	(1,160,000)	(248)	(1,795,817)	(3,133,985)

2003

	Note	Floating interest rate $'000	Fixed interest maturing in: 1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial assets							
Cash	6	130,066	-	-	-	-	130,066
Sundry debtors	7	-	-	-	-	43,997	43,997
Advances to related parties	8	-	-	-	-	9,238	9,238
Loan to Transurban Finance Trust	10	1,265,000	-	435,000	-	-	1,700,000
Total financial assets		1,395,066	-	435,000	-	53,235	1,883,301
Weighted average interest rate		5.22%	-	6.25%	-		
Financial liabilities							
Trade and other creditors	11	-	-	-	-	42,328	42,328
Prepaid tolls	12	-	-	-	-	18,044	18,044
Advance from CityLink Trust	14,15	1,406,240	-	-	-	1,576,600	2,982,840
Advances from related parties	12	-	-	-	-	341	341
Land transport notes	14	-	-	94,549	-	-	94,549
Tranche B debt	14	510,000	-	-	-	-	510,000
Capital markets debt	14	755,000	-	435,000	-		1,190,000
Concession notes	15	-	-	-	-	170,696	170,696
Infrastructure note facility	14	-	-	1,249,000	-	-	1,249,000
Cash collateral	14	-	-	(1,249,000)	-	-	(1,249,000)
Interest rate swaps	18	(1,160,000)	-	1,160,000	-	-	-
Total financial liabilities		1,511,240	-	1,689,549	-	1,808,009	5,008,798
Weighted average interest rate		5.58%	-	3.29%	-		
Net financial (liabilities)		(116,174)	-	(1,254,549)	-	(1,754,774)	(3,125,497)

	Notes	**2004 $'000**	2003 $'000
Reconciliation of net financial liabilities to net liabilities			
Net financial liabilities as above		**(3,133,985)**	(3,125,497)
Non-financial assets and liabilities			
Property, plant and equipment	9	**2,852,723**	2,955,394
Other assets	8	**882**	436
Other liabilities	13,15,16	**(2,307)**	(1,451)
Net liabilities per balance sheet		**(282,687)**	(171,118)

Credit risk

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

Net fair values of financial assets and liabilities

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

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

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

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

20. Director and executive disclosures

Directors

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

Executive directors
Kimberley Edwards
Geoffrey R Phillips

Specified executives

The following person is the sole executive with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year.

Name	Position
Brendan Bourke	CEO CityLink Melbourne Limited

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration

Non-executive directors

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

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

Executive remuneration

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

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

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

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

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

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

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

The components of executive remuneration are described below:

Base pay

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

Short-term incentives

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

Long-term incentives

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

Business generation incentive plan

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

Employee security ownership plan

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

Employee insurance

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

Details of remuneration

Details of the remuneration of each director of Transurban Holdings Limited and the specified executive of the consolidated entity, including their personally related entities, are set out in the following tables. The Long-term Incentives and Options granted, relate to the Transurban Group as a whole. There is no apportionment between Group entities. As a reasonable basis of apportionment is not available, the full amount has been disclosed.

Directors of Transurban Holdings Limited

2004

	Primary				Post-employment		Equity	
Name	**Cash salary & fees $**	**Cash bonus $**	**Long-term incentive $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
L G Cox	82,514	-	-	-	7,426	51,940	-	141,880
P C Byers	31,794	-	-	-	2,861	15,743	-	50,398
J G A Davis	29,699	-	-	-	3,966	12,463	-	46,128
S M Oliver	31,492	-	-	-	2,834	14,581	-	48,907
G O Cosgriff	28,464	-	-	-	2,562	34,905	-	65,931
D J Ryan	37,346	-	-	-	3,361	-	-	40,707
K Edwards	-	-	204,528	-	-	-	184,503	389,031
G R Phillips	-	-	-	-	-	-	61,501	61,501
Total	241,309	-	204,528	-	23,010	129,632	246,004	844,483

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

2003

	Primary				Post-employment		Equity	
Name	**Cash salary & fees $**	**Cash bonus $**	**Long-term incentive $**	**Non-monetary benefits $**	**Super-annuation $**	**Retirement benefits $**	**Options $**	**Total $**
Total	198,999	-	-	-	17,910	124,787	245,332	587,028

Specified executive of the consolidated entity

2004

	Primary				Post-employment	Equity	
Name	**Cash salary & fees $**	**Cash bonus $**	**Long-term incentive $**	**Non-monetary benefits $**	**Super-annuation $**	**Options $**	**Total $**
B Bourke	332,057	150,000	38,499	15,942	42,943	43,664	623,105

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

2003

	Primary				Post-employment	Equity	
Name	**Cash salary & fees $**	**Cash bonus $**	**Long-term incentive $**	**Non-monetary benefits $**	**Super-annuation $**	**Options $**	**Total $**
Total	283,071	160,000	-	7,300	24,239	43,545	518,155

Service agreements

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

Executive Directors

K Edwards, Managing Director

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

G R Phillips, Deputy Managing Director

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

Specified Executive

B Bourke, CEO CityLink Melbourne Limited

- Term of agreement – permanent
- Termination – 3 months notice
- Eligible to participate in the Transurban Group's Employee Share Ownership Plan and Executive Long-term Incentive Plan
- Total Employment Cost, including superannuation, for the year ended 30 June 2004 of $375,000, to be reviewed annually by the Nomination and Remuneration Committee

Share-based compensation – options

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

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

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

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

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

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

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

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

notes to the financial statements

for the year ended 30 June 2004

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

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

Name	Number of ELTIs granted during the year	Number of ELTIs paid during the year
Directors of Transurban Holdings Limited		
K Edwards	850,000	-
G R Phillips	-	-
Specified executive of the consolidated entity		
B Bourke	160,000	-

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over ordinary shares in the company provided as remuneration to each director of Transurban Holdings Limited and the specified executive of the consolidated entity are set out below. Further information on options is set out in note 24.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Transurban Holdings Limited		
K Edwards	-	500,000
G R Phillips	-	166,667
Specified executive of the consolidated entity		
B Bourke	-	116,667

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 the specified exectutive of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors of Transurban Holdings Limited							
K Edwards	1,500,000	-	-	-	1,500,000	894,657	105,343
G R Phillips	500,000	-	-	-	500,000	298,219	35,114
Specified executive of the consolidated entity							
B Bourke	350,000	-	-	-	350,000	208,753	24,580

