



Macquarie Infrastructure Group

**Macquarie Infrastructure Trust (II)
ARSN 092 863 548**

Financial Report 30 June 2006

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

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

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

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

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

MIIML, as responsible entity of the trusts comprised by MIG and MIM UK as the adviser to MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIGIL 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 equivalents to International Financial Reporting 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.

Financial Report

Year Ended 30 June 2006

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Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2006

Directors' Report

In respect of the year ended 30 June 2006, the directors of Macquarie Infrastructure Investment Management Limited (the Responsible Entity) submit the following report on the consolidated financial report of Macquarie Infrastructure Trust (II) (MIT(II)). UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, MIT(II) has been identified as the parent of the consolidated group comprising MIT(II) and its controlled entities, Macquarie Infrastructure Trust (I) (MIT(I)) and its controlled entities and Macquarie Infrastructure Group International Limited (MIGIL) and its controlled entities, together acting as Macquarie Infrastructure Group (MIG or the Group).

Principal Activities

The principal activity of MIG is investment in toll roads, bridges and tunnels. There were no significant changes in the nature of the Group's activities during the year.

Directors

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

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

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

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

Distributions

The total distribution for the year ended 30 June 2006 was 21.0000 cents per stapled security (2005: 77.5000 cents per stapled security). An interim distribution of 10.0000 cents per stapled security (2005: 63.7500 cents per stapled security) was paid on 14 February 2006. A final distribution of 11.0000 cents per stapled security (2005: 13.7500 cents per stapled security) was paid on 15 August 2006.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2006

Review and Results of Operations

This financial report is the first MIG annual financial report to be produced in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS). Comparative figures have been restated to AIFRS.

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

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000
Revenue and other income from continuing activities	1,056,604	1,381,799
Net profit attributable to MIG security holders*	424,727	772,640
	Cents	Cents
Basic earnings per stapled security after finance costs to security holders**	13.37	38.18
Diluted earnings per stapled security after finance costs to security holders**	14.09	37.37

* Before finance costs attributable to MIT(I) security holders. Refer note 1(d).

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

■ **Securitisation of Future Airport Motorway Group (AMG) Cash Flows**

On 8 July 2005, MIG introduced new credit facilities in relation to its 71.35% interest in AMG. The A\$150.0 million facilities, which terminate on 1 November 2009, are a securitisation of part of the expected future distributions from AMG and are provided to a funding trust wholly owned by MIT(I). MIG drew down on the facilities in full on 30 May 2006 and entered into interest rate swaps to hedge A\$120.0 million of the drawn amount. The fixed rate payable under the swaps is 6.24%.

■ **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\$1.6 billion (A\$2.2 billion) of new debt facilities to replace the existing facilities of \$US1.0 billion (A\$1.4 billion). The financing structure provided an immediate return of US\$168.2 million (A\$221.7 million) of cash to MIG.

■ **Investment in Dulles Greenway**

MIG reached financial close on its investment in the Dulles Greenway toll road in Virginia in September 2005. The concessionaire of Dulles Greenway is Toll Road Investors Partnership II, L.P. (TRIP II).

On 9 September 2005, MIG invested US\$531.7 million (A\$710.7 million) to acquire the General Partner, Shenandoah Greenway Corporation and to provide loans to Shenandoah Holdings LLC (SHLLC) and AEI Holdings LLC (AIEHLLC). SHLLC and AIEHLLC own a combined interest of 86.6% of TRIP II. Two-long dated call options are exercisable by a subsidiary of MIT(II) in respect of the issued shares in SHLLC and AIEHLLC.

On 29 September 2005, MIG acquired a further 13.3% interest in TRIP II from Kellogg, Brown and Root (KBR) for US\$84.5 million (A\$112.0 million) via MIG Investments 2 (US) LLC. Following the completion of the KBR acquisition, MIG held a 100% economic interest in Dulles Greenway.

■ **Institutional Placement**

On 1 September 2005, MIG raised A\$667.5 million, net of underwriting and transaction costs, from an institutional placement of 174.4 million MIG stapled securities at A\$3.87 to assist in the funding of MIG's investment in 86.6% of TRIP II and to acquire 100% of the General Partner, Shenandoah Greenway Corporation, which holds a further 0.01% interest in TRIP II.

