



Macquarie Infrastructure Group

Concise Financial Report For the Year Ended 30 June 2005

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 Bermuda Limited ABRN 112 684 885 (MIBL).

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 (MIMUK) registered number 3976881 is the advisor of MIBL. MIMUK 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 MIMUK, 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 MIMUK as the advisor of MIBL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIMUK) together with their officers and directors and officers and directors of MIBL may hold stapled securities in MIG from time to time.

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

This concise financial report has been derived from the full financial report for the year ended 30 June 2005. The full financial report and auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

This concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of MIG as the full financial report.

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For the year ended 30 June 2005

Directors' Report

In respect of the year ended 30 June 2005, the directors of Macquarie Infrastructure Investment Management Limited (the Responsible Entity) submit the following report on the combined financial report of Macquarie Infrastructure Group (MIG or the Group) made out in accordance with a resolution of the directors. The Group comprises:

- Macquarie Infrastructure Trust (I) (MIT(I)) and its controlled entities;
- Macquarie Infrastructure Trust (II) (MIT(II)) and its controlled entities; and
- Macquarie Infrastructure Bermuda Limited (MIBL) and its controlled entities.

Principal Activities

The principal activity of MIG is investment in toll roads, tunnels and bridges.

There were no significant changes in the nature of the Group's activities during the year.

Directors

The following persons held office as directors of the Responsible Entity during the whole of the year and up to the date of this report, unless otherwise stated:

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

Review and Results of Operations

The performance of the Group, as represented by the combined results of its operations, was as follows:

	Year ended 30 June 2005	Year ended 30 June 2004
	\$'000	\$'000
Revenue from ordinary activities	4,438,804	573,049
Net result attributable to security holders of MIG	913,728	(251,459)
Total changes in equity other than those resulting from transactions with owners as owners	1,277,257	416,124
	Cents per stapled security	Cents per stapled security
Diluted earnings/(loss) per stapled security	43.78	(10.84)
Net diluted increase in asset revaluation reserve per stapled security	16.79	32.32
Diluted performance per stapled security	60.57	21.48

Revenue from ordinary activities for the year to 30 June 2005 includes the proceeds (A\$2.7 billion) received from selling down MIG's stake in Cintra Concesiones de Infraestructuras de Transporte S.A. (Cintra) through an initial public offering (IPO), proceeds of A\$107.2 million from the sale of Macquarie Yorkshire Limited, the subsidiary company holding MIG's investment in Connect M1-A1, and proceeds of A\$158.8 million from the exchange of stapled securities in the Hills Motorway Group for stapled securities in Transurban Group.

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The net result for the year ended 30 June 2005 includes a performance fee expense payable of A\$92.5 million (2004: A\$6.2 million) inclusive of non-recoverable GST and VAT of A\$2.2 million (2004: A\$0.1 million), payable to the Responsible Entity and Macquarie Investment Management (UK) Limited (MIM UK or the Advisor).

The following significant events during the year are described in more detail in the Overview of Major Transactions on pages 10-11.

■ Cintra IPO

On 27 October 2004, Cintra was listed on the Spanish Stock Exchanges, with net cash proceeds to MIG of €1.02 billion (A\$1.74 billion). As part of the transaction, MIG acquired an additional 13.87% direct equity interest in 407ETR, giving MIG a 30% direct interest.

■ Acquisition of Skyway

On 25 January 2005 financial close was reached on the acquisition of Skyway by a MIG-Cintra consortium from the City of Chicago for US\$1.83 billion (A\$2.3 billion). MIG paid a total of A\$526.8 million including costs for its 45% stake.

■ Refinancing of Eastern Distributor (M1 Motorway) Debt Facilities

On 1 November 2004, the successful refinancing of the debt facility in relation to the Eastern Distributor Motorway in Sydney, Australia was completed.

■ Sale of Connect M1-A1 (Yorkshire Link)

On 22 December 2004, MIG completed the sale of its 50% interest in Connect M1–A1 to Macquarie Infrastructure Company Trust, with a sale price of £44.1 million (A\$107.2 million).

■ Corporate Restructure

On 12 January 2005, MIG completed its corporate restructure. The objective was to create a MIG structure which facilitates timely distributions from MIG's offshore assets and which provides a suitable structure for future acquisitions.

Prior to the restructure a MIG stapled security comprised a unit in each of the two Australian trusts and a share in a UK company, MEI. The restructure inserted a new Bermudian mutual fund company, MIBL, above MEI. MIBL owns 100% of the ordinary shares in MEI and has replaced MEI as the stapled company in the MIG stapled structure.

■ Takeover by Transurban of Hills Motorway Group

On 31 January 2005, MIG entered into an agreement with Transurban Group (Transurban) in relation to the 15 million securities MIG held in Hills Motorway Group (Hills), prior to Transurban making a takeover bid for Hills. On 19 April 2005, MIG was issued with 22.05 million Transurban securities in exchange for its 15 million Hills securities. A cash component of A\$3.75 million was received on 11 May 2005.

■ Refinancing of Interlink Roads (M5 Motorway) Debt Facilities

On 3 June 2005, MIG announced the refinancing of the debt in relation to the M5 Motorway in Sydney, Australia.

■ Midland Expressway Limited (M6 Toll)

On 20 June 2005, MIG exercised its call option over the remaining 25% of Midland Expressway Limited held by Autostrade Participations S.A for a fixed price of £49.0 million (A\$115.2 million).

■ 407ETR

As disclosed in Note 4(v) to the Consolidated Financial Statements, the 407ETR concession company and the Government of Ontario, Canada, are presently engaged in a series of disputes.

407ETR and MIG have 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.

Significant Changes in State of Affairs

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

Distributions

The distribution for the year ended 30 June 2005 was 77.50 cents per stapled security (2004: 7.50 cents per stapled security). An interim distribution of 63.75 cents per stapled security (2004: 3.75 cents per stapled security) was paid on 10 February 2005. A final distribution of 13.75 cents per stapled security (2004: 3.75 cents per stapled security) was paid on 12 August 2005.

Events Occurring after Reporting Date

Refer to Note 15 to the Consolidated Financial Statements for full disclosure of events occurring after balance date.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of MIG, the results of those operations or the state of affairs of the Group in subsequent financial years.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operation of the Group and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Group.

Indemnification and Insurance of Officers and Auditors

No insurance premiums are paid for out of the assets of the Group in regard to insurance cover provided to either the Responsible Entity or auditors of the Group. So long as the officers of the Responsible Entity act in accordance with the Trust Constitutions and the Law, the officers remain indemnified out of the assets of the Group against any losses incurred while acting on behalf of the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

Fees Paid to the Responsible Entity and Associates

Fees paid to the Responsible Entity and the Advisor out of MIG's property during the year are disclosed in the full financial report.

No fees were paid out of MIG's property to the directors of the Responsible Entity or the Advisor during the year.

Interests in the Group held by the Responsible Entity and its associates during the year are disclosed in the full financial report.

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Interests in the Group Issued During the Financial Year

The movement in stapled securities on issue in the Group during the year is as set out below:

	Year ended 30 June 2005	Year ended 30 June 2004
	'000	'000
Stapled securities on issue at the beginning of the year	1,930,528	1,901,288
Stapled securities issued during the year	234,362	29,240
Stapled securities on issue at the end of the year	2,164,890	1,930,528
	\$'000	\$'000
Value of Assets		
Value of Group Assets at 30 June	12,404,240	11,451,607
Net Asset Backing		
Net asset backing of each stapled security before deferred tax balances (excluding outside equity interest (OEI))	\$3.81	\$3.96
Net asset backing of each stapled security after deferred tax balances (excluding OEI)	\$3.24	\$3.35

The value of the Group's assets is derived using the basis set out in Note 1 to the Consolidated Financial Statements.

Environmental Regulation

The below environmental regulations apply to MIG's controlled assets:

■ Australia

The operations of the Eastern Distributor and M4 Motorway are required to comply with various Acts including the Protection of the Environment Operations Act, NSW Heritage Act, Waste Minimisation and Management Act, and Environmentally Hazardous Chemicals Act. There have been no significant breaches of these Acts.

■ United Kingdom

Midland Expressway Limited constructed the M6 Toll road under a series of Orders made in 1998 by the Secretary of State for Transport pursuant to his powers under the Highways Act 1980 and the New Roads and Street Works Act 1991. Prior to that, the M6 Toll had been the subject of a full Environmental Impact Assessment that was considered in detail at a Public Inquiry held in 1994 and 1995. The Public Inquiry produced a list of specific environmental commitments and undertakings. There have been no significant breaches of the environmental legislation, commitments and undertakings.

■ United States of America

Environmental permission to construct the South Bay Expressway was successfully concluded with the approval of the Environmental Impact Report/Statement in January 2000, issuance of the Federal Highway Administration Record of Decision in June 2000 and the issuance of the resource agency permits: Army Corps of Engineers Section 404 permit, U.S. Fish and Wildlife Service Biological Opinion, California Department of Fish and Game 2080 Consistency Determination and 1603 Streambed Alteration Agreement, and the Regional Water Quality Control Board 401 Certification. In addition, the project requires compliance with Section 106 of the National Historic Preservation Act. The environmental approvals require both offsite and onsite mitigation. During the design and construction phases, the construction contractor, Otay River Constructors (a joint venture of Washington Group International Inc. and Fluor Enterprises Inc.) is contractually responsible for ensuring onsite compliance with all environmental legislation, commitments and undertakings.

