



Macquarie Infrastructure Group International Limited

Registered number EC35715

(Previously Macquarie Infrastructure Bermuda Limited)

Interim Financial Report 31 December 2005

During the period under review, Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) (MIT (I)) ARSN 092863780, Macquarie Infrastructure Trust (II) (MIT (II)) ARSN 092863548 and Macquarie Infrastructure Group International Limited (MIGIL) ARBN 094 142 891.

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT (I) and MIT (II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542 (MBL).

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the advisor for MIGIL. MIM UK is a wholly owned subsidiary of MBL.

Investments in MIG are not deposits with or other liabilities of MBL, or any entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MIGIL, nor any member of the Macquarie Bank Group, including MIIML and MIM UK, guarantees the performance of MIG, the repayment of capital or the payment of a particular rate of return on MIG stapled securities.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MIG, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

MIIML, as responsible entity of the trusts comprised in MIG and MIM UK as the advisor to MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIGIL hold stapled securities in the MIG from time to time.

Interim Financial Report

Half Year Ended 31 December 2005

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Directors' Report

The Directors of Macquarie Infrastructure Group International Limited (MIGIL or the Company), formerly Macquarie Infrastructure Bermuda Limited, submit the following report in respect of the six months ended 31 December 2005 (the period).

Principal Activities and Results

This interim financial report is the first MIGIL financial report to be prepared in accordance with International Financial Reporting Standards (IFRS).

The principal activity of the Company and its subsidiaries (together the Group) is to invest in toll roads, bridges and tunnels. During the period, the Group formed part of Macquarie Infrastructure Group (MIG). MIG is a triple stapled security which during the period comprised a unit in each of two Australian trusts, Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)) and an ordinary share of the Company.

The Group results for the period are set out below and in more detail in the attached financial statements.

	6 months to 31 Dec 2005 AUS \$'000	6 months to 31 Dec 2004 AUS \$'000
Total revenue and other income	524,324	199,860
Net profit before taxation	383,605	11,557

Review of the Business

Change of Name

At the Annual General Meeting on 21 November 2005, MIGIL securityholders approved the change of name of Macquarie Infrastructure Bermuda Limited (MIBL) to Macquarie Infrastructure Group International Limited. The Certificate of Incorporation on Change of Name was effected under section 10 of the Bermudan Companies Act 1981 by the Bermudan Registrar of Companies.

Investments

During the period, the following developments occurred in relation to the Group's investments:

■ **407 ETR**

As disclosed in Note 4 to the Consolidated Financial Statements, the 407 ETR concession company and the Government of Ontario, Canada, are presently engaged in a series of disputes. 407 ETR and MIGIL have legal advice in relation to the interpretation of the concession contract and believe that the concession company's position on each of these issues is strong.

■ **Midland Expressway Limited**

There are outstanding claims against Midland Expressway Limited for construction liabilities amounting to £63.4 million (\$148.5 million), which are subject to ongoing discussion and adjudication. The Group believes that it will defend these claims successfully and that no provisions are necessary in the financial statements as at 31 December 2005.

■ **Acquisition of Dulles Greenway**

MIG reached financial close on its investment in the Dulles Greenway toll road in Virginia on 9 September 2005.

At that time, MIG invested US\$533 million (A\$711 million) to provide loans against and hold options over 86.7% of Toll Road Investors Partnership II LLP (TRIP II), the concessionaire of the Dulles Greenway and limited partnership and acquire 100% of the General Partner, Shendandoah Greenway Corporation. The General Partner has day to day responsibility for the management and operation of the concession.

As part of the investment loans totalling US\$500 million (A\$665 million) have been made by a subsidiary of MIGIL.

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On 29 September 2005, MIG acquired a further 13.3% interest in TRIP II from Kellogg, Brown and Root (KBR) for US\$84.5 million (A\$111.85 million). Following the completion of the KBR acquisition, MIG held a 100% economic interest in Dulles Greenway.

■ **Announcement of Preferred Bidder for Autoroutes Paris-Rhin-Rhône (APRR) Motorway Network**

On 14 December 2005 the Government of France advised that the consortium comprising Eiffage SA, MIG and Macquarie European Infrastructure Fund had been selected as preferred bidder to acquire its 70.2% interest in APRR, subject to customary regulatory approvals. The price offered by the consortium is €61 per share. Final debt and equity figures are dependant on the take up of a mandatory offer to minority shareholders (required under French law). At 100%, MIGIL's equity investment will be €376 million (A\$600 million).

Issuance of Share Capital

The following issuances of share capital occurred during the period:

On 12 August 2005, MIGIL issued 17,594,000 1 Australian cent ordinary shares under the MIG Distribution Reinvestment Plan (DRP). The net equity raised was \$48,954,000. The DRP enables MIG security holders to reinvest distributions from MIG into MIG securities.

On 1 September 2005, MIGIL issued 174,419,000 1 Australian cent ordinary shares as part of an institutional placement to assist in the funding of MIG's investment in 86.7% of TRIP II, the concessionaire of the Dulles Greenway and to acquire 100% of the General Partner, Shendandoah Greenway Corporation. The net equity raised was \$456,455,000.

On 12 September 2005, MIGIL issued 21,862,000 1 Australian cent ordinary shares following reinvestment of the third instalment of the June 2003 and the first instalment of the June 2005 Performance fees, in MIG Securities by the Responsible Entity and Advisor. The net equity raised was \$54,396,000.

On 12 October 2005, MIGIL issued 26,732,000 1 Australian cent ordinary shares, pursuant to the Security Purchase Plan offer, to fund MIG's acquisition of the remaining 13.3% interest in TRIP II, the concessionaire of the Dulles Greenway, from KBR. The net equity raised was \$70,648,000.

Directors

The following persons held office as Directors of the Company during the half year and up to the date of this report:

- Robert Andrew Mulderig (Chairman)
- Mark Roderick Granger Johnson
- Dr Peter Dyer
- Jeffrey Gerald Conyers (Deputy Chairman)

Secretary

The following person held office as company secretary of the Company during the year and up to the date of this report:

- Roslyn O'Brien

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In the opinion of the Directors, there were no other significant developments within the Company and its controlled entities that occurred during the period.

