



Macquarie Infrastructure Group

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 ARBN 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 (MIM UK) registered number 3976881 is the advisor of MIBL. MIM UK is a wholly owned subsidiary of MBL.

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

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

MIIML, as responsible entity of the trusts comprised by MIG and MIM UK as the advisor of MIBL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of 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 2001 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 financial report rests solely with the directors of MIIML.

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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 \$'000	Year ended 30 June 2004 \$'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 of 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.

The net result for the year ended 30 June 2005 includes a performance fee expense payable of a 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), as described in Note 30 to the financial statements.

■ **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 (\$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 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 Macquarie European Infrastructure plc, 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, Macquarie European Infrastructure plc (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.

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 \$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 \$540 million (which will be drawn to \$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 \$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 £49,000,000. 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 10(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 35 to the financial statements for full disclosure of events occurring after reporting 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 Corporations Act, 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 Macquarie Investment Management (UK) Limited (MIM(UK) or the Advisor) out of MIG's property during the year are disclosed in Note 30 to the financial statements.

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 Note 30 to the financial statements.

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 '000	Year ended 30 June 2004 '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 EDAA, 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.

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 34 to the Consolidated Financial Statements, the adoption of A-IFRS will result in different accounting policies for some of MIG's assets and liabilities, which are expected to decrease MIG's reported net assets by \$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 7.

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)	3	101,511	(57,183)
Net result from ordinary activities after income tax expense		891,441	(261,491)
Net result 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	23	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	26	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	26	60.57	21.48

Financial Report

As at 30 June 2005

Consolidated Statement of Financial Position

	Note	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current assets			
Cash assets	6	1,262,921	417,735
Receivables	7	119,999	106,691
Prepayments	8	20,651	24,283
Other assets	9	2,511	3,391
Total current assets		1,406,082	552,100
Non-current assets			
Prepayments	8	9,587	12,220
Investments	10	4,556,059	5,081,509
Fixed assets	13	2,482,021	2,451,790
Tolling concessions	14	3,911,577	3,330,436
Other assets	9	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	15	280,290	320,916
Provisions	16	3,997	2,540
Interest-bearing liabilities	17	29,650	10,650
Distribution payable	18	297,673	72,395
Tax liabilities	19	4,722	4,930
Total current liabilities		616,332	411,431
Non-current liabilities			
Payables	15	-	70,594
Provisions	16	584	1,050
Interest-bearing liabilities	17	2,983,923	2,860,098
Tax liabilities	19	1,377,951	1,299,038
Concession notes	20	120,000	105,000
Other liabilities	21	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	22	3,595,768	3,821,789
Reserves	23	2,314,475	1,950,946
Undistributed operating surplus	24	1,110,124	690,908
Total MIG security holders' interest		7,020,367	6,463,643
Outside equity interest in controlled entities	25	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

Financial Report

For the Year Ended 30 June 2005

Consolidated Statement of Cash Flows

	Note	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Cash flows 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	27(i)	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		(1,307,195)	(145,537)
Distributions paid to outside equity interests in controlled entities		(32,800)	(21,822)
DRP proceeds received		805,854	30,962
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	27(ii)	1,262,921	417,735
Financing arrangements	29		
Non cash financing and investing activities	27(iii)		

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

Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of this report.

(a) Basis of Preparation

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

The accounting policies adopted are consistent with those of the previous year unless otherwise disclosed. This report is prepared in accordance with the historical cost convention, except as otherwise stated.

The financial report consists of the aggregated financial statements of Macquarie Infrastructure Group (MIG or the Group), which 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 or the Company) and its controlled entities.

(b) Aggregated Financial Statements

The units of MIT(I), the units of MIT(II) and the shares of Macquarie European Infrastructure plc (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 have acquired or control 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) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MIG as at 30 June 2005 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in MIG are eliminated in full. Outside equity interests in the results and equity of MIG are shown separately in the Statement of Financial Performance and Statement of Financial Position respectively.

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

(d) 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.

1 Summary of Significant Accounting Policies (cont'd)

— *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.

— *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.

(e) Investments in Associates

Interests in associates have been accounted for at net market value as noted above. Supplementary information is included in the notes to the financial statements to the extent required by AASB 1016: Accounting for Investments in Associates.

(f) Fixed Assets

MIG has two classes of fixed assets – property, plant and equipment and leasehold improvements. Fixed assets are carried at the lower of cost and recoverable amount.

— *Property, plant and equipment*

This comprises integrated land, buildings, leasehold improvements and plant and equipment used by MIG's controlled entities in exercising their tolling concession rights.

— *Leasehold improvements*

Costs directly associated with the construction and improvement of the M4 Motorway, Eastern Distributor and M6 Toll, including borrowing costs incurred up to the date of commencement of operations of the road, have been capitalised into leasehold improvements.

Costs directly associated with the construction of the South Bay Expressway, including preliminary expenses, borrowing costs and foreign exchange translation gains and losses are being capitalised as incurred until the operation of the road commences.

— *Recoverable amount*

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal. The directors of the Responsible Entity regularly review the carrying amount of fixed assets to ensure they do not exceed their recoverable amount. In determining the recoverable amount, the expected net cash flows are discounted to their present value using a market determined, risk adjusted rate. The discount rates used range from 8.52% to 12.64% depending on the stage in the lifecycle of each asset.

(g) Tolling Concessions

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

Subsequent to their initial recognition as assets, tolling concessions are measured at fair value. Fair value is defined as the amount for which assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each asset does not differ materially from its fair value at the reporting date. A half-yearly assessment of each asset's fair value is made by the directors, on the basis of a discounted cash flow analysis.

1 Summary of Significant Accounting Policies (cont'd)

Revaluation increments are credited directly to the asset revaluation reserve in MIG, except that, to the extent that an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in the net result, the increment is recognised immediately as revenue in the net result.

Revaluation decrements are recognised immediately as expenses in the net result, except that, to the extent that a credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

Potential tax liabilities have been brought to account in relation to the net revaluation increments recorded in the asset revaluation reserve.

(h) Prepayments

Prepaid lease rentals for the right to use the land on which the M4 Motorway is situated have been capitalised.

(i) Depreciation and Amortisation of Non-Current Assets

Non-current assets are amortised on a straight-line basis over the period of the right to use the assets in accordance with contractual arrangements entered into by the controlled entities or expected useful life if shorter.

— **Property, plant and equipment**

Depreciation is calculated to write off the net cost of property, plant and equipment over its estimated useful life. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives of plant and equipment are as follows:

Plant and equipment	2-15 years
Buildings	15 years
Leasehold improvements	the lease term

— **Leasehold improvements**

Amounts recorded as leasehold improvements relating to the M4 Motorway and the Eastern Distributor, including preliminary expenses and borrowing costs, are amortised over the estimated remaining term of the right granted to operate the relevant road, being until February 2010 and July 2048 respectively. Costs associated with the construction of service centres on the M4 Motorway are amortised over the remaining lease term being until February 2017. The period of amortisation of leasehold improvements will be reassessed annually.

Amounts recorded as leasehold improvements relating to the M6 Toll, including preliminary expenses and borrowing costs have been amortised from the date the road become operational, being 9 December 2003, over the estimated remaining term of the right granted to operate the road, being until January 2054.

Amounts recorded as leasehold improvements relating to the South Bay Expressway will be amortised over the concession period once the road becomes operational.

— **Tolling concessions**

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.

— **Prepayments**

Prepaid lease rentals are amortised over the lease term of the M4 Motorway.

1 Summary of Significant Accounting Policies (cont'd)

— *Debt issuance costs*

Ancillary costs incurred in connection with the establishment of borrowings are capitalised and amortised over the term of the borrowing.

(j) **Receivables**

Receivables are recorded at their net fair values and current receivables are generally received within 30 days of becoming due and receivable. The carrying amounts of non-current receivables are regularly reviewed to ensure they do not exceed their recoverable amounts.

A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the period in which they are identified.

(k) **Payables**

Liabilities are recognised when MIG becomes obliged to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 30 days.

(l) **Interest-Bearing Liabilities**

Borrowings are recognised when issued at the amount of the net proceeds received and carried at this amount until the liabilities are settled. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan.

(m) **Concession Notes**

Concession Notes representing non-interest bearing long-term debt have been issued to the Roads and Traffic Authority of NSW by the Group as required under the terms of the Eastern Distributor Project Deed. The Concession Notes are issued annually in August. The unexpired portion of the expense has been capitalised in Deferred Expenditure and, amortised and capitalised into Leasehold Improvements up to the date of part completion. Post commencement of operations, the expense has been recognised in the Statement of Financial Performance.

(n) **Revenue**

Investment revenue represents changes in the net market value of investments in listed and unlisted securities and interest bearing debt securities. Revenue relating to these investments is brought to account as described in Note 1(d). Interest income is recognised as it accrues and toll revenue is recognised when the service is provided. Other revenue is recognised when the fee in respect of services provided is receivable.

