



# Macquarie Infrastructure Group

Comprising Macquarie Infrastructure Trust (II) and its controlled entities,  
including Macquarie Infrastructure Trust (I) and its controlled entities and  
Macquarie Infrastructure Group International Limited and its controlled entities

## Macquarie Infrastructure Trust (I) Group

### Interim Financial Report 31 December 2006

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Group International Limited ARBN 112 684 885 (MIGIL).

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 adviser of 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 MBL, 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 by MIG and MIM UK as the adviser of 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 may hold stapled securities in MIG from time to time.

The MIG consolidated interim financial report has been prepared to enable MIIML as responsible entity to comply with its obligations under the Corporations Act 2001 and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian equivalents to International Financial Reporting Standards in relation to stapled structures. The responsibility for preparation of the consolidated interim financial report and any financial information contained in this financial report rests solely with the directors of MIIML.

# Interim Report

For the Half Year Ended 31 December 2006

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# Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 2006

## Directors' Report

Macquarie Infrastructure Investment Management Limited (MIIML) acts as the responsible entity for Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)). The directors of MIIML submit the following report on the consolidated interim financial report of the Macquarie Infrastructure Trust (II) group for the half year ended 31 December 2006. UIG 1013 *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated financial report. In accordance with this requirement, MIT(II) has been identified as the parent of the consolidated group comprising MIT(I) and its controlled entities, MIT(II) and its controlled entities and Macquarie Infrastructure Group International Limited (MIGIL) and its controlled entities together acting as Macquarie Infrastructure Group (MIG or the Group).

The directors of MIIML also submit the following report for the Macquarie Infrastructure Trust (I) Group (MIT(I) Group), being MIT(I) and its controlled entities, for the half year ended 31 December 2006.

## Directors

The following persons were directors of the Responsible Entity during the whole of the period and up to the date of this report:

- Mark Roderick Granger Johnson (Chairman)
- Michael Bernard Easson
- Eric Paul McClintock
- Nicholas William Moore
- David Allen Mortimer
- John Stuart Hugh Roberts
- David Anthony Walsh

The following persons were directors of MIGIL during the whole of the period and up to the date of this report:

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

## Review and Results of Operations

The performance of the groups, as represented by the combined results of their operations, was as follows:

	MIG		MIT(I) Group	
	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
Revenue and other income from continuing activities	<b>1,997,701</b>	1,020,658	<b>75,553</b>	177,554
Profit attributable to MIG security holders/MIT(I) unit holders**	<b>1,443,078</b>	701,651	<b>39,477</b>	-
	<b>Cents</b>	Cents	<b>Cents</b>	Cents
Basic earnings per stapled security/unit*	<b>56.83</b>	30.43	<b>1.55</b>	-
Diluted earnings per stapled security/unit*	<b>56.83</b>	29.49	<b>1.55</b>	-

\* Earnings used in the calculation of basic earnings per stapled security includes unrealised revenue from revaluation of MIG's and MIT(I)'s investments. Consequently, basic earnings per stapled security reflects the impact of unrealised revaluation income.

\*\* Refer Note 1(d) to the Consolidated Financial Statements

# Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 2006

## ■ **Distribution Reinvestment Plan**

A portion of stapled security holders participated in MIG's Distribution Reinvestment Plan for the distribution paid on 15 August 2006. Of the distribution declared, A\$147.5 million was reinvested in MIG (A\$5.4 million in MIT(I)) through the issue of new securities.

## ■ **Demerger of mature Australian toll road assets**

On 1 August 2006, MIG demerged its interests in the Eastern Distributor, M5 South-West Motorway and M4 Motorway. MIG's interests in the three roads were transferred to the newly established Sydney Roads Group (SRG). The demerger was effected through an in specie distribution to MIG security holders of one SRG stapled security for every three MIG stapled securities and an IPO of SRG to raise A\$125.0 million of new capital.

In consideration for the transfer of its mature Australian toll road assets to SRG, MIG received 825 million SRG securities and the payment of A\$125.0 million in cash. As a result of the demerger, MIG has divested its interests in the Airport Motorway Group and the funding trust associated with the securitisation of its cashflows, Interlink Roads Pty Limited, Statewide Roads Limited and the funding trust associated with the securitisation of their cashflows as well as certain intermediate holding companies. Additionally SRG assumed debt of A\$275.0 million held in the two funding trusts.

As a result of the demerger, MIT(I) has divested its interests in Airport Motorway Trust and the funding trust associated with the securitisation of its cashflows and has received A\$5.8 million in cash. Additionally SRG assumed debt of A\$150.0 million held in the funding trust.

An advisory fee of A\$4.5 million was paid by the Group to Macquarie Bank Limited (MBL) and underwriting fees of A\$1.1 million were paid to both Macquarie Equity Capital Markets Limited (a subsidiary of MBL) and UBS in relation to the demerger transaction.

The impact of this transaction on MIG's balance sheet is summarised in Note 4(vii)

## ■ **Refinance of M6 Toll**

MIG completed a debt refinancing of the M6 Toll on 24 August 2006.

Following the refinancing, the previous £619.9 million (A\$1.54 billion) debt facility was replaced by new facilities of £1.03 billion (A\$2.55 billion) and new interest rate swaps. The new nine-year facilities are due for repayment in 2015 and comprise a £1.00 billion (A\$2.48 billion) term loan and a £30.0 million (A\$74.5 million) capital expenditure facility. To date the capital expenditure facility has not been utilised. Interest rate hedging has been put in place in relation to 100% of the face value of the new loan for the next 30 years.

As part of the refinancing, a group restructure was undertaken. Macquarie Motorways Group Limited (MMG), a new 100% owned subsidiary of MIGIL, was incorporated on 18 July 2006. The new facilities and interest rate swaps are held by MMG.

Using the proceeds of the new loan facility and other inter group financing, MMG purchased 100% of the issued share capital of Macquarie Infrastructure (UK) Limited (MIUK) from Macquarie European Infrastructure Limited (MEI). Both MIUK and MEI are 100% owned subsidiaries of MIGIL. MIUK has a 30.61% shareholding in Lusoponte Concessionaria para a Travessia do Tejo S.A. MMG also purchased a 10% interest in MIBL Finance Luxembourg SA, a 100% owned subsidiary of MIGIL. Through this interest, MMG now has a 5% interest in Macquarie Autoroutes de France SAS, MIGIL's holding company for its investment in Autoroutes Paris-Rhin-Rhône.

MMG also acquired 100% of the issued share capital of Midland Expressway Limited (MEL) from Macquarie Midland Holdings Limited, a 100% owned subsidiary of MIGIL. MEL has the concession to develop, operate and maintain the M6 Toll.

After repaying the previous debt facility and incurring debt arranging and refinancing fees the additional cash assets generated by the group was £358.0 million (A\$887.5 million). A further £34.0 million (A\$84.3 million) of restricted cash assets were released from the refinancing. A\$500.0 million of the proceeds was used by MIG to repay the standby facilities drawn in connection with the acquisition of the Indiana Toll Road, with the remainder being applied to the security buy-back (refer below).

Advisory fees of £6.2 million (A\$15.4 million) were paid to MBL in connection with the refinancing.

## **Macquarie Infrastructure Investment Management Limited**

Directors' Report – For the Half Year Ended 31 December 2006

### ■ **Agreement with Macquarie Infrastructure Partners (MIP)**

On 24 August 2006, MIG announced it had entered into an agreement to sell 50% of its interests in its four US assets, being the Dulles Greenway, Indiana Toll Road, Skyway and South Bay Expressway to MIP, subject to conditions precedent. This included security holder approval, which was obtained at the MIG AGM held on 27 November 2006. MIG and MIP reached financial close on the transaction on 15 December 2006.