Share holdings

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

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Holdings Limited				
L G Cox	775,000	-	-	775,000
P C Byers	50,000	-	-	50,000
G O Cosgriff	17,360	-	7,550	24,910
J G A Davis	40,000	-	10,000	50,000
S M Oliver	59,375	-	1,618	60,993
D J Ryan	20,000	-	1,043	21,043
K Edwards	61,000	-	-	61,000
G R Phillips	-	-	-	-
Specified executive of the consolidated entity				
B Bourke	2,862	-	2,631	5,493

notes to the financial statements

for the year ended 30 June 2004

CARS

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Holdings Limited				
L G Cox	4,000	-	(3,000)	1,000
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	150	-	(150)	-
S M Oliver	-	-	-	-
D J Ryan	300	-	(300)	-
K Edwards	348	-	(348)	-
G R Phillips	-	-	-	-
Specified executive of the consolidated entity				
B Bourke	2,000	-	(1,600)	400

Other transactions with directors and specified executives

Mr Cox is a director of Macquarie Corporate Finance Ltd (a wholly owned subsidiary of Macquarie Bank Ltd), which was involved in the financial arrangements concerning the Land Transport Notes. Mr. Cox holds $51,188 of class B Land Transport Notes.

All directors of the consolidated entity are also directors of Transurban Infrastructure Developments Limited and Transurban Infrastructure Management Limited (except for K Edwards).

The consolidated entity has incurred Management Fees and IT Development Services Fees from Transurban Infrastructure Developments Limited. It provides loans to Transurban Finance Trust and pays rent for land and interest on loans to the CityLink Trust.

The aggregate amounts of each of the above types of other transactions with directors of Transurban Holdings Limited:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Amounts recognised as revenue				
Interest	**112,695**	104,710	**-**	-
Other finance charges	**3,681**	3,455	**-**	-
Management fees	**3,888**	4,483	**-**	-
IT development	**5,000**	3,716	**-**	-
	125,264	116,364	**-**	-
Amounts recognised as expenses				
Rent	**111,272**	101,157	**-**	-
Interest	**87,246**	91,234	**-**	-
	198,518	192,391	**-**	-

Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Holdings Limited:

Current payables	**511**	341	**-**	-
Non-current payables	**3,055,580**	2,982,840	**-**	-
	3,056,091	2,983,181	**-**	-

Aggregate amounts payable to directors of Transurban Holdings Limited at balance date relating to the above types of other transactions:

Current receivables	**47,148**	33,406	**-**	-
Non-current receivables	**1,780,000**	1,700,000	**-**	-
	1,827,148	1,733,406	**-**	-

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

21. Auditors remuneration

During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001.	**141**	140	**21**	24
Total remuneration for audit services	**141**	140	**21**	24
Taxation services				
Tax compliance services, including review of income tax returns	**16**	174	**-**	-
Total remuneration for taxation services	**16**	174	**-**	-

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

22. Contingent liabilities

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

23. Commitments

Lease commitments

Commitments for minimum payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Within one year	**69**	1,102	**-**	-
Later than one year but not later than 5 years	**-**	257	**-**	-
Later than 5 years	**-**	-	**-**	-
	69	1,359	**-**	-

Concession Fees

The Melbourne CityLink Concession Deed between the Transurban Group and the State of Victoria provides for annual concession fees of $95.6 million during the construction phase and for the first 25 years of the operations phase, $45.2 million for years 26 to 34 of the operations phase and $1 million thereafter if the concession continues beyond year 34. Until a certain threshold return is achieved, payments of concession fees due under the Concession Deed will be satisfied by means of the issue of non-interest bearing Concession Notes to the State. Refer to note 15 for details.

24. Employee benefits

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Employee benefit and related on-costs liabilities				
Current (note 13)	**1,625**	1,451	**-**	-
Non-current (note 16)	**198**	-	**133**	-
	1,823	1,451	**133**	-

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	Number	Number	**Number**	Number
Employee numbers				
Average number of employees during the financial year	**293**	258	**-**	-
	293	258	**-**	-

notes to the financial statements

for the year ended 30 June 2004

a) Transurban Group Employee Option Plan

Refer to note 20 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	Issued during the year	Exercised during the year	Lapsed during the year	Balance at end of the year
Consolidated and parent – 2004							
26 April 2001	30 April 2006	$3.817	2,100,000	-	95,700	-	2,004,300
23 October 2001	31 October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	$4.220	1,550,000	-	-	50,000	1,500,000
Total			6,350,000	-	95,700	50,000	6,204,300
Consolidated and parent – 2003							
26 April 2001	30 April 2006	$3.817	2,350,000	-	-	250,000	2,100,000
23 October 2001	31 October 2006	$4.404	2,000,000	-	-	-	2,000,000
1 February 2002	30 April 2007	$4.280	400,000	-	-	-	400,000
9 April 2002	30 April 2007	$4.030	300,000	-	-	-	300,000
20 May 2002	30 April 2007	$4.220	1,650,000	-	-	100,000	1,550,000
Total			6,700,000	-	-	350,000	6,350,000

b) Employee share scheme

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

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

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

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

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	Number	Number	**Number**	Number
Shares purchased on market under the plan and provided to participating employees on 27 February 2004 [1]	**40,440**	34,560	**40,440**	24,560

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

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

Refer to note 20 for details.

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

25. Related party information

Directors and specified executives

Disclosures relating to directors and specified executives are set out in note 20.

Wholly-owned group

The wholly-owned group consists of Transurban Holdings Limited and its wholly-owned entities. Ownership interests in these controlled entities are set out in note 26.

Transactions between Transurban Holdings Limited and other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:

(a) loans from CityLink Melbourne Limited.
(b) loans advanced by Transurban Holdings Limited.

	Parent entity	
	2004	2003
	$'000	$'000
Aggregate amounts payable to entities in the wholly-owned group at balance date:		
Current receivables (loans)	**1**	-

Controlling entities

The ultimate parent entity is Transurban Holdings Limited.

notes to the financial statements

for the year ended 30 June 2004

26. Investments in controlled entities

Name of entity	Country of incorporation	Class of security	Equity holding 2004 (%)	Equity holding 2003 (%)
CityLink Melbourne Limited	Australia	Ordinary	100	100
City Link Extension Pty Ltd	Australia	Ordinary	100	100
Transurban Finance Company Pty Limited	Australia	Ordinary	100	100
Transurban Nominees Pty Limited	Australia	Ordinary	100	100
Transurban Collateral Security Pty Limited	Australia	Ordinary	100	100
Transurban Nominees 2 Pty Limited	Australia	Ordinary	100	100
Transurban WSO Pty Limited	Australia	Ordinary	100	100
Transurban AL Trust	Australia	Ordinary	100	100

27. Investment in associate

Investment in the associate is accounted for in the consolidated financial statements using the equity method of accounting and is carried at cost by the parent entity. Information relating to the associate is set out below.