(o) **Income Tax**

Pursuant to the provisions of Division 6C of Part III of the Income Tax Assessment Acts, MIT(II) is currently treated as a company for income tax purposes. Accordingly, MIT(II) recognises income tax using the liability method of tax effect accounting. Provision is made for taxes on gains which could arise in the event of a sale of revalued assets for the amounts at which they are stated.

MIT(II) and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 1 July 2003. As a consequence MIT(II), as the head entity of a tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the wholly-owned Australian controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances.

MIT(I) is not liable for income tax under the Income Tax Assessment Acts, provided that its taxable income (including any assessable realised capital gains) is fully distributed to security holders each year. Accordingly income tax has not been brought to account in relation to MIT(I).

1 Summary of Significant Accounting Policies (cont'd)

Under current Bermudian Law, MIBL will not be subject to any income, withholding or capital gains taxes in Bermuda. Controlled entities of MIBL recognise income tax using the liability method of tax effect accounting. Provision is made in these entities for taxes on gains which could arise in the event of a sale of revalued assets for the amounts at which they are stated.

(p) Foreign Currency Transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction or, where forward contracts have been arranged, at the contractual rate. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date, or at a contractual rate if applicable. Resulting exchange differences are brought to account in determining the result for the year.

Where forward foreign exchange contracts have been entered into to hedge anticipated future purchases, any unrealised gains and losses on these contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated.

(q) Cash Flows

For the purpose of the Statement of Cash Flows, cash assets include deposits held at call with banks and investments in money market instruments which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

(r) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(s) Performance per Stapled Security

Basic earnings per stapled security is determined by dividing the net result attributable to security holders of MIG by the weighted average number of securities on issue during the year.

Net increase in asset revaluation reserve per stapled security is determined by dividing the net movement in the asset revaluation reserve attributable to the security holders of MIG by the weighted average number of securities on issue during the year.

Performance per stapled security is equal to total changes in equity other than those resulting from transactions with owners as owners, divided by the weighted average number of securities on issue during the year.

Diluted earnings, net diluted increase in asset revaluation reserve and diluted performance per stapled security adjust the figures used in the determination of the basic earnings, net increase in asset revaluation reserve and performance per stapled security respectively, to remove the effect of interest costs associated with dilutive potential ordinary securities and to take into account the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities.

(t) Significant Terms and Conditions of Investments

MIG's investment in Airport Motorway Group (AMG) is held in units and shares in Airport Motorway Trust (AMT) and Airport Motorway Holdings Pty Limited (AMH) respectively. The units of AMT and the shares of AMH are combined and issued as linked securities in AMG. The units and shares cannot be traded separately and may only be traded as linked securities.

MIG's investment in WestLink Motorway Group (WestLink) is held via an interest in the WestLink Motorway Partnership, shares in WestLink Motorway Limited, shares in WSO Finance Pty Limited and shares in WSO Co. Pty Limited. The shares and partnership interest are combined and issued as linked securities in WestLink. They cannot be traded separately and may only be traded as linked securities. MIG also has an investment in Construction Loan Notes issued by the WestLink Motorway Partnership.

1 Summary of Significant Accounting Policies (cont'd)

(u) Goods and Services Tax (GST) and Value Added Tax (VAT)

The amount of GST incurred by the Trusts that is not recoverable from the Australian Taxation Office (ATO) is recognised as an expense or as part of the cost of acquisition of an asset. The Trusts qualify for Reduced Input Tax Credits at the rate of 75% on various services such as responsible entity fees and custodian fees. These expenses have been recognised in the Statement of Financial Performance net of the amount of GST recoverable from the ATO.

The amount of VAT incurred by the controlled entities of the Company that is not recoverable from H.M. Customs and Excise in the United Kingdom is recognised as an expense or as part of the cost of acquisition of an asset.

Receivables and payables are stated at amounts inclusive of GST and VAT. The net amount of GST and VAT recoverable from the ATO and H.M. Customs and Excise is included in receivables in the Statement of Financial Position. Cash flows relating to GST and VAT are included in the Statement of Cash Flows on a gross basis.

(v) Group Formation and Termination

MIT(I) and MIT(II) were established on 18 July 1996. On 30 June 2005, the provisions of the Trust Constitutions, which state that they would terminate on their 80th anniversary unless terminated earlier, were amended.

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

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

On 12 January 2005, a restructure inserted a new Bermudian mutual fund company, MIBL, above MEI, replacing MEI as the stapled company in the MIG stapled structure.

(w) Pensions

A subsidiary within the Group, Macquarie Infrastructure UK Limited (MIUK) operates a pension scheme providing benefits on final pensionable pay. The deficit of this scheme amounted to £1.3 million (\$3.0 million) (2004: £1.2 million (\$3.1 million)).

(x) Distributions

Provision is made for the amount of any distribution declared, determined, or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

Financial Report

For the Year Ended 30 June 2005

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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For the Year Ended 30 June 2005

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
Refinancing costs	4,764	-
Option premium paid	8,252	-
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

Financial Report

For the Year Ended 30 June 2005

3 Income Tax Expense

Prima facie income tax on the net result from ordinary activities is reconciled to the income tax expense charged in the Statement of Financial Performance as follows:

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Net result from ordinary activities before income tax expense	789,930	(204,308)
Prima facie income tax on net result from ordinary activities	236,979	(61,292)
Tax effect of operating result of MIT(I) Group (refer Note 1(o))	(54,568)	(29,969)
Tax effect of permanent differences:		
Non-assessable income	(12,062)	(4,590)
Non-deductible tolling concession amortisation	31,980	21,994
Non-deductible depreciation	27,054	14,720
Non-deductible interest expense	23,122	18,876
Dividends effectively not liable to tax	(9,015)	(9,593)
Foreign exchange loss not liable to tax	(15,798)	66,304
Future income tax benefit not brought to account	35,655	42,105
Prior year tax losses utilised	-	(875)
Non-assessable gain on sale of investments	(5,342)	-
Reversal of deferred tax on revaluations of investments sold free of tax	(361,986)	-
Sundry items	712	(1,157)
Income tax adjusted for permanent differences	(103,269)	56,523
Under provision in prior year	1,758	660
Aggregate income tax (benefit)/expense	(101,511)	57,183
Aggregate income tax expense comprises:		
Current taxation provision	19,136	20,231
Deferred income tax provision	(122,405)	36,292
Under provision in prior year	1,758	660
	(101,511)	57,183

Prima facie income tax on the net result from ordinary activities is calculated at the rate of 30% (2004: 30%) for Australian results and at 30% (2004: 30%) for UK results.

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
The potential future income tax benefit (at 30%) at 30 June in respect of tax losses not brought to account is:	264,145	166,197

Notes

This benefit for tax losses will only be obtained if:

- (i) the relevant loss-making entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
- (ii) the losses are able to be transferred to an eligible entity to the extent the entity is not part of a tax consolidated group, and
- (iii) the relevant loss-making entity continues to comply with the conditions for deductibility imposed by tax legislation, and
- (iv) no changes in the tax legislation adversely affect the relevant loss-making entity in realising the benefit from the deductions for the losses.

Financial Report

For the Year Ended 30 June 2005

3 Income Tax Expense (cont'd)

The future income tax benefit not brought to account includes 100% of the tax losses of all controlled entities (excluding Airport Motorway Holdings Pty Limited (AML)) regardless of the economic interest held by MIG in the controlled entity.

AML has unused tax losses at balance date of \$106.5 million (2004: \$120.4 million). The provision for deferred income tax has been reduced by \$32.8 million in respect of future income tax benefits attributable to these tax losses.

Included in the tax position for AML are deductions in respect of Concession Notes that have been issued to the Roads and Traffic Authority of NSW pursuant to AML's lease of the Eastern Distributor. AML has legal advice that a deduction is allowable upon issue of the Concession Notes and AML's taxable income/(loss) has been calculated on this basis. Deductions in respect of Concession Notes totalling \$118.0 million have been claimed from the opening of the Eastern Distributor until 30 June 2005 (2004: \$103.0 million). If AML were not able to claim an immediate tax deduction for the Concession Notes it would result in AML's unused tax losses at 30 June 2005 of \$106.5 million (2004: \$120.4 million) reducing to the amount of \$2.0 million (2004: \$30.9 million).

AML originally sought in July 2002 to have its claim for deductions in respect of Concession Notes confirmed by the Australian Taxation Office (ATO) in relation to the years ended 30 June 1998 and 30 June 1999. This claim was disallowed by the ATO in March 2004. AML lodged an appeal with the Federal Court in May 2004.