Total proceeds were US\$824.6 million (A\$1.06 billion), comprising US\$771.9 million (A\$987.8 million) cash on financial close, US\$7.1 million (A\$9.1 million) of deferred cash consideration and US\$45.7 million (A\$58.5 million) being the present value of future equity contributions to South Bay Expressway that MIP will make on MIG's behalf.

An advisory fee of A\$5.3 million was paid by the Group to MBL in connection with this transaction.

The impact of this transaction on MIG's balance sheet is summarised in Note 4(vii)

### ■ **Conversion of Reset Convertible Notes (ReCNs)**

On 13 November 2006, Ontario Teachers' Pension Plan Board (OTPP) exercised their right to convert all outstanding ReCNs, with face value of A\$490.0 million together with accrued interest of A\$14.7 million, into MIG stapled securities.

On 15 November 2006, MIG issued 165,048,894 stapled securities to OTPP in accordance with the terms of the ReCNs Deed Poll.

### ■ **Acquisition of a further 2.5% interest in Westlink M7.**

On 28 September 2006, MIG, through a subsidiary company of MIT(I), completed the acquisition of a further 2.5% interest in Westlink M7 for A\$34.3 million – a 7.3% discount to MIG's valuation at 30 June 2006.

The acquisition, which came about through MIG exercising its pre-emptive rights following Abigroup Limited's decision to sell its 5% stake, brings MIG's total interest in Westlink M7 to 47.5%.

### ■ **Security buy-back**

On 3 October 2006, MIG commenced an on-market buy-back of up to A\$500.0 million of MIG securities (Ongoing Buy-Back). Following the successful completion of the sale of US assets to MIP, and having received the required approvals from ASIC and MIG security-holders, MIG also announced on 18 December 2006 an expanded on-market buy-back (Expanded Buy-Back) of up to a further A\$500.0 million.

The Expanded Buy-Back will conclude no later than 23 August 2007. As at 31 December 2006, MIG had bought back 80,101,729 MIG securities for total consideration of A\$271.6 million. Brokerage of A\$0.4 million was paid to MBL during the period in connection with the buy back.

## **Distributions**

An interim distribution for the half year ended 31 December 2006 of 10.00 cents per stapled security (2005: 10.00 cents per stapled security) was paid on 14 February 2007.

Of this distribution, nil was paid by MIT(I) (2006:nil).

## **Significant Changes in State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the groups other than those disclosed in the Review and Results of Operations that occurred during the half year under review.

## **Events Occurring after Balance Sheet Date**

A full description of these events is contained in Note 12 to the Consolidated Financial Statements.

# Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 2006

## Directors' Holdings of Stapled Securities

The aggregate number of stapled securities held directly, indirectly or beneficially by directors or their director-related entities at the date of this report is 2,534,105 (30 June 2006: 2,485,780).

## Responsible Entity's Holdings of Stapled Securities

The number of stapled securities held by or on behalf of the Responsible Entity of MIT(I) and MIT(II) at the date of this report is 30,720,428 (30 June 2006: 30,720,428).

## Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 5.

## Presentation of Interim Financial Report

The Directors' Report and Financial Report for Macquarie Infrastructure Trust (I) and Macquarie Infrastructure Trust (II) has been presented in this single document, pursuant to ASIC Class Order 06/441.

## Rounding of Amounts in the Directors' Report and Financial Report

The groups are of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities & Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and the Interim Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



**Mark Johnson**

Sydney  
21 February 2007



**John Roberts**

Sydney  
21 February 2007

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## Auditor's Independence Declaration

As lead auditor for the review of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I) for the half year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the reviews; and
- b) no contraventions of any applicable code of professional conduct in relation to the reviews.

This declaration is in respect of Macquarie Infrastructure Trust (II) and the entities it controlled during the period, which are deemed to include Macquarie Infrastructure Trust (I) and the entities it controlled during the period, and Macquarie Infrastructure Group International Limited and the entities it controlled during the period, and in respect of Macquarie Infrastructure Trust (I) and the entities it controlled during the period.



Mark Haberlin  
Partner  
PricewaterhouseCoopers

Sydney  
21 February 2007

## Interim Report

For the Half Year Ended 31 December 2006

# Consolidated Income Statements

	Note	MIG		MIT(I) Group	
		6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
Revenue from continuing activities		197,684	254,839	13,065	49,671
Other income from continuing activities		1,800,017	765,819	62,488	127,883
Total revenue and other income from continuing activities	2(i)	1,997,701	1,020,658	75,553	177,554
Financing costs (excluding costs attributable to security holders/unit holders**)		(172,918)	(148,708)	(28,026)	(42,605)
Other operating expenses		(206,293)	(203,056)	(6,075)	(6,617)
Total operating expenses from continuing activities before finance costs attributable to security holders/unit holders**	2(ii)	(379,211)	(351,764)	(34,101)	(49,222)
<b>Profit from continuing activities before income tax benefit and finance costs attributable to security holders/unit holders**</b>		<b>1,618,490</b>	<b>668,894</b>	<b>41,452</b>	<b>128,332</b>
Income tax benefit		121,744	154,060	-	-
<b>Profit from continuing activities after income tax benefit and before finance costs attributable to security holders/unit holders**</b>		<b>1,740,234</b>	<b>822,954</b>	<b>41,452</b>	<b>128,332</b>
Finance costs attributable to MIT(I) unit holders		-	(119,249)	-	(119,249)
Finance costs attributable to AMT unit holders		(1,975)	-	(1,975)	-
<b>Profit from continuing activities after income tax benefit and finance costs attributable to security holders/unit holders</b>		<b>1,738,259</b>	<b>703,705</b>	<b>39,477</b>	<b>9,083</b>
<b>Profit/(loss) attributable to:</b>					
MIG security holders/MIT(I) unit holders		1,443,078	701,651	39,477	-
Minority interests		295,181	2,054	-	9,083
		1,738,259	703,705	39,477	9,083
<b>Earnings per security for profit from continuing activities attributable to MIG security holders/MIT(I) unit holders</b>					
Basic earnings per stapled security/unit*		56.83c	30.43c	1.55c	-
Diluted earnings per stapled security/unit*		56.83c	29.49c	1.55c	-

The above Consolidated Income Statements should be read in conjunction with the accompanying notes

\* Earnings used in the calculation of basic earnings per stapled security/unit includes unrealised revenue from revaluation of MIG's and MIT(I)'s investments. Consequently, basic earnings per stapled security reflects the impact of unrealised revaluation increments.

\*\* Refer Note 1(d).