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

WSO Company and WSO Finance Company are presently non-operational and are carried at cost of $80 each. WSO Company will be the operator of Westlink M7 Motorway which is presently under construction and is due for completion in 2007. WSO Finance Company will arrange debt facilities for the Westlink Motorway Project. The associates are unlikely to have an impact on the consolidated entity's equity accounted profits until the operations commence.

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

28. Reconciliation of loss from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Operating loss after income tax	**(111,711)**	(128,240)	**(730)**	(58)
Depreciation and amortisation	**121,343**	120,099	**-**	-
Change in operating assets and liabilities				
Increase in Concession Note liability	**36,985**	32,704	**-**	-
Increase in unearned income	**484**	-	**-**	-
(Increase) in prepayments	**(446)**	(333)	**-**	-
Increase in creditors	**12,850**	22,427	**6**	2
Decrease in Land Transport Notes	**(94,301)**	-	**-**	-
Decrease in debtors	**22,182**	6,223	**-**	-
Increase in provisions	**372**	392	**132**	-
Increase in loans to/from other parties	**257,696**	175,554	**1**	-
Net cash inflow/(outflow) from operating activities	**245,454**	228,826	**(591)**	(56)

29. Non cash financing and investing activities

Distributions satisfied by the issue of shares under the distribution reinvestment plan	**141**	-	**141**	-

30. Earnings per share

	Consolidated	Consolidated
	2004	2003
Basic earnings per share	**(21.3) cents**	(25.0) cents
Diluted earnings per share	**(11.3) cents**	(13.2) cents
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**524,512,875**	512,976,259
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**985,000,351**	970,462,464

Information concerning the classification of securities

(a) Shares

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

(b) Options

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

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

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

31. Economic dependency

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

directors' declaration

The directors declare that the financial statements and notes set out on pages 62 to 101.

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

b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and cash flows, for the financial year ended on that date.

In the directors' opinion

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

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

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

Jeremy G A Davis
Director

Kimberley Edwards
Managing Director

Melbourne, 25 August 2004

independant audit report to the members

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Independent audit report to the members of

Transurban Holdings Limited

Audit opinion

In our opinion, the financial report of Transurban Holdings Limited:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Holdings Limited and the Transurban Holdings Limited Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Holdings Limited (the Company) and the Transurban Holdings Limited Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the Company and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers
PricewaterhouseCoopers

Tim Goldsmith
Tim Goldsmith
Partner

Melbourne
25 August 2004

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

financials

The Financial Report of Transurban Holding Trust and Controlled Entities (ABN 30 169 362 255)

for the year ended 30 june 2004

contents

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

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

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

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

directors' report

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

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

Responsible entity

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

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

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

Principal activities and operations

During the year the principal activities of the consolidated entity consisted of holding 100% of the units in CityLink Trust, Transurban Finance Trust and Transurban CARS Trust.

Results

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

	2004	2003
	$'000	$'000
Revenue from ordinary activities	**235,775**	222,818
Net profit from ordinary activities	**41,062**	44,080

Distributions

Distributions made during the period consisted of:

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

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

	Parent entity	
	2004	2003
	$'000	$'000
Paid in cash	**54,145**	32,409
Satisfied by issue of Stapled Securities (1)	**60,525**	34,054
	114,670	66,463

(1) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust ($60.4 million), and Transurban Holdings Limited ($0.1 million).

Distributions not recognised at year end

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

Review of operations

a) Construction Phase Loan Notes ("CPLN")

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

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

b) Convertible Adjusting Rate Securities ("CARS")

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

Distributions made during the period consisted of:

	$ per security	**$'000**
Maiden Distribution for the period 14 April 2003 to 30 June 2003 at a fixed rate of 7 per cent per security paid 31 July 2003.	1.4767	6,350
Distribution for the 2004 financial year at a fixed rate of 7 per cent per security paid 31 January 2004.	3.5288	15,174

c) Westlink M7

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

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

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

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

At the date of this report the directors are not aware of any circumstances that have arisen since 30 June 2004 that 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 2004.

Likely developments and expected results of operations

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

Insurance and indemnification

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

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

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in note 20 to the financial statements.

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

directors' report

Interests in the Trust issued during the financial year

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	'000	'000	**'000**	'000
Units on issue at the start of the year	**518,473**	510,028	**518,473**	510,028
Units issued during the year	**14,157**	8,445	**14,157**	8,445
Units on issue at the end of the year	**532,630**	518,473	**532,630**	518,473

Value of assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Value of trust assets at 30 June	**4,380,409**	4,293,753	**2,308,107**	2,173,801

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

Directors' interests

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

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

Units under option

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

Date options granted	Expiry date	Issue price of stapled securities	Number under option
26 April 2001	30 April 2006	$3.817	2,004,300
23 October 2001	31 October 2006	$4.404	2,000,000
1 February 2002	30 April 2007	$4.280	400,000
9 April 2002	30 April 2007	$4.030	300,000
20 May 2002	30 April 2007	$4.220	1,500,000

Units issued on the exercise of options

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

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

Environmental regulation

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

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

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

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

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

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

directors' report

Rounding off

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

Auditor

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

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

Jeremy G A Davis
Director

Geoffrey O Cosgriff
Director

Melbourne, 25 August 2004

statements of financial performance

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from ordinary activities	4	**235,775**	222,818	**129,329**	88,348
Expenses from ordinary activities					
Borrowing costs	5	**(146,925)**	(131,153)	**(2,051)**	(3,069)
Depreciation	5	**(26,358)**	(26,359)	**-**	-
Administration		**(751)**	(1,831)	**(82)**	(64)
Operational		**(12,764)**	(19,395)	**(9,633)**	(19,395)
Net profit from ordinary activities		**48,977**	44,080	**117,563**	65,820

		Cents	Cents
Basic earnings per unit	30	**9.3**	8.6
Diluted earnings per unit	30	**7.1**	8.5