4 Remuneration of Auditors

	Year ended 30 June 2005	Year ended 30 June 2004
	\$	\$
Amounts paid or payable to PricewaterhouseCoopers for:		
Audit services	1,354,417	1,318,920
Other services*	683,104	901,137
	2,037,521	2,220,057
Amounts paid or payable to other auditors of controlled entities for:		
Audit services	63,300	43,062
Other services	89,334	20,308
	152,634	63,370

* Other services supplied by PricewaterhouseCoopers included provision of taxation compliance services of \$670,426 (2004: \$888,459) and trust compliance services of \$12,678 (2004: \$12,678).

Of the amounts paid or payable to PricewaterhouseCoopers, \$198,827 (2004: \$160,943) related to the provision of services to San Diego Expressway LP, USA, and \$1,015,356 (2004: \$1,390,250) to MIBL and its controlled entities.

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For the Year Ended 30 June 2005

5 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'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

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

Notes

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.

6 Cash Assets

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Cash at bank	82,962	124,745
Short term money market investments	1,173,655	289,459
US Treasury bills	6,304	3,531
	1,262,921	417,735

The short term money market investments outstanding at year end mature within 60 days (2004: 30 days) and pay interest between 5.43% - 5.79% (2004: 5.44%) per annum. The US Treasury bills mature within 1 day (2004: 60 days) and pay interest at 2.6% (2004: 0.75%) per annum.

The majority of these balances is held in accounts earning money market rates of interest.

Cash at bank includes cash that has restrictions on its use. Restricted cash includes amounts restricted for approved costs of construction on the Midlands Expressway, MEL's debt service obligations, equity commitments to Warnowquerung and other blocked deposits following the restructure of MEL amounting to £56.6 million (\$133.1 million) (2004: £11.2 million (\$30.9 million)).

7 Receivables

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Dividends and distributions receivable	3,969	2,625
GST and VAT recoverable	6,279	3,412
Interest receivable	96,131	91,281
Trade receivables	7,651	8,696
Provision for doubtful debts	(20)	(20)
Other receivables	5,989	697
	119,999	106,691

Interest receivable includes interest of \$96.1 million (2004: \$88.4 million) on the AML infrastructure loan facility (refer Note 29).

8 Prepayments

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Prepaid lease rentals	2,633	2,633
Prepaid expenses	18,018	21,650
	20,651	24,283
Non-Current Assets		
Prepaid lease rentals	9,587	12,220
	9,587	12,220

9 Other Assets

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Deferred expenditure – concession notes	2,014	2,014
Other	497	1,377
	2,511	3,391
Non-Current		
Deferred foreign exchange contract loss (Note 28)	37,288	21,938
Capitalised debt issuance costs	1,626	1,614
	38,914	23,552

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For the Year Ended 30 June 2005

10 Investments

	Balance at 30 June 2004	Investments	Divestments /Repayments	FX Effects	Revaluations Note (i)	Balance at 30 June 2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'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 Company 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 (vi)	28,051	1,257	(27,322)	(1,986)	-	-
Loans to Lusoponte	6,001	132	(6,079)	(54)	-	-
Investments 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 (\$155.0 million) 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 \$3.8 million was received on 11 May 2005.

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For the Year Ended 30 June 2005

10 Investments (cont'd)

(iii) Horizon Energy Investment Group

On 31 March 2005 a final distribution of \$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 (\$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 10(iv).

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'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.

10 Investments (cont'd)

Following an independent Arbitrator's 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 June 2005, the Ontario Court of Appeal gave the Province leave to appeal the decision of the Ontario Superior Court of Justice.

The concession company has taken action to expedite resolution of the other matters under dispute. On 16 August 2005, an independent panel of Arbitrators ruled that the conditions required to establish 2002 as the Base Year were achieved. The achievement of Base Year permits 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 (\$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 (\$64.0 million) loan from its new parent, MIC, and loans from Connect M1-A1 Limited amounting to £25.3 million (\$62.0 million) as offset by £1.2 million (\$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 (\$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 million (\$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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11 Investments in Associates

Name of associate	Principal activity	Balance date	2005 ownership %	2004 interest %
407 International Inc. (incorporated in Canada)	Toll road operator	31 Dec	30.0	*
407 ETR Concession Company Limited (incorporated in Canada)	Toll road operator	31 Dec	30.0	*
Cintra Concesiones de Infraestructuras de Transporte, S.A.	Infrastructure investment	31 Dec	-	40.0
Gestiponte-Operação e Manutenção das Travessias do Tejo S.A. (incorporated in Portugal)	Investment in toll bridges	31 Dec	30.6	30.6
Horizon Energy Investment Limited (HEIL)	Investment in power partnership	30 Jun	-	50.7
Interlink Roads Pty Limited (Interlink)	Investment in toll road	30 Jun	50.0	50.0
Lusoponte Concessionária para a Travessia do Tejo S.A. (incorporated in Portugal)	Holding company	31 Dec	30.6	30.6
Skyway Concession Company Holdings LLC (incorporated in USA)	Holding company	31 Dec	45.0	-
Skyway Concession Company LLC (incorporated in USA)	Toll road operator	31 Dec	45.0	-
Warnowquerung GmbH & Co. KG (WKG) (limited partnership incorporated in Germany)	Investment in toll tunnel	31 Dec	70.0	70.0
Warnowquerung Verwaltungsgesellschaft GmbH (incorporated in Germany)	General Partner of partnership	31 Dec	70.0	70.0
Connect M1-A1 Holdings Limited (formerly Yorkshire Link)	Holding company	31 Mar	-	50.0
Connect M1- A1 Limited (formerly Yorkshire Link Limited)	Investment in shadow toll road	31 Mar	-	50.0
**WestLink Motorway Limited	Nominee for partnership	30 Jun	41.12	40.0
**WestLink Motorway Partnership	Investment in and construction of toll road	30 Jun	41.12	40.0
**WSO Co. Pty Limited	Toll road operator	30 Jun	41.12	40.0
**WSO Finance Pty Limited	Finance company	30 Jun	41.12	40.0

* MIG now only holds a direct investment. As at 30 June 2004 16.13% was held directly and 26.84% held indirectly through Cintra.

** This comprises MIG's direct equity interest of 40.0% and indirect equity interest of 1.12% held through Transurban Group.

The above associates have not been equity accounted in accordance with AASB 1016: Accounting For Investments in Associates, as the investments in the groups to which they belong are measured at net market value and changes in net market value are recognised as revenues or expenses in the Statement of Financial Performance in the financial year in which the changes occur. Refer also to Note 10.

A subsidiary of MIBL, European Transport Investments (UK) Limited (ETIUK), beneficially owns 70% of both the WKG partnership and the General Partner (GP) of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. ETIUK does not have the capacity to control the casting of a majority of votes at a board of directors meeting of the GP of the partnership. Accordingly, WKG is treated as an associate for the purposes of this financial report.

The voting power held in the other associates disclosed above is in proportion to the ownership interest held.

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12 Investments in Controlled Entities

Name of controlled entity	Country of incorporation	2005 ownership %	2004 interest %
Airport Motorway Construction Company Pty Limited	Australia	71.4	71.4
Airport Motorway Holdings Pty Limited	Australia	71.4	71.4
Airport Motorway Limited (AML)	Australia	71.4	71.4
Airport Motorway Trust (AMT)	Australia	71.4	71.4
AJL Nominees Pty Limited	Australia	100.0	100.0
Australian Facilities Management Pty Limited (AFM) **	Australia	25.3	25.3
Californian Transportation Ventures, Inc. (CTV)	USA	100.0	100.0
Davjan Pty Limited	Australia	100.0	100.0
Devome Pty Limited	Australia	75.0	75.0
European Transport Investments (UK) Limited	UK	100.0	100.0
European Transport Investments Pty Limited	Australia	100.0	100.0
Focufu Pty Limited	Australia	100.0	100.0
ISI Nominees Pty Limited	Australia	100.0	100.0
Kvaerner US Inc.	USA	100.0	100.0
LH Nominees Pty Limited	Australia	100.0	100.0
Lodco Pty Limited	Australia	100.0	100.0
M4 Holdings No. 1 Pty Limited	Australia	100.0	100.0
M4 Holdings Pty Limited	Australia	100.0	100.0
M5 Holdings Pty Limited	Australia	100.0	100.0
Macquarie (UK) Projects Limited	UK	100.0	100.0
Macquarie 125 Holdings, Inc.	USA	100.0	100.0
Macquarie European Infrastructure Limited	UK	100.0	100.0
Macquarie Infrastructure (Luxembourg) S.A.	Luxembourg	100.0	100.0
Macquarie Infrastructure (Toll Route) Limited	UK	100.0	100.0
Macquarie Infrastructure (Toll Route) S.A.	Luxembourg	100.0	100.0
Macquarie Infrastructure (UK) Limited (MIUK)	UK	100.0	100.0
Macquarie Infrastructure Australia Pty Ltd	Australia	100.0	100.0
Macquarie Infrastructure Canada Inc	Canada	100.0	-
Macquarie Infrastructure (Club) Limited	UK	100.0	100.0
Macquarie Infrastructure TR Limited	UK	100.0	100.0
Macquarie Infrastructure TR2 Limited	UK	100.0	100.0
Macquarie Infrastructure US Pty Limited	Australia	100.0	100.0
Macquarie Midland Holdings Limited (MMHL)	UK	100.0	100.0
Macquarie Yorkshire Limited	UK	-	100.0
MEIL Holdings Pty Limited	Australia	100.0	100.0
MIBL Finance Luxembourg SarL	Luxembourg	100.0	-
Midland Expressway Limited (MEL) ***	UK	100.0	75.0
MIG - Western Sydney Orbital Holding Company Pty Limited	Australia	100.0	100.0
MIG Chicago Holdings LLC	USA	100.0	-
MIG Holdings (US) LLC	USA	100.0	-
MIG Investments Australia Pty Ltd	Australia	100.0	-
Millba Pty Limited	Australia	100.0	100.0
MIT(II) Holdings Pty Limited	Australia	100.0	100.0
San Diego Expressway Limited Partnership (SDELP)	USA	100.0	100.0
Statewide Environmental Pty Limited	Australia	50.6	50.6
Statewide Rail Pty Limited	Australia	50.6	50.6
Statewide Roads (M2) Pty Limited	Australia	50.6	50.6
Statewide Roads (M4) Pty Limited	Australia	50.6	50.6
Statewide Roads Limited	Australia	50.6	50.6
Statewide Water and Waste Pty Limited	Australia	50.6	50.6
SWR Constructors Pty Limited	Australia	50.6	50.6
SWR Engineers Pty Limited	Australia	50.6	50.6
SWR Operations Pty Limited	Australia	50.6	50.6
SWR Properties Pty Limited	Australia	50.6	50.6
SWR Services Pty Limited	Australia	50.6	50.6
Tipperhurst Limited	UK	100.0	100.0
Transtoll Pty Limited (formerly TransCore Australia Pty Limited)*	Australia	61.0	61.0
Western Sydney Orbital Funding (Options) Trust	Australia	100.0	100.0
Western Sydney Orbital Funding Trust	Australia	100.0	100.0
Western Sydney Orbital Holding Trust	Australia	100.0	100.0