## Interim Report

As at 31 December 2006

# Consolidated Balance Sheets

	Note	MIG		MIT(I) Group	
		As at	As at	As at	As at
		31 Dec 2006	30 June 2006	31 Dec 2006	30 June 2006
		\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents		2,241,688	1,201,734	72,212	310,481
Receivables		33,339	126,190	46,117	281
Prepayments		2,760	16,108	-	2,511
Other assets		-	3,350	-	619
<b>Total current assets</b>		<b>2,277,787</b>	<b>1,347,382</b>	<b>118,329</b>	<b>313,892</b>
<b>Non-current assets</b>					
Receivables		-	2,516	-	789,349
Prepayments		-	6,954	-	385
Investments in financial assets	4	6,528,727	6,430,226	750,907	695,380
Property, plant and equipment		1,452,072	3,025,654	-	-
Tolling concessions	5	129,459	1,858,967	-	-
Derivative financial instruments		37,178	44,273	-	4,729
<b>Total non-current assets</b>		<b>8,147,436</b>	<b>11,368,590</b>	<b>750,907</b>	<b>1,489,843</b>
<b>Total assets</b>		<b>10,425,223</b>	<b>12,715,972</b>	<b>869,236</b>	<b>1,803,735</b>
<b>Current liabilities</b>					
Payables		56,681	214,380	503,933	46,383
Provisions		-	1,092	-	-
Interest-bearing financial liabilities	6	-	299,150	-	-
Distribution payable	3	325,985	272,306	-	180,895
Current tax liabilities		301	1,016	-	-
Derivative financial instruments		-	31,118	-	-
<b>Total current liabilities</b>		<b>382,967</b>	<b>819,062</b>	<b>503,933</b>	<b>227,278</b>
<b>Non-current liabilities</b>					
Payables		112,097	175,133	433	434
Provisions		2,396	2,781	-	-
Interest-bearing financial liabilities	6	2,730,763	4,671,033	-	1,162,194
Deferred tax liabilities		141,494	335,071	-	-
Concession notes		-	49,520	-	-
Derivative financial instruments		-	6,792	-	5,193
<b>Total non-current liabilities excluding security holder/unit holder interests classified as debt</b>		<b>2,986,750</b>	<b>5,240,330</b>	<b>433</b>	<b>1,167,821</b>
AMT units*		-	52,089	-	52,089
<b>Total non current liabilities</b>		<b>2,986,750</b>	<b>5,292,419</b>	<b>433</b>	<b>1,219,910</b>
<b>Total liabilities</b>		<b>3,369,717</b>	<b>6,111,481</b>	<b>504,366</b>	<b>1,447,188</b>
<b>Net assets</b>		<b>7,055,506</b>	<b>6,604,491</b>	<b>364,870</b>	<b>356,547</b>
<b>Equity</b>					
<b>MIG security holders'/MIT(I) unit holders' interest</b>					
Contributed equity	7	4,321,201	4,770,026	293,856	325,010
Reserves		55,357	371,706	-	-
Retained profits	8	2,249,392	1,174,472	71,014	31,537
<b>Total MIG security holders'/MIT(I) unit holders' interest</b>		<b>6,625,950</b>	<b>6,316,204</b>	<b>364,870</b>	<b>356,547</b>
Minority interest in controlled entities		429,556	288,287	-	-
<b>Total equity</b>		<b>7,055,506</b>	<b>6,604,491</b>	<b>364,870</b>	<b>356,547</b>

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes

\* Refer Note 1(d).

## Interim Report

For the Half Year Ended 31 December 2006

# Consolidated Statements of Changes in Equity

	Note	MIG		MIT(I) Group	
		6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
<b>Total equity at the beginning of the half year</b>		<b>6,604,491</b>	4,893,118	<b>356,547</b>	409,930
Adjustment to equity upon adoption of AASB 132 and AASB 139, net of tax*		-	(394,307)	-	(359,474)
Restated total equity at the beginning of the financial year		<b>6,604,491</b>	4,498,811	<b>356,547</b>	50,456
Exchange differences on translation of foreign operations		<b>(358,773)</b>	276,916	-	-
Changes in fair value of cashflow hedges		<b>37,178</b>	-	-	-
Profit for the half year		<b>1,738,259</b>	703,705	<b>39,477</b>	9,083
Total recognised income and expense for the half year		<b>1,416,664</b>	980,621	<b>39,477</b>	9,083
<b>Transactions with equity holders in their capacity as equity holders:</b>					
Contributions of equity, net of transaction costs paid	7	<b>665,145</b>	877,732	<b>21,981</b>	-
Securities cancelled pursuant to security buy-back	7	<b>(271,628)</b>	-	<b>(8,535)</b>	-
Distributions provided for or paid to MIG security holders	3	<b>(261,595)</b>	(240,550)	-	-
In specie distribution	3	<b>(948,906)</b>	-	<b>(44,600)</b>	-
Distributions provided for or paid to minority interest		<b>(120,644)</b>	(3,960)	-	-
Acquisition of further stake in a controlled entity		-	8,526	-	-
Minority interest on demerger of subsidiary		<b>(28,021)</b>	-	-	-
		<b>(965,649)</b>	641,748	<b>(31,154)</b>	-
<b>Total equity at the end of the half year</b>		<b>7,055,506</b>	6,121,180	<b>364,870</b>	59,539
Total recognised income and expenses for the half year is attributable to:					
MIG security holders/MIT(I) unit holders		<b>1,126,729</b>	978,567	<b>39,477</b>	-
Minority interest		<b>289,935</b>	2,054	-	9,083
		<b>1,416,664</b>	980,621	<b>39,477</b>	9,083

The above Consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes

\* Refer to Note 1(d)

## Interim Report

For the Half Year Ended 31 December 2006

# Consolidated Cash Flow Statements

Note	MIG		MIT(I) Group	
	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
<b>Cash flows from operating activities</b>				
Toll revenue received	135,761	170,954	-	-
Interest received	171,025	151,613	4,460	15,816
Interest paid	(79,460)	(68,560)	-	-
Net indirect taxes (paid)/received	(7,242)	359	320	1,907
Payments to suppliers and employees (inclusive of GST)	(55,072)	(40,597)	(1,451)	(5,183)
Responsible Entity and Adviser base fees paid	(48,544)	(36,024)	(4,259)	(6,485)
Responsible Entity and Adviser performance fees paid	-	(9,465)	-	-
Distributions and dividend income received	140,648	33,718	-	3,969
Income taxes paid	(88)	(9,290)	-	-
Other income received	3,756	6,918	-	-
<b>Net cash flows from operating activities</b>	<b>260,784</b>	<b>199,626</b>	<b>(930)</b>	<b>10,024</b>
<b>Cash flows from investing activities</b>				
Proceeds from repayment of interest bearing financial assets	-	2,811	-	-
Repayment of borrowings by Airport Motorway Limited	-	-	20,563	36,826
Payment for purchase of controlled entity, net of cash acquired	-	(447,947)	-	-
Payments for purchase of investments	(34,648)	(159,030)	(34,300)	(96,967)
Capital expenditure	(102,990)	(97,950)	-	-
Proceeds from sale of property, plant and equipment	339	-	-	-
Proceeds from demerger of Sydney Roads Group, net of cash disposed	27,913	-	(27,484)	-
Proceeds from sale of assets to MIP, net of cash disposed	661,261	-	44,590	-
Proceeds from return of capital from investments	1,104	221,730	-	211,076
<b>Net cash flows from investing activities</b>	<b>552,979</b>	<b>(480,386)</b>	<b>3,369</b>	<b>150,935</b>
<b>Cash flows from financing activities</b>				
Repayment of bank borrowings	(2,038,348)	(209,446)	-	-
Proceeds from bank borrowings	2,884,131	272,327	-	-
Borrowing costs paid	(101,634)	(71,753)	-	(16,405)
Loans advanced by MIT(II)	-	-	42,296	57,696
Repayment of loans from MIT(II)	-	-	(88,127)	(249,579)
Distributions paid to MIG security holders/MIT(I) unit holders	(272,161)	(297,672)	(180,895)	-
Distributions paid to minority interests	(58,780)	(10,095)	(3,615)	(6,135)
DRP proceeds received	147,929	71,994	5,405	-
Proceeds from issue of securities	-	778,453	-	33,086
On market buyback	(271,628)	-	(8,535)	-
Costs of raising capital	(145)	(7,473)	(3)	-
<b>Net cash flows from financing activities</b>	<b>289,364</b>	<b>526,335</b>	<b>(233,474)</b>	<b>(181,337)</b>
<b>Net increase/(decrease) in cash assets held</b>	<b>1,103,127</b>	<b>245,575</b>	<b>(231,035)</b>	<b>(20,378)</b>
Cash and cash equivalents at the beginning of the half year	1,201,734	1,262,921	310,481	72,685
Effects of exchange rate movements on cash and cash equivalents	(63,173)	12,124	(7,234)	8
<b>Cash and equivalents assets at the end of the half year</b>	<b>2,241,688</b>	<b>1,520,620</b>	<b>72,212</b>	<b>52,315</b>
<b>Non cash financing and investing activities</b>		9		

The above Consolidated Cash Flow Statements should be read in conjunction with the accompanying notes

## Interim Report

For the Half Year Ended 31 December 2006

# Notes to the Consolidated Financial Statements

## 1 Summary of Significant Accounting Policies

This general purpose financial report for the interim reporting period ended 31 December 2006 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report 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 financial reports of MIG and MIT(I) for the year ended 30 June 2006 and any public announcements made by MIG during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Basis of Preparation of Interim Financial Report

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim period unless otherwise stated. The principal accounting policies adopted in the preparation of the financial report are set out below.