By order of the Board



R Mulderig
Chairman
21 February 2006

Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Independent review report of PricewaterhouseCoopers LLP to Macquarie Infrastructure Group International Limited (the “Company” or the “Group”).

Introduction

We have been instructed by the Company to review the consolidated financial information for the six months ended 2005 which comprises the consolidated balance sheet as at 31 December 2005 and the related consolidated income statement, cash flow statement and statement of changes in equity for the six months then ended, related notes and IFRS1 First Time Adoption reconciliations. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with International Financial Reporting Standards (“IFRS”).

As disclosed in Note 1, the next annual financial statements of the Group will be prepared in accordance with IFRS. This interim report has been prepared in accordance with the basis set out in Note 1(a).

The accounting policies are consistent with those which the directors intend to use in the next annual financial statements. As explained in Note 1, there is, however, a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with IFRS. The IFRS standards and IFRIC interpretations which will be applicable at 30 June 2006 are not known with certainty at the time of preparing this interim financial information.

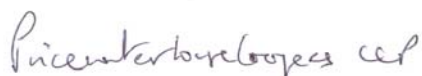
Review work performed

We conducted our review in accordance with guidance contained in International Standards on Auditing applicable to review engagements. A review consists principally of making enquiries of the directors and management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied consistently, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 December 2005.

The directors are responsible for the maintenance and integrity of the MIG website, which houses the Group's consolidated financial statements. The work carried out by PricewaterhouseCoopers LLP does not involve consideration of the maintenance or integrity of the MIG website and, accordingly, PricewaterhouseCoopers LLP does not accept responsibility for any changes that have occurred to the Group's consolidated financial statements since they were initially presented on the MIG website.



PricewaterhouseCoopers LLP
London
21 February 2006

Consolidated Income Statement

	Note	6 months to 31 Dec 2005 AUS \$'000	6 months to 31 Dec 2004 AUS \$'000
Revenue			
Dividends received from investments in financial assets		14,015	3,110
Interest income		40,968	20,052
Toll revenue		58,779	54,969
Other revenue		2,396	3,133
Total revenue		116,158	81,264
Other income			
Revaluation of investments in financial assets		413,698	-
Foreign exchange (loss)/gain		(9,566)	2,821
Fair value gains on other financial assets and liabilities		4,034	-
Profit on sale of subsidiary		-	115,775
Total other income		408,166	118,596
Total revenue and other income		524,324	199,860
Operating expenses			
Other operating expenses		(63,483)	(54,922)
Loss on disposal of investments		-	(47,344)
Management and performance fees		(32,021)	(24,067)
Total operating expenses		(95,504)	(126,333)
Total operating profit		428,820	73,527
Financing costs		(45,215)	(61,970)
Net profit before taxation		383,605	11,557
Taxation benefit	2	246,725	-
Profit for the period		630,330	11,557

The above Consolidated Income Statement should be read in conjunction with the accompanying notes on pages 9 to 27.

Consolidated Statement of Changes in Equity

	6 months to 31 Dec 2005 AUS \$'000	6 months to 31 Dec 2004 AUS \$'000
Total equity at the beginning of the period	2,572,653	1,423,369
Adjustment to equity on adoption of IAS 32 and IAS 39	543,594	-
Exchange differences on translation of foreign operations	264,842	(70,288)
Profit for the period	630,330	11,557
Transfer to profit and loss reserve	-	1,048,857
Total recognised income and expense for the period	1,438,766	990,126
Issue of share capital	630,438	11,950
Total equity at end of period	4,641,857	2,425,445

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 9 to 27.

Consolidated Balance Sheet

	Note	31 Dec 2005 AUS \$'000	30 Jun 2005 AUS \$'000
Non-current assets			
Tolling concessions		49,461	50,240
Property, plant and equipment		1,463,565	1,491,698
Investments in financial assets	4	4,112,618	1,963,885
		5,625,644	3,505,823
Current assets			
Inventories		499	711
Trade and other receivables		19,262	7,576
Cash assets		691,503	941,745
		711,264	950,032
Current liabilities			
Trade and other payables		(154,786)	(383,419)
Provisions		(4,639)	(1,892)
		551,839	564,721
Net current assets			
		551,839	564,721
Non-current Liabilities			
Interest-bearing financial liabilities		(1,512,395)	(1,494,707)
Derivative instrument financial liabilities		(20,016)	-
Provisions		(3,215)	(3,184)
		4,641,857	2,572,653
Net assets			
		4,641,857	2,572,653
Capital and reserves			
Called up share capital	5	24,055	22,576
Share premium account	5	6,018,273	5,389,314
Reserves	6	(2,988,214)	(3,253,057)
Retained earnings		1,587,743	413,820
		4,641,857	2,572,653

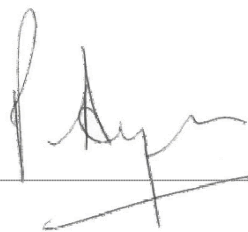
The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes on pages 9 to 27.

This financial information was approved by the Board of Directors on 21 February 2006 and was signed on its behalf by:

R. Mulderig
Chairman



P Dyer
Director



Consolidated Cash Flow Statement

	Note	6 months to 31 Dec 2005 AUS \$'000	6 months to 31 Dec 2004 AUS \$'000
Cash flows from operating activities			
Toll revenue received		69,356	64,588
Interest received		39,789	6,278
Payments to suppliers and employees (inclusive of VAT)		(12,628)	(18,262)
Management fees paid		(16,906)	(23,707)
Performance fees paid		(9,465)	(580)
Dividend income received		14,015	3,110
Other income received		4,042	5,262
Net cash flows from operating activities		88,203	36,689
Cash flows from investing activities			
Sale of investments		-	322,614
Payments for purchase of investments		(654,180)	-
Purchase of tangible fixed assets		(10,370)	(13,028)
Repayment of loans		-	1,510
Proceeds from return of capital from investments		2,810	-
Net cash flows from investing activities		(661,740)	311,096
Cash flows from financing activities			
Issue of ordinary share capital		566,940	8,640
Borrowing costs paid		(46,619)	(47,600)
Receipt of bank debt		-	116,112
Repayment of related entity loans		83,888	-
Distributions paid to shareholders	2	(295,179)	-
Net cash flows from financing activities		309,030	77,152
Net (decrease)/increase in cash assets held		(264,507)	424,937
Cash assets at the beginning of the period		941,745	131,025
Effects of exchange rate movements		14,265	(10,451)
Cash assets at the end of the period		691,503	545,511

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes on pages 9 to 27.