In addition to scrutiny by State and Federal Agencies, the project-wide environmental obligations are monitored by EDAW, an environmental consulting firm employed by the San Diego Expressway Limited Partnership. The environmental commitments are the subject of monthly review. There have been no significant breaches of the environmental legislation, commitments and undertakings.

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Australian Equivalents to International Financial Reporting Standards (A-IFRS)

All Australian reporting entities will be required to adopt A-IFRS for accounting periods beginning on or after 1 January 2005. MIG's first financial reports prepared under A-IFRS will be the 31 December 2005 Interim Report and the 30 June 2006 Financial Report. Comparatives as at 31 December 2004 and 30 June 2005 respectively will be required.

As disclosed in Note 14 to the Consolidated Financial Statements, the adoption of A-IFRS will result in different accounting policies for some of MIG's assets, which are expected to decrease MIG's reported net assets by A\$2.3 billion as at 30 June 2005.

Rounding of Amounts in the Directors' Report and Financial Report

The Group is 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' report and financial report. Amounts in the directors' report and the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's Independence Declaration

A copy of the auditors independence declaration, as required under section 307C of the Corporations Act 2001, is set out on page 6.

Signed in accordance with a resolution of the directors of Macquarie Infrastructure Investment Management Limited.



Mark RG Johnson

Sydney
24 August 2005



John SH Roberts

Sydney
24 August 2005

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Infrastructure Group for the year ended 30 June 2005, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Infrastructure Group.



Mark Haberlin
Partner
PricewaterhouseCoopers

24 August 2005

Consolidated Statement of Financial Performance

	Note	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Revenue from ordinary activities			
Revaluation of investments		803,542	140,826
Income from investments		270,571	218,234
Proceeds from sale of investments and subsidiaries		2,921,914	230,365
Toll revenue		242,420	166,653
Other revenue		200,357	(183,029)
Total revenue from ordinary activities	2(i)	4,438,804	573,049
Operating expenses from ordinary activities			
Borrowing costs expense		(307,773)	(224,858)
Book value of securities disposed		(2,866,188)	(249,232)
Other operating expenses		(474,913)	(303,267)
Total operating expenses from ordinary activities	2(ii)	(3,648,874)	(777,357)
Net result from ordinary activities before income tax expense		789,930	(204,308)
Income tax benefit/(expense)		101,511	(57,183)
Net result from ordinary activities after income tax expense		891,441	(261,491)
Net loss from controlled entities attributable to outside equity interest		22,287	10,032
Net result attributable to security holders of MIG		913,728	(251,459)
Net increase in asset revaluation reserve	7	363,529	667,583
Total amounts attributable to security holders of MIG recognised directly in equity		363,529	667,583
Total changes in equity other than those resulting from transactions with owners as owners		1,277,257	416,124

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes

	Note	Cents per stapled security	Cents per stapled security
Basic earnings/(loss) per stapled security		45.16	(13.08)
Net increase in asset revaluation reserve per stapled security		17.96	34.71
Performance per stapled security	10	63.12	21.63
Diluted earnings/(loss) per stapled security		43.78	(10.84)
Net diluted increase in asset revaluation reserve per stapled security		16.79	32.32
Diluted performance per stapled security	10	60.57	21.48

Concise Financial Report

As at 30 June 2005

Consolidated Statement of Financial Position

	Note	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Current assets			
Cash assets		1,262,921	417,735
Receivables		119,999	106,691
Prepayments		20,651	24,283
Other assets		2,511	3,391
Total current assets		1,406,082	552,100
Non-current assets			
Prepayments		9,587	12,220
Investments	4	4,556,059	5,081,509
Fixed assets		2,482,021	2,451,790
Tolling concessions	5	3,911,577	3,330,436
Other assets		38,914	23,552
Total non-current assets		10,998,158	10,899,507
Total assets		12,404,240	11,451,607
Current liabilities			
Payables		280,290	320,916
Provisions		3,997	2,540
Interest-bearing liabilities	6	29,650	10,650
Distribution payable		297,673	72,395
Tax liabilities		4,722	4,930
Total current liabilities		616,332	411,431
Non-current liabilities			
Payables		-	70,594
Provisions		584	1,050
Interest-bearing liabilities	6	2,983,923	2,860,098
Tax liabilities		1,377,951	1,299,038
Concession notes		120,000	105,000
Other liabilities		37,288	21,938
Total non-current liabilities		4,519,746	4,357,718
Total liabilities		5,136,078	4,769,149
Net assets		7,268,162	6,682,458
Equity			
MIG Security Holders' interest			
Contributed equity		3,595,768	3,821,789
Reserves	7	2,314,475	1,950,946
Undistributed operating surplus	8	1,110,124	690,908
Total MIG Security Holders' interest		7,020,367	6,463,643
Outside equity interest in controlled entities	9	247,795	218,815
Total Equity		7,268,162	6,682,458

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Cash flow from operating activities		
Toll revenue received	274,625	185,651
Distributions and dividends received	55,564	68,154
Income taxes paid	(19,828)	(16,557)
Interest paid	(63,016)	(57,918)
Interest received	180,009	126,992
Management and secondment fees received	50	1,133
Net indirect taxes (paid)/received	(14,037)	1,824
Other income received	11,762	10,974
Payments to suppliers and employees	(92,007)	(66,944)
Responsible Entity and Advisor base fees paid	(85,056)	(84,953)
Responsible Entity and Advisor performance fees paid	(2,076)	(89,011)
Net cash flows from operating activities	245,990	79,345
Cash flows from investing activities		
Capital expenditure	(139,123)	(320,989)
Payments for purchase of investments	(639,709)	(194,307)
Proceeds from IPO of Cintra	1,738,834	-
Proceeds from sale of Macquarie Yorkshire Limited	104,040	-
Proceeds from exchange of Hills Motorway Group securities	3,750	-
Proceeds from sale of Transurban Group securities	-	230,365
Proceeds from repayments of interest bearing financial assets	4,239	3,128
Proceeds from return of capital from Lusoponte	1,636	-
Proceeds from sale of fixed assets	35	21
Net cash flows from investing activities	1,073,702	(281,782)
Cash flows from financing activities		
Borrowing costs paid	(167,946)	(113,662)
Costs of raising capital	-	(16)
Proceeds from bank borrowings	1,067,385	688,506
Repayment of bank borrowings	(793,333)	(502,811)
Proceeds from Autostrade Participations SA loan	-	133,087
Proceeds from issue of Reset Convertible Notes	-	192,000
Distributions paid	(1,307,194)	(143,537)
DRP proceeds received	805,853	30,962
Distributions paid to outside equity interests in controlled entities	(32,800)	(21,822)
Net cash flows from financing activities	(428,035)	262,707
Net increase in cash assets held	891,657	60,270
Cash assets at the beginning of the year	417,735	350,637
Exchange rate movements	(46,471)	6,828
Cash assets at the end of the year	1,262,921	417,735

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Overview of Major Transactions

■ Cintra IPO

On 4 June 2004, MIG and Grupo Ferrovial signed an agreement to list Cintra through an IPO on the Spanish Stock Exchanges during the fourth quarter of the 2004 calendar year, subject to market conditions remaining favourable.

On 25 October 2004, the parties finalised and executed binding underwriting documentation for the IPO of Cintra at a price of €8.24 per share. The shares were listed on the Spanish Stock Exchanges on 27 October 2004.

Net cash proceeds from the Cintra IPO to MIG were €1.02 billion (A\$1.7 billion). In addition, as part of the agreement to list, MIG exchanged a portion of its interest in Cintra (53.82 million shares) for a 13.87% direct equity interest in the 407ETR. This has given MIG a 30% direct interest in 407ETR.

■ Acquisition of Skyway

On 28 October 2004, Skyway Concession Company LLC, a company 100% owned by Skyway Concession Company Holdings LLC, the bid vehicle for a MIG-Cintra consortium, signed the Chicago Skyway Concession and Lease Agreement for the 99 year lease of the Chicago Skyway (Skyway) with the City of Chicago.

The City of Chicago approved the sale of Skyway to the consortium for US\$1.83 billion (A\$2.3 billion).

MIG was committed to make a contribution of equity and bid costs of US\$373.5 million and a contribution towards development costs of \$US23.5 million (A\$526.8 million) being a 45% interest in Skyway Concession Company Holdings LLC. This amount was paid on financial close, achieved on 25 January 2005.

Skyway has been in operation since 1959 and has an established traffic and revenue history. It is a 12.5 kilometre divided elevated roadway, with a significant bridge over the Calumet River and connects the Indiana East-West Toll Road and Dan Ryan Expressway in Chicago, USA.

■ Refinancing of Eastern Distributor (M1) Debt Facilities

On 1 November 2004, the successful refinancing of the debt facility in relation to the Eastern Distributor Motorway in Sydney, Australia was completed. The tolling concession for the Eastern Distributor is held by the Airport Motorway Group (AMG). MIG has a 71.35% interest in AMG.

The new debt has a credit rating from Moody's of A3 and from Fitch of A-, and has a margin of 37.5 basis points. The providers of the new facility are Westpac Banking Corporation, Commonwealth Bank of Australia and ANZ.