#### — Compliance with IFRS's

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards ("IFRSs").

#### — Historical cost convention

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

#### — Stapled security

The units of Macquarie Infrastructure Trust (I) (MIT(I)), Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Group International Limited (MIGIL) are combined and issued as stapled securities in MIG. The units of MIT(I) and MIT(II) and the shares of MIGIL cannot be traded separately and can only be traded as stapled securities.

#### — Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The area involving a higher degree of judgement or complexity is related to investments in financial assets, which are measured at directors' estimates of fair value. Discounted cash flow (DCF) analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing toll roads, bridges and tunnels and the basis upon which market participants have derived valuations for toll road, bridge and tunnel transactions.

DCF is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium reflecting the uncertainty associated with the cash flows.

The risk premiums applied to the DCF valuations of MIG's investments in financial assets as at 31 December 2006 are as follows: 407 ETR 4.0% (30 June 2006: 4.0%), Lusoponte 2.8% (30 June 2006: 2.8%), Warnow Tunnel 6.5% (30 June 2006: 6.5%), Skyway 6.0% (30 June 2006: 6.0%), Dulles Greenway 7.5% (30 June 2006: 7.5%), Westlink M7 5.5% (30 June 2006: 5.5%), Indiana Toll Road 7.5% (30 June 2006: 7.8%) and APRR 12.0% (30 June 2006: 18.0%). Details of significant changes in risk premiums are provided in Note 4.

The valuations derived from the DCF analyses are periodically benchmarked to other sources such as recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure.

Pursuant with ASIC Class Order 06/441, this interim financial report consists of the consolidated financial statements of MIT(II), which comprises MIT(I) and its controlled entities, MIT(II) and its controlled entities and MIGIL and its controlled entities, together acting as MIG, and the consolidated financial statements of MIT(I) and its controlled entities.

# Interim Report

For the Half Year Ended 31 December 2006

## 1 Summary of Significant Accounting Policies (cont'd)

### (b) Consolidated Accounts and Stapling Arrangements

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement MIT(II) has been identified as the parent of the consolidated group comprising MIT(I) and its controlled entities, MIT(II) and its controlled entities and MIGIL and its controlled entities.

In accordance with UIG 1013, consolidated financial statements have been prepared by MIT(II) as the identified parent of MIG. The financial statements of MIG and MIT(I) should be read in conjunction with the interim financial report of MIGIL for the period ended 31 December 2006.

### (c) Principles of Consolidation

The consolidated financial statements of MIG incorporate the assets and liabilities of the entities controlled by MIT(II) at 31 December 2006, including those deemed to be controlled by MIT(II) by identifying it as the parent of MIG, and the results of those controlled entities for the period then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MIT(I), MIT(II) or MIGIL.

The consolidated financial statements of MIT(I) incorporate the assets and liabilities of the entities controlled by MIT(I) at 31 December 2006 and the results of those controlled entities for the period then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MIT(I).

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.

### (d) Group Formation

MIT(I) and MIT(II) were established in Australia on 18 July 1996.

On 9 June 2000, MIT(I) and MIT(II) became registered schemes under the *Managed Investments Act (1998)*. On that date, Macquarie Infrastructure Investment Management Limited (MIIML or the Responsible Entity) became the Responsible Entity of each Trust, replacing the Manager and the Trustee.

On 20 September 2000, the investment of MIT(II) in Macquarie European Infrastructure Limited (MEI) was distributed to MIG security holders through an in specie distribution of the MEI shares. The MEI shares were then stapled to MIT(I) and MIT(II) and listed on the Australian Stock Exchange as a triple stapled security comprising MIG.

On 12 January 2005, a restructure inserted a new Bermudian mutual fund company, Macquarie Infrastructure Bermuda Limited (MIBL), above MEI, replacing MEI as the stapled company in the MIG stapled structure. On 8 December 2005, MIBL changed its name to MIGIL. Macquarie Investment Management (UK) Limited is the Adviser of MIGIL.

The Trust Constitutions of MIT(I) and MIT(II) were amended on 30 June 2005 to remove their finite life clauses. On 21 November 2005, unitholders voted at the MIG Annual General Meeting to amend the Constitutions further to allow the Responsible Entity discretion to vary the distribution of net income to unitholders, subject to receipt of a private binding income tax ruling from the Australian Taxation Office (ATO) that such amendment would not result in the termination of the trusts. On 20 April 2006 the ATO issued tax ruling CR2006/29 stating that the proposed amendment to the Constitutions of the trusts would not result in the termination of the trusts. On 22 June 2006 these changes were made to the Trust Constitutions of MIT(I) and MIT(II). Accordingly, the units of MIT(I) are classified as equity from 22 June 2006. However, as the units of MIT(I) were classified as a financial liability for the period 1 July 2005 to 22 June 2006, the income which accrued to the units in MIT(I) during this period has been accounted for as an expense and presented in the Income Statement for the period ended 31 December 2005 as a finance cost.

# Interim Report

For the Half Year Ended 31 December 2006

## 1 Summary of Significant Accounting Policies (cont'd)

### (d) Group Formation (cont'd)

Units in AMT were also to be classified as debt on 1 July 2005. Any amounts payable to MIG were eliminated on consolidation but amounts due to minority interests are presented on the balance sheet as amounts due to AMT unitholders until the demerger of Sydney Roads Group (refer note 4(iii)).

### (e) Investments in Financial Assets

MIG and MIT(I) Group have designated their investments in financial assets as financial assets at fair value through profit or 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 AASB 139. Changes in the fair values of investments in financial assets, both positive and negative, have been recognised in the Income Statement.

Investments have been brought to account as follows:

#### — *Interests in unlisted securities in companies and trusts*

Interests in unlisted companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. (refer Note 1(a))

Interest, dividends and other distributions received from investments brought to account at fair value are credited against the investments when received.

#### — *Interests in listed securities in companies and trusts*

The fair value of financial assets traded in active markets is based on quoted market price at balance date. The quoted market price used for financial assets held by the groups are the closing bid price. Dividends and other distributions are credited against the investments when received.

#### — *Interests in interest bearing debt securities*

Interest in interest-bearing (public and other) debt securities are brought to account at fair value. Adjustments to the fair values of public and other debt securities are recognised in the Income Statement.

#### — *Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. Interest income from loans and receivables is recognised using the effective interest method.

### (f) Intangible Assets - 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 which represents fair value on acquisition less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over their estimated useful lives.

### (g) Interest-bearing Financial Liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing financial liabilities are measured at amortised cost. 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 based on the lesser of the expected or contractual life.

## Interim Report

For the Half Year Ended 31 December 2006

### 1 Summary of Significant Accounting Policies (cont'd)

#### (h) Foreign Currency Translation

— **Functional and presentation currency**

Items included in the financial statements of each of the Groups' 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 MIT(II)'s and MIT(I)'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 the Group entities 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 exchange rates at the dates of transactions; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to 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 are 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.