Notes to the Interim Financial Report

1 Summary of Significant Accounting Policies

This general purpose financial report for the interim half year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

The financial information presented herein does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of MIGIL (previously named MIBL) for the year ended 30 June 2005.

(a) Basis of Preparation of Half Year Financial Report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

— **Application of IFRS 1 First-time Adoption of International Financial Reporting Standards**

This interim financial report is the first MIGIL interim financial report to be prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied in preparing these financial statements.

Further standards and interpretations may be issued that could be applicable for financial years beginning on or after 1 July 2005 or that are applicable to later accounting periods but with the option for companies to adopt for earlier periods. The Group's first annual financial statements prepared under IFRS may, therefore, be prepared in accordance with different accounting policies to those used in the preparation of this financial report.

Financial statements of MIGIL until 30 June 2005 had been prepared in accordance with previous United Kingdom Generally Accepted Accounting Principles (UKGAAP). UKGAAP differs in certain respects from IFRS. When preparing the MIGIL interim financial report for the half year ended 31 December 2005, certain accounting, valuation and consolidation methods applied in the previous UKGAAP financial statements have been amended to comply with IFRS. The comparative figures are restated to reflect these adjustments.

MIGIL has used the provisions of IFRS 1 in arriving at appropriate opening balances for the purposes of this interim financial report and taken advantage of the exemptions available as follows:

— **Cumulative foreign currency translation differences**

MIGIL has brought forward a nil balance on the cumulative foreign currency translation reserve arising on the translation of foreign operations. This reserve is required to be recognised as a separate component of equity under IAS 21 *The Effects of Changes in Foreign Exchange Rates*.

— **First time application of IFRS relating to financial instruments**

MIGIL has taken the exemption available under IFRS 1 to apply IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 39 *Financial Instruments: Recognition and Measurement* from 1 July 2005. MIGIL has applied previous UKGAAP in the comparative information on financial instruments within the scope of IAS 32 and IAS 39.

— **Business combinations**

MIGIL has elected not to apply IFRS 3 *Business Combinations* retrospectively to past business combinations entered into before the date of transition to IFRS.

No other exemptions available under IFRS 1 have been taken up.

— **Effects of transition to IFRS**

Reconciliations and descriptions of the effect of transition from previous UKGAAP to IFRS on MIGIL's equity and its profit for the period are given in Note 10.

1 Summary of Significant Accounting Policies (Cont'd)

(a) Basis of Preparation of Half Year Financial Report (Cont'd)

— *Historic cost convention*

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MIGIL at 31 December 2005 and the results of all controlled entities for the period then ended. The effects of all transactions between entities in the consolidated Group are eliminated in full.

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

(c) Foreign Currency Translation

— *Functional and presentation currency*

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

— *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity from applying cash flow hedge accounting and applying net investment hedge accounting.

— *Group companies*

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised initially in a separate component of equity. When a foreign operation is sold or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences is recognised in the Income Statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Post Retirement Benefits

A subsidiary within the Group, Macquarie Infrastructure UK Limited (MIUK) operates a pension scheme providing benefits on final pensionable pay. A liability or asset in respect of this pension scheme is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the pension scheme's assets at that date and any unrecognised past service cost.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

1 Summary of Significant Accounting Policies (cont'd)

(d) Post Retirement Benefits (cont'd)

Past service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified time. In this case, the past service costs are amortised on a straight-line basis over this period.

Any movement in the liability or asset during the period is recognised in the Income Statement.

(e) Derivative Financial Instruments

The Group enters into interest rate swap agreements. In respect of such instruments, the Group has taken the exemption available under IFRS 1 to apply IAS 32 and IAS 39 from 1 July 2005. The Group has applied previous UKGAAP in the comparative information on financial instruments within the scope of IAS 32 and IAS 39.

The following sets out how interest rate swaps were accounted under previous UKGAAP:

Interest rate swaps

Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument. Interest differentials on derivative instruments are recognised by adjusting the net interest charge/income over the period of the contracts. Changes in the fair value of such derivatives are not recognised.

— **Adjustments on transition date: 1 July 2005**

The nature of the main adjustments to make this information comply with IAS 32 and IAS 39 is that derivatives are measured on a fair value basis. Changes in the fair value are either taken to the Income Statement or reserves. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date. None of the Group's derivative financial instruments satisfy the criteria for hedge accounting and consequently changes in carrying amounts have been taken to retained earnings.

— **From 1 July 2005**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedging instruments.

Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement as financing costs.

— **Fair value estimation**

The fair values of over-the-counter derivatives are determined using valuation techniques with assumptions that are based on market conditions existing at each balance sheet date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

(f) Interest Bearing Liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost and classified as financial liabilities. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

(g) Investments in Financial Assets

MIGIL has designated its non-controlled investments in toll road companies as financial assets at fair value through profit and loss. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with IAS 39.

1 Summary of Significant Accounting Policies (cont'd)

(g) Investments in Financial Assets (cont'd)

Changes in the fair values of investments in financial assets, both positive and negative have been recognised in the Income Statement for the period.

Investments have been measured as follows:

— *Interests in unlisted securities in companies*

MIGIL, as a mutual fund company has taken advantage of the exemption available under IAS 28 *Investments in Associates*, and designated those infrastructure investments that are associated undertakings, as financial assets at fair value through profit and loss in line with IAS 39. They are not equity accounted as otherwise required by IAS 28.

Unlisted interests in companies (including investments in associates) which are not controlled are measured at the directors' estimates of fair value, determined in accordance with a discounted cash flow analysis. Dividends and other distributions are recognised in the Income Statement when receivable.

— *Interests in other financial assets*

Interests in interest bearing debt securities are measured at fair value. Adjustments to the fair value of debt securities are recognised in the Income Statement.