■ Sale of Connect M1-A1 (Yorkshire Link)

On 8 June 2004, MIG entered into a conditional share purchase agreement to sell its interest in Connect M1-A1 to Macquarie Infrastructure Company Trust (MIC). The listing of MIC on 16 December 2004 met the final condition precedent in relation to the sale. The sale was completed on 22 December 2004, with a sale price of £44.1 million (A\$107.2 million). Under the sale, MIG disposed of Macquarie Yorkshire Limited, a 100% subsidiary of MEI, that held MIG's investment in Connect M1-A1.

■ Corporate Restructure

On 12 January 2005, MIG completed its corporate restructure. The objective was to create a MIG structure which facilitates timely distributions from MIG's offshore assets and which provides a suitable structure for future acquisitions.

Prior to the restructure a MIG stapled security comprised a unit in each of the two Australian trusts and a share in a UK company, MEI. The restructure inserted a new Bermudian mutual fund company, MIBL, above MEI. MIBL owns 100% of the ordinary shares in MEI and has replaced MEI as the stapled company in the MIG stapled structure.

■ Takeover by Transurban of Hills Motorway Group

On 31 January 2005, MIG entered into an agreement with Transurban Group (Transurban) in relation to the 15 million securities MIG held in Hills Motorway Group (Hills), prior to Transurban making a takeover bid for Hills.

The agreement stated if Transurban were to secure a minimum level of acceptance of its takeover bid, MIG would exchange its 15 million securities for securities in Transurban Group at a rate of 1.47 securities for each Hills security held. This condition was met.

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Subsequently Transurban added a cash component of A\$0.25 per Hills security to their takeover offer.

On 19 April 2005, MIG was issued with 22.05 million Transurban securities in exchange for its 15 million Hills securities. The cash component of A\$3.75 million was received on 11 May 2005.

■ Refinancing of Interlink Roads (M5 Motorway) Debt Facilities

On 3 June 2005 MIG announced the refinancing of the debt in relation to the M5 Motorway in Sydney, Australia. Interlink Roads Pty Ltd (Interlink) holds the tolling concession for the M5 Motorway. MIG has a 50% interest in Interlink.

The refinancing has resulted in new debt facilities of A\$540 million (which will be drawn to A\$500 million) and a reset of the interest rate swaps. The new debt facility is a five-year, interest only facility, with repayment due in 2010 and replaces the previous A\$485 million facility.

The new debt has a credit rating from Moody's of A2 and from Fitch of A, and has interest margins of 32.5 basis points, which is less than half those on the previous facility.

■ Midland Expressway Limited

On 20 June 2005, the Group exercised its call option over the remaining 25% of Midland Expressway Limited (MEL) held by Autostrade Participations S.A (Autostrade) for a fixed price of £49.0 million (A\$115.2 million). The option had previously been accounted for as exercised for deferred consideration.

MEL has the concession to develop, operate and maintain the M6 Toll in the UK. The concession runs for 53 years from 26 January 2001 and MEL has the exclusive right to set tolls for the entire concession period. Following the exercise of the option, the Group owns 100% of the equity in MEL.

■ 407ETR

As disclosed in Note 4(v) to the Consolidated Financial Statements, the 407ETR concession company and the Government of Ontario, Canada, are presently engaged in a series of disputes.

407ETR and MIG have 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.

Overview of Operating Performance

The total change in the consolidated equity of MIG, other than those changes resulting from transactions with owners as owners, was A\$1,277.3 million (2004: A\$416.1 million), a A\$861.2 million increase (2004: A\$509.2 million decrease) on the prior year.

This net increase in consolidated equity was due mainly to the impact of:

■ Revaluation of investments (refer to Note 4 and Note 1(c))

- The revaluation of MIG's interest in 407ETR of A\$607.8 million (2004: A\$123.8 million) to A\$2.5 billion
- The revaluation of shares in Skyway of A\$80.3 million (2004: nil) to A\$603.2 million
- The revaluation of Construction phase Loan Notes in Westlink of A\$73.5 million (2004: A\$5.9 million) to A\$459.3 million
- The revaluation of shares in Interlink of A\$51.1 million (2004: devaluation of A\$4.2 million) to A\$540.8 million
- The revaluation of shares in Lusoponte of A\$48.2 million (2004: devaluation of A\$22.6 million) to A\$236.6 million
- The revaluation of MIG's interest in Hills of A\$49.6 million prior to its exchange for Transurban
- Other net devaluations of A\$0.4 million (2004: revaluations of A\$19.2 million)
- Offsetting unrealised foreign exchange losses on the translation of overseas investments to Australian dollars at 30 June 2005 of A\$106.5 million (2004: A\$39.9 million)

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■ Other revenue

- Distribution and dividend income of A\$55.9 million (2004: A\$70.1 million)
- Interest income of A\$214.6 million (2004: A\$148.1 million)
- Proceeds from the IPO of Cintra, sale of Macquarie Yorkshire Limited and exchange of Hills totalling A\$2,921.9 million (2004: sale of Transurban of A\$230.4 million)
- Toll revenue of A\$242.4 million (2004: A\$166.7 million) from the operational controlled assets: Eastern Distributor, M4 Motorway and M6 Toll (from 9 December 2003)

■ Reserves (refer to Note 7)

- An increase in MIG security holders' interests in reserves of A\$363.5 million (2004: A\$667.6 million) from the net revaluation of tolling concessions relating to the M6 Toll (A\$149.1 million (2004: A\$498.9 million)), South Bay Expressway (A\$38.8 million (2004: A\$80.7 million)), Eastern Distributor (A\$163.2 million (2004: A\$72.8 million)) and M4 Motorway (A\$12.4 million (2004: A\$15.2 million)).

Partially offset by:

■ Expenses

- Book value of securities disposed, being Cintra, Macquarie Yorkshire Limited and Hills of A\$2,866.2 million (2004: Transurban A\$249.2 million).
- Borrowing costs of A\$307.8 million (2004: A\$224.9 million) incurred on non-recourse interest bearing liabilities and interest payable under AMG's infrastructure loan facility
- Depreciation and amortisation of fixed assets and tolling concessions of A\$192.9 million (2004: A\$137.4 million)
- Fees payable to the Responsible Entity and Advisor of A\$175.8 million (2004: A\$80.1 million) inclusive of non-recoverable GST and VAT
- Operational costs attributable to controlled motorways of A\$71.3 million (2004: A\$74.3 million).

Income Tax

The benefit for the year was A\$101.5 million (2004: charge of A\$57.2 million) on a net profit from ordinary activities of A\$789.9 million (2004: net loss from ordinary activities of A\$204.3 million). The difference from the prima facie tax rate of 30% (2004: 30%) is mainly the result of the tax effect of the following items:

- The reversal of deferred income tax liability relating to investments sold of A\$362.0 million (2004: nil)
- Non-deductible depreciation, amortisation and interest expenses in addition to foreign exchange losses and dividends not subject to tax of A\$24.7 million (2004: A\$355.2 million)
- Future income tax benefits not bought to account of A\$35.7 million (2004: A\$140.4 million)
- The exclusion of the operating results of MIT(I) and Airport Motorway Trust, which are not taxed provided their taxable income is fully distributed to security holders each year.

Performance per Stapled Security

Performance per stapled security was 63.12 cents for the year (2004: 21.63 cents). Basic earnings per stapled security was 45.16 cents (2004: basic loss per stapled security was 13.08 cents). The increase reflects favourable movements in foreign exchange rates and higher revaluation income. There was an increase in the weighted average number of stapled securities on issue during the year (refer below).

- Diluted performance per stapled security was 60.57 cents for the year (2004: 21.48 cents). Diluted earnings per stapled security was 43.78 cents (2004: diluted loss per stapled security was 10.84 cents).
- The earnings used in the calculation of basic earnings per stapled security was A\$913.7 million (2004: loss of A\$251.5 million). The earnings used in the calculation of diluted earnings per stapled security was A\$947.6 million (2004: loss of A\$223.9 million).

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- The weighted average number of stapled securities on issue used in the calculation of basic loss, net increase in asset revaluation reserve and performance per stapled security was 2,023.5 million (2004: 1,923.1 million). The weighted average number of stapled securities on issue used in the calculation of the diluted measures was 2,164.6 million (2004: 2,065.5 million).

Distributions

MIG paid an interim distribution of 63.75 cents per stapled security (2004: 3.75 cents) on 10 February 2005 and declared a final distribution of 13.75 cents per stapled security (2004: 3.75 cents) in respect of the year to 30 June 2005. The final distribution was paid on 12 August 2005. Note 3 provides details of the franking credits attached to each of the distributions.

Discussion and Analysis of Financial Position

At 30 June 2005, total assets of MIG were A\$12.4 billion compared with A\$11.5 billion in the prior year, an increase of 7.8%. The increase is the net result of the following: the IPO of Cintra and subsequent distribution to security holders of the proceeds; the acquisition of Skyway using Distribution Reinvestment Plan (DRP) proceeds; and the revaluation of MIG's remaining non-controlled investments as well as the tolling concession in respect of MIG's controlled investments.

Total liabilities have increased to A\$5.1 billion as at 30 June 2005 from A\$4.8 billion in the prior year. This is mainly due to an increase of A\$225.3 million in distribution provision, reflecting the payment of Cintra IPO proceeds to investors on 12 August 2005, together with an increase in interest bearing loans by A\$142.8 million largely due to draw downs of non-recourse loans relating to the construction of the South Bay Expressway.