#### (i) Rounding of Amounts

The Groups are of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Reports and Financial Reports. Amounts in the Directors' Reports and the Financial Reports have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

## Interim Report

For the Half Year Ended 31 December 2006

### 2 Profit for the Half Year

The profit from continuing activities before income tax includes the following specific items of revenue and expense:

#### (i) Revenue and Other Income from Continuing Activities

	MIG		MIT(I) Group	
	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
<b>Revenue from continuing activities</b>				
Interest revenue:				
Related parties	8,066	18,099	7,763	31,929
Other persons and corporations	64,696	76,989	5,302	17,742
Toll revenue	121,568	152,937	-	-
Construction contract revenue	-	112	-	-
Rental revenue	-	1,718	-	-
Other revenue	3,354	4,984	-	-
<b>Total revenue from continuing activities</b>	<b>197,684</b>	<b>254,839</b>	<b>13,065</b>	<b>49,671</b>
<b>Revaluation income from continuing activities</b>				
Revaluation of interests in listed securities in companies and trusts	-	(13,120)	-	(13,120)
Revaluation of interests in unlisted securities in companies and trusts	1,067,702	620,862	(9,054)	45,483
Revaluation of interest bearing financial assets	98,481	130,446	81,988	69,644
Foreign exchange effect of investment revaluations	(6,099)	4,397	(7,695)	3,481
<b>Total revaluation income from continuing activities</b>	<b>1,160,084</b>	<b>742,585</b>	<b>65,239</b>	<b>105,488</b>
<b>Other income from continuing activities</b>				
Net gain on sale of investments and deconsolidation/demerger of subsidiaries	644,795	-	(2,781)	-
Foreign exchange (loss)/gain	(17,351)	(4,092)	(1,667)	1,756
Gains on derivative financial instruments	12,489	27,326	1,697	-
Revaluation increment – Airport Motorway Trust	-	-	-	20,639
<b>Total other income from continuing activities</b>	<b>639,933</b>	<b>23,234</b>	<b>(2,751)</b>	<b>22,395</b>
<b>Total revaluation and other income from continuing activities</b>	<b>1,800,017</b>	<b>765,819</b>	<b>62,488</b>	<b>127,883</b>
<b>Total revenue and other income from continuing activities</b>	<b>1,997,701</b>	<b>1,020,658</b>	<b>75,553</b>	<b>177,554</b>

## Interim Report

For the Half Year Ended 31 December 2006

### 2 Profit for the Half Year (cont'd)

#### (ii) Operating Expenses from Continuing Activities

	MIG		MIT(I) Group	
	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000	6 months to 31 Dec 2006 \$'000	6 months to 31 Dec 2005 \$'000
<b>Financing costs</b>				
Related parties	-	-	881	5,098
Amortisation of capitalised borrowing costs	1,006	313	1,006	313
Interest expense	171,912	148,395	26,139	37,194
	<b>172,918</b>	<b>148,708</b>	<b>28,026</b>	<b>42,605</b>
<b>Other operating expenses</b>				
Amortisation of tolling concessions	16,960	31,537	-	-
Loss on derivative financial instruments	14,805	-	-	-
Depreciation:				
Buildings	570	561	-	-
Leasehold improvements	35,224	32,230	-	-
Motor vehicles	158	248	-	-
Plant and equipment	6,689	12,028	-	-
	<b>42,641</b>	<b>45,067</b>	<b>-</b>	<b>-</b>
Cost of operations:				
Concession notes	1,627	7,562	-	-
Employment costs	8,499	7,997	-	-
Operating expenses	15,801	25,191	-	-
Operating lease rentals	28,321	21,533	-	-
	<b>54,248</b>	<b>62,283</b>	<b>-</b>	<b>-</b>
Other operating expenses:				
Consulting and administration fees	21,273	2,553	362	71
Custodians' fees	137	120	27	56
Responsible entity's and adviser's base fees	40,211	48,244	4,476	5,848
Demerger/deconsolidation transaction costs	7,607	-	478	-
Other expenses	8,411	13,252	732	642
	<b>77,639</b>	<b>64,169</b>	<b>6,075</b>	<b>6,617</b>
<b>Total other operating expenses</b>	<b>206,293</b>	<b>203,056</b>	<b>6,075</b>	<b>6,617</b>
<b>Total operating expenses from continuing activities before finance costs attributable to security holders/unit holders</b>	<b>379,211</b>	<b>351,764</b>	<b>34,101</b>	<b>49,222</b>

## Interim Report

For the Half Year Ended 31 December 2006

### 3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	MIG		MIT(I) Group	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Final distribution paid for the year ended 30 June	272,306	297,673	180,895	-
In specie distribution *	948,906	-	44,600	-
Interim distribution proposed and subsequently payable for the half year ended 31 December	261,595	240,550	-	-
	<b>1,482,807</b>	<b>538,223</b>	<b>225,495</b>	<b>-</b>
	<b>Cents per stapled security</b>	<b>Cents per stapled security</b>	<b>Cents per unit</b>	<b>Cents per unit</b>
Final distribution paid for the year ended 30 June	11.0000	13.7500	7.3074	-
In specie distribution *	38.3333	-	1.8017	-
Interim distribution proposed and subsequently payable for the half year ended 31 December	10.0000	10.0000	-	-
	<b>59.3333</b>	<b>23.7500</b>	<b>9.1091</b>	<b>-</b>
Fully franked portion of final distribution paid for the year ended 30 June	-	-	-	-
Fully franked portion of interim distribution proposed and subsequently payable for the half year ended 31 December	-	1.8898	-	-
	<b>-</b>	<b>1.8898</b>	<b>-</b>	<b>-</b>

\* Refer note 4(iii)

	MIG		MIT(I) Group	
	As at 31 Dec 2006 \$'000	As at 31 Jun 2006 \$'000	As at 31 Dec 2006 \$'000	As at 31 Jun 2006 \$'000
Distribution payable to:				
MIG security holders	261,595	272,306	-	180,895
Minority interests	64,390	-	-	-
	<b>325,985</b>	<b>272,306</b>	<b>-</b>	<b>180,895</b>

## Interim Report

For the Half Year Ended 31 December 2006

### 4 Investments in Financial Assets

#### MIG

The table below summaries the movements in MIG's investment portfolio during the period ended 31 December 2006.