■ **MIG Security Purchase Plan**

MIG allotted 26.7 million stapled securities to investors pursuant to the Security Purchase Plan offer dated 12 October 2005. The securities, issued at a price of A\$3.87 each, funded MIG's acquisition of KBR's 13.3% interest in TRIP II.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2006

■ **Reinvestment of Performance Fees**

On 12 September 2005 MIG issued a total of 21.9 million (2005: 1.9 million) new stapled securities which were issued at A\$4.19 (2005: \$3.27) each as a result of the Responsible Entity and Adviser of MIGIL electing to reinvest performance fees of A\$91.6 million (2005: A\$6.1 million) in MIG stapled securities.

■ **MIG ownership in Westlink M7**

At completion of construction of the Westlink M7 on 16 December 2005, there was a mandatory redemption of Construction phase Loan Notes with a face value of A\$392.0 million and a mandatory reinvestment for the same amount in Subordinated term Loan Notes (SLNs) issued by the Westlink Motorway Partnership. SLNs are debt instruments that accrue interest on a quarterly basis. Interest payments are only able to be made under the provisions of the Loan Note Subscription Agreement. Interest payments are not expected to be made during the first 21 months of operation of the Westlink M7. The interest rate applicable to the SLNs is 11.9% per annum.

On 16 December 2005, MIG exercised its fixed price option to acquire an additional 5.0% equity interest in Westlink M7 for A\$47.4 million. This interest was held by Abigroup Limited (2.5%) and Leighton Holdings Limited (2.5%).

Abigroup Limited and Leighton Holdings Limited now hold a total interest of 10.0% in Westlink M7, over which MIG and Transurban Group have pre-emptive rights. MIG now holds a 45.0% direct stake in Westlink M7.

■ **Change of name: Macquarie Infrastructure Bermuda Limited (MIBL) to Macquarie Infrastructure Group International Limited (MIGIL)**

At the MIBL AGM on 21 November 2005, MIG security holders approved the change of name of Macquarie Infrastructure Bermuda Limited (MIBL) to Macquarie Infrastructure Group International Limited (MIGIL). The Certificate of Incorporation on Change of Name was effected under section 10 of the Bermudian Companies Act 1981 by the Bermudian Registrar of Companies.

■ **Securitisation of future Interlink Roads and Statewide Roads Cash Flows**

On 20 December 2005, MIG introduced a new facility in relation to its investments in Interlink Roads (ILR) and Statewide Roads (SWR). The A\$125.0 million facility, which terminates on 31 December 2008, is a securitisation of part of the expected future distributions from ILR and SWR and is provided to a funding trust wholly owned by MIT(II). The facility is provided by Westpac Banking Corporation and the Commonwealth Bank of Australia. The facility was drawn to \$125.0 million on 31 May 2006. MIG entered into interest rate swaps to hedge 100% of the amount drawn. The fixed rate payable under the swaps is 6.22%.

On 16 June 2006 this facility was increased to \$155.0 million.

■ **Acquisition of APRR Road Network**

On 14 December 2005, the Government of France advised that the consortium comprising Eiffage SA, MIG and Macquarie European Infrastructure Fund (together the Consortium) had been selected as preferred bidder to acquire its 74.7% interest in Autoroutes Paris-Rhin-Rhône (APRR), subject to customary regulatory approvals, including European Commission consent. The Consortium acquired this stake on 20 February 2006 and MIG's equity contribution was €252.8 million (A\$409.4 million).

Under French law a company that acquires more than 33.3% of voting rights in a French listed company must make a takeover offer for the balance of the shares at the same price as the price offered to the majority shareholders. The Consortium made an offer for the remaining 25.3% shares in APRR. The price offered by the Consortium was €61.00 per share. On 13 April 2006, the Consortium closed its standing offer to minority shareholders and held 81.48% of APRR shares.

MIG has a 25% plus one share interest in the Consortium giving it an effective interest of 20.37% in APRR.

■ **Sale of Transurban Group (TCL) Securities**

On 10 March 2006, MIG sold its entire holding of 22,050,000 securities in TCL for A\$6.85 per security.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2006

■ **407 ETR**

On 31 March 2006, the 407ETR concession company reached settlement with the Province of Ontario regarding all existing disputes and litigation between the two parties. In particular the Province dismissed its pending appeals of the toll setting and base year disputes and accepted as final and binding all court and arbitration decisions to date.