Contributed equity has decreased to A\$3.6 billion as at 30 June 2005 from A\$3.8 billion in the prior year. This decrease is due to the transfer of A\$782.4 million made from contributed equity to undistributed operating surplus and distribution of share premium of A\$255.6 million, offset by DRP proceeds of A\$805.9 million. Other movements in equity are the result of distributions paid from operating surplus of A\$1,276.9 million and the movements in reserves resulting from the revaluation of tolling concessions as discussed above. A portion of equity is attributable to the outside equity interests in Airport Motorway Group and Statewide Roads Limited.

Net asset backing per stapled security before deferred tax balances at 30 June 2005 is \$3.81 (2004: \$3.96) and after deferred tax balances is \$3.24 (2004: \$3.35).

Discussion and Analysis of Statement of Cash Flows

Net cash flows from operating activities were A\$246.0 million (2004: A\$79.3 million). The increase is a reflection of higher toll revenue received (M6 Toll operational for a full year) and additional interest received on cash balances, as well as reduced performance fees paid.

The net cash inflow from investing activities results primarily to the IPO of Cintra and sale of Macquarie Yorkshire Limited. This is partially offset by capital expenditure incurred by controlled entities, mainly in connection with the construction of the South Bay Expressway, of A\$134.6 million (2004: A\$321.0 million), the acquisition of Skyway for A\$524.5 million, and the purchase of the final 25% of Midland Expressway Limited for A\$116.1 million.

The financing cash flows reflect the distribution to investors of the Cintra IPO proceeds as well as draw downs on project level debt facilities.

Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The concise financial report has been prepared as if MIG were a disclosing entity required to comply with the Corporations Act 2001 and Accounting Standard AASB 1039: Concise Financial Reports. The concise financial report has been derived from the MIG full financial report for the year. Other information included in the concise financial report is consistent with MIG's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of MIG as the full financial report.

The accounting policies adopted in preparing the full financial report have been consistently applied except as otherwise stated.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(b) Aggregated Financial Statements

The units of MIT(I), the units of MIT(II) and the shares of MEI were combined and issued as stapled securities in MIG. On 12 January 2005, a restructure inserted a new Bermudian mutual fund company, MIBL, above MEI, replacing MEI as the stapled Company in the MIG stapled structure.

The units of MIT(I), the units of MIT(II) and the shares of MIBL are combined and issued as stapled securities in MIG. The units of the Trusts and shares of the Company cannot be traded separately and can only be traded as stapled securities. None of the entities has acquired or controls the others. In accordance with Urgent Issues Group Abstract 13: The Presentation of the Financial Report of Entities whose Securities are 'Stapled', aggregated financial statements have been prepared for MIG as well as individual consolidated entity financial statements for MIT(I), MIT(II) and MIBL. The aggregated financial statements combine the financial statements of the Trusts and the Company for the year ended 30 June 2005. Transactions between the entities have been eliminated in the aggregated financial statements of MIG.

The financial statements of MIG should be read in conjunction with the separate financial statements of MIT(I), MIT(II) and MIBL.

(c) Investments

Investments, other than those in controlled entities, are revalued at each reporting date to their net market values. Changes in the net market values of investments (both positive and negative) have been recognised in investment revenue from ordinary activities as shown in the Statement of Financial Performance for the year.

Investments have been brought to account as follows:

Interests in listed securities in companies and trusts

Listed interests in companies and trusts which are not controlled are brought to account at net market value, after deducting estimated selling costs and allowing for any specific risks or circumstances such as liquidity risk, credit risk, or escrow periods. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

Interests in unlisted securities in companies and trusts

Unlisted interests in companies and trusts which are not controlled are brought to account at directors' estimates of net market value determined in accordance with either a discounted cash flow analysis, option pricing model, or by reference to the current market value of substantially similar interests, as appropriate. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

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1 Summary of Significant Accounting Policies (cont'd)

Interest bearing financial assets

Interests in interest bearing public and other debt securities are brought to account at net market value. Adjustments to the net market value of public and other debt securities are recognised in the Statement of Financial Performance. Other interest bearing financial assets are accounted for on an accruals basis.

Investment acquisition costs are capitalised into the value of the investment at the time of purchase. Additions and other expenditure on investments which are capital in nature are capitalised as incurred.

2 Net Result from Ordinary Activities

The net operating result from ordinary activities before income tax includes the following specific items of revenue and expense:

(i) Operating Income

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Revaluation of investments (refer Notes 1(d) and 10)		
Interests in:		
Listed securities in companies and trusts	50,609	22,800
Unlisted securities in companies and trusts	785,935	72,259
Interest bearing financial assets and accrued interest	73,476	5,897
Foreign exchange effect of revaluations	(106,478)	39,870
	803,542	140,826
Income from investments		
Distribution and dividend income	55,932	70,135
Interest income:		
Related parties	29,346	28,048
Other persons and corporations	185,293	120,051
	270,571	218,234
Proceeds from sale of investments and subsidiaries		
Proceeds from IPO of Cintra	2,655,902	-
Proceeds from sale of Macquarie Yorkshire Limited	107,222	-
Proceeds from exchange of Hills Motorway Group securities	158,790	-
Proceeds on disposal of Transurban Group securities	-	230,365
	2,921,914	230,365
Toll revenue		
Toll revenue	242,420	166,653
	242,420	166,653
Other revenue		
Construction contract revenue	223	223
Consulting revenue	512	27
Foreign exchange gain/(loss)*	190,076	(192,778)
Management and secondment fees	2	739
Rental income	3,159	2,853
Other income	6,385	5,907
	200,357	(183,029)
Total revenue from ordinary activities	4,438,804	573,049

* The foreign exchange gain/(loss) has primarily arisen on the conversion of MIBL's foreign monetary assets and liabilities into Australian dollars.

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2 Net Result from Ordinary Activities (cont'd)

(ii) Operating Expenses

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Borrowing costs expense		
Other persons and corporations	307,155	224,166
Amortisation of debt issuance costs	618	692
	307,773	224,858
Book value of securities disposed		
Cintra	2,660,810	-
Macquarie Yorkshire Limited	50,338	-
Hills Motorway Group	155,040	-
Transurban Group	-	249,232
	2,866,188	249,232
Other operating expenses		
Amortisation of tolling concessions	107,683	73,922
Depreciation:		
Buildings	1,171	670
Leasehold improvements	68,424	53,588
Motor vehicles	449	260
Plant and equipment	15,153	8,921
	85,197	63,439
Cost of operations:		
Concession notes	15,000	15,000
Employment costs	17,184	15,035
Operating expenses	39,945	42,908
Operating lease rentals	1,568	1,316
	73,697	74,259
Other operating expenses:		
Consulting and administration fees	4,742	1,607
Custodians' fees	424	416
Responsible Entity's and Advisor's base fees	83,283	73,978
Responsible Entity's and Advisor's performance fees	92,521	6,150
Option premium paid	8,252	-
Refinancing costs	4,764	-
Other expenses	14,350	9,496
	208,336	91,647
Total other operating expenses	474,913	303,267
Total operating expenses from ordinary activities	3,648,874	777,357

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3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	2005	2004
	\$'000	\$'000
Interim distribution paid for the year ended 30 June	1,234,800	72,239
Final distribution proposed and subsequently paid for the year ended 30 June	297,673	72,395
	1,532,473	144,634
	Cents per stapled security	Cents per stapled security
Interim distribution paid	63.7500	3.7500
Final distribution proposed and subsequently paid	13.7500	3.7500
Fully franked portion of interim distribution	1.3144	1.1843
Fully franked portion of final distribution	-	1.0501

Franked distributions

	2005	2004
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2004: 30%)	14,787	6,496

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (i) franking credits that will arise from the payment of the current tax liability,
- (ii) franking debits that will arise from the payment of distributions recognised as a liability at the reporting date,
- (iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (iv) franking credits that may be prevented from being distributed in subsequent financial years.

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4 Investments

	Balance at 30 June 2004 \$'000	Investments \$'000	Divestments / Repayments \$'000	Foreign Exchange Effects \$'000	Revaluations Note (i) \$'000	Balance at 30 June 2005 \$'000
Interests in listed securities in companies and trusts						
Stapled securities in Hills Motorway Group Note (ii)	105,450	-	(155,040)	-	49,590	-
Stapled securities in Transurban Group Note (ii)	-	155,040	-	-	1,019	156,059
	105,450	155,040	(155,040)	-	50,609	156,059
Interests in unlisted securities in companies and trusts						
Shares in Interlink Roads Pty Limited	489,730	-	-	-	51,053	540,783
Shares in Transtoll Pty Limited	8,733	-	-	-	1,610	10,343
Stapled securities in Horizon Energy Investment Group Note (iii)	680	-	(680)	-	-	-
Investment in Cintra Concesiones de Infraestructuras de Transporte S.A. (Cintra) Note (iv)	2,709,809	-	(2,652,791)	(57,018)	-	-
Investment in 407 International Inc. (407ETR) Note (v)	1,043,563	917,066	-	(18,772)	607,842	2,549,699
Shares in Connect M1-A1 Limited (Connect M1-A1) Note (vi)	92,595	-	(85,750)	(3,736)	(3,109)	-
Shares in Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte)	211,030	-	(1,636)	(21,000)	48,239	236,633
Partnership interest in Warnowquerung GmbH (Rostock)	-	-	-	-	-	-
Shares in Skyway Concession Holdings LLC (Skyway) Note (vii)	-	526,811	-	(3,912)	80,300	603,199
	4,556,140	1,443,877	(2,740,857)	(104,438)	785,935	3,940,657
Interest bearing financial assets and accrued interest						
Loans to Connect M1-A1 Note (v)	28,051	1,257	(27,322)	(1,986)	-	-
Loans to Lusoponte	6,001	132	(6,079)	(54)	-	-
Investment in WestLink Construction phase Loan Notes	385,867	-	-	-	73,476	459,343
	419,919	1,389	(33,401)	(2,040)	73,476	459,343
Total investments	5,081,509	1,600,306	(2,929,298)	(106,478)	910,020	4,556,059

Notes

(i) Distributions received

Revaluations of investments are calculated net of any distributions received from the investments.