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12 Investments in Controlled Entities (cont'd)

* MIT(II) effectively holds 61.0% of the issued capital in Transtoll Pty Limited (Transtoll). The assets and liabilities and the results of Transtoll have not been consolidated in the financial report as they are considered immaterial to the financial results of MIG. The investment in Transtoll is measured at net market value.

** MIG controls AFM through its controlling interest in Statewide Roads Limited.

*** MEI held a 75% interest in MEL. On 21 June 2005, MIG exercised its option to acquire the remaining 25%.

13 Fixed Assets

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Property, plant and equipment		
Plant and equipment, at cost	103,410	100,963
Less: accumulated depreciation	(31,592)	(16,759)
	71,818	84,204
Buildings, at cost	54,941	54,504
Less: accumulated depreciation	(2,176)	(1,013)
	52,765	53,491
Leasehold improvements, at cost	2,631,069	2,502,011
Less: accumulated depreciation	(275,144)	(189,711)
	2,355,925	2,312,300
Motor vehicles, at cost	2,281	2,179
Less: accumulated depreciation	(768)	(384)
	1,513	1,795
	2,482,021	2,451,790

Leasehold improvements include the value of land leased by MEL from the Highways Agency (the Agency) in the UK. The lease payments will be established via a formula set out by the Agency which lays down all costs associated with the purchase of that land and interest on those costs per annum. Lease payments will be made by MEL between 2007 and 2054. The value of the land has been estimated by the Agency as at 30 June 2005 at £58.3 million, (\$137.3 million) (2004: £51.2 million (\$133.4 million)). Refer also to Note 28.

Assets in the course of construction amount to \$369.5 million (2004: \$267.9 million).

13 Fixed Assets (cont'd)

Reconciliations of the carrying amounts of each class of fixed assets at the beginning and end of the current financial year are set out below.

	Plant and equipment \$'000	Buildings \$'000	Motor Vehicles \$'000	Leasehold improvements \$'000	Total \$'000
Property, plant and equipment					
Carrying amount at beginning of year	84,204	53,491	1,795	2,312,300	2,451,790
Additions	2,688	437	187	111,671	114,893
Disposals	(8)	-	(21)	-	(29)
Depreciation/amortisation expense	(15,153)	(1,171)	(449)	(68,424)	(85,197)
Foreign currency exchange differences*	87	8	1	378	474
Carrying amount at end of year	71,818	52,765	1,513	2,355,925	2,482,021

* Foreign currency exchange gains and losses (relating to leasehold improvements held by MEL and SDELP) arising on consolidation are capitalised into leasehold improvements up until the commissioning of the roads. Interest capitalised into leasehold improvements during the year was \$16.9 million (2004: \$58.5 million).

14 Tolling Concessions

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'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.

15 Payables

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Deferred construction contract revenue	254	254
Deferred consideration – MEL	-	127,525
Distributions payable to outside equity interests	33,236	39,375
GST payable	5,316	1,659
Interest payable	75,545	73,508
Responsible Entity's and Advisor's base fees payable	64,288	19,253
Responsible Entity's and Advisor's performance fees payable	55,313	6,385
Sundry creditors and accruals	20,237	25,438
Trade creditors	21,570	27,519
Loan from Interlink	4,531	-
	280,290	320,916
Non-Current		
Loan from Interlink	-	4,531
Loans from Connect M1-A1	-	66,063
	-	70,594

16 Provisions

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Employee entitlements	941	834
Other provisions	3,056	1,706
	3,997	2,540
Non-Current		
Employee entitlements	130	122
Other provisions	454	928
	584	1,050
The aggregate employee entitlements liability comprises:		
Current provisions	941	834
Non-current provisions	130	122
	1,071	956

Movement in provisions

Movements in each class of provisions during the financial year are set out below:

	Other \$'000	Commitment for equity \$'000	Pension \$'000	Total \$'000
Consolidated – 2005				
Carrying amount at the start of the year	2,634	-	-	2,634
Additional provisions recognised	108	1,899	919	2,919
Utilisation of provision	(2,043)	-	-	(2,043)
Carrying amount at the end of the year	699	1,899	919	3,510

The average number of employees during the year was 231 (2004: 163).

No significant uncertainty exists over the current provisions.

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17 Interest-Bearing Liabilities

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'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. Details of the individual facilities are included in Note 29.

The ReCNs were issued by Western Sydney Orbital Funding Trust, a 100% owned subsidiary of MIT(I), to Ontario Teachers Pension Plan (OTPP) in order to fund the investment in WestLink M7. As at 30 June 2005, \$453.4 million in ReCNs have been issued.

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% and 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 \$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 \$453.4 million.

18 Distribution Payable

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Provision for distribution		
Balance at the beginning of the year	72,395	71,298
Provided for during the year	1,532,473	144,634
Paid during the year	(1,307,195)	(145,537)
Balance at the end of the year	297,673	72,395

The provision for distribution represents the distribution of the Group for the period ended 30 June 2005. This amount was paid on 12 August 2005.

19 Tax Liabilities

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Current		
Provision for income tax	4,722	4,930
Non-Current		
Provision for deferred income tax	1,377,951	1,299,038

The consolidated provision for deferred income tax has been reduced by \$32,267,000 in respect of a future income tax benefit attributable to tax losses. This future income tax benefit does not take into effect the impact of any unfavourable ruling in relation to the treatment of concession notes held by AML as disclosed in Note 3.

20 Concession Notes

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Non-Current		
Concession notes	120,000	105,000

Concession notes, representing non-interest bearing long term debt, have been issued to the Roads and Traffic Authority of NSW by AML for the right to build and levy tolls on the Eastern Distributor. The concession notes are issued annually in August. Refer also to Note 28.

21 Other Liabilities

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Non-Current		
Foreign exchange hedge contract payable (Note 28)	37,288	21,938

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22 Contributed Equity

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
On issue at the beginning of the year	3,821,789	3,719,073
Issued pursuant to:		
Dividend Reinvestment Plan (DRP) on 13 August 2003	-	17,326
Reinvestment of performance fees in securities on 28 August 2003	-	71,770
DRP on 13 February 2004	-	13,636
DRP on 13 August 2004	15,443	-
Reinvestment of performance fees in securities on 31 August 2004	6,087	-
DRP on 10 February 2005	790,408	-
Distribution from MIBL share premium account	(255,550)	-
Transfer to undistributed operating surplus (Note 24)	(782,409)	-
Costs incurred in the raising of capital	-	(16)
On issue at the end of the period	3,595,768	3,821,789
	Number of stapled securities '000	Number of stapled securities '000
On issue at the beginning of the year	1,930,528	1,901,288
Issued pursuant to:		
DRP on 13 August 2003	-	4,955
Reinvestment of performance fees in securities on 28 August 2003	-	20,132
DRP on 13 February 2004	-	4,153
DRP on 13 August 2004	4,550	-
Reinvestment of performance fees in securities on 31 August 2004	1,863	-
DRP on 10 February 2005	227,949	-
On issue at the end of the year	2,164,890	1,930,528

The inception of MIBL as the company in the MIG stapled structure on 12 January 2005, saw the cancellation of MEI shares. In consideration, MIG shareholders received shares in MIBL in the ratio of one share in MIBL for each share in MEI. MIBL issued 1,936,940,676, 1 Australian cent shares. A share premium was recognised on these shares being determined with reference to the market capitalisation of MIG on this date. It was determined that the substitution of a new company in the MIG stapled structure should not increase MIG's unitholders funds. The difference between MIBL's shareholders funds and the consolidated MEI Group shareholders' funds prior to the scheme of arrangement was transferred to another reserve. The issue of MIBL shares, recognition of this other reserve and the cancellation of MEI shares have all been included in contributed equity with a nil combined effect.