(h) Tolling Concessions

Tolling concessions are intangible assets and represent the right to levy tolls in respect of controlled motorways.

Tolling concessions have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over the concession term.

(i) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Under current Bermudian law, MIGIL will not be subjected to any income, withholding or capital gains taxes in Bermuda. Controlled entities of MIGIL recognise income tax using the balance sheet approach of tax effect accounting.

Interim Financial Report

Half Year Ended 31 December 2005

2 Taxation

On adoption of IAS 32 and IAS 39 at 1 July 2005 a deferred tax liability was recognised for all revaluation increments above investment cost for tax paying entities.

An exemption from capital gains tax on disposal of certain entities exists in the UK, termed the Substantial Shareholding Exemption (SSE).

The Group consider that as at 31 December 2005 it is probable that the SSE would be satisfied and that no tax is likely to be payable in the event of disposals of Lusoponte and 407ETR. Accordingly, the deferred tax liabilities recognised in connection with these assets has been reversed. The net effect of the change in the current period is to increase the taxation benefit by \$247 million.

3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	6 months to 31 Dec 2005 AUS \$'000	6 months to 31 Dec 2004 AUS \$'000
Final distribution paid for the year ended 30 June	295,179	-
Interim distribution proposed and subsequently payable for the half year ended 31 December	-	-
	<u>295,179</u>	<u>-</u>

4 Investments in Financial Assets

	Balance at 30 June 2005 \$'000	IFRS transition adjustment \$'000	Investments \$'000	Divestments /Repayments \$'000	FX Effects \$'000	Revaluations Note (i) \$'000	Balance at 31 Dec 2005 \$'000
Interests in unlisted securities in companies							
Investment in 407 International Inc. (407 ETR) Note (ii)	1,909,937	639,763	-	-	234,016	452,498	3,236,214
Shares in Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte)	53,948	182,655	-	(2,810)	(1,231)	21,357	253,919
Partnership interest in Warnowquerung GmbH (Rostock)	-	-	-	-	-	-	-
	<u>1,963,885</u>	<u>822,418</u>	<u>-</u>	<u>(2,810)</u>	<u>232,785</u>	<u>473,855</u>	3,490,133
Interest bearing financial assets							
Investments in Dulles Greenway Subordinated Loans Note (iii)	-	-	688,699	(23,354)	17,297	(60,157)	622,485
	<u>-</u>	<u>-</u>	<u>688,699</u>	<u>(23,354)</u>	<u>17,297</u>	<u>(60,157)</u>	622,485
Total Investments	<u>1,963,885</u>	<u>822,418</u>	<u>688,699</u>	<u>(26,164)</u>	<u>250,082</u>	<u>413,698</u>	4,112,618

(i) Distributions received

Revaluations of investments are presented net of any distributions received from those investments

4 Investments in Financial Assets (cont'd)

(ii) 407 ETR Valuation

In October 2003, a new government was elected in the Province of Ontario (Province), Canada, with an election campaign statement that it intended to "roll back" tolls on the 407 ETR. In December 2003, the 407 ETR concession company gave notice of a one cent per kilometre (approximately 7.7%) increase in tolls effective 1 February 2004. In January 2004, the Government stated that it opposed the increase, on the basis that its consent was required prior to any toll increase, and that it intended to invoke the concession contract's dispute resolution process. The Government has also disputed the concession company's interpretation of the Province's obligations in respect of Plate Denial and the establishment of Base Year under the concession agreement. It seems likely that these disputes will continue for some time as the dispute resolution process is pursued to completion.

407 ETR and MIGIL have obtained legal advice in relation to interpretation of the concession contract and believe that the concession company's position on each of these issues is strong.

Following an independent Arbitrator's decision in favour of 407 ETR on all issues put before him on 10 July 2004, the Province lodged an appeal. On 6 January 2005, the Ontario Superior Court of Justice ruled in favour of 407 ETR and dismissed the appeal. On 13 June 2005, the Ontario Court of Appeal gave the Province leave to appeal the decision of the Ontario Superior Court of Justice.

The concession company has taken action to expedite resolution of the other matters under dispute. On 16 August 2005, an independent panel of Arbitrators ruled that the conditions required to establish 2002 as the Base Year were achieved. The achievement of Base Year permits 407 ETR to raise tolls above the toll threshold without incurring congestion payments to the province as long as traffic thresholds are met. 407 ETR designated Base Year in 2002 and has operated accordingly since that time. On 15 September 2005, the Province of Ontario served 407 ETR with a notice to appeal this arbitration decision.

The Group's valuation of 407 ETR assumes that the concession company has the right to set toll levels throughout the concession without seeking the consent of the Government of Ontario. The directors of the Company believe that this approach is appropriate, as it is consistent with their view of the contract terms, 407 ETR's experience in relation to four previous toll increases since privatisation in 1999, legal advice provided to MIGIL and both the independent Arbitrators' decisions and the decision of the Ontario Superior Court.

If the Province were to succeed in requiring that toll levels on 407 ETR be reduced or that future toll increases be limited, MIGIL's valuation of 407 ETR would be materially reduced.

(iii) Dulles Greenway

MIG reached financial close on its investment in the Dulles Greenway toll road in Virginia on 9 September 2005.

At that time, MIG invested US\$533 million (\$711 million) to provide loans against and hold options over 86.7% of TRIP II (the concessionaire of the Dulles Greenway and limited partnership) and acquired 100% of the General Partner, Shendandoah Greenway Corporation, which holds a 0.1% interest in TRIP II.

On acquisition, Macquarie Green Bermudian Holdings Limited (MGBHL) a subsidiary of MIGIL, provided loans of US\$255 million and US\$245 million to Shendandoah Holdings LLC (SHLLC) and AIE Holdings (AIEH) respectively. Interest of US\$18.2 million has been capitalised on these loans in the period with US\$17.1 being received at the balance sheet date. These loans have been designated as financial assets at fair value through profit and loss. SHLLC wholly owns all of the Shendandoah entities and 57.2% of TRIP II. AIEH owns 100% of AIE LLC which holds a 29.4% stake in TRIP II.