(ii) Takeover by Transurban of Hills Motorway Group

On 31 January 2005, MIG entered into an agreement with Transurban Group (Transurban) in relation to the 15 million securities MIG held in Hills Motorway Group (Hills), prior to Transurban making a takeover bid for Hills.

The agreement stated if Transurban were to secure a minimum level of acceptance of its takeover bid, MIG would exchange its 15 million securities for securities in Transurban Group at a rate of 1.47 securities for each Hills security held. This condition was met.

Subsequently Transurban added a cash component of \$0.25 per Hills security to their takeover offer.

On 19 April 2005, MIG was issued with 22.05 million Transurban securities in exchange for its 15 million Hills securities. The cash component of A\$3.75 million was received on 11 May 2005.

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4 Investments (cont'd)

(iii) Horizon Energy Investment Group

On 31 March 2005 a final distribution of A\$0.9 million was received from Horizon Energy Investment Trust. This distribution was wholly a return of capital and the units were cancelled on the same date.

(iv) Divestment of Cintra and additional investment in 407

On 25 October 2004, MIG and Grupo Ferrovial finalised and executed binding underwriting documentation for the initial public offering (IPO) of Cintra at a price of €8.24 per share. The divestment was transacted in two separate parts:

- the exchange of 11.99% (53.82 million shares) of Cintra for a 13.87% (107.49 million shares) equity interest in 407 International on 26 October 2004;
- the sale of the remaining 28.01% (125.73 million shares) through an IPO when Cintra listed on the Spanish Stock Exchanges on 27 October 2004. MIG raised net funds of €1.02 billion (A\$1.74 billion) through the IPO.

MIG's interest in Cintra was held through Macquarie Infrastructure (Luxembourg) S.A. (MILSA). On 2 November 2004, MEI acquired the remaining 50% interest of MILSA from MIT(I) and MIT(II).

On 9 September 2004 MILSA established a 100% subsidiary, Macquarie Infrastructure Canada Inc. (MICI), a company incorporated in Canada, with an initial share capital of C\$2.

On 26 October 2004 MILSA sold 53.82 million shares in Cintra (11.99% interest) to MICI in exchange for C\$824,629,000 issued share capital of MICI. MICI subsequently exchanged these Cintra shares for a 13.87% (107.49 million shares) equity interest in 407 International.

On 2 November 2004, MEI acquired the remaining share capital of Macquarie Infrastructure (Toll Route) S.A. (MITRSA), the holding company for MIG's initial investment in 407 International, from MIT(I) and MIT(II).

Following the exchange for Cintra shares, the Group owns 30% of 407 International directly, representing MIG's entire investment in 407 International. The indirect ownership held through Cintra was sold down through the IPO.

(v) Valuation of 407ETR

Following the IPO of Cintra, MIG has no indirect equity interest in 407ETR – refer also Note 4(iv).

	As at 30 June 2005	As at 30 June 2004
	\$'000	\$'000
Direct investment in 407ETR	2,549,699	1,043,563
Indirect interest in 407ETR (via Cintra)	-	1,672,684
Total interest in 407ETR	2,549,699	2,716,247

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 407ETR. In December 2003, the 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.

407ETR and MIG have 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 Arbitrators decision in favour of 407ETR 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 407ETR and dismissed the appeal. On 13 July 2005, the Ontario Court of Appeal gave the Province leave to appeal the decision to the Ontario Court of Justice.

4 Investments (cont'd)

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 407ETR to raise tolls above the toll threshold without incurring congestion payments to the Province as long as traffic thresholds are met. 407ETR designated Base Year in 2002 and has operated accordingly since that time.

MIG's valuation of 407ETR 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 Responsible Entity believe that this approach is appropriate, as it is consistent with their view of the contract terms, 407ETR's experience in relation to four previous toll increases since privatisation in 1999, legal advice provided to MIG 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 407ETR be reduced or that future toll increases be limited, MIG's valuation of 407ETR would be materially reduced.

(vi) Sale of Connect M1-A1 (Yorkshire Link)

On 22 December 2004, the Company completed the sale of Macquarie Yorkshire Limited (MYL) to Macquarie Infrastructure Company Trust (MIC) for a cash consideration of £44.1 million (A\$107.2 million). The increase from £43.3 million as originally expected on entering into the conditional share purchase agreement on 7 June 2004, reflects an adjustment to compensate for the completion date occurring after 30 September 2004. The sale was confirmed by an independent third party to be on an arm's length basis at a value above the carrying value of the asset.

MYL was largely debt funded on sale including a £26.1 million (A\$64.0 million) loan from its new parent, MIC, and loans from Connect M1-A1 Limited amounting to £25.3 million (A\$62.0 million) as offset by £1.2 million (A\$2.9 million) of cash. This had the effect of reducing the funds received by the Company on sale of MYL.

MYL held a 50% equity interest in Connect M1-A1 Limited which owns a 30 year concession to operate the M1-A1 Link shadow toll road. The M1-A1 Link road is a motorway link of almost thirty kilometres in length, which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby in the UK.

(vii) Investment in Skyway

On 28 October 2004, Skyway Concession Company LLC, a company 100% owned by Skyway Concession Company Holdings LLC, the bid vehicle for a MIG-Cintra consortium, signed the Chicago Skyway Concession and Lease Agreement for the 99 year lease of the Chicago Skyway (Skyway) with the City of Chicago.

The City of Chicago approved the sale of Skyway to the consortium for US\$1.83 billion (A\$2.3 billion).

MIG was committed to make a contribution of equity of US\$373.5 million and a contribution towards development costs of US\$23.5 million (A\$526.8 million) being a 45% interest in Skyway Concession Company Holdings LLC. This amount was paid on financial close, achieved on 25 January 2005.

Skyway has been in operation since 1959 and has an established traffic and revenue history. It is a 12.5 kilometre divided elevated roadway, with a significant bridge over the Calumet River and connects the Indiana East-West Toll Road and Dan Ryan Expressway in Chicago, USA.

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5 Tolling Concessions

	2005	2004
	\$'000	\$'000
At directors' valuation		
Eastern Distributor	1,260,986	991,426
M4 Motorway	212,492	232,184
M6 Toll	2,235,284	1,950,121
South Bay Expressway	202,815	156,705
	3,911,577	3,330,436

Tolling concessions are amortised over the remaining life of each concession, expiring in February 2010 for the M4 Motorway and July 2048 for the Eastern Distributor.

The tolling concession for the M6 Toll will run until January 2054. Amortisation of the M6 Toll tolling concession commenced on commissioning of the road, being 9 December 2003.

The South Bay Expressway tolling concession runs for a 35 year period from the date of opening. Amortisation of the South Bay Expressway tolling concession will commence on commissioning of the road.

6 Interest Bearing Liabilities

	2005	2004
	\$'000	\$'000
Current		
Non-recourse loans	29,650	10,650
Non-current		
Non-recourse loans	2,393,028	2,307,207
Finance lease liability	137,536	133,382
Reset Convertible Notes (ReCNs)	453,359	419,509
	2,983,923	2,860,098

The consolidated financial statements incorporate interest-bearing liabilities raised to finance the construction of infrastructure assets. These project-related liabilities are non-recourse to the Group.

The ReCNs were issued by Western Sydney Orbital Funding Trust, a 100% owned subsidiary of MIT(I), to Ottawa Teachers Pension Plan (OTPP) in order to fund the investment in WestLink M7.

Interest on the ReCNs is calculated at a margin of 2.5% per annum over the 5 year (or period to initial reset date if shorter) swap rate prevailing at the date of issue. The relevant swap rates for the ReCNs on issue as at 30 June 2005 range between 4.81% to 5.99%. Interest may be paid or capitalised into the outstanding principal at the option of the issuer. The decision to pay or capitalise must be made by the issuer at each six-monthly interest payment date. The first coupon, payable at 30 June 2003, was paid in cash, subsequent coupons have been capitalised into ReCNs.

The ReCNs are split into several sub-tranches and are convertible into MIG securities at a discount of 7.5% from the prevailing MIG market price at the option of the holder at an earliest date of 5 years after financial close. Should the holder choose to convert, conversion takes place over the following 9 months. The total amount convertible is A\$453.4 million plus any future capitalised interest.

After the initial 5 year period, MIG may change the conversion discount rate and interest margin on the ReCNs. The ReCNs mature on the tenth anniversary of the date of issue. On these dates, if the holders have not previously elected to convert, they then have the option to convert or to redeem the ReCNs at face value, including any capitalised interest.