	Balance at 30 June 2006	Investments	Returns from Investments Note (i)	Divestments	FX Effects Note (v)	Revaluations	Balance at 31 Dec 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interests in unlisted securities in companies and trusts</b>							
Shares in Interlink Roads Pty Limited <b>Note (iii)</b>	560,064	-	-	(560,064)	-	-	-
Shares in Transtoll Pty Limited	1,515	348	-	(446)	-	(316)	1,101
Investments in WSO Co Pty Limited <b>Note (iv)</b>	103,793	-	-	-	-	(83,488)	20,305
Investment in 407 International Inc.	2,960,061	-	(16,716)	-	(286,624)	278,824	2,935,545
Shares in Lusoponte Concessionária para a Travessia do Tejo SA	234,696	-	(1,312)	-	(6,581)	19,507	246,310
Shares in MIG Chicago Holdings LLC <b>Note (ii)</b> (Skyway)	456,333	487	-	(228,394)	(27,154)	48,410	249,682
Investment in Financière Eiffarie SAS (APRR) <b>Note (vi)</b>	534,786	-	(122,620)	-	(14,092)	608,292	1,006,366
Shares in MIG Indiana LLC <b>Note (ii)</b> (Indiana Toll Road)	503,226	68	-	(253,183)	(24,678)	32,821	258,254
Shares in Macquarie 125 Holdings Inc <b>Note (ii)</b> (South Bay Expressway)	-	109,110	-	-	-	76,234	185,344
Shares in MIG Investments 2 (US) LLC <b>Note (ii)</b> (Dulles Greenway)	-	20,516	-	-	133	104,435	125,084
	<b>5,354,474</b>	<b>130,529</b>	<b>(140,648)</b>	<b>(1,042,087)</b>	<b>(358,996)</b>	<b>1,084,719</b>	<b>5,027,991</b>
<b>Interest bearing financial assets</b>							
Investment in Westlink Subordinated term Loan Notes <b>Note (iv)</b>	562,174	34,300	-	-	-	81,989	678,463
Investment in Financière Eiffarie SAS Bonds <b>Note (vi)</b>	513,578	-	(13,496)	-	(14,734)	16,492	501,840
Investment in Dulles Greenway Subordinated Loans <b>Note (ii)</b>	-	335,281	-	-	2,169	(17,017)	320,433
	<b>1,075,752</b>	<b>369,581</b>	<b>(13,496)</b>	<b>-</b>	<b>(12,565)</b>	<b>81,464</b>	<b>1,500,736</b>
<b>Total investments in financial assets</b>	<b>6,430,226</b>	<b>500,110</b>	<b>(154,144)</b>	<b>(1,042,087)</b>	<b>(371,561)</b>	<b>1,166,183</b>	<b>6,528,727</b>

## Interim Report

For the Half Year Ended 31 December 2006

### 4 Investments in Financial Assets (cont'd)

#### MIT(I) Group

The table below summarises the movements in MIT(I) Group's investment portfolio during the period ended 31 December 2006.

	Balance at 30 June 2006	Investments	Returns from Investments Note (i)	FX Effects Note (v)	Revaluations	Balance at 31 Dec 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Interests in unlisted securities in companies and trusts</b>						
B Class shares in MIG Holdings (US) LLC (Skyway) <b>Note (ii)</b>	36,995	159	-	(2,137)	(11,779)	23,238
B Class shares in MIG Holdings 2 (US) LLC (Dulles Greenway) <b>Note (ii)</b>	96,210	419	(44,590)	(5,558)	2,725	49,206
	133,205	578	(44,590)	(7,695)	(9,054)	72,444
<b>Interest bearing financial assets</b>						
Investments in Westlink M7 Subordinated term Loan Notes <b>Note (iv)</b>	562,175	34,300	-	-	81,988	678,463
	562,175	34,300	-	-	81,988	678,463
<b>Total investments in financial assets</b>	<b>695,380</b>	<b>34,878</b>	<b>(44,590)</b>	<b>(7,695)</b>	<b>72,934</b>	<b>750,907</b>

#### Notes

##### (i) Returns from Investment

Distribution or receipts from the investments are credited directly against the investment when received.

##### (ii) Transaction with Macquarie Infrastructure Partners (MIP)

On 24 August 2006, MIG announced it had entered into an agreement to sell 50% of its interests in its four US assets, being the Dulles Greenway, Indiana Toll Road, Skyway and South Bay Expressway to MIP, subject to conditions precedent. This included security holder approval which was obtained at the MIG AGM held on 27 November 2006. MIG and MIP reached financial close on the transaction on 15 December 2006.

Total proceeds were US\$824.6 million (\$1.06 billion), comprising US\$771.9 million (\$987.8 million) cash on financial close, US\$7.1 million (\$9.1 million) of deferred cash consideration and US\$45.7 million (\$58.5 million) being the present value of future equity contributions to South Bay Expressway that MIP will make on MIG's behalf.

An advisory fee of \$5.3 million was paid by the Group to MBL in connection with this transaction.

As the Indiana Toll Road and Skyway were not controlled by MIG prior to this transaction, the partial sales of these assets appear as divestments in the investment summary above.

Prior to this transaction Dulles Greenway and South Bay Expressway were controlled by MIG, and their assets and liabilities consolidated under the historical cost convention. Subsequent to this transaction, Dulles Greenway and South Bay Expressway are no longer controlled. Upon this loss of control, MIG's remaining interests in these assets are recognised as investment acquisitions at the applicable percentage of the book value of net assets still held. The differential between this acquisition value and the fair value at balance date is recognised as a revaluation gain.

##### (iii) SRG Demerger

On 1 August 2006, MIG demerged its interests in the Eastern Distributor, M5 South-West Motorway and M4 Motorway. MIG's interests in the three roads were transferred to the newly established Sydney Roads Group (SRG). The demerger was effected through an in specie distribution to MIG security holders of one SRG stapled security for every three MIG stapled securities and an IPO of SRG to raise \$125.0 million of new capital.

## **Interim Report**

For the Half Year Ended 31 December 2006

### **4 Investments in Financial Assets (cont'd)**

#### **(iii) SRG Demerger (cont'd)**

In consideration for the transfer of its mature Australian toll road assets to SRG, MIG received 825.0 million SRG securities and the payment of \$125.0 million in cash. As a result of the demerger, MIG has divested its interests in the Airport Motorway Group and the funding trust associated with the securitisation of its cashflows, Interlink Roads Pty Limited, Statewide Roads Limited and the funding trust associated with the securitisation of their cashflows as well as certain intermediate holding companies. Additionally SRG assumed debt of \$275 million held in the two funding trusts.

As a result of the demerger, MIT(I) has divested its interests in Airport Motorway Trust and the funding trust associated with the securitisation of its cashflows and has received \$5.8 million in cash. Additionally SRG assumed debt of \$150 million held in the funding trust.

An advisory fee of \$4.5 million was paid by the Group to Macquarie Bank Limited (MBL) and underwriting fees of \$1.1 million were paid to both Macquarie Equity Capital Markets Limited (a subsidiary of MBL) and UBS in relation to the demerger transaction.

#### **(iv) Westlink M7**

On 24 August 2006, MIG, through a subsidiary company of MIT(I) completed the acquisition of a further 2.5% interest in Westlink M7 for \$34.3 million.

#### **(v) Foreign Exchange (FX) effects**

Where an investment in a toll road company is held by a group entity that has the same functional currency as the asset, FX effects result from translation of the group entity's assets and liabilities, and are taken to the Foreign Currency Translation Reserve. Where an investment in a toll road company is held by a group entity that has a functional currency different from that of the asset, FX effects resulting from translation of the investment in the books of the group entity are taken through the Income Statement. Of the \$371.6 million foreign exchange loss relating to investments in financial assets, \$6.1 million was debited to the Income Statement and \$365.5 million was taken to the Foreign Currency Translation Reserve.

## Interim Report

For the Half Year Ended 31 December 2006

### 4 Investments in Financial Assets (cont'd)

#### (vi) Movement in APRR Risk Premium

The risk premium applied in the valuation of Eiffarie/APRR at 30 June 2006 was 18.0%, reflecting the acquisition price of the asset. APRR is a relatively recent acquisition for MIG, and has certain characteristics that differentiate it from other assets in the portfolio. The risk premium has been revised to 12.0% at 31 December 2006, which is considered appropriate having regard to the fact that the asset is in a transition phase operationally and has a comparatively high level of gearing.