23 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 as described in Note 1(g).

24 Undistributed Operating Surplus

	As at 30 June 2005 \$'000	As at 30 June 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)
Transfers 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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25 Outside Equity Interest in Controlled Entities

	As at 30 June 2005 \$'000	As at 30 June 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.

26 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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27 Cash Flow Information

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
(i) Reconciliation of net results from ordinary activities after income tax to net cash flows from operating activities		
Net result from ordinary activities after income tax	891,441	(261,491)
Revaluation of investments	(803,542)	(140,826)
Expenses relating to financing activities	171,059	120,206
Interest capitalised to loans	49,495	28,546
Net foreign exchange differences	(190,076)	192,778
Depreciation and amortisation	192,880	137,361
Concession notes	15,000	15,000
(Profit)/loss on sale of investments	(74,804)	18,868
Changes in assets and liabilities		
(Increase) in receivables	(3,183)	(3,647)
Decrease in other assets	10,253	755
Increase in provision for income taxes	4,344	2,427
(Decrease)/increase in provision for deferred income taxes	(119,231)	48,111
Increase/(decrease) in payables	100,157	(78,321)
Increase/(decrease) in other liabilities	2,197	(422)
Net cash inflow from operating activities	245,990	79,345
(ii) Reconciliation of cash assets		
Cash assets at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	82,962	124,745
Short term money market investments	1,173,655	289,459
US Treasury bills	6,304	3,531
Cash assets	1,262,921	417,735
(iii) Non-cash financing and investing activities		

Responsible Entity and Advisor performance fees of \$6.1 million (2004: \$71.8 million) were applied to a subscription for 1,862,630 (2004: 20,131,794) new MIG stapled securities at an issue price of \$3.2682 each (2004: \$3.5650) in August 2004. This transaction is not reflected in the Statement of Cash Flows.

Only the cash component of the Transurban takeover of Hills (refer Note 10(ii)) is reflected in the Statement of Cash Flows.

The exchange of Cintra shares for an additional equity interest in 407ETR is not reflected in the Statement of Cash Flows (refer Note 10(iv)).

Concession notes (refer Note 1(m)) are not reflected in the Statement of Cash Flows.

28 Commitments for Expenditure

■ Eastern Distributor

The Eastern Distributor Project Deed provides for annual concession fees of \$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. The concession notes have been brought to account as described in Note 1(m) and Note 20. 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 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) and 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 \$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 \$37.3 million at 30 June 2005 in accordance with AASB1012: Foreign Currency Transactions.

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 MIG-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 of \$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, four months ahead of the contract date of August 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 (Refer also to Note 13):		
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

29 Credit Facilities

■ MIG

MIG has multi-option debt facilities with Westpac Banking Corporation and the Commonwealth Bank of Australia for a total amount of \$300.0 million (2004: \$100.0 million). The facilities can be utilised to invest in infrastructure assets and if utilised, would attract interest at market rates plus margins of 0.9% per annum. The facility terminates in two tranches on March 2006 and March 2007.

Line fees and establishment fees of \$2.7 million (2004: \$0.7 million) were incurred in relation to the facilities during the year.

■ Airport Motorway Group

The previous term debt facility of \$474.3 million (2004: \$474.3 million) provided by National Australian Bank to AMT was repaid on 1 November 2004 and replaced with a new term debt facility of \$515.5 million provided by Westpac Banking Corporation to AMT. Interest is payable in arrears and accrues at market rates plus a margin of 0.375% per annum. The new term debt facility is an interest only loan for a term of five years and will have to be refinanced at that point in time. The facility was fully drawn at 30 June 2005. These project related liabilities are non-recourse to the Group.

A \$556 million (2004: \$556 million) infrastructure loan facility was entered into by AML to fund construction payments. The facility is certified by the Development Allowance Authority to qualify for concessional tax treatment under Division 16L of the Income Tax Assessment Act 1936. The loan is secured by a deposit account with Macquarie Bank Limited and Westpac Banking Corporation equal to the amount of the loan. The facility accrues interest at 8.8% per annum payable annually in arrears. The bond value increases by the coupon rate of 8.8% each year commencing on 7 July 2001. Amounts drawn and interest capitalised under the facility amount to a value of \$779.1 million (2004: \$716.1 million). The facility will be repaid with proceeds from the Deposit Account in August 2011. The facility was fully drawn at 30 June 2005.

A legal right of set-off exists in respect of the specific cash deposit of \$779.1 million, representing collateralisation of liabilities under the infrastructure loan facility.

■ Statewide Roads Limited (SWR) and Controlled Entities

SWR and its controlled entities have a fully utilised facility agreement with the Commonwealth Bank of Australia for \$108.9 million (2004: \$119.5 million) which is secured by a registered equitable mortgage over the assets of the controlled entity Statewide Roads (M4) Pty Limited. The facility agreement provides for the payment of inter-group management fees and dividends on ordinary shares under normal commercial terms and conditions.

The amount of the facility reduces in accordance with an agreed schedule as repayments are made and interest is incurred at the 90 day BBSY rate. Annual line fees of 0.6% (2004: 0.6%) per annum of the facility are payable quarterly. These project related liabilities are non-recourse to the Group.

■ Midland Expressway Limited (MEL)

MEL entered into a facility agreement on 26 September 2000 with Bank of America Securities Limited and Abbey National Treasury Services Plc for £685 million (\$1,863.2 million). At 30 June 2005, £619.9 million (\$1,456.8 million) (2004: £573.5 million (\$1,492.5 million)) had been drawn down, incurring interest at a margin 1.2% per annum over the London Inter Bank Offer Rate (LIBOR). The bank loans have certain covenants attached and are secured by way of debenture over MEL's assets. These project related liabilities are non-recourse to the Group.

■ SDELP

SDELP's senior bank debt comprises a construction loan of up to US\$400.0 million and a term loan of up to US\$340.0 million. At 30 June 2005, US\$195.1 million (\$256.3 million) (2004: US\$132.5 million (\$189.4 million)) of the construction loan had been drawn down.

29 Credit Facilities (cont'd)

The construction loan will be partially repaid by means of an equity injection once the project has achieved construction completion and certain other conditions have been met (the Conversion Date). The remaining outstanding balance of the construction loan shall convert into the term loan on this date. Conversion Date is expected to occur approximately 3.5 years after the Closing Date of 22 May 2003. The construction loan has a maximum term of approximately 5.5 years.

The term loan final maturity date will fall on the earlier of (a) 15 years after the Conversion Date or (b) 18.5 years after the Closing Date. The term loan will begin to be amortised after the first four years of operations of the South Bay Expressway. During years 5-7 of operations there will be a partial cash sweep (that is, year 5: 50%; year 6: 70%; and year 7: 90% of the cash flow available to shareholders) followed by a planned refinancing. If such refinancing does not take place, an 8-year period of full cash sweep of the available cash flow will be triggered.

Interest is accruing on the senior bank debt at a rate of LIBOR plus a margin of 1.625% per annum.

SDELP has also received funding by way of a Transportation Infrastructure Finance and Innovation Act (TIFIA) loan in the amount of US\$62.7 million (\$83.4 million) (2004: US\$29.4 million (\$42.1 million)). The TIFIA loan commitment is for US\$140 million plus capitalised interest. The TIFIA loan bears interest at 4.46% (2004: 4.46%) per annum.

30 Related Party Disclosures

(i) Responsible Entity

The Responsible Entity of the Trusts is Macquarie Infrastructure Investment Management Limited, a wholly owned subsidiary of Macquarie Bank Limited (MBL).

(ii) Directors

■ Macquarie Infrastructure Investment Management Limited

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

During the year, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by MIG with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the Trust Constitutions.

During the year, MIG paid fees totalling \$118,747 (2004: \$42,690) to Mallesons Stephen Jaques, from which firm David Walsh retired as a partner during the year. The fees were paid for services provided by the firm on normal arm's length terms.