MIG's minimum total liability in relation to ReCNs, if all future interest is paid, will be A\$453.4 million.

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7 Reserves

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Asset revaluation reserve	2,314,475	1,950,946
Movements in asset revaluation reserve:		
Balance at the beginning of the year	1,950,946	1,283,363
Increment on revaluation of non-current assets:		
Tolling concession – M4 Motorway	22,852	34,205
Tolling concession – Eastern Distributor	294,223	111,983
Tolling concession – M6 Toll	330,992	532,041
Tolling concession – South Bay Expressway	55,418	115,333
	703,485	793,562
Deferred tax provided on revaluation increments:		
Tolling concession – M4 Motorway	5,780	627
Tolling concession – Eastern Distributor	(69,318)	(15,351)
Tolling concession – M6 Toll	(181,863)	(33,121)
Tolling concession – South Bay Expressway	(16,625)	(34,600)
	(262,026)	(82,445)
Outside equity interest in revaluation reserve:		
Tolling concession – M4 Motorway	(16,203)	(19,670)
Tolling concession – Eastern Distributor	(61,727)	(23,864)
	(77,930)	(43,534)
Net increase in asset revaluation reserve	363,529	667,583
Balance at the end of the year	2,314,475	1,950,946

The asset revaluation reserve is used to record increments and decrements on the revaluation of tolling concessions.

8 Undistributed Operating Surplus

	2005 \$'000	2004 \$'000
Balance at the beginning of the year	690,908	1,087,001
Net result attributable to security holders of MIG	913,728	(251,459)
Transfer from contributed equity	782,409	-
Distributions paid and proposed	(1,276,921)	(144,634)
Balance at the end of the year	1,110,124	690,908

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9 Outside Equity Interest in Controlled Entities

	2005 \$'000	2004 \$'000
Contributed equity	58,422	58,422
Reserves	453,121	375,191
Undistributed operating deficit	(263,748)	(214,798)
	247,795	218,815

The balance in reserves includes the outside equity interest in fair value adjustments recognised on acquisition of controlled entities.

10 Asset Backing and Performance per Stapled Security

	As at 30 June 2005	As at 30 June 2004
Net asset backing of each stapled security before deferred tax balances (excluding outside equity interest (OEI))*	\$3.81	\$3.96
Net asset backing of each stapled security after deferred tax balances (excluding OEI)*	\$3.24	\$3.35
Basic earnings/(loss) per stapled security	45.16c	(13.08)c
Net increase in asset revaluation reserve per stapled security	17.96c	34.71c
Performance per stapled security	63.12c	21.63c
Diluted earnings/(loss) per stapled security	43.78c	(10.84)c
Net diluted increase in asset revaluation reserve per stapled security	16.79c	32.32c
Diluted performance per stapled security	60.57c	21.48c

* The net asset backing of each stapled security takes into account Responsible Entity's and Advisor's base and performance fees accrued at the end of the year but does not take future fees into account.

	\$'000	\$'000
Earnings/(loss) used in calculation of basic earnings per stapled security	913,728	(251,459)
Earnings/(loss) used in calculation of diluted earnings per stapled security	947,579	(223,949)
	'000	'000
Weighted average number of stapled securities on issue used in calculation of basic earnings, net increase in asset revaluation reserve and performance per stapled security*	2,023,509	1,923,137
Weighted average number of stapled securities on issue used in calculation of diluted earnings, net diluted increase in asset revaluation reserve and diluted performance per stapled security*	2,164,565	2,065,506

* The weighted average number of stapled securities on issue was determined in accordance with Australian Accounting Standards to reflect the bonus element in any issues of stapled securities in the current financial year. Prior period comparatives have been adjusted accordingly for comparability.

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For the year ended 30 June 2005

11 Commitments for Expenditure

■ Eastern Distributor

The Eastern Distributor Project Deed provides for annual concession fees of A\$15.0 million payable to the Roads and Traffic Authority of NSW during the construction phase and for the first 24 years after the construction completion date of the Eastern Distributor. Until a certain threshold return is achieved, payments of concession fees due under the Project Deed will be satisfied by means of the issue of non-interest bearing concession notes. Due to uncertainty in determining when the concession note liability will be paid, it has not been included in the analysis below.

■ South Bay Expressway

MIG is committed to make further equity contributions to San Diego Expressway, LP (SDELP) due on or before 31 October 2006 of US\$134.2 million.

MIT(I) is the primary party to the South Bay Expressway acquisition agreement, with its obligations under the documents guaranteed by MIT(II), MEI and MIBL. MIT(II), through its wholly owned subsidiary MIUS, will contribute US\$109.2 million of the funding and MIT(I) will invest the remaining US\$25.0 million.

Forward foreign exchange contracts have been entered into to hedge US\$131.9 million of the above contributions. The average hedge rate achieved was A\$1 = US\$0.6264. Taking this hedge into account, the Australian dollar equivalent of the minimum funding required is A\$213.8 million. As a consequence of movements in exchange rates, MIG has recognised a foreign exchange hedge contract payable and matching deferred foreign exchange contract loss of A\$37.3 million at 30 June 2005 in accordance with AASB 1012: Foreign Currency Translation.

Details of SDELP's commitments in relation to the design and construction of the South Bay Expressway toll road are detailed below.

■ WestLink M7

Western Sydney Orbital Funding (Options) Trust (WSOFOT), a 100% subsidiary of MIT(I), and Western Sydney Orbital Holding Company Pty Limited (WSOHC), a 100% subsidiary of MIT(II), have entered into put and call option agreements with both Abigroup Limited (Abigroup) and Leighton Holdings Limited (Leightons). Under these options, in general terms, WSOFOT and WSOHC are entitled and obligated to purchase a 2.5% interest in WestLink M7 from each of Abigroup and Leightons for a total net consideration A\$47.35 million, after Completion of Stage 1. Completion of Stage 1 occurs when the Motorway is opened to the public, this has been announced to be in April 2006.

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Finance leases		
Commitments in relation to land leased by MEL from the Highways Agency in the UK are payable as follows:		
Later than five years	137,316	133,382
Operating leases		
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	531	548
Later than one year but not later than five years	607	1,255
Later than five years	-	871
	1,138	2,674
M4 Motorway maintenance contract		
Commitments in relation to a maintenance contract are payable as follows:		
Within one year	1,011	813
Later than one year but not later than five years	-	250
	1,011	1,063
South Bay Expressway commitments		
Commitments in relation to the construction management and design and build contracts of the South Bay Expressway are payable as follows:		
Within one year	151,733	124,093
Later than one year but not later than five years	48,047	232,972
	199,780	357,065

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For the year ended 30 June 2005

12 Segment Reporting

The principal activity of MIG during the year was investment in infrastructure projects. The primary basis of segment reporting is geographical. Within Europe, MIG has assets located in and derives revenues from the United Kingdom, Germany and Portugal, and until the IPO of Cintra, Spain. North American results and assets pertain to Canada and the United States of America. Intersegmental transactions are undertaken on normal arm's length terms.

MIG's toll road business includes the construction and operation of toll roads and investment in entities in the same industry sector. Other assets are connected to the electricity generating industry.

	Australia	Europe	North America	Total
	\$'000	\$'000	\$'000	\$'000
Geographical segments				
2005				
Segment revenue	960,623	2,804,098	674,083	4,438,804
Revenue from ordinary activities	960,623	2,804,098	674,083	4,438,804
Segment result	400,358	(284,511)	674,083	789,930
Net result from ordinary activities before income tax	400,358	(284,511)	674,083	789,930
Depreciation and amortisation of segment assets included in segment result	93,987	98,893	-	192,880
Acquisition of tangible segment assets during the year	151,434	20,224	2,640,926	2,812,584
Segment assets	4,316,189	4,335,653	3,752,398	12,404,240
Total assets	4,316,189	4,335,653	3,752,398	12,404,240
Segment liabilities	2,932,984	2,165,806	37,288	5,136,078
Total liabilities	2,932,984	2,165,806	37,288	5,136,078
Geographical segments				
2004				
Segment revenue	443,492	21,389	108,168	573,049
Revenue from ordinary activities	443,492	21,389	108,168	573,049
Segment result	(127,018)	(185,458)	108,168	(204,308)
Net result from ordinary activities before income tax	(127,018)	(185,458)	108,168	(204,308)
Depreciation and amortisation of segment assets included in segment result	86,707	50,654	-	137,361
Acquisition of tangible segment assets during the year	190,919	164,933	89,287	445,139
Segment assets	4,840,956	5,152,339	1,458,312	11,451,607
Total assets	4,840,956	5,152,339	1,458,312	11,451,607
Segment liabilities	1,741,235	2,652,810	375,104	4,769,149
Total liabilities	1,741,235	2,652,810	375,104	4,769,149

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For the year ended 30 June 2005

12 Segment Reporting (cont'd)

	Toll Roads \$'000	Other Assets \$'000	Total \$'000
Business segments			
2005			
Segment revenue	4,438,804	-	4,438,804
Revenue from ordinary activities	4,438,804	-	4,438,804
Acquisition of tangible segment assets during the year	2,612,584	-	2,612,584
Segment assets	12,404,240	-	12,404,240
Total assets	12,404,240	-	12,404,240
2004			
Segment revenue	577,118	(4,069)	573,049
Revenue from ordinary activities	577,118	(4,069)	573,049
Acquisition of tangible segment assets during the year	445,139	-	445,139
Segment assets	11,450,927	680	11,451,607
Total assets	11,450,927	680	11,451,607

13 Contingent Liabilities

Except as discussed elsewhere in this report, MIG had the following contingent liabilities at 30 June 2005.