#### (vii) Balance sheet impact of SRG demerger and MIP transaction

	At as 30 June 2006	SRG	MIP	Other	As at 31 Dec 2006
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>					
Cash and cash equivalents	1,201,734	27,913	662,365	349,676	2,241,688
Other current assts	145,648	(119,806)	(7,598)	17,855	36,099
<b>Total current assets</b>	1,347,382	(91,893)	654,767	367,531	2,277,787
<b>Non-current assets</b>					
Other non current assets	53,743	(11,683)	(39,377)	34,495	37,178
Investments in financial assets	6,430,226	(560,510)	(76,833)	735,844	6,528,727
Property, plant and equipment	3,025,654	(527,376)	(1,008,639)	(37,567)	1,452,072
Tolling concessions	1,858,967	(469,887)	(1,258,030)	(1,591)	129,459
<b>Total non-current assets</b>	11,368,590	(1,569,456)	(2,382,879)	731,181	8,147,436
<b>Total assets</b>	12,715,972	(1,661,349)	(1,728,112)	1,098,712	10,425,223
<b>Current liabilities</b>					
Other current liabilities	519,912	(116,540)	-	(20,405)	382,967
Interest-bearing financial liabilities	299,150	(29,323)	(39,828)	(229,999)	-
<b>Total current liabilities</b>	819,062	(145,863)	(39,828)	(250,404)	382,967
<b>Non-current liabilities</b>					
Other non-current liabilities	621,386	(330,549)	(112,266)	77,416	255,987
Interest-bearing financial liabilities	4,671,033	(840,902)	(1,534,055)	434,687	2,730,763
<b>Total non current liabilities</b>	5,292,419	(1,171,451)	(1,646,321)	512,103	2,986,750
<b>Total liabilities</b>	6,111,481	(1,317,314)	(1,686,149)	261,699	3,369,717
<b>Net assets</b>	6,604,491	(344,035)	(41,963)	837,013	7,055,506

The analysis above illustrates the impact of no longer consolidating entities which have exited MIG through the demerger of SRG and for which control was lost following the transaction with MIP. As at 31 December 2006, only the M6 Toll remains as a consolidated toll road.

Included in the result for the period is toll revenue of \$48.5 million and costs of operations of \$12.1 million that relate to assets subject to the SRG demerger and transaction with MIP. Additionally these assets have recognised amortisation and depreciation of \$23.7 million and borrowing costs of \$54.7 million. The results of these entities will not be included in the results of MIG in future periods.

## Interim Report

For the Half Year Ended 31 December 2006

### 5 Tolling Concessions

	MIG		MIT(I) Group	
	As at 31 Dec 2006	As at 30 Jun 2006	As at 31 Dec 2006	As at 30 Jun 2006
	\$'000	\$'000	\$'000	\$'000
Eastern Distributor*	-	348,208	-	-
M4 Motorway*	-	121,678	-	-
M6 Toll	<b>129,459</b>	131,050	-	-
South Bay Expressway*	-	24,760	-	-
Dulles Greenway*	-	1,233,271	-	-
	<b>129,459</b>	<b>1,858,967</b>	-	-

Tolling concessions are amortised over the remaining life of the concession, expiring in January 2054 for the M6 Toll.

\* Refer Notes 4(ii) and 4(iii)

### 6 Interest-Bearing Financial Liabilities

	MIG		MIT(I) Group	
	As at 31 Dec 2006	As at 30 Jun 2006	As at 31 Dec 2006	As at 30 Jun 2006
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Non-recourse loans	-	69,150	-	-
Multi-option facility	-	230,000	-	-
	-	299,150	-	-
<b>Non-current</b>				
Loan from MIT(II)	-	-	-	31
Non-recourse loans	<b>2,456,749</b>	3,917,173	-	665,500
Reset convertible notes (ReCNs)*	-	496,663	-	496,663
Loan from minority interest in MAF Finance Sarl	<b>250,950</b>	257,197	-	-
Deferred swap finance charge	<b>23,064</b>	-	-	-
	<b>2,730,763</b>	<b>4,671,033</b>	-	<b>1,162,194</b>

\* On 13 November 2006, Ontario Teachers' Pension Plan Board (OTPP) exercised their right to convert all outstanding ReCNs, with face value of \$490.0 million together with accrued interest of \$14.7 million, into MIG stapled securities.

On 15 November 2006, MIG issued 165,048,894 stapled securities at an issue price of \$3.06 per security. These securities were issued at 7.5% discount to prevailing market price. This discount is allocated as conversion to capital raising costs of 5% with the residual being a deferred interest cost. Therefore the amortised cost of the ReCNs at conversion of \$517.4 million differs from the face value and accrued interest of \$504.7 million.

## Interim Report

For the Half Year Ended 31 December 2006

### 7 Contributed Equity

	MIG		MIT(I) Group	
	As at 31 Dec 2006 \$'000 (Half year)	As at 30 June 2006 \$'000 (Full year)	As at 31 Dec 2006 \$'000 (Half year)	As at 30 June 2006 \$'000 (Full year)
On issue at the beginning of the period	4,770,026	3,595,768	325,010	254,720
Adjustment to equity on adoption of AASB 132 and AASB 139*	-	(254,720)	-	(254,720)
Transfer of movement in net assets attributable to MIT(I) unitholders from liabilities to equity*	-	325,010	-	325,010
Issued pursuant to:				
DRP on 12 August 2005	-	68,296	-	-
Institutional placement on 1 September 2005	-	641,723	-	-
Reinvestment of performance fees in securities on 12 September 2005	-	76,590	-	-
Security purchase plan dated 12 October 2005	-	98,215	-	-
DRP on 14 February 2006	-	226,853	-	-
DRP on 15 August 2006	147,929	-	5,405	-
Conversion of ReCNs on 15 November 2006	517,361	-	16,580	-
In specie distribution of Sydney Roads Group	(842,342)	-	(44,600)	-
Cancelled pursuant to:				
Security buy-back: 3 October 2006 – 31 December 2006**	(271,628)	-	(8,535)	-
Costs incurred in the raising of capital	(145)	(7,709)	(4)	-
On issue at the end of the period	4,321,201	4,770,026	293,856	325,010
	<b>Number of stapled securities '000</b>	<b>Number of stapled securities '000</b>	<b>Number of units '000</b>	<b>Number of units '000</b>
On issue at the beginning of the period	2,475,499	2,164,890	2,475,499	2,164,890
Issued pursuant to:				
DRP on 12 August 2005	-	17,594	-	17,594
Institutional placement on 1 September 2005	-	174,419	-	174,419
Reinvestment of performance fees in securities on 12 September 2005	-	21,862	-	21,862
Security purchase plan dated 12 October 2005	-	26,732	-	26,732
DRP on 14 February 2006	-	70,002	-	70,002
DRP on 15 August 2006	55,505	-	55,505	-
Conversion of ReCNs on 15 November 2006	165,049	-	165,049	-
Cancelled pursuant to:				
Security buy-back: 3 October 2006 – 31 December 2006**	(80,102)	-	(80,102)	-
On issue at the end of the period	2,615,951	2,475,499	2,615,951	2,475,499

\* Refer Note 1(d)

\*\* On 3 October 2006, MIG commenced an on-market buy-back of up to \$500.0 million of MIG securities (Ongoing Buy-Back). Following the successful completion of the sale of US assets to MIP and having received the required approvals from ASIC and MIG security holders, MIG also announced on 18 December 2006 an expanded on-market buy-back (Expanded Buy-Back) of up to a further \$500.0 million.

The Expanded Buy-Back will conclude no later than 23 August 2007. As at 31 December 2006, MIG has bought back 80,101,724 MIG securities for total consideration of \$272.0 million. Brokerage of A\$0.4 million was paid to MBL during the period in connection with the buy back.

ASIC have formally issued a relief instrument with terms that allow MIG to buy back up to a limit of 17.5% of MIG's issued securities. This is based on the lowest number of MIG securities on issue in the 12 months up to 24 August 2006 and is a maximum of 381,934,838 securities. All other conditions precedent have been satisfied.