5 Called up Share Capital

	31 Dec 2005 AUS \$'000 (Half year)	30 June 2005 AUS \$'000 (Full year)
On issue at the beginning of the period/year	5,411,890	1,899,958
Issued pursuant to:		
DRP on 13 August 2004	-	8,640
Reinvestment of performance fees in securities on 31 August 2004	-	3,312
DRP on 10 February 2005	-	543,289
DRP on 12 August 2005	48,954	-
Reinvestment of performance fees in securities on 12 September 2005	54,396	-
Institutional placement on 1 September 2005	456,455	-
Security purchase plan on 12 October 2005	70,648	-
Distribution from MIGIL share premium account	-	(255,550)
Redemption of MEI share capital	-	(1,701,635)
MIGIL shares issued	-	4,913,876
Costs incurred in the raising of capital	(15)	-
On issue at the end of the period/year	6,042,328	5,411,890
	Number of ordinary shares '000	Number of ordinary shares '000
On issue at the beginning of the period/year	2,164,890	1,930,528
Issued pursuant to:		
DRP on 13 August 2004	-	4,550
Reinvestment of performance fees in securities on 31 August 2004	-	1,863
DRP on 10 February 2005	-	227,949
DRP on 12 August 2005	17,594	-
Reinvestment of performance fees in securities on 12 September 2005	21,862	-
Institutional placement on 1 September 2005	174,419	-
Security purchase plan on 12 October 2005	26,732	-
On issue at the end of the period/year	2,405,497	2,164,890

6 Reserves

	31 Dec 2005 AUS \$'000 (Half year)	30 Jun 2005 AUS \$'000 (Full year)
Movements in foreign currency translation reserve:		
Balance at the beginning of the period/year	(40,816)	-
Currency translation differences during the period/year	264,843	(40,816)
Balance at the end of the period/year	224,027	(40,816)
Movements in other reserve:		
Balance at the beginning of the period/year	(3,212,241)	-
Movements in other reserve during the year	-	(3,212,241)
Balance at the end of the period/year	(3,212,241)	(3,212,241)
Total reserves at the end of the period/year	(2,988,214)	(3,253,057)

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7 Segmental Reporting

■ *Business Segments*

The principal activity of the Group during the period was investment in the construction and operation of toll roads, bridges and tunnels.

■ *Geographical Segments*

Within Europe, the Group has assets in and derives revenue from the UK, Germany and Portugal and, until the IPO at Cintra, Spain. North American results pertain to Canada and the USA.

	Europe AUS \$'000	North America AUS \$'000	Total AUS \$'000
6 months ended 31 December 2005			
Segment revenue and other income	93,533	430,791	524,324
Total revenue and other income	93,533	430,791	524,324
Segment (loss)/profit	(47,186)	430,791	383,605
Net (loss)/profit before taxation	(47,186)	430,791	383,605
6 months ended 31 December 2004			
Segment revenue and other income	199,860	-	199,860
Total revenue and other income	199,860	-	199,860
Segment profit	11,557	-	11,557
Net profit before taxation	11,557	-	11,557

8 Contingent Liabilities

■ *M6 Toll*

There are outstanding claims against Midland Expressway Limited (MEL) a subsidiary of MIGIL, for construction liabilities amounting to £63.4 million (\$148.5 million), which are subject to ongoing discussion and adjudication. The Group believes that it will defend these claims successfully and that no provisions are necessary in the financial statements as at 31 December 2005.

Certain liabilities can be recovered from a third party under the terms of the contracts.

■ *Warnow Tunnel*

During the period a restructuring of existing debt was negotiated. Under the restructuring, European Transport Investments (UK) Limited (ETI), a subsidiary of MIGIL, had its existing contingent commitment to make an equity contribution to Warnowquerung amended to form two separate guarantees, totalling €1.19 million (\$1.92 million), in the event of a senior debt payment event or default by Warnowquerung. The Group believes it is unlikely to have to make these contributions and that no provisions are necessary in the financial statements as at 31 December 2005.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$1.92 million) has been deposited.

■ *Legal Proceedings*

Atlantic Pacific Infrastructure Limited has notified a claim against Macquarie European Infrastructure Limited (MEI) a subsidiary of MIGIL, in connection with the acquisition in 1999 of assets from Kvaerner plc. Legal advice is that the claim is unlikely to succeed. A provision of £0.1 million (\$0.2 million) has been made for the anticipated legal costs to defend this action and it is considered that no other provision is necessary in respect of this claim.

■ *Performance fees*

Pursuant to the provisions of the Trust Constitutions of MIT(I) and MIT(II), the Advisory Agreement between the Company and Macquarie Investment Management (UK) limited (MIMUK) as advisor and the Management Agreement between MEI and MIMUK as manager, the Group may become liable for the payment of the second and third instalment of the performance fee in respect of the year ended 30 June 2005 due to the Advisor.

The performance fee is calculated with reference to the performance of the accumulated security price of MIG compared with the performance of the Australian All Industrials Accumulation Index. Fees are apportioned between MIT(I), MIT(II) and the Company based on each entity's share of the net assets of MIG. The fair values of the assets are used in the calculation of this apportionment. Fees are calculated in Australian Dollars.

For the year ended 30 June 2005, a total performance fee in relation to the Group of \$52,623,000 has been calculated. The 2005 performance fee is payable in three equal instalments, the first instalment fell due and payable on 30 June 2005 and the second and third instalments are payable on 30 June 2006 and 30 June 2007 respectively, conditional upon the meeting of certain future performance criteria. The liability in respect of the first instalment was settled in the period through an issue of ordinary shares.

For the year ended 30 June 2004, no performance fee was earned by MIMUK. The following table represents the Group's contingent liabilities in respect of performance fees:

	As at 31 December 2005 AUS\$'000	As at 30 June 2005 AUS\$'000
Second instalment fee relating to 30 June 2005	17,541	17,541
Third instalment fee relating to 30 June 2005	17,541	17,541
	35,082	35,082

9 Events Occurring After Balance Sheet Date

■ *Acquisition of APRR Road Network*

On the 14 December 2005, the Government of France advised that the consortium comprised of Eiffage SA (Eiffage), MIG and Macquarie European Infrastructure Fund (MEIF) (together the Consortium) had been selected as preferred bidder to acquire its 70.2% interest in Autoroutes Paris-Rhin-Rhône (APRR), subject to customary regulatory approvals, including European Commission consent. The consortium acquired this stake on 20 February 2006 and MIGIL's equity contribution was €252.8 million (\$404.6 million).