■ M6 Toll

There are outstanding claims against Midland Expressway Limited for construction liabilities amounting £27.7 million (A\$65.2 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 30 June 2005.

■ M4 Motorway

A controlled entity of Statewide Roads Limited (SWR) has an obligation to undertake defects correction work to a part of the M4 Motorway which is owned and controlled by the NSW State Government. This obligation extends until November 2008. It is not possible to predict how much (if any) expenditure will be incurred in the future in connection with this undertaking. SWR's bankers have issued a performance guarantee for A\$5 million in support of the entity's obligations.

■ South Bay Expressway

There are outstanding claims against SDELP for construction liabilities amounting to \$US60.4 million (A\$79.4 million) that 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 30 June 2005.

■ Legal Proceedings

Atlantic Pacific Infrastructure Limited has notified a claim against MEI 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 (A\$0.3 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.

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For the year ended 30 June 2005

13 Contingent Liabilities (cont'd)

■ Performance fee

Pursuant to the provisions of the governing documents of the individual entities within the Group, MIG may become liable for the payment of the third instalment of the performance fee calculated for the year ended 30 June 2005. The payment of this instalment is dependent upon meeting certain conditions with respect to the market performance of the stapled security.

	2005	2004
	\$'000	\$'000
2005 fee		
Second instalment	25,911	-
Third instalment	25,911	-
	51,822	-
2003 fee		
Third instalment	-	65,683
	-	65,683

The amounts included above are exclusive of GST and VAT.

14 Impact of Adopting Australian Equivalents to International Financial Reporting Standards (A-IFRS)

MIG will be required to prepare financial reports using Australian accounting standards that are equivalent to International Financial Reporting Standards (A-IFRS) and their related pronouncements for all periods beginning on or after 1 January 2005.

The first MIG financial report to be prepared in accordance with A-IFRS will be the half year financial report for the period ending 31 December 2005. A-IFRS also require MIG to restate comparative period balances. To facilitate this, the opening Statement of Financial Position of MIG at 1 July 2004 will be restated to amounts reflecting the application of A-IFRS. Transitional adjustments will be reflected either as a reclassification of assets or liabilities, or an adjustment of the opening undistributed operating surplus.

The A-IFRS conversion project, which commenced during 2003, has identified the impact that A-IFRS will have on the accounting and reporting of the entity. Management continue to work with A-IFRS specialists to ensure that the interpretation of the standards and application to the entity is as intended. The impact of assessment has been completed as has quantification of the impact. The following is a restatement of MIG's 30 June 2005 statements of financial position and financial performance which highlights the significant topics that are expected to impact MIG following the adoption of A-IFRS.

The International Financial Reporting Interpretations Committee (IFRIC) is responsible for interpreting the application of A-IFRS and the provision of timely guidance on financial reporting issues not specifically addressed in A-IFRS. The IFRIC is currently considering how service concessions, such as tolling concession arrangements in MIG's investee entities, should be recognised and measured in accordance with A-IFRS. Current discussions suggest that there may be a significant change in the way service concessions are accounted for. MIG has not considered these draft pronouncements and has only used existing guidance to determine its treatment of service concessions under A-IFRS.

Although the adjustments disclosed in this note are based on managements best knowledge of expected standards and interpretations, current facts and circumstances, these may change. For example, amended or additional standards of interpretations may be issued by the AASB and the IASB. Therefore until the Group prepares its first full A-IFRS financial statements, the possibility cannot be excluded and the accompanying disclosures may have to be adjusted.

Concise Financial Report

For the year ended 30 June 2005

14 Impact of Adopting A-IFRS (cont'd)

■ Impact on the Statement of Financial Position

	Note	Existing GAAP As at 30 June 2005 \$'000	Effect of Change \$'000	A-IFRS As at 30 June 2005 \$'000
Current assets				
Cash assets		1,262,921	-	1,262,921
Receivables		119,999	-	119,999
Prepayments		20,651	-	20,651
Other assets		2,511	-	2,511
Total current assets		1,406,082	-	1,406,082
Non-current assets				
Prepayments		9,587	-	9,587
Investments		4,556,059	-	4,556,059
Fixed assets	d,e	2,482,021	(116,270)	2,365,751
Tolling concessions	a	3,911,577	(3,198,150)	713,427
Other assets		38,914	-	38,914
Total non-current assets		10,998,158	(3,314,420)	7,683,738
Total assets		12,404,240	(3,314,420)	9,089,820
Current liabilities				
Payables		(280,290)	-	(280,290)
Provisions		(3,997)	-	(3,997)
Interest-bearing liabilities		(29,650)	-	(29,650)
Distribution payable		(297,673)	-	(297,673)
Tax liabilities	c	(4,722)	-	(4,722)
Total current liabilities		(616,332)	-	(616,332)
Non-current liabilities				
Payables		-	-	-
Provisions	f	(584)	(2,964)	(3,548)
Interest-bearing liabilities	e	(2,983,923)	137,316	(2,846,607)
Tax liabilities	a,c	(1,377,951)	914,254	(463,697)
Concession notes		(120,000)	-	(120,000)
Other liabilities	e	(37,288)	(46,428)	(83,716)
Total non-current liabilities		(4,519,746)	1,002,178	(3,517,568)
Total liabilities		(5,136,078)	1,002,178	(4,133,900)
Net assets		7,268,162	(2,312,242)	4,955,920
Equity				
MIG security holders' interest				
Contributed equity	g	(3,595,768)	-	(3,595,768)
Reserves	a	(2,314,475)	2,314,475	-
Undistributed operating surplus	a,d,e,f	(1,110,124)	(168,456)	(1,278,580)
Total MIG security holders' interest		(7,020,367)	2,146,019	(4,874,348)
Outside equity interest in controlled entities	a	(247,795)	166,223	(81,572)
Total equity		(7,268,162)	2,312,242	(4,955,920)

Concise Financial Report

For the year ended 30 June 2005

14 Impact of Adopting A-IFRS (cont'd)

■ Impact on the Statement of Financial Performance

	Note	Existing GAAP Year ended 30 June 2005 \$'000	Effect of Change \$'000	A-IFRS Year ended 30 June 2005 \$'000
Revenue from ordinary activities				
Revaluation of investments		803,542	-	803,542
Income from investments	j	3,192,485	(2,866,188)	326,297
Tolling revenue		242,420	-	242,420
Other revenue	a	200,357	(41,131)	159,226
Total revenue from ordinary activities		4,438,804	(2,907,319)	1,531,485
Operating expenses from ordinary activities				
Borrowing costs expense	e	(307,773)	11,283	(296,490)
Other operating expenses	a,j	(3,341,101)	2,887,694	(453,407)
Total operating expenses from ordinary activities		(3,648,874)	2,898,977	(749,897)
Net result from ordinary activities before income tax expense		789,930	(8,342)	781,588
Income tax benefit/(expense)		101,511	-	101,511
Net result from ordinary activities after income tax expense		891,441	(8,342)	883,099
Net loss from controlled entities attributable to outside equity interest		22,287	-	22,287
Net result attributable to security holders of MIG		913,728	(8,342)	905,386
Net increase in asset revaluation reserve	a	363,529	(363,529)	-
Total changes in equity other than those resulting from transactions with owners as owners		1,277,257	(371,871)	905,386

(a) Intangible assets: Restrictions on revaluation

Under AASB138: Intangible Assets, MIG's tolling concessions can no longer be revalued, but will be amortised over their useful lives from their original cost base. These assets may only be revalued where the revaluation is performed with reference to an active market.

Any pre-A-IFRS revaluations reported by MIG are reversed and the tolling concessions are held at their original acquisition cost less amortisation to date.

If the policy required by AASB138 had been applied as at 30 June 2005, the tolling concessions would reduce by A\$3,198,150,000, deferred income taxation liability would reduce by A\$914,254,000, the asset revaluation reserve would reduce by A\$2,314,474,000, outside equity interests would reduce by A\$166,224,000, while the undistributed operating surplus would increase by A\$278,820,000.

The 2005 result attributable to unitholders increases by A\$6,720,000 being a reduction in amortisation of A\$46,972,000 and a foreign exchange loss of A\$40,252,000. The net increase in asset revaluation reserve will be reduced by A\$363,529,000.

This change has not affected the treatment of MIG's non-controlled entities.

14 Impact of Adopting A-IFRS (cont'd)

(b) Financial instruments

MIG will be taking advantage of the exemption available under AASB1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards to apply AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement from 1 July 2005. This allows the group to apply any previous Australian generally accepted accounting principles to the comparative information on the financial instruments within the scope of AASB132: Financial Instruments: Disclosure and Presentation and AASB139: Financial Instruments: Recognition and Measurement for the 30 June 2006 financial report. To the extent that these adjustments apply from 1 July 2005 no quantification has been provided.

— Hedging and derivatives **New categories of assets and liabilities may be recognised**

Under AASB139, all derivative contracts, whether or not used for hedging purposes, will need to be carried at fair value. Current Australian accounting standards do not require the recognition of all such instruments at fair value.