## Interim Report

For the Half Year Ended 31 December 2006

### 8 Retained Profits

	MIG		MIT(I) Group	
	As at 31 Dec 2006 \$'000 (Half year)	As at 30 Jun 2006 \$'000 (Full year)	As at 31 Dec 2006 \$'000 (Half year)	As at 30 Jun 2006 \$'000 (Full year)
Balance at the beginning of the period	1,174,472	1,252,798	31,537	104,754
Adjustment to retained profits on adoption of AASB 132 and 139*	-	(101,402)	-	(104,754)
Transfer of movement in net assets attributable to security holders from liability to equity*	-	210,026	-	210,026
Acquisition of further stake in controlled entity	-	8,535	-	-
Profit attributable to security holders	1,443,078	317,371	39,477	2,406
Distributions paid and proposed	(368,158)	(512,856)	-	(180,895)
Balance at the end of the period	2,249,392	1,174,472	71,014	31,537

\* Refer Note 1(d)

### 9 Non-Cash Financing and Investing Activities

Responsible Entity and Adviser performance fees of Nil (31 December 2005: \$91.6 million) were elected to be reinvested in Nil (31 December 2005: 21.9 million) new MIG stapled securities at an issue price of Nil (31 December 2005: \$4.1897). Of this amount, Nil (31 December 2005; \$15.0 million) related to the issue of stapled securities by MIT(I).

On 15 November 2006, MIG issued 165,048,894 stapled securities to OTPP in accordance with the terms of the ReCNs Deed Poll (refer Notes 6 and 7).

These transactions are not reflected in the Cash Flow Statements.

## Interim Report

For the Half Year Ended 31 December 2006

### 10 Segment Reporting

#### MIG

The principal activity of MIG during the year was investment in toll roads, tunnels and bridges. The primary basis of segment reporting is geographical. The North American segment includes balances pertaining to Bermuda.

MIG's toll road business includes the construction and operation of toll roads and investment in entities in the same industry sector.

#### Geographical segments

	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
<b>6 months to 31 December 2006</b>				
Segment revenue and other income	814,253	487,416	696,032	1,997,701
Revenue and other income from continuing activities	814,253	487,416	696,032	1,997,701
Segment profit	597,396	404,712	616,382	1,618,490
Profit/(loss) from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	597,396	404,712	616,382	1,618,490
<b>6 months to 31 December 2005</b>				
Segment revenue and other income	295,729	125,380	599,549	1,020,658
Revenue and other income from continuing activities	295,729	125,380	599,549	1,020,658
Segment profit/(loss)	129,381	(17,202)	556,715	668,894
Profit/(loss) from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	129,381	(17,202)	556,715	668,894

#### MIT(I) Group

The principal activity of MIT(I) during the year was investment in toll roads, tunnels and bridges and associated financing vehicles. The primary basis of segment reporting is geographical.

MIT(I)'s toll road business includes the construction and operation of toll roads and investment in entities in the same industry sector.

#### Geographical segments

	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
<b>6 months to 31 December 2006</b>				
Segment revenue and other income	93,969	-	(18,416)	75,553
Revenue and other income from continuing activities	93,969	-	(18,416)	75,553
Segment profit/(loss)	59,868	-	(18,416)	41,452
Profit from continuing activities before finance costs attributable to unitholders	59,868	-	(18,416)	41,452
<b>6 months to 31 December 2005</b>				
Segment revenue and other income	128,590	-	48,964	177,554
Revenue and other income from continuing activities	128,590	-	48,964	177,554
Segment profit	79,368	-	48,964	128,332
Profit from continuing activities before finance costs attributable to unitholders	79,368	-	48,964	128,332

## **Interim Report**

For the Half Year Ended 31 December 2006

### **11 Contingencies**

Except as discussed elsewhere in this report, MIG had the following contingent liabilities at balance date. No provisions have been raised against these items unless stated below.

#### ■ ***M6 Toll***

Outstanding claims against MEL, for construction liabilities amounting to £27.7 million (\$68.8 million) were withdrawn during the previous year. As at 31 December 2006, there are no outstanding claims against MEL. MEL expects further claims but is unable to quantify the amount. The Group believes that it will defend these claims successfully and that no provisions are necessary in the financial statements as at 31 December 2006.

#### ■ ***Warnow Tunnel***

European Transport Investments (UK) Limited (ETI) a subsidiary of MIGIL has made two separate guarantees, totalling €1.2 million (\$2.1 million), in the event of a senior debt payment event of default by the Warnow Tunnel. 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 2006.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.2 million (\$2.0 million) has been deposited.

#### ■ ***South Bay Expressway***

Consideration paid by MIP comprised payment of cash (which is subject to limited adjustments if the costs of the project are higher than forecast or if the debt levels of the project are different than forecast) to MIG, and a contribution of capital, by MIP, to the jointly owned entity holding the investment in South Bay Expressway.

### **12 Events Occurring After Balance Sheet Date**

#### ■ ***Distribution Reinvestment Plan***

A portion of stapled security-holders participated in MIG's Distribution Reinvestment Plan (DRP) for the interim distribution paid on 14 February 2007. Of the distribution declared, \$69.6 million was reinvested in MIG. MIG sourced the securities allocated to the participants under the DRP from on-market purchases of existing securities.

Other than 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 MIG and its controlled entities, the results of these operations or the state of affairs of the consolidated entity in subsequent financial years.

## Interim Report

For the Half Year Ended 31 December 2006

# Statement by the Directors of the Responsible Entity of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I)

In the directors' opinion:

The financial statements and notes set out on pages 6 to 25 are in accordance with the Trust constitutions and Corporations Act 2001, including:

- a) complying with Accounting Standards, the Corporations Regulation 2001 and other mandatory professional reporting requirements; and
- b) giving a true and fair view of the Macquarie Infrastructure Group (as defined in note 1(b)) and Macquarie Infrastructure Trust (I) Group financial positions as at 31 December 2006 and of their performance, as represented by the result of their operations and cash flows, for the financial period ended on that date; and
- c) there are reasonable grounds to believe that the Trusts and consolidated entities will be able to pay their debts as and when they become due and payable.

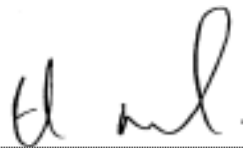
This declaration is made in accordance with a resolution of the directors.



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**Mark Johnson**

Sydney  
21 February 2007



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**John Roberts**

Sydney  
21 February 2007

## INDEPENDENT AUDITOR'S REVIEW REPORT

### to the security holders of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I)

#### Report on the Half-Year Financial Reports

We have reviewed the accompanying half-year financial reports of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I), which comprise the balance sheets as at 31 December 2006, and the income statements, statements of changes in equity and cash flow statements for the half-year ended on that date, other selected explanatory notes and the directors' declarations for the Macquarie Infrastructure Group (MIG) and the Macquarie Infrastructure Trust (I) Group (MIT (I) Group). MIG comprises Macquarie Infrastructure Trust (II) (MIT (II)) and the entities it controlled during that half-year, Macquarie Infrastructure Trust (I) (MIT (I)) and the entities it controlled during that half-year, and Macquarie Infrastructure Group International Limited and the entities it controlled during that half-year. MIT (I) Group comprises both MIT (I) and the entities it controlled during that half-year.

#### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the Macquarie Infrastructure Investment Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the half-year financial reports in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial reports that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of MIG's and MIT (I) Group's financial positions as at 31 December 2006 and their performances for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MIT (II) and MIT (I), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial reports consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial reports to determine whether it contains any material inconsistencies with the financial reports. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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

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

## *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

## *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I) are not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Macquarie Infrastructure Group's and Macquarie Infrastructure Trust (I) Group's financial positions as at 31 December 2006 and of their performances for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



M Haberlin  
Partner

Sydney  
21 February 2007