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

statements of financial position

as at 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Current assets					
Cash assets	7	**59,922**	41,239	**19,011**	2,113
Receivables	8	**3,079**	2,521	**2,714**	1,470
Other	9	**2,383**	2,025	**400**	-
Total current assets		**65,384**	45,785	**22,125**	3,583
Non-current assets					
Property, plant and equipment	10	**726,906**	753,264	**-**	-
Financial assets	12	**3,566,230**	3,470,870	**2,279,746**	2,164,330
Investments accounted for using the equity method	11	**6,236**	5,888	**6,236**	5,888
Other	13	**15,653**	17,946	**-**	-
Total non-current assets		**4,315,025**	4,247,968	**2,285,982**	2,170,218
Total assets		**4,380,409**	4,293,753	**2,308,107**	2,173,801
Current liabilities					
Payables	14	**52,686**	39,150	**42**	7,948
Non-interest bearing liabilities	15	**-**	1,931	**-**	-
Total current liabilities		**52,686**	41,081	**42**	7,948
Non-current liabilities					
Interest bearing liabilities	16	**2,210,000**	2,130,000	**78,575**	-
Total non-current liabilities		**2,210,000**	2,130,000	**78,575**	-
Total liabilities		**2,262,686**	2,171,081	**78,617**	7,948
Net assets		**2,117,723**	2,122,672	**2,229,490**	2,165,853
Unitholders' funds					
Issued units	17	**2,236,704**	2,175,960	**2,236,704**	2,175,960
Undistributed losses	17	**(118,981)**	(53,288)	**(7,214)**	(10,107)
Total unitholders' funds		**2,117,723**	2,122,672	**2,229,490**	2,165,853

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

statements of cash flows

for the year ended 30 June 2004

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		**2,456**	910	**1,473**	2,013
Payments to suppliers (inclusive of GST)		**(16,488)**	(21,162)	**(14,491)**	(19,291)
Interest received		**28,640**	93,794	**1,866**	928
Other revenue		**-**	10,518	**-**	10,500
Borrowing costs		**(125,559)**	(221,153)	**(2,380)**	(3,059)
Net cash outflow from operating activities	27	**(110,951)**	(137,093)	**(13,532)**	(8,909)
Cash flows from investing activities					
Investment in CPLN's		**-**	(392,000)	**-**	-
Payments for investments		**(96,347)**	-	**(96,347)**	-
Repayment of loans to related parties		**-**	(1,328,330)	**-**	(21,659)
Advance from related parties		**-**	3,018,257	**-**	11,529
Loans to related parties		**(19,599)**	(19,705)	**(19,621)**	(176,291)
Repayment of loans by related parties		**225,396**	157,463	**1,136**	163,016
Distributions received		**-**	-	**125,078**	66,300
Net cash inflow from investing activities		**109,450**	1,435,685	**10,246**	42,895
Cash flows from financing activities					
Repayment of borrowings		**-**	(1,618,872)	**-**	-
Proceeds from CARS issue		**-**	430,000	**-**	-
Proceeds from issue of shares – options		**364**	-	**364**	-
Payment of interest rate swap termination		**-**	(90,573)	**-**	-
Loans from related parties		**80,000**	-	**80,000**	-
Repayment of loans to related parties		**(6,035)**	-	**(6,035)**	-
Payment of premium on mezzanine debt termination		**-**	(20,750)	**-**	-
Distributions paid		**(54,145)**	(32,409)	**(54,145)**	(32,409)
Net cash inflow/(outflow) from financing activities		**20,184**	(1,332,604)	**20,184**	(32,409)
Net increase/(decrease) in cash held		**18,683**	(34,012)	**16,898**	1,577
Cash at the beginning of the financial year	7	**41,239**	75,251	**2,113**	536
Cash at the end of the financial year	7	**59,922**	41,239	**19,011**	2,113
Financing arrangements and credit facilities	16				
Non-cash financing and investing activities	28				

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

notes to the financial statements

for the year ended 30 June 2004

1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Corporations Act 2001 and the Constitution dated October 1995 (as amended).

a) Principles of consolidation

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

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

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

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

b) Historical cost convention

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

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

c) Investments

Interests in listed and unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the statement of financial performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1a.

d) Revenue recognition

Revenue for rental of land is recognised as earned in accordance with the lease contract. Dividend revenue is recognised when the Trust's right to receive payment is established.

e) Cash

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

f) Income tax

Under current legislation, the Trust is not subject to income tax provided the distributable income of the Trust is fully distributed either by way of cash or reinvestment (ie. unitholders are presently entitled to income of the Trust).

g) Distributions

In accordance with the Trust Constitution, the Trust fully distributes its distributable income to unitholders by cash or reinvestment. Provision is made for the amount of any distribution declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

h) Trade and other creditors

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

i) Goods and Services Tax (GST)

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

j) Recoverable amount of non-current assets

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

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

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

k) Amortisation and depreciation of fixed assets

CityLink fixed assets

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

Other plant and equipment

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

The expected useful lives are as follows:

Leasehold improvements	3 – 15 years

l) Financial instruments

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

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

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

m) Borrowing costs

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

n) Conditional receipts

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

o) Interest bearing liabilities

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

p) Earnings per unit

(i) Basic earnings per unit

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

(ii) Diluted earnings per unit

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

q) Joint venture entity

The interest in the joint venture partnership is accounted for using the equity method. Under this method, the share of the profits or losses of the partnership is recognised in the statement of financial performance, and the share of movements in reserves is recognised in reserves in the statement of financial position. Details relating to the partnership are set out in note 26.

r) Maintenance and repairs

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

s) Project development

Costs incurred in developing proposals for specific projects are charged to the statement of financial performance in the period in which they are incurred except where:

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

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

Costs meeting these criteria are capitalised.

t) Receivables

All receivables are recognised at the amounts receivable when they are due for settlement.

u) Rounding of amounts

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

v) International Financial Reporting Standards ("IFRS")

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

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

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

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

(i) Financial instruments

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

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

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

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

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

(ii) Accounting for associates

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

(iii) Business combinations

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

2. Trust formation and termination

The Transurban Holding Trust was established on 15 November 2001 and will continue in operation for 80 years from this date pursuant to the provisions of the Constitution unless terminated earlier.

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

3. Segment information

The Trust's principle business segment for the year ending 30 June 2004 was the provision of funding to the Transurban Group or associates of the Transurban Group. All revenues and expenses are directly attributable to this principle segment. The management structure and internal reporting of the Trust are based on the principle business segment.

Assets of the Transurban Group which the Trust has funded are located in two separate states of Australia.