The Responsible Entity is responsible for the preparation of the MIG financial report. Details of the remuneration of each director of the Responsible Entity are set out in the following table. The remuneration disclosed, except where otherwise noted, only includes amounts paid or payable by related parties of MIG to the directors in connection with the management of affairs of MIG. Comparative information of the detailed remuneration disclosures is not provided as this is the first year that AASB 1046: Director and Executive Disclosures by Disclosing Entities applies.

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For the Year Ended 30 June 2005

30 Related Party Disclosures (cont'd)

	Primary		Equity	Post employment	Total
	Salary & Fees	MBL Profit Share	MBL Options	Restricted Profit Share	
	(\$)	(\$)	(\$)	(\$)	
Director					
Mark Roderick Granger Johnson*	226,054	1,211,036	112,209	480,362	2,029,661
Michael Bernard Easson	95,000	-	-	-	95,000
Eric Paul McClintock	95,000	-	-	-	95,000
Nicholas William Moore*	508,621	11,945,954	679,339	5,086,183	18,220,097
David Allen Mortimer	95,000	-	-	-	95,000
John Stuart Hugh Roberts*	26,911	306,786	8,355	-	342,052
David Anthony Walsh	95,000	-	-	-	95,000

* Mark Johnson, Nicholas Moore and John Roberts are employees of MBL. The MBL profit share pool and option entitlements are determined and allocated to individual employees annually. The MBL profit share and option amounts included in these disclosures are in respect of the year ended 31 March 2005. Mark Johnson and Nicholas Moore are specified executives of MBL. Due to their broad range of responsibilities within MBL there is no meaningful basis upon which to allocate their remuneration to the individual entities of which they are directors.

■ Macquarie Infrastructure Bermuda Limited

The names of the persons who were directors of MIBL at any time during the year were as follows:

— Robert Muldering (Chairman)	(appointed 12 January 2005)
— Dr Peter Dyer	(appointed 12 January 2005)
— Mark Roderick Granger Johnson	(appointed 12 January 2005)
— Jeffrey Conyers	(appointed 12 January 2005)
— Sharon Beesley	(appointed 18 October 2004, resigned 19 November 2004)
— Audette Exel	(appointed 18 October 2004, resigned 11 February 2005)

During the year, no director of the Company has received or become entitled to receive any other benefit because of a contract made by MIG with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the governing documents of the Company.

■ Controlled Entities

Income paid or payable in respect of the financial year, to all Australian resident directors of each Australian entity in the Group, by the entities of which they are directors, was \$50,000 (2004: \$50,000).

30 Related Party Disclosures (cont'd)

■ Directors' interests in stapled securities

The number of stapled securities held directly, indirectly or beneficially by directors or their director-related entities at the date of this report are:

	As at 30 June 2005	As at 30 June 2004
Mark Roderick Granger Johnson	811,619	809,531
Michael Bernard Easson	346	289
Eric Paul McClintock	62,451	49,201
Nicholas William Moore	804,759	718,683
David Allen Mortimer	483,560	415,088
John Stuart Hugh Roberts	208,587	208,587
David Anthony Walsh	25,000	12,000
	2,396,322	2,213,379

■ Other staff holdings of stapled securities

Employees of MBL (including those who are or were directors), associated with the management of MIG, also hold stapled securities in MIG at the date of this report.

■ Responsible Entity's fees

Under the terms of the governing documents of the individual entities within the Group, fees paid or payable (inclusive of non-recoverable GST and VAT) to the Responsible Entity of the Trusts and the Advisor of the Company were:

	Year ended 30 June 2005 \$'000	Year ended 30 June 2004 \$'000
Base fee	83,283	73,978
Performance fee	92,521	6,150
	175,804	80,128

The base fee is calculated as 1.25% per annum of the first \$3.0 billion of the adjusted market capitalisation of MIG at the end of each quarter. For adjusted market capitalisation in excess of \$3.0 billion, the fee is calculated at 1% per annum.

The performance fee is calculated with reference to the performance of the accumulated security price of MIG compared with the performance of the S&P/ASX 300 Industrials Accumulation Index.

Fees are apportioned between MIT(I), MIT(II) and MIBL based on each entity's share of the net assets of MIG (further adjusted for cash and investment commitments in the case of the base fee). The net market values of the assets are used in the calculation of this apportionment.

For the year ended 30 June 2005, a total performance fee of \$77.7 million (excluding GST and Value Added Tax (VAT)) was calculated for MIG. This fee is payable in three equal instalments, with the first instalment having become due and payable on 30 June 2005. Payment of the second and the third instalment of the 2005 fee will become due and payable on 30 June 2006 and 30 June 2007 should the performance criteria be met during the respective financial year.

For the year ended 30 June 2004, no new performance fee was earned by the Responsible Entity and Advisor.

For the year ended 30 June 2003, a total performance fee of \$197.0 million (excluding GST and VAT) was calculated for MIG. This fee is payable in three equal instalments, with the first instalment having become due and payable on 30 June 2003. The performance criteria for the second instalment was not met during the 30 June 2004 financial year. The third instalment of the 2003 fee was due and payable on 30 June 2005.

30 Related Party Disclosures (cont'd)

■ Custodian's fees

Under the terms of the Custody Agreements, fees paid or payable to Custodians were \$423,783 (2004: \$353,537). This includes fees of \$68,952 (2004: \$29,813) paid or payable by AMT to Bond Street Custodians Limited, a subsidiary of MBL.

■ Other transactions

MBL and companies within the MBL Group have undertaken various transactions with, and performed various services for MIG. Fees paid to MBL are approved solely by the independent directors on the boards of the Responsible Entity and MIBL and where appropriate, external advice is sought by the directors to ensure that the fees and terms of engagement are representative of arm's length transactions.

The Responsible Entity holds 8,958,672 (2004: 8,958,672) stapled securities. Distributions totalling \$6,942,970 (2004: \$671,900) were payable by MIG to the Responsible Entity for the year ended 30 June 2005.

During the financial year, MIG reimbursed MBL \$1,486,862 (2004: \$837,356), representing out-of-pocket expenses incurred by the Responsible Entity and Advisor in the performance of their duties.

As at 30 June 2005, MIG held funds totalling \$11,703,808 (2004: \$12,314,982) on deposit with MBL. The Group earns interest on deposits at commercial rates. Interest income from MBL deposits totalling \$847,799 (2004: \$642,906) was included in the determination of net result from operating activities for the Group for the year ended 30 June 2005.

MBL received a fee of \$4.6 million from MIG for financial advisory work in relation to the IPO of Cintra.

MIG Holdings (US) LLC entered into a put option with MBL under which it could have elected to put 49% of its interest in MIG Chicago Holdings LLC to MBL at par value. The premium paid for this option was US\$6.5 million (\$8.3 million). As this option was not exercised, the premium has been expensed during the year.

Macquarie Securities (USA) Inc billed Skyway Concession Company Holdings LLC, of which MIG owns 45%, \$US19 million for financial advisory services performed in relation to the acquisition of Skyway.

MIG utilises the services provided by MBL's foreign exchange department from time to time on arms length terms.

■ Transactions in previous financial years

MIG entered into interest rate swaps with MBL in relation to the MIUK funding facility, which was unwound on 24 May 2005.

SDELP entered into two asphalt hedge contracts with MBL to hedge \$US8.9 million of its asphalt commitments.

MIG took up its entitlement to purchase debt securities issued by the Transurban Group and sold them shortly afterwards, realising a profit of \$457,626. A portion of these debt securities were sold through Macquarie Equity Capital Markets Limited on a normal arms length transaction.

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

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For the Year Ended 30 June 2005

31 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.

	Australia \$'000	Europe \$'000	North America \$'000	Total \$'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	674,803	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)	674,803	789,930
Depreciation and amortisation of segment assets included in segment result	93,987	98,993	-	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

31 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
Business segments			
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

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32 Additional Financial Instruments Disclosure

(i) Interest Rate Risk

Changes in market interest rates affect the level of future cash flows. The table below details the exposure of MIG's financial assets and liabilities to interest rate risk. The amount shown represents the book value of financial assets and liabilities. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of financial assets or liabilities. For floating rate instruments the rate is the current market rate and for fixed interest rate instruments the rate is the historical rate.