External derivative contracts that economically hedge MIG's risks will be treated for accounting purposes as either fair value or cash flow hedges if the strict criteria are met, or as non-hedging derivatives.

If derivative contracts are not accounted for as hedges, movements in the fair value of these instruments will be reflected in the Statement of Financial Performance, creating volatility that is not reflected under current Australian accounting standards. If hedge accounting is applied, this volatility will be minimised.

Regardless of whether or not hedge accounting is used, the fair value of all derivatives will impact net assets. If a derivative is accounted for as a fair value hedge, the net asset movement caused by the derivative will be offset by the fair value movement of the item being hedged to the extent the derivative is an effective hedge.

Previously as required under AASB1012: Foreign Currency Translation, MIG has deferred the recognition of an exchange loss due to the hedging of the commitment to make further equity contributions to SDELP. This is no longer appropriate under AASB139, so the deferred foreign exchange contract loss and foreign exchange contract payable will be removed and replaced with the fair value of the foreign exchange contracts held.

— Listed securities **No deduction of specified risks**

Under AASB139, financial instruments classified as available for sale, are measured at fair value with changes recognised directly in equity until the underlying asset is derecognised. MIG's existing practice of deducting estimated selling costs and allowing for specified risks, such as liquidity risks from the market value of listed investments is no longer permitted.

The removal of this deduction will increase the carrying value of investments.

— Financial liabilities **Application of effective interest rate**

Under AASB139, financial liabilities are to be recognised at either amortised cost or fair value. An election is required when moving from cost to fair value. In applying amortised cost it is necessary to amortise a loan at its effective interest rate, which may differ from the coupon rate.

Applying this adjustment to MIG's Reset Convertible Notes will increase interest bearing liabilities.

(c) Income Tax "Balance sheet approach"

A "balance sheet approach" will be used to determine deferred tax assets and deferred tax liabilities, which requires a comparison between the carrying amount and the tax base for each asset and liability.

The taxation effect is highlighted in each of the adjustments being made for A-IFRS adoption.

(d) Foreign currency translation Recognition of a foreign currency translation reserve

MIG will see differences arising on translation of foreign operations from a functional currency to Australian dollars, the presentational currency of the Group.

Current Australian accounting standards determine that differences arising on translation be either recognised in a separate equity reserve or immediately in the Statement of Financial Performance, based on whether the foreign operation is classified as a self sustaining or integrated operation.

14 Impact of Adopting A-IFRS (cont'd)

Under AASB121: Effects of Changes in Foreign Exchange Rates, 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.

MIG at the date of transition will avail itself of an exemption under A-IFRS from being required to recognise historic foreign exchange gains and losses as a separate foreign currency translation reserve at transition. Such gains and losses will have been recognised by MIG in the Statement of Financial Performance and are now reflected in the undistributed operating surplus.

Under AASB121, the rules for determining functional currency and translating this to presentation currency are slightly different to the rule for determining the type of foreign operation under existing Australian accounting standards. The effect of this as at 30 June 2005 is to decrease fixed assets by A\$93,000 and decrease the undistributed operating reserve by A\$93,000. There will be a reduction of A\$93,000 to the foreign exchange gain in the year.

(e) Lease classification Finance leases now recognised as operating leases

The lease arrangement between MIG and the Highways Agency in the UK, with respect to the land on which the M6 Toll is built, is currently accounted for as a finance lease. Under A-IFRS it will be accounted for as an operating lease.

If the policy required by AASB117: Leases had been applied as at 30 June 2005, the land which is reported as an asset on MIG's Statement of Financial Position of A\$116,176,000, and the liability for future payments to be made by MIG for use of the land of A\$137,316,000 would have been de-recognised. A liability will be introduced for operating lease payment expenses of A\$46,428,000 and the undistributed operating surplus reduces by A\$25,289,000.

The 2005 result attributable to unitholders decreases by A\$15,086,000, being an increase in foreign exchange gain of A\$786,000, reduction in interest of A\$11,283,000 and a reduction in amortisation of A\$2,399,000 and an increased lease expense of A\$27,982,000.

(f) Retirement benefit obligations Treatment of defined benefit scheme obligations

Under A-IFRS, 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 superannuation fund's assets at that date.

If AASB119: Employment Benefits were to be adopted as at 30 June 2005, this would result in the recognition of a liability of A\$2,964,000 and a reduction in the undistributed operating surplus of A\$2,964,000. The 2005 result will see a reduced pension charge of A\$117,000.

(g) Unitholders funds Classified as liabilities instead of equity

AASB 132 requires that issued securities be classified as a financial liability if those securities create an obligation for the issuing entity to deliver cash at a fixed point in time, even though that payment may not be for a very long time and the amount may depend on the net asset value.

The constitutions of MIT(I) and MIT(II) have been amended to remove finite life provisions requiring the Trusts to sell their assets and, after satisfying liabilities other than repayment of unitholders' funds, pay the remaining amount to investors on or before their 80th anniversary removing the obligation for both MIT(I) and MIT(II) to deliver cash to their unitholders on redemption of the units.

In the context of the issued units of MIT(II), the amendment of the constitution means that unitholders' funds will be classified as equity.

In the context of the issued units of MIT(I), present entitlements of unitholders to the net income of the trust, would mean that unitholders' funds should be classified as a compound instrument and presented as a financial liability. The re-classification of MIT(I) unitholders' funds to debt will result in distributions and movements in net assets being classified as financing costs. As AASB132 and AASB139 have not been adopted until 1 July 2005, MIT(I) unitholders' funds have not been classified as debt.

14 Impact of Adopting A-IFRS (cont'd)

(h) Statement of Cash Flows

No material impacts are expected on the Statement of Cash Flows.

(i) Impairment Testing

More rigorous impairment tests will be applied when indications of impairment arise.

Assets for which changes in fair value are not reflected in the statement of financial performance will need to be assessed for indications of impairment on at least an annual basis, and tested for impairment only when indications of impairment arise.

An asset is considered impaired if the recoverable amount of the investment is less than the carrying value of the asset. The valuations performed for the purpose of market value accounting under Australian accounting standards will be sufficient for impairment testing purposes under A-IFRS.

As at 30 June 2005, no impairment adjustments are required.

(j) Sale of Investments

Under AASB118: Revenue, proceeds from sale of securities and cost of sales of securities are to be netted and presented as a gain or loss on sale.

15 Events Occurring After Reporting Date

■ Distribution Reinvestment Plan

A portion of stapled security holders participated in MIG's Distribution Reinvestment Plan for the final distribution paid on 12 August 2005. Of the distribution declared, A\$72.0 million (24.2%) was reinvested in MIG.

Other than as disclosed above, there are no matters or circumstances that have arisen since the end of the financial year 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.

■ Refinancing of Skyway

On 17 August 2005, MIG announced the refinancing of debt in relation to Skyway. The refinancing resulted in the issue of US\$1.55 billion of new debt facilities to replace the existing facilities of US\$1.02 billion. The financing structure provided an immediate return of US\$168 million of cash to MIG.

Other than as disclosed above, there are no matters or circumstances that have arisen since the end of the financial year 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.

■ Securitisation of Future Airport Motorway Group Cash Flows

On 8 July 2005 MIG introduced new facilities in relation to its 71.35% investment in Airport Motorway Trust.

The \$150 million facilities are a securitisation of part of the expected future distributions from AMG and will be held in a funding trust wholly owned by MIT(I).

The facilities have a term of 4.3 years with a 100% bullet repayment on 1 November 2009 or can be repaid earlier without penalty. The facilities carry a margin of between 0.70% and 1.50% on a sliding scale depending on interest coverage ratios. MIT(I) will execute interest rate swaps that fix the base interest rate (excluding the margin) for 80% of the facilities when funds are drawn down.

16 Full Financial Report

Further financial information can be obtained from the full financial report, which is available free of charge on request. A copy may be requested by calling Computershare Investor Services Pty Limited on 1800 000 982.

Statement by the Directors of the Responsible Entity of the Trusts

On the combined Consolidated Financial Report of Macquarie Infrastructure Group

In the opinion of the directors of Macquarie Infrastructure Investment Management Limited, the Responsible Entity of the Trusts, the combined consolidated concise financial report for Macquarie Infrastructure Group (as defined in Note 1(a)) set out on pages 7 to 32, complies with Accounting Standard AASB 1039: Concise Financial Reports.

The financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Macquarie Infrastructure Group as the full financial report which, as indicated in Note 16, is available on request.

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



Mark RG Johnson

Sydney
24 August 2005



John SH Roberts

Sydney
24 August 2005

Independent Audit Report to the securityholders of Macquarie Infrastructure Group

Audit opinion

In our opinion, the concise financial report of Macquarie Infrastructure Group (MIG) for the year ended 30 June 2005 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

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

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, discussion and analysis of and notes to the financial statements, and the directors' declaration for MIG for the year ended 30 June 2005.

The directors of the Responsible Entity are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standard AASB 1039: Concise Financial Reports.

Audit approach

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

We also performed an independent audit of the full financial report of MIG for the financial year ended 30 June 2005. Our audit report on the full financial report was signed on 24 August 2005, and was not subject to any qualification.

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

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

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

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

Independence

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



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney
24 August 2005