	Segment revenues		Segment assets		Segment liabilities	
	2004	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Victoria	**209,516**	202,556	**3,975,138**	3,846,549	**1,815,240**	1,734,568
New South Wales	**26,259**	20,262	**405,271**	447,204	**447,446**	436,513
	235,775	222,818	**4,380,409**	4,293,753	**2,262,686**	2,171,081

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

4. Revenue

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Revenue from operating activities				
Rental income	**111,272**	101,157	**-**	-
Equity commitment fee	**-**	10,500	**-**	10,500
Distribution from CityLink Trust	**-**	-	**125,078**	66,300
Interest and related fees	**123,457**	110,823	**3,205**	11,228
	234,729	222,480	**128,283**	88,028
Revenue from outside the operating activities				
Other	**2**	338	**2**	320
Distribution from other corporations	**1,044**	-	**1,044**	-
	1,046	338	**1,046**	320
Revenue from ordinary activities	**235,775**	222,818	**129,329**	88,348

5. Operating profit

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Expenses				
Operating result includes the following specific expenses:				
Depreciation and amortisation – CityLink	**26,358**	26,359	**-**	-
Total depreciation/amortisation	**26,358**	26,359	**-**	-
Borrowing costs				
Interest and finance charges paid /payable	**135,833**	115,895	**2,051**	3,069
Interest rate hedging charges paid /payable	**11,092**	15,258	**-**	-
Total borrowing costs	**146,925**	131,153	**2,051**	3,069

6. Income tax

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Tax losses at beginning of year	**138,337**	173,861	**(63,809)**	2,011
Tax losses/(Income) for the year	**(45,054)**	(35,524)	**(117,562)**	(65,820)
Tax losses at end of year	**93,283**	138,337	**(181,371)**	(63,809)

Potential future income tax benefits at 30 June 2004 for tax losses not brought to account for the consolidated entity are $93.3 million (2003: $138.3 million). These losses cannot be used directly by the consolidated entity for the reason outlined in note 1f, but may be available for the benefit of unit holders in the future.

This benefit for tax losses will only be obtained if:

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

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

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

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

7. Current assets – cash

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Cash at bank	**59,922**	41,239	**19,011**	2,113
	59,922	41,239	**19,011**	2,113

Included in the above amount is $28.2 million (2003: $28.1 million) held in reserve accounts to fund future CARS distributions.

8. Current assets – receivables

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Sundry debtors	**3,079**	2,521	**2,714**	1,470
	3,079	2,521	**2,714**	1,470

These amounts generally arise from transactions outside the usual operating activities of the consolidated entity. The balance is principally comprised of a distribution of $2.6 million from the investment in Hills Motorway Group Limited (note 12).

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

9. Current assets – other

Prepayments	**2,383**	2,025	**400**	-
	2,383	2,025	**400**	-

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

a) CityLink fixed assets

CityLink at cost	**793,662**	793,662	**-**	-
Less: accumulated depreciation	**(66,756)**	(40,398)	**-**	-
Total property, plant and equipment	**726,906**	753,264	**-**	-

b) Reconciliations

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

	CityLink $'000
Consolidated – 2004	
Carrying amount at 1 July 2003	**753,264**
Additions	**-**
Disposals	**-**
Depreciation/amortisation expense charged to statement of financial performance	**(26,358)**
Carrying amount at 30 June 2004	**726,906**
Parent Entity – 2004	
Carrying amount at 1 July 2003	**-**
Additions	**-**
Disposals	**-**
Depreciation/amortisation expense charged to statement of financial performance	**-**
Carrying amount at 30 June 2004	**-**

Refer to note 16 for information on non-current assets pledged as security by the Trust .

notes to the financial statements

for the year ended 30 June 2004

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

11. Non-current assets – investments accounted for using the equity method

Interest in joint venture partnership (note 26)	**6,236**	5,888	**6,236**	5,888
Shares in associates (note 25)	**-**	-	**-**	-
	6,236	5,888	**6,236**	5,888

12. Non-current assets – other financial assets

Investments traded on organised markets				
Shares in other corporations	**94,419**	-	**94,419**	-
	94,419	-	**94,419**	-
Non-traded investments				
Units in controlled entity	**-**	-	**2,142,000**	2,142,000
	-	-	**2,142,000**	2,142,000
Other financial assets				
Advances to CityLink Melbourne	**3,055,580**	2,982,839	-	-
Investment in CPLN's	**392,000**	392,000	-	-
Other loans	**24,231**	96,031	**43,327**	22,330
	3,471,811	3,470,870	**43,327**	22,330
	3,566,230	3,470,870	**2,279,746**	2,164,330

Traded shares in other corporations

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

Non-traded investments

The investment in controlled entity represents 100% of the ordinary units of The CityLink Trust (registered in Australia).

Investment in Construction Phase Loan Notes ("CPLN")

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

13. Non-current assets – other

Prepayments	**2,913**	4,812	**-**	-
Deferred borrowing costs	**12,740**	13,134	**-**	-
	15,653	17,946	**-**	-

14. Current liabilities – payables

Sundry creditors	**117**	1,486	**42**	793
CARS coupon payment	**15,009**	6,350	**-**	-
Related party creditors	**37,560**	31,314	**-**	7,155
	52,686	39,150	**42**	7,948

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

15. Current liabilities – non-interest bearing liabilities

Unearned income	**-**	1,931	**-**	-
	-	1,931	**-**	-

16. Interest bearing liabilities – non-current liabilities

Secured				
Convertible adjusting rate securities	**430,000**	430,000	**-**	-
Loans from related parties	**1,780,000**	1,700,000	**78,575**	-
	2,210,000	2,130,000	**78,575**	-

Financing arrangements and credit facilities

a) Convertible adjusting rate securities

$430 million raised via the issue of 4.3 million securities. Semi-annual interest is paid at a fixed rate of 7 per cent per annum until the first re-set date on 14 April 2007. These securities are generally convertible into Transurban Securities at a discount of 2.5 per cent and rank ahead of Transurban Stapled Securities on a winding up of Transurban in conjunction with a winding up of Transurban CARS Trust. The Trust acts as guarantor for the interest payments until the first re-set date at which time the guarantee may or may not be extended.

b) Loans from related parties

$1.7 billion borrowed from Transurban Finance Company used to refinance Transurban's debt from the construction of the Melbourne CityLink project. The remaining $80.0 million contributed towards the acquisition of the investment in the Hills Motorway Group.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Loan facilities				
Total facilities	**1,780,000**	1,700,000	**-**	-
Used at balance date	**(1,780,000)**	(1,700,000)	**-**	-
Unused at balance date	**-**	-	**-**	-

17. Unitholders' funds

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

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

	Parent entity		Parent entity	
	2004	2003	**2004**	2003
	Units	Units		
	'000	'000	**$'000**	$'000
a) Share capital				
Ordinary units fully paid	**532,630**	518,473	**2,236,704**	2,175,960
	532,630	518,473	**2,236,704**	2,175,960

b)