■ **Indiana Toll Road**

On 13 April 2006, MIG and Cintra Concesiones de Infraestructuras de Transporte (Cintra) signed the Indiana Toll Road Concession and Lease Agreement for the 75 year lease of the Indiana Toll Road (ITR) with the Indiana Finance Authority.

The purchase price for the lease was US\$3.8 billion (A\$5.0 billion), with MIG's 50% equity commitment upon financial close being US\$374.0 million (A\$506.6 million). Financial close was achieved on 29 June 2006.

The ITR, which opened to traffic in 1956, is a 253 km (157 mile) long divided highway which runs the full length of northern Indiana. The ITR connects to the MIG-Cintra leased Skyway in the west and with the Ohio turnpike in the east.

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 that occurred during the year under review other than those disclosed in the Review and Results of Operations.

Events Occurring after Balance Sheet Date

■ **Demerger of Mature Australian Roads**

On 24 July 2006, MIG demerged its interests in the Eastern Distributor, M5 South-West Motorway and M4 Motorway. MIG's interests in the three roads were transferred to the newly established Sydney Roads Group (SRG). The demerger was effected through an in specie distribution of one SRG stapled security for every three MIG stapled securities and an IPO of SRG to raise A\$125.0 million of new capital.

■ **Refinance of M6 Toll**

On 23 August 2006, MIG completed the refinance of the M6 Toll debt facilities. This is expected to release GBP 393 million (A\$974.1 million) to MIG.

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

On 23 August 2006, MIG entered into an agreement with MIP to divest up to 50% of its interests in the Dulles Greenway, Indiana Toll Road, Skyway, South Bay Expressway. This is expected to occur prior to 31 December 2006.

A full description of these and other post balance date events is contained in Note 34 to the financial statements.

Likely Developments and Expected Results of Operations

Further information on likely developments in the operations of the Group and the expected results of those operations have not been included in this report because the directors of the Responsible Entity believe 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.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2006

Fees Paid to the Responsible Entity and Adviser

Fees paid to the Responsible Entity and Adviser out of MIG's property during the year are disclosed in Note 28 to the financial statements.

No fees were paid out of Group property to the directors of the Responsible Entity or the Adviser during the year.

Interests in the Group held by the Responsible Entity and its associates during the year are disclosed in Note 28 to the financial statements.

Interests in the Group Issued During the Financial Year

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

	Consolidated 2006 '000	Consolidated 2005 '000	Parent Entity 2006 '000	Parent Entity 2005 '000
Securities on issue at the beginning of the year	2,164,890	1,930,528	2,164,890	1,930,528
Securities issued during the year	310,609	234,362	310,609	234,362
Securities on issue at the end of the year	2,475,499	2,164,890	2,475,499	2,164,890

For further details please refer Note 23 to the financial statements.

Environmental Regulation

The following 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 required 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 EDAAW, an environmental consulting firm employed by the San Diego Expressway Limited Partnership. The environmental commitments are the subject of monthly review. There have been no significant breaches of the environmental legislation, commitments and undertakings.

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The Dulles Greenway was constructed under the terms of a comprehensive agreement with the Virginia Department of Transport and pursuant to the Virginia Highway Corporation Act 1988.

In 1991 Dewberry & Davis LLC (Dewberry) completed an Environmental Report for the Dulles Greenway. A FONSI (Finding of No Significant Impact) indicating an Environmental Impact Statement was not required, was issued by the Army Corps of Engineers in May 1991. The scope of the Environmental Report included construction of a four lane, limited access highway with 6 interchanges designed to accommodate two additional lanes and a rail transit line. Also included in the scope were provisions for two additional interchanges. The existing roadway and the ongoing improvements fall within this scope.

For the ongoing construction projects, Dewberry has and continues to acquire appropriate state (Section 401) and federal (Section 404) environmental permits for impacts to waters of the US including wetlands. These permits require offsite mitigation, which Shirley Contracting Company LLC is responsible for procuring. In addition, Dewberry acquires the Virginia Stormwater Management Program (VSMP) permit for each portion of the overall Dulles Greenway improvements project. Shirley Contracting Company LLC is responsible for onsite compliance with the VSMP permit.

There have been no significant breaches of any environmental legislation commitments and or undertakings.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the Corporations Act 2001, is set out on page 7.