	Weighted average interest rate%	Floating interest Rate	Fixed Interest Rate Maturing in:			Non-interest bearing	Total
			1 year or less	Over 1 to 5 years	Over 5 years		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2005							
Financial assets							
Cash assets	4.6	995,790	267,131	-	-	-	1,262,921
Receivables		-	-	-	-	119,999	119,999
Interest-bearing financial assets	7.27	-	-	459,343	-	-	459,343
Investments in listed securities		-	-	-	-	156,059	156,059
Investments in unlisted securities		-	-	-	-	3,940,657	3,940,657
Total financial assets		995,790	267,131	459,343	-	4,216,715	5,938,979
Financial liabilities							
Payables		-	-	-	-	280,290	280,290
Interest-bearing liabilities	6.55	2,422,678	-	453,359	-	*137,536	3,013,573
Provision for distribution		-	-	-	-	297,673	297,673
Provision for income tax		-	-	-	-	4,722	4,722
Concession notes		-	-	-	-	120,000	120,000
Interest rate swaps**	5.36	(2,404,625)	-	2,160,045	244,580	-	-
Total financial liabilities		18,053	-	2,613,404	244,580	840,221	3,716,258
Net financial assets/(liabilities)		977,737	267,131	(2,154,061)	(244,580)	3,376,494	2,222,721
2004							
Financial assets							
Cash assets	4.02	202,013	215,722	-	-	-	417,735
Receivables		-	-	-	-	106,691	106,691
Interest-bearing financial assets	7.46	26,346	-	393,573	-	-	419,919
Investments in listed securities		-	-	-	-	105,450	105,450
Investments in unlisted securities		-	-	-	-	4,556,140	4,556,140
Total financial assets		228,359	215,722	393,573	-	4,768,281	5,605,935
Financial liabilities							
Payables		-	-	-	-	391,510	391,510
Interest-bearing liabilities	6.60	2,317,857	-	419,509	-	*133,382	2,870,748
Provision for distribution		-	-	-	-	72,395	72,395
Provision for income tax		-	-	-	-	4,930	4,930
Concession notes		-	-	-	-	105,000	105,000
Interest rate swaps**	6.59	(2,156,079)	-	1,854,343	301,736	-	-
Total financial liabilities		161,778	-	2,273,852	301,736	707,217	3,444,583
Net financial assets/(liabilities)		66,581	215,722	(1,880,279)	(301,736)	4,061,064	2,161,352

* This balance represents the leasehold liability payable by MEL to the Highways Agency in the UK and will begin to attract interest in 2007. The interest rate will be determined at that time. Refer also Note 13.

** This is the notional principal of the interest rate swaps.

32 Additional Financial Instruments Disclosure (cont'd)

	Notes	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
Net financial assets		2,222,721	2,161,352
Non financial assets and liabilities:			
Prepayments	8	30,238	36,503
Fixed assets	13	2,482,021	2,451,790
Tolling concessions	14	3,911,577	3,330,436
Other assets	9	41,425	26,943
Provision for deferred income tax	19	(1,377,951)	(1,299,038)
Other provisions	16	(4,581)	(3,590)
Other liabilities	21	(37,288)	(21,938)
Net assets as per the Statement of Financial Position		7,268,162	6,682,458

■ Interest rate swaps

AMT, MEL, SWR and SDELP have entered into interest rate swap contracts that entitle them to receive interest at floating rates on notional principal amounts and oblige them to pay interest at fixed rates on the same amounts. The interest rate swap contracts allow AMT, MEL, SWR and SDELP to raise long term borrowings at floating rates and effectively swap them into fixed rates.

AMT has entered into interest rate swap agreements to hedge the borrowing of funds. The contracts are settled half yearly in arrears until March 2009. Under these swap agreements, AMT is obliged to pay interest at fixed rates of 5.79% per annum.

At 30 June 2005, the notional principal amounts and periods of expiry of AMT's interest rate swap contracts are:

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
1 – 5 years	386,625	342,006
5 – 10 years	-	10,285
10 – 15 years	-	25,209
	386,625	377,500

MEL has entered into interest rate swap agreements to substitute a floating LIBOR rate obligation on its borrowings of 6.58% at 30 June 2005 with a fixed rate of 5.475%, settled monthly. The notional principal amount is £732.0 million (\$1,723.4 million) and the swap agreements terminate between December 2006 and December 2008.

At 30 June 2005, the notional principal amounts and periods of expiry of MEL's interest rate swap contracts are:

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
1 – 5 years	1,723,420	1,512,337

SWR entered into interest rate swap agreements to hedge the borrowing of funds. The contracts are settled monthly in arrears until January 2008. Under these swap agreements SWR is obligated to pay interest at fixed rates between 5.72% and 5.79% per annum.

32 Additional Financial Instruments Disclosure (cont'd)

At 30 June 2005, the notional principal amounts and periods of expiry of SWR's interest rate swap contracts are:

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
1 - 5 years	50,000	-

SDELP entered into interest rate swap agreements to hedge the borrowing of funds. The contracts are settled monthly in arrears until December 2011. Under these swap agreements SDELP is obliged to pay interest at fixed rates at the rate of 3.8225% per annum.

At 30 June 2005, the notional principal amounts and periods of expiry of SDELP's interest rate swap contracts are:

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
5 - 10 years	244,580	266,242

32 Additional Financial Instruments Disclosure (cont'd)

(ii) Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. In accordance with AASB 1033: Presentation and Disclosure of Financial Instruments, the amount at risk excludes the value of any collateral or other security provided by the counterparty.

The credit risk on financial assets of MIG, excluding investments in associates, which have been recognised in the Statement of Financial Position, is the carrying amount net of any provision for doubtful debts.

	Financial Institutions \$'000	Corporates \$'000	Other \$'000	Total \$'000
2005				
Assets				
Cash assets*	1,262,921	-	-	1,262,921
Receivables	96,131	17,590	6,278	119,999
Interest bearing financial assets	-	459,343	-	459,343
Total assets subject to credit risk	1,359,052	476,933	6,278	1,842,263
Investments in securities				
Investments in listed securities	-	156,059	-	156,059
Investments in unlisted securities	-	3,940,657	-	3,940,657
Total investment in securities	-	4,096,716	-	4,096,716
Total financial assets	1,359,052	4,573,649	6,278	5,938,979
2004				
Assets				
Cash assets*	417,735	-	-	417,735
Receivables	91,281	11,998	3,412	106,691
Interest bearing financial assets	-	419,919	-	419,919
Total assets subject to credit risk	509,016	431,917	3,412	944,345
Investments in securities				
Investments in listed securities	-	105,450	-	105,450
Investments in unlisted securities	-	4,556,140	-	4,556,140
Total investment in securities	-	4,661,590	-	4,661,590
Total financial assets	509,016	5,093,507	3,412	5,605,935

* Cash held in MIG is subject to maximum credit exposures to individual entities. These levels are a function of the credit ratings of the counterparties. Deposits can be made of up to \$200.0 million with entities with a credit rating of A1+, and up to \$100.0 million with entities with a credit rating of A1. No deposits will be placed with entities who have a credit rating of less than A1.

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For the Year Ended 30 June 2005

32 Additional Financial Instruments Disclosure (cont'd)

(iii) Foreign Exchange Risk

The Group is exposed to foreign exchange risk as a result of investments denominated in foreign currencies.

At the reporting date, the Group's exposure to foreign exchange rate movements on its international investments was as follows (Australian dollars are included for the purposes of reconciliation to the Statement of Financial Position).

	US Dollar A\$'000 Equivalent	Pound Sterling A\$'000 Equivalent	Euro A\$'000 Equivalent	Canadian Dollar A\$'000 Equivalent	Australian Dollar A\$'000	Total A\$'000
2005						
Assets						
Financial assets						
Cash assets	6,480	266,970	3,876	-	985,595	1,262,921
Receivables	1,712	4,124	152	-	114,011	119,999
Interest bearing financial assets	-	-	-	-	459,343	459,343
Investments in listed securities	-	-	-	-	156,059	156,059
Investments in unlisted securities	603,199	-	236,633	2,549,700	551,125	3,940,657
Non financial assets						
Prepayments	255	15,444	-	-	14,539	30,238
Fixed assets	357,026	1,573,170	-	-	551,825	2,482,021
Tolling concessions	202,815	2,235,284	-	-	1,473,478	3,911,577
Other assets	31,211	-	-	-	10,214	41,425
Total assets	1,202,698	4,094,992	240,661	2,549,700	4,316,189	12,404,240
Liabilities						
Financial liabilities						
Payables	-	46,120	-	-	234,170	280,290
Interest bearing liabilities	-	1,459,544	-	-	1,554,029	3,013,573
Distribution payable	-	-	-	-	297,673	297,673
Provision for income tax	-	-	-	-	4,722	4,722
Concession notes	-	-	-	-	120,000	120,000
Non financial liabilities						
Provision for deferred income tax	-	659,002	-	180,113	538,836	1,377,951
Other provisions	-	1,139	-	-	3,442	4,581
Other liabilities	37,288	-	-	-	-	37,288
Total liabilities	37,288	2,165,805	-	180,113	2,752,872	5,136,078
Net assets	1,165,410	1,929,187	240,661	2,369,587	1,563,317	7,268,162

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For the Year Ended 30 June 2005