Date	Details	Notes	Number of units '000	Issue price	$'000
1 July 2003	Opening Balance		518,473	-	2,175,960
8 October 2003	Distribution reinvestment plan issue	d	4,957	$4.1141	20,394
26 February 2004	Exercise of April 2001 options	e	96	$3.8070	365
26 March 2004	Distribution reinvestment plan issue	d	9,104	$4.3920	39,985
30 June 2004	Closing balance		532,630		2,236,704

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

c) Trust units

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

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

d) Distribution reinvestment plan

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

e) Options over trust units

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

Outstanding 30 June 2003	Granted	Exercised	Lapsed	Outstanding 30 June 2004
6,350,000	-	95,700	50,000	6,204,300

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
f) Undistributed losses				
Undistributed losses bought forward	**(53,288)**	(30,905)	**(10,107)**	(9,464)
Net profit from ordinary activities	**48,977**	44,080	**117,563**	65,820
Available for distribution	**(4,311)**	13,175	**107,456**	56,356
Distributions to unitholders during the year	**(114,670)**	(66,463)	**(114,670)**	(66,463)
Undistributed loss carried forward	**(118,981)**	(53,288)	**(7,214)**	(10,107)

18. Distributions

	Parent entity	
	2004	2003
	$'000	$'000
Stapled Securities		
Final distribution for 2003 financial year of 10.0 cents (2002 – 3.0 cents) per fully paid Stapled Security paid 8 October 2003	**51,847**	15,300
Interim distribution for 2004 financial year of 12.0 cents (2003 – 10.0 cents) per fully paid Stapled Security paid 26 March 2004	**62,823**	51,163
Total distributions paid	**114,670**	66,463
Distributions paid in cash or satisfied by the issue of Stapled Securities under the distribution reinvestment plan during the years ended 30 June 2004 and 30 June 2003		
Paid in cash	**54,145**	32,409
Satisfied by issue of Stapled Securities [1]	**60,525**	34,054
	114,670	66,463

(1) The value of stapled securities represents the total value of securities issued, however, this value is apportioned between Transurban Holding Trust ($60.4 million) and Transurban Holdings Limited ($0.1 million).

Distributions not recognised at year end

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

19. Financial instruments

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

Interest rate swap contracts

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

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

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
4 – 5 years	**1,160,000**	1,160,000	**-**	-
	1,160,000	1,160,000	**-**	-

Credit risk

Credit risk is the risk that a counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Trust's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

2004			**Fixed interest maturing in:**				
	Note	**Floating interest rate $'000**	**1 year or less $'000**	**Between 1 and 5 years $'000**	**More than 5 years $'000**	**Non Interest bearing $'000**	**Total $'000**
Financial assets							
Cash	7	59,922	-	-	-	-	59,922
Sundry debtors	8	-	-	-	-	3,079	3,079
Advance to CityLink Melbourne	12	1,478,980	-	-	-	1,576,600	3,055,580
Investment in CPLN's	12	-	-	392,000	-	-	392,000
Other financial assets – investments	12	-	-	-	-	94,419	94,419
Advance to other parties	12	-	-	-	-	24,231	24,231
Total financial assets		1,538,902	-	392,000	-	1,698,329	3,629,231
Weighted average interest rate		6.45%	-	6.27%	-		
Financial liabilities							
Sundry creditors	14	-	-	-	-	15,126	15,126
Loans from related parties	14,16	1,345,000	-	435,000	-	37,560	1,817,560
Interest rate swaps	19	(1,160,000)	-	1,160,000	-	-	-
CARS	16	-	-	430,000	-	-	430,000
Total financial liabilities		185,000	-	2,025,000	-	52,686	2,262,686
Weighted average interest rate		6.27%	-	6.32%	-		
Net financial assets/(liabilities)		1,353,902	-	(1,633,000)	-	1,645,643	1,366,545

2003		Fixed interest rate maturing in:					
	Note	Floating interest rate $'000	1 year or less $'000	Between 1 and 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial assets							
Cash	7	41,239	-	-	-	-	41,239
Sundry debtors	8	-	-	-	-	2,521	2,521
Advance to CityLink Melbourne	12	1,406,239	-	-	-	1,576,600	2,982,839
Investment in CPLN's	12	-	-	392,000	-	-	392,000
Advance to other parties	12	-	92,652	-	-	3,379	96,031
Total financial assets		1,447,478	92,652	392,000	-	1,582,500	3,514,630
Weighted average interest rate		6.56%	8.50%	6.27%	-		
Financial liabilities							
Sundry creditors	14	-	-	-	-	7,836	7,836
Loans from related parties	14,16	1,265,000	-	435,000	-	31,314	1,731,314
Interest rate swaps	19	(1,160,000)	-	1,160,000	-	-	-
CARS	16	-	-	430,000	-	-	430,000
Total financial liabilities		105,000	-	2,025,000	-	39,150	2,169,150
Weighted average interest rate		4.98%	-	6.32%	-		
Net financial assets/(liabilities)		1,342,478	92,652	(1,633,000)	-	1,543,350	1,345,480

	Notes	**2004 $'000**	2003 $'000
Reconciliation of net financial assets to net assets			
Net financial assets as above		**1,366,545**	1,345,480
Non-financial assets and liabilities			
Property, plant and equipment	10	**726,906**	753,264
Other assets	9,11,13	**24,272**	25,859
Other liabilities	15	**-**	(1,931)
Net assets per balance sheet		**2,117,723**	2,122,672

Net fair values of financial assets and liabilities

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

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

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

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

20. Director disclosures

Directors

The following persons were directors of Transurban Infrastructure Management Limited during the financial year:

Chairman – non-executive
Laurence G Cox

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

Executive director
Geoffrey R Phillips

Remuneration of directors and executives

Principles used to determine the nature and amount of remuneration.

Non-executive directors

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

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

Executive director

G R Phillips, Deputy Managing Director

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

notes to the financial statements

for the year ended 30 June 2004

Details of remuneration

Details of the remuneration of each director of Transurban Infrastructure Management Limited, including their personally related entities, are set out in the following tables. The Options granted, relate to the Transurban Group as a whole. There is no apportionment between Group entities. As a reasonable basis of apportionment is not available, the full amount has been disclosed.