Under French law a company that acquires more than 33.33% of voting rights in a French listed company must make a takeover offer for the balance of the shares at the same price as the price offered to the majority shareholders, in this case the Consortium will make an offer for the remaining 25.3% shares in APRR.

The price offered by the Consortium is €61 per share. The Consortium funding requirement for 100% of the shares is €7.1 billion (\$11.3 billion). This funding would comprise €5.75 billion (\$9.16 billion) of senior debt and €1.35 billion (\$2.15 billion) of equity. The final debt and equity figures are dependent on the take up of the mandatory offer to minority shareholders. The offer implies an enterprise value of €12.1 billion (\$19.3 billion) for APRR, including acquisition costs.

At 100%, MIGIL's equity investment will be €376 million (\$600 million).

■ *Distribution Reinvestment Plan*

A portion of stapled security holders participated in MIG's Distribution Reinvestment Plan for the interim distribution paid on 14 February 2006. A discount of 2.5% applied to the DRP and it was fully underwritten by way of placement.

Other than as disclosed above, there are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of MIGIL and its controlled entities, the results of these operations or the state of affairs of the consolidated entity in subsequent financial years.

10 Explanation of Transition to International Financial Reporting Standards (“IFRS”)

(1) Reconciliation of equity reported under previous United Kingdom Generally Accepted Accounting Principles (“UKGAAP”) to equity under IFRS

(i) At the date of transition to IFRS: 1 July 2004

	Note	Previous UK GAAP	Effect of presenting results in AUD	Effect of transition to IFRS	IFRS
		£'000	\$'000	\$'000	\$'000
Non-current assets					
Tolling concessions		21,777	56,676	-	56,676
Property, plant and equipment	4(b)	695,791	1,810,825	(125,138)	1,685,687
Investments in financial assets		496,707	1,273,169	-	1,273,169
Total non-current assets		1,214,275	3,140,670	(125,138)	3,015,532
Current assets					
Trade and other receivables	4(a)	3,914	10,187	(451)	9,736
Cash assets		50,345	131,025	-	131,025
Total current assets		54,259	141,212	(451)	140,761
Total assets		1,268,534	3,281,882	(125,589)	3,156,293
Current liabilities					
Trade and other payables		(63,799)	(166,039)	-	(166,039)
Provisions		-	-	-	-
Total current liabilities		(63,799)	(166,039)	-	(166,039)
Non-current liabilities					
Trade and other payables		(25,384)	(66,063)	-	(66,063)
Interest-bearing financial liabilities	4(b)	(619,556)	(1,612,425)	114,935	(1,497,490)
Provisions	4(a)	(97)	(251)	(3,081)	(3,332)
Total non-current liabilities		(645,037)	(1,678,739)	111,854	(1,566,885)
Total liabilities		(708,836)	(1,844,778)	111,854	(1,732,924)
Net assets		559,698	1,437,104	(13,735)	1,423,369
Capital and reserves					
Called up share capital		289,579	802,533	-	802,533
Share premium account		395,985	1,097,425	-	1,097,425
Retained earnings		(125,866)	(462,854)	(13,735)	(476,589)
Reserves	4(c)	-	-	-	-
		559,698	1,437,104	(13,735)	1,423,369

10 Explanation of Transition to IFRS (cont'd)

(1) Reconciliation of equity reported under previous United Kingdom Generally Accepted Accounting Principles ("UKGAAP") to equity under IFRS (cont'd)

(ii) At the end of the last half year reporting period under previous UK GAAP: 31 December 2004

	Note	Previous UK GAAP	Effect of presenting results in AUD	Effect of transition to IFRS	IFRS
		£'000	\$'000	\$'000	\$'000
Non-current assets					
Tolling concessions		21,556	52,875	-	52,875
Property, plant and equipment	4(b)	696,613	1,708,743	(119,440)	1,589,303
Investments in financial assets		820,174	1,959,300	-	1,959,300
Total non-current assets		1,538,343	3,720,918	(119,440)	3,601,478
Current assets					
Trade and other receivables		6,739	16,528	-	16,528
Cash assets		222,390	545,511	-	545,511
Total current assets		229,129	562,039	-	562,039
Total assets		1,767,472	4,282,957	(119,440)	4,163,517
Current liabilities					
Trade and other payables		(78,920)	(193,587)	-	(193,587)
Provisions	4(a)	(115)	(282)	282	-
Total current liabilities		(79,035)	(193,869)	282	(193,587)
Non-current liabilities					
Interest-bearing financial liabilities	4(b)	(669,530)	(1,642,311)	101,067	(1,541,244)
Provisions	4(a)	(97)	(237)	(3,004)	(3,241)
Total non-current liabilities		(669,627)	(1,642,548)	98,063	(1,544,485)
Total liabilities		(748,662)	(1,836,417)	98,345	(1,738,072)
Net assets		1,018,810	2,446,540	(21,095)	2,425,445
Capital and reserves					
Called up share capital		290,541	804,790	-	804,790
Share premium account		399,686	1,107,119	-	1,107,119
Retained earnings		328,583	605,903	(22,079)	583,824
Reserves	4(c)	-	(71,272)	984	(70,288)
		1,018,810	2,446,540	(21,095)	2,425,445

10 Explanation of Transition to IFRS (cont'd)

(1) Reconciliation of equity reported under previous United Kingdom Generally Accepted Accounting Principles ("UKGAAP") to equity under IFRS (cont'd)

(iii) At the date of the last reporting period under previous UK GAAP: 30 June 2005