32 Additional Financial Instruments Disclosure (cont'd)

	US Dollar A\$'000 Equivalent	Pound Sterling A\$'000 Equivalent	Euro A\$'000 Equivalent	Canadian Dollar A\$'000 Equivalent	Australian Dollar A\$'000	Total A\$'000
2004						
Assets						
Financial assets						
Cash assets	4,262	130,829	-	-	282,644	417,735
Receivables	5,933	5,565	467	-	94,726	106,691
Interest bearing financial assets	-	28,051	6,001	-	385,867	419,919
Investments in listed securities	-	-	-	-	105,450	105,450
Investments in unlisted securities	-	92,595	2,920,839	1,043,563	499,143	4,556,140
Non financial assets						
Prepayments	241	17,778	-	-	18,484	36,503
Fixed assets	247,608	1,621,867	-	-	582,315	2,451,790
Tolling concessions	156,705	1,950,121	-	-	1,223,610	3,330,436
Other assets	18,770	-	-	-	8,173	26,943
Total assets	433,519	3,846,806	2,927,307	1,043,563	3,200,412	11,451,607
Liabilities						
Financial liabilities						
Payables	25,858	230,585	-	-	135,067	391,510
Interest bearing liabilities	231,510	1,492,535	-	-	1,146,703	2,870,748
Distribution payable	-	-	-	-	72,395	72,395
Provision for income tax	-	-	-	-	4,930	4,930
Concession notes	-	-	-	-	105,000	105,000
Non financial liabilities						
Provision for deferred income tax	-	536,505	-	-	762,533	1,299,038
Other provisions	-	251	-	-	3,339	3,590
Other liabilities	21,938	-	-	-	-	21,938
Total liabilities	279,306	2,259,876	-	-	2,229,967	4,769,149
Net assets	154,213	1,586,930	2,927,307	1,043,563	970,445	6,682,458

Forward foreign exchange contracts have been entered into to hedge US\$131.9 million of MIG's commitment to fund equity contributions in relation to the South Bay Expressway for which the timing is known. The average hedge rate achieved was A\$1 = US\$0.6264. The spot exchange rate at 30 June 2005 was A\$1 = US\$0.7611.

32 Additional Financial Instruments Disclosure (cont'd)

At 30 June 2005, the details of the outstanding contracts are:

	Buy US Dollars US\$'000	Sell Australian Dollars \$'000
2005		
Maturity profile		
1 – 5 years	131,918	210,605
2004		
Maturity profile		
1 – 5 years	131,918	210,605

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated (Refer Note 28).

(iv) Market Risk

Market risk is the risk that the value of the Group's investment portfolio will fluctuate as a result of changes in market prices and interest rates. This risk is managed by ensuring that all activities are transacted in accordance with the overall investment strategy and within approved limits.

SDELP is subject to market risk relating to the oil products it requires for the asphalt of the South Bay Expressway. Two asphalt hedge contracts have been entered into during the period to mitigate this risk. The fair value of these hedge contracts is disclosed in Note 32(vi).

As these contracts are hedging anticipated future purchases, any unrealised gains and losses on the contracts, together with the cost of the contracts, are deferred and will be recognised in the measurement of the underlying transaction provided the underlying transaction is still expected to occur as originally designated.

(v) Liquidity and Cash Flow risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial assets. Cash flow risk is the risk that the future cash flows derived from holding financial assets will fluctuate. As set out in Note 1(d), the directors' valuations incorporate market value adjustments where there is liquidity risk to a particular market or counterparty.

(vi) Net Fair Values

■ Financial instruments recognised in the Statement of Financial Position

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of MIG approximates their carrying value.

The net fair value of other monetary financial assets and liabilities approximates their carrying value.

The net fair value of equity investments traded on organised markets and non-traded equity investments are brought to account as detailed in Note 1(d).

32 Additional Financial Instruments Disclosure (cont'd)

■ Financial instruments not recognised in the Statement of Financial Position

The aggregate net fair value of interest rate swaps held by AMT as at 30 June 2005 is a liability of \$2,775,090 (2004: \$31,777,996).

The aggregate net fair value of interest rate swaps held by MEL as at 30 June 2005 is a liability of \$29,526,311 (2004: \$3,396,097).

The aggregate net fair value of interest rate swaps held by SWR as at 30 June 2005 is a liability of \$219,398 (2004: nil).

The aggregate net fair value of interest rate swaps held by SDELP as at 30 June 2005 is an asset of \$7,577,949 (2004: \$27,370,430).

The aggregate net fair value of asphalt hedges held by SDELP as at 30 June 2005 is an asset of \$8,967,896 (2004: \$1,839,701).

The valuations of these transactions reflect the estimated amounts which AMT, MEL, SWR and SDELP expect to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at 30 June 2005. The valuations are based on independent market quotations and are determined using accepted valuation techniques.

33 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 MEL for construction liabilities amounting to £27.7 million (\$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 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 \$5 million in support of the entity's obligations.

■ South Bay Expressway

There are outstanding claims against SDELP for construction liabilities amounting to \$US40.5 million (\$53.1 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 a MIBL subsidiary in connection with the acquisition in 1999 of assets from Kvaerner plc. Legal advice is that the claim is unlikely to succeed. A provision of £0.1 million (\$0.3 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.

33 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 second and third instalments 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. Refer also to Note 30.

	As at 30 June 2005 \$'000	As at 30 June 2004 \$'000
2005 fee		
Second instalment	25,911	-
Third instalment	25,911	-
	<u>51,822</u>	-
2003 fee		
Third instalment	-	65,683
	<u>-</u>	<u>65,683</u>

The amounts included above are exclusive of GST and VAT.

34 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 interim 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 areas 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 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.

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For the Year Ended 30 June 2005

34 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				
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	e	(120,000)	-	(120,000)
Other liabilities		(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,e	(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)

34 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		3,192,485	(2,866,188)	326,297
Tolling revenue		242,420	-	242,420
Other revenue	a,e,d	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,e,f	(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 \$3,198,150,000, deferred income taxation liability would reduce by \$914,254,000, the asset revaluation reserve would reduce by \$2,314,474,000, outside equity interests would reduce by \$166,224,000, while the undistributed operating surplus would increase by \$196,803,000.

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

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

34 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 and AASB139 for the 30 June 2006 financial report. To the extent that these adjustments will 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 risk, 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 sees 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.

34 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 in 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 from 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 \$93,000 and decrease the undistributed operating surplus by \$93,000. There will be a reduction of \$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 \$116,176,000, and the liability for future payments to be made by MIG for use of the land of \$137,316,000 would have been de-recognised. A liability will be introduced for operating lease payment expenses of \$46,428,000 and the undistributed operating surplus reduces by \$25,289,000.

The 2005 result attributable to unitholders decreases by \$15,086,000, being an increase in foreign exchange gain of \$786,000, reduction in interest of \$11,283,000 and a reduction in amortisation of \$2,399,000 and an increased lease expense of \$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: Employee Benefits were to be adopted as at 30 June 2005, this would result in the recognition of a liability of \$2,964,000 and a reduction in the undistributed operating surplus of \$2,964,000. The 2005 result will see a reduced pension charge of \$117,000

g) Unitholders funds Classified as liabilities instead of equity

AASB132 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), the inability to vary the distribution of net income to unit holders 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 liabilities 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) unitholder's funds have not been classified as debt.

h) Statement of Cash Flows

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

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

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

AASB118: Revenue will require the proceeds and cost of sale of securities disposed to be applied against each other and disclosed as a gain or loss on sale.

35 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, \$72.0 million (24.2%) was reinvested in MIG.

■ 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.

Statement by the Directors of the Responsible Entity of the Trusts

In the directors' opinion:

The financial statements and notes set out on pages 8 to 59 are in accordance with the Corporations Act 2001, including:

- i) complying with Accounting Standards, the Trust constitutions of MIT(I) and MIT(II), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- ii) giving a true and fair view of Macquarie Infrastructure Group's financial position as at 30 June 2005 and of the Group's performance, as represented by the result of its operations and its cash flows, for the year ended on that date; and
- iii) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

This declaration is made in accordance with a resolution of the 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

Statement

In our opinion, the financial report of Macquarie Infrastructure Group:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Infrastructure Group (MIG) (defined below) as at 30 June 2005, and of its performance for the year ended on that date; and
- is presented in accordance with the Corporations Act 2001, Accounting Standards, the Trust Constitutions and other mandatory professional reporting requirements in Australia, and the Corporation Regulations 2001.

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

Scope

The financial report and directors' responsibility

At balance date, Macquarie Infrastructure Group (MIG) 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.

The financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for MIG, for the year ended 30 June 2005. The financial report has been prepared as if MIG is a disclosing entity required to comply with the Corporations Act 2001 and is an aggregation of the financial reports of MIT(I), MIT(II) and MIBL.

The directors of Macquarie Infrastructure Investment Management Limited, the Responsible Entity of MIT(I) and MIT(II), are responsible for the preparation and true and fair presentation of the financial report of MIG. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the 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 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 performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards, the Trust Constitutions and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of MIG's financial position, and of its performance as represented by the results of its operations and cash flows.

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

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

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

Independence

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



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney
24 August 2005