Directors of Transurban Infrastructure Management Limited

2004

	Primary				Post-employment		Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
L G Cox	55,009	-	-	-	4,951	34,626	-	94,586
P C Byers	21,196	-	-	-	1,908	10,495	-	33,599
J G A Davis	19,799	-	-	-	2,644	8,309	-	30,752
S M Oliver	20,994	-	-	-	1,889	9,721	-	32,604
G O Cosgriff	18,976	-	-	-	1,708	23,270	-	43,954
D J Ryan	18,168	-	-	-	1,635	-	-	19,803
G R Phillips	-	-	-	-	-	-	61,501	61,501
Total	154,142	-	-	-	14,735	86,421	61,501	316,799

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

2003

	Primary				Post-employment		Equity	
Name	**Cash salary & fees**	**Cash bonus**	**Long-term incentive**	**Non-monetary benefits**	**Super-annuation**	**Retirement benefits**	**Options**	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Total	130,984	-	-	-	11,789	83,191	61,333	287,297

Share-based compensation – options

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

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

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

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

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

Equity instrument disclosures relating to directors and executives

Options provided as remuneration

Details of options over units in the Transurban Holding Trust provided as remuneration to each director of Transurban Infrastructure Management Limited.

Name	Number of options granted during the year	Number of options vested during the year
Directors of Transurban Infrastructure Management Limited		
G R Phillips	-	166,667

Option holdings

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

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other changes during the year	Balance at at the end of the year	Vested and exercisable at the end of the year	Vested and unexercisable at the end of the year
Directors of Transurban Infrastructure Developments Limited							
G R Phillips	500,000	-	-	-	500,000	298,219	35,114

Share holdings

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

Stapled Securities

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Infrastructure Management Limited				
L G Cox	775,000	-	-	775,000
P C Byers	50,000	-	-	50,000
G O Cosgriff	17,360	-	7,550	24,910
J G A Davis	40,000	-	10,000	50,000
S M Oliver	59,375	-	1,618	60,993
D J Ryan	20,000	-	1,043	21,043
G R Phillips	-	-	-	-

CARS

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Transurban Infrastructure Management Limited				
L G Cox	4,000	-	(3,000)	1,000
P C Byers	-	-	-	-
G O Cosgriff	121	-	-	121
J G A Davis	150	-	(150)	-
S M Oliver	-	-	-	-
D J Ryan	300	-	(300)	-
G R Phillips	-	-	-	-

Other transactions with directors

All of the directors of Transurban Infrastructure Management Limited are also directors of Transurban Holdings Limited, Transurban Infrastructure Developments Limited, CityLink Melbourne Limited and Transurban Finance Company Pty Limited.

The CityLink Trust rents land and provides financial support in the form of an interest bearing loan to CityLink Melbourne.

Transurban Holding Trust provides financial support in the form of non-interest bearing loans to Transurban Holdings Limited and Transurban Infrastructure Developments Limited.

Transurban Finance Company provides financial support in the form of an interest bearing loan to Transurban Finance Trust.

Transurban Infrastructure Management Limited is the Responsible Entity of Transurban Holding Trust and for this service Transurban Holding Trust pays Responsible Entity and Management Fees.

Mr Cox is a director of Macquarie Corporate Finance Ltd (a wholly owned subsidiary of Macquarie Bank Ltd), which was also involved in the financial arrangements concerning the Land Transport Notes. Mr. Cox holds $51,188 in class B Land Transport Notes.

Mr Byers is a director of Hills Motorway Limited, in which Transurban Holding Trust has a 8.1 per cent interest, refer note 8.

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

notes to the financial statements

for the year ended 30 June 2004

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Amounts recognised as expenses				
Bridge loan interest expense	**-**	2,859	**-**	-
Underwriting fees expense	**-**	7,208	**-**	-
Facility set up expense	**-**	990	**-**	-
Interest and other related charges paid	**146,509**	108,165	**-**	-
Responsible entity fees expense	**4,187**	1,032	**1,056**	1,032
Management fees expense	**8,577**	18,363	**8,577**	24,053
Amounts recognised as revenue				
Rental income	**111,272**	101,157	**-**	-
Interest income	**87,246**	91,234	**-**	-
Hills distribution	**1,044**	-	**1,044**	-
Amounts recognised as loans				
Loan to CityLink Melbourne Limited	**3,055,580**	2,982,840	**-**	-
Borrowings received	**1,780,000**	1,700,000	**-**	-
Loans provided and repaid	**-**	250,000	**-**	-
Loans to related parties	**24,231**	3,378	**43,327**	3,378
Loans from related parties	**37,560**	5,888	**-**	5,888
Aggregate amounts of assets at balance date relating to the above types of other transactions with directors of Transurban Infrastructure Management Limited:				
Current receivables	**5,355**	-	**5,355**	-
Non-current receivables	**3,077,080**	3,078,871	**40,597**	22,330
Aggregate amounts payable at balance date relating to the above types of other transactions with directors of Transurban Infrastructure Management Limited:				
Current liabilities	**37,560**	31,314	**-**	7,155
Non-current liabilities – loans	**1,780,000**	1,700,000	**78,575**	-

21. Remuneration of auditors

During the year the following services were paid to the auditor of the parent entity and its related practices:

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent entity 2004 $'000	Parent entity 2003 $'000
Audit services				
Audit and review of financial reports and other audit work under the Corporations Act 2001.	**104**	99	**22**	25
Total remuneration for audit services	**104**	99	**22**	25
Taxation services				
Tax compliance services, including review of income tax returns	**31**	18	**-**	-
Total remuneration for taxation services	**31**	18	**-**	-

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

22. Contingent liabilities

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

23. Related party information

Directors

Disclosures relating to directors are set out in note 20.

Wholly-owned group

The wholly-owned group consists of Transurban Holding Trust and its wholly-owned controlled entities refer to note 24.

Transactions between Transurban Holding Trust and the other entities in the wholly-owned group during the years ended 30 June 2004 and 2003 consisted of:

(a) distributions paid to Transurban Holding Trust

(b) loans advanced by Transurban Holding Trust

(c) the payment of interest on the above loans

(d) financial services provided by Transurban Holding Trust

(e) financial services provided to Transurban Holding Trust

notes to the financial statements

for the year ended 30 June 2004

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned group:

	Parent entity	
	2004	2003
	$'000	$'000
Distribution income	**125,078**	66,300
Interest income	**1,281**	2,268
Financial services income	**-**	8,000
Financial services expense	**2,034**	3,062

Aggregate amounts receivable from and payable to entities in the wholly-owned group at balance date:

Current payables	**-**	10
Non-current payables	**78,575**	-
Non-current receivables	**19,097**	27,207

Other related parties

Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of other related parties:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Fees to Responsible Entity	**-**	902	**-**	-
CPLN's interest revenue	**24,646**	9,158	**-**	-

Aggregate amounts payable to and receivable from, each class of other related parties at balance date:

Current liabilities	**-**	440	**-**	-
Non-current receivable	**392,000**	392,000	**-**	-

Controlling entities

The ultimate parent entity in the wholly-owned group is Transurban Holding Trust.