	Note	Previous UK GAAP	Effect of presenting results in AUD	Effect of transition to IFRS	IFRS
		£'000	\$'000	\$'000	\$'000
Non-current assets					
Tolling concessions		21,338	50,240	-	50,240
Property, plant and equipment	4(b)	682,909	1,607,874	(116,176)	1,491,698
Investments in financial assets		818,325	1,963,885	-	1,963,885
Total non-current assets		1,522,572	3,621,999	(116,176)	3,505,823
Current assets					
Inventories		302	711	-	711
Trade and other receivables		3,218	7,576	-	7,576
Cash assets		399,985	941,745	-	941,745
Total current assets		403,505	950,032	-	950,032
Total assets		1,926,077	4,572,031	(116,176)	4,455,855
Current liabilities					
Trade and other payables		(162,849)	(383,419)	-	(383,419)
Provisions	4(a)	(1,195)	(2,811)	919	(1,892)
Total current liabilities		(164,044)	(386,230)	919	(385,311)
Non-current liabilities					
Interest-bearing financial liabilities	4(b)	(673,446)	(1,585,594)	90,887	(1,494,707)
Provisions	4(a)	(93)	(220)	(2,964)	(3,184)
Total non-current liabilities		(673,539)	(1,585,814)	87,923	(1,497,891)
Total liabilities		(837,583)	(1,972,044)	88,842	(1,883,202)
Net assets		1,088,494	2,599,987	(27,334)	2,572,653
Capital and reserves					
Called up share capital		8,810	22,576	-	22,576
Share premium account		2,103,126	5,389,314	-	5,389,314
Retained earnings		279,526	443,174	(29,354)	413,820
Reserves	4(c)	(1,302,968)	(3,255,077)	2,020	(3,253,057)
		1,088,494	2,599,987	(27,334)	2,572,653

10 Explanation of Transition to IFRS (cont'd)

(2) Reconciliation of profit under previous UKGAAP to profit under IFRS

(i) Reconciliation of profit for the half year ended 31 December 2004

	Note	Previous UK GAAP £'000	Effect of presenting results in AUD \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Revenue					
Dividends received from investments in financial assets		1,250	3,110	-	3,110
Interest income		8,020	20,052	-	20,052
Toll revenue		21,976	54,969	-	54,969
Other revenue		1,269	3,133	-	3,133
Total revenue		32,515	81,264	-	81,264
Other income					
Foreign exchange gain		1,125	2,821	-	2,821
Profit on sale of subsidiary		46,424	115,775	-	115,775
Total other income		47,459	118,596	-	118,596
Total revenue and other income		80,064	199,860	-	199,860
Operating expenses					
Other operating expenses	4(a)&(b)	(16,305)	(40,932)	(13,990)	(54,922)
Loss on disposal of investments	4(d)	-	-	(47,344)	(47,344)
Management and performance fees		(9,638)	(24,067)	-	(24,067)
Total operating expenses		(25,943)	(64,999)	(61,334)	(126,333)
Total operating profit/(loss)		54,121	134,861	(61,334)	73,527
Financing costs	4(b)	(27,100)	(67,617)	5,647	(61,970)
Net profit/(loss) before taxation		27,021	67,244	(55,687)	11,557
Taxation		-	-	-	-
Profit/(loss) for the period		27,021	67,244	(55,687)	11,557

10 Explanation of Transition to IFRS (cont'd)

(2) Reconciliation of profit under previous UKGAAP to profit under IFRS (cont'd)

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

	Note	Previous UK GAAP £'000	Effect of presenting results in AUD \$'000	Effect of transition to IFRS \$'000	IFRS \$'000
Revenue					
Dividends received from investments in financial assets		6,617	16,261	-	16,261
Interest income		20,765	50,756	-	50,756
Toll revenue		42,647	104,906	-	104,906
Other revenue		1,903	4,648	-	4,648
Total revenue		71,932	176,571	-	176,571
Other income					
Foreign exchange gain/(loss)		7,048	(29,690)	-	(29,690)
Profit on sale of subsidiary		46,424	115,775	-	115,775
Total other income		53,472	86,085	-	86,085
Total revenue and other income		125,404	262,656	-	262,656
Operating expenses					
Other operating expenses	4(a)&(b)	(34,150)	(83,732)	(27,438)	(111,170)
Loss on disposal of investments	4(d)	-	-	(47,344)	(47,344)
Write down of fixed asset investments		(803)	(1,892)	-	(1,892)
Management and performance fees		(43,878)	(105,321)	-	(105,321)
Total operating expenses		(78,831)	(190,945)	(74,782)	(265,727)
Total operating profit/(loss)		46,573	71,711	(74,782)	(3,071)
Financing costs	4(b)	(53,323)	(131,200)	11,820	(119,380)
Net loss before taxation		(6,750)	(59,489)	(62,962)	(122,451)
Taxation expense		(232)	(552)	-	(552)
Loss for the year		(6,982)	(60,041)	(62,962)	(123,003)
Distributions payable		(15,054)	(35,445)	-	(35,445)
Retained loss for the year		(22,036)	(95,486)	(62,962)	(158,448)

10 Explanation of Transition to IFRS (cont'd)**(3) Reconciliation of cash flow statement for the year ended 30 June 2005**

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

(4) Notes to the reconciliations**a) Retirement benefit obligations - Treatment of defined benefit scheme obligations**

Under UKGAAP contributions to the scheme were charged to the profit and loss account so as to spread the cost of pensions over eligible employees' working lives with the Group.

On adoption of IAS 19: Employee Benefits, an asset or liability is recognised in respect of the difference between the present value of the employee's accrued benefits and the net market value of a defined benefit scheme fund's assets at that date.

The impacts following the adoption of IAS 19 are as follows:

	1 July 2004 \$'000	31 Dec 2004 \$'000	30 June 2005 \$'000
Prepayments	(451)	-	-
Non-current provisions	(3,081)	(3,004)	(2,964)
Current provisions	-	282	919
Decrease in retained earnings	3,532	2,910	2,327
Increase in other reserves	-	(188)	(282)

b) Lease classification - Finance leases now recognised as operating leases

The lease arrangement between MIGIL and the Highways Agency in the UK, with respect to the land on which the M6 Toll is built, was previously accounted for as a finance lease. Under IFRS it has been accounted for as an operating lease.