24. Investments in controlled entity

Name of entity	Country of incorporation	Class of security	Equity holding 2004 (%)	Equity holding 2003 (%)
CityLink Trust	Australia	Ordinary	**100**	100
Transurban Finance Trust	Australia	Ordinary	**100**	100
Transurban CARS Trust	Australia	Ordinary	**100**	100
Transurban WSO Trust	Australia	Ordinary	**100**	100

25. Investment in associate

			Consolidated		Parent entity	
Name of company	**Ownership interest**		**Carrying amount**		**Carrying amount**	
	2004	2003	**2004**	2003	**2004**	2003
	%	%	**$'000**	$'000	**$'000**	$'000
Westlink Motorway Limited	**40**	40	**-**	-	**-**	-

Westlink Motorway Limited is the nominee manager of the Westlink Motorway partnership and is carried at cost of $80. The company has no impact on the consolidated entity's equity accounted profits.

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Summary of performance and financial position of associates				
Aggregate net profits of associates after tax	**-**	-	**-**	-
Assets	**-**	-	**-**	-
Liabilities	**-**	-	**-**	-

26. Interest in joint venture

			Consolidated		Parent entity	
Name of partnership	**Ownership interest**		**Carrying amount**		**Carrying amount**	
	2004	2003	**2004**	2003	**2004**	2003
	%	%	**$'000**	$'000	**$'000**	$'000
Westlink Motorway Partnership	**40**	40	**6,236**	5,888	**6,236**	5,888

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

notes to the financial statements

for the year ended 30 June 2004

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
Share of partnership assets and liabilities				
Current assets	**2,932**	1,741	**-**	-
Non-current assets	**324,542**	235,059	**-**	-
Total assets	**327,474**	236,800	**-**	-
Current liabilities	**14**	-	**-**	-
Non-current liabilities	**327,460**	236,800	**-**	-
Total liabilities	**327,474**	236,800	**-**	-
Net assets	**-**	-	**-**	-
Share of profits	**-**	-	**-**	-
Share of partnership commitments				
Capital commitments	**327,484**	564,266	**-**	-

27. Reconciliation of net profit from ordinary activities to net cash outflow from operating activities

Net profit from ordinary activities	**48,977**	44,080	**117,563**	65,820
Depreciation and amortisation	**26,358**	26,359	**-**	-
Trust distributions received	**-**	-	**(125,078)**	(66,300)
Deferred borrowing costs	**394**	(13,134)	**-**	-
Change in operating assets and liabilities				
(Increase) in prepayments	**1,541**	(4,050)	**(400)**	-
Increase/(decrease) in creditors	**7,285**	(14,716)	**(756)**	(257)
(Decrease) in unearned income	**(1,931)**	(2,298)	**-**	-
Decrease/(Increase) in debtors	**1,023**	49	**337**	(32)
(Decrease) in loans to/from related parties	**(194,598)**	(173,383)	**(5,198)**	(8,140)
Net cash (outflow) from operating activities	**(110,951)**	(137,093)	**(13,532)**	(8,909)

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000

28. Non-cash financing and investing activities

Pre-acquisition portion of distribution receivable from Hills Motorway Group Ltd offsetting the cash purchase price	**1,581**	-	**1,581**	-
Distributions satisfied by the issue of units under the distribution reinvestment plan	**60,384**	-	**-**	-
	61,965	-	**1,581**	-

29. Economic dependency

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

30. Earnings per unit

	Consolidated	
	2004	2003
Basic earnings per unit	**9.3 cents**	8.6 cents
Diluted earnings per unit	**7.1 cents**	5.0 cents
Weighted average number of units used as the denominator in calculating basic earnings per unit	**524,512,875**	512,976,259
Weighted average number of units and potential units used as the denominator in calculating diluted earnings per unit	**985,000,351**	970,462,464

Information concerning the classification of units

(a) Stapled Securities

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

(b) Options

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

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

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

31. Commitments for expenditure

Option Over Further Interest in Westlink M7 Motorway Project

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

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

directors' declaration

The directors of Transurban Infrastructure Management Limited the Responsible Entity for Transurban Holding Trust declare that the financial statements and notes set out on pages 112 to 143:

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

(b) give a true and fair view of the Trust and consolidated entity's financial position as at 30 June 2004 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion

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

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

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

Jeremy G A Davis
Director

Geoffrey O Cosgriff
Director

Melbourne, 25 August 2004

PRICEWATERHOUSECOOPERS

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Independent audit report to the members of Transurban Holding Trust

Audit opinion

In our opinion, the financial report of Transurban Holding Trust:

- gives a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of Transurban Holding Trust and the Transurban Holding Trust Group (defined below) as at 30 June 2004, and of their performance for the year ended on that date, and
- is presented in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

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

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Transurban Holding Trust (the Trust) and the Transurban Holding Trust Group (the consolidated entity), for the year ended 30 June 2004. The consolidated entity comprises both the Trust and the entities it controlled during that year.

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

Audit approach

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

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

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Independence

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

PricewaterhouseCoopers

Tim Goldsmith
Partner

Melbourne
25 August 2004

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

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enquiries and information

enquiries about your stapled securities

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

computershare investor services pty limited.

Yarra Falls, 52 Johnston Street,
Abbotsford Victoria 3067
GPO Box 242
Melbourne Victoria 3001

(within Australia) 1300 850 505
(outside Australia) +613 9415 4000
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enquiries about transurban

Contact Transurban's Investor Relations:
Manager, Investor Relations
Telephone +613 9612 6999
Facsimile +613 9649 7380
Email via our website: www.transurban.com.au

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

stock exchange listing

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

Transurban CARS Trust: the securities are listed on the Australian Stock Exchange under the name Transurban CARS Trust and under the code 'TCS'.

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

removal from annual report mailing list

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

tax file number ('TFN') information

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

change of address or name

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

transurban group

Transurban Holdings Limited
ABN 86 098 143 429

Transurban Holding Trust
ABN 30 169 362 255

Transurban Infrastructure Developments Limited
ABN 96 098 143 410

Transurban Infrastructure Management Limited
ABN 27 098 147 678 (as responsible entity of the Transurban CARS Trust ARSN 103 090 928)

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directors

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Kim Edwards, Managing Director
Peter C Byers
Geoffrey O Cosgriff
Jeremy G A Davis
Susan M Oliver
Geoffrey R Phillips
David J Ryan

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