The impact following the adoption of IAS 17: Leases are as follows;

	1 July 2004 \$'000	31 Dec 2004 \$'000	30 June 2005 \$'000
Property, plant and equipment	(125,138)	(119,440)	(116,176)
Liability for future payments for use of land	133,381	133,945	137,316
Operating lease provision	(18,446)	(32,878)	(46,429)
Decrease in retained earnings	10,203	19,169	27,027
Increase in other reserves	-	(796)	(1,738)

c) Foreign currency translation - Recognition of a foreign currency translation reserve

Under IAS21: Effects of Changes in Foreign Exchange Rates, an entity may select any presentation currency. MIGIL has elected to present its consolidated financial statements in Australian Dollars. Under UK GAAP the financial statements were presented in pounds (GBP).

Differences arise on translation of foreign operations from a functional currency to Australian dollars, the presentational currency of the Group.

Previous United Kingdom accounting standards determined that differences arising on translation be either recognised in a separate equity reserve or immediately in the Profit and Loss account, based on whether the foreign operation is classified as a self sustaining or integrated operation.

Under IAS21, if a foreign operation has a functional currency that is different from the currency in which its financial statements are presented, these differences that arise must be shown in a separate equity reserve.

MIGIL has, at the date of transition, availed itself of an exemption under IFRS from being required to recognise historic foreign exchange gains and losses in a separate foreign currency translation reserve at transition. Such

10 Explanation of Transition to IFRS (cont'd)

(4) Notes to the reconciliations (cont'd)

c) Foreign currency translation - Recognition of a foreign currency translation reserve (cont'd)

gains and losses will have been recognised by MIGIL in the Income Statement and are now reflected in retained earnings.

The impact of adoption of IAS21 and subsequent presentation of the Group consolidated financial statements in Australian dollars are shown in Note 9 (1) and (2).

d) Loss on disposal of investments – Realisation of foreign exchange movements

MIG sold its 40% interest in Cintra in October 2004. The investment was denominated in euros. Under UKGAAP the investment was translated into GBP using the historic rate. Subsequently on disposal there was no foreign exchange movement that needed to be accounted for. Under IFRS all assets are translated into the presentation currency at the current rate. On the disposal of Cintra when reporting under IFRS there was a foreign exchange movement that needed to be accounted for. The total adverse foreign exchange movement in the investment was A\$151,800,000. Of this amount A\$104,456,000 was taken to retained earnings on transition to IFRS as at 1 July 2004 and A\$47,344,000 was recognised in the income statement in the period ended 31 December 2004.

10 Explanation of Transition to IFRS (cont'd)

(5) Adoption of IAS 32 and IAS 39 on 1 July 2005

MIGIL has taken the exemption available under IFRS 1: *First Time Adoption of International Financial Reporting Standards* to apply IAS 32: *Financial Instruments: Disclosure and Presentation* and IAS 39: *Financial Instruments: Recognition and Measurement* from 1 July 2005. The adoption by MIGIL of IAS 32 and IAS 39 on 1 July 2005 had the following effects.

	Note	IFRS 30 June 2005 \$'000	Effect of adoption IAS 32 & IAS 39 \$'000	IFRS 1 July 2005 \$'000
Non-current assets				
Tolling concessions		50,240	-	50,240
Property, plant and equipment		1,491,698	-	1,491,698
Investments in financial assets	5(a)	1,963,885	822,418	2,786,303
Total non-current assets		3,505,823	822,418	4,328,241
Current assets				
Inventories		711	-	711
Trade and other receivables		7,576	-	7,576
Cash assets		941,745	-	941,745
Total current assets		950,032	-	950,032
Total assets		4,455,855	822,418	5,278,273
Current liabilities				
Trade and other payables		(383,419)	-	(383,419)
Provisions		(1,892)	-	(1,892)
Total current liabilities		(385,311)	-	(385,311)
Non-current liabilities				
Interest-bearing financial liabilities	5(b)	(1,494,707)	(3,753)	(1,498,460)
Derivative instrument financial liabilities	5(c)	-	(28,346)	(28,346)
Provisions		(3,184)	-	(3,184)
Deferred tax liabilities	5(a)	-	(246,725)	(246,725)
Total non-current liabilities		(1,497,891)	(278,824)	(1,776,715)
Total liabilities		(1,883,202)	(278,824)	(2,162,026)
Net assets		2,572,653	543,594	3,116,247
Capital and reserves				
Called up share capital		22,576	-	22,576
Share premium account		5,389,314	-	5,389,314
Retained earnings		413,820	543,594	957,414
Reserves		(3,253,057)	-	(3,253,057)
		2,572,653	543,594	3,116,247

10 Explanation of Transition to IFRS (cont'd)**(5) Adoption of IAS 32 and IAS 39 on 1 July 2005 (cont'd)****(a) Investments in Associates not equity accounted – Measurement at fair value**

Under IAS 39, investments in associates, which fall outside the scope of IAS 28, are measured at fair value. Under UKGAAP investments in associates not equity accounted were recorded at cost.

Subsequently a deferred tax provision is required for taxes on gains that could arise in the event of a sale of revalued assets for the amounts at which they are stated

The impact following the adoption of IAS 39 on investments in associates is;

	1 July 2005 \$'000
Investments in financial assets	822,418
Deferred tax liabilities	(246,725)
Increase in retained earnings	(575,693)

(b) Interest-bearing liabilities - Application of effective interest rate

Under IAS 39, interest-bearing liabilities are to be recognised at either amortised cost or fair value. In applying amortised cost the amortisation of issue costs incurred on the issuance of debt, should be calculated on an effective interest rate method. Previously under UKGAAP issue costs were amortised over the years of the borrowing to achieve a constant rate on the carrying amount.

The impacts following the adoption of IAS 39 on interest-bearing liabilities is;

	1 July 2005 \$'000
Interest-bearing financial liabilities	(3,753)
Decrease in retained earnings	3,753

(c) Hedging and derivatives - New categories of assets and liabilities may be recognised

Under IAS39, all derivative contracts, whether or not used for hedging purposes, are carried at fair value. UKGAAP did not require the recognition of all such instruments at fair value.

MIGIL has not accounted for these derivative contracts as hedges and movements in the fair value of these instruments has been reflected in the Income Statement.

The impact following the adoption of IAS 39 on the recognition of derivatives is;

	1 July 2005 \$'000
Derivative instrument financial liabilities	(28,346)
Decrease in retained earnings	28,346