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.

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



Mark RG Johnson

Sydney
23 August 2006



John SH Roberts

Sydney
23 August 2006

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Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Infrastructure Trust (II) for the year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

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

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



Mark Haberlin
Partner
PricewaterhouseCoopers

Sydney
23 August 2006

Financial Report

For the Year Ended 30 June 2006

Income Statements

	Note	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Revenue and other income from continuing activities					
Revenue from continuing activities		509,128	523,212	32,795	67,833
Other income from continuing activities		547,476	858,587	146,993	280,446
Total revenue and other income from continuing activities	2(i)	1,056,604	1,381,799	179,788	348,279
Operating expenses from continuing activities					
Financing costs excluding costs attributable to security holders*		330,550	295,953	1,442	872
Other operating expenses		397,401	439,104	35,893	45,708
Total operating expenses from continuing activities before finance costs attributable to security holders*	2(ii)	727,951	735,057	37,335	46,580
Net profit from continuing activities before income tax benefit and finance costs attributable to security holders*					
		328,653	646,742	142,453	301,699
Income tax benefit/(expense)	3	141,383	112,781	(26,236)	(49,485)
Net profit from continuing activities after income tax benefit and before finance costs attributable to security holders*		470,036	759,523	116,217	252,214
Finance costs attributable to MIT(l) unitholders*		107,356	-	-	-
Finance costs attributable to AMT unitholders *		19,607	-	-	-
Net profit from continuing activities after income tax benefit/(expense) and finance costs attributable to security holders		343,073	759,523	116,217	252,214
Net profit/(loss) attributable to:					
MIG security holders		317,371	772,640	116,217	252,214
Minority interest		25,702	(13,117)	-	-
		343,073	759,523	116,217	252,214
Earnings per security for net profit from continuing activities attributable to MIG security holders:					
Basic earnings per stapled security**	26	13.37	38.18		
Diluted earnings per stapled security**	26	14.09	37.37		

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

* Refer note 1(d)

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

Financial Report

For the Year Ended 30 June 2006

Balance Sheets

	Note	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current assets					
Cash and cash equivalents	6	1,201,734	1,262,921	294,647	182,777
Receivables	7	126,190	119,999	7,402	8,686
Prepayments	8	16,108	20,651	69	189
Other assets	9	3,350	2,511	-	-
Total current assets		1,347,382	1,406,082	302,118	191,652
Non-current assets					
Receivables	7	2,516	-	171,126	424,831
Prepayments	8	6,954	9,587	-	-
Investments in financial assets	11	6,430,226	4,556,059	2,388,696	1,706,823
Property, plant and equipment	14	3,025,654	2,365,751	-	-
Tolling concessions	15	1,858,967	662,422	-	-
Derivative financial instruments	10	44,273	-	-	-
Other assets	9	-	38,914	-	-
Total non-current assets		11,368,590	7,632,733	2,559,822	2,131,654
Total assets		12,715,972	9,038,815	2,861,940	2,323,306
Current liabilities					
Payables	16	214,380	275,759	18,746	33,159
Provisions	17	1,092	3,078	-	-
Interest-bearing financial liabilities	18	299,150	29,650	230,000	-
Derivative financial instruments	10	31,118	-	-	-
Distribution payable	19	272,306	297,673	-	-
Current tax liabilities	20	1,016	4,722	318	258
Total current liabilities		819,062	610,882	249,064	33,417
Non-current liabilities					
Payables	16	175,133	50,959	121,559	-
Provisions	17	2,781	3,548	-	-
Interest-bearing financial liabilities	18	4,671,033	2,846,607	-	-
Deferred tax liabilities	20	335,071	477,157	404,435	377,947
Concession notes	21	49,520	120,000	-	-
Derivative financial instruments	10	6,792	-	-	-
Other liabilities	22	-	37,288	-	-
Total non-current liabilities excluding AMT unitholder interests classified as debt		5,240,330	3,535,559	525,994	377,947
AMT units*		52,089	-	-	-
Total non-current liabilities		5,292,419	3,535,559	525,994	377,947
Total liabilities		6,111,481	4,146,441	775,058	411,364
Net assets		6,604,491	4,892,374	2,086,882	1,911,942
Equity					
MIG security holders' interest					
Contributed equity	23	4,770,026	3,595,768	1,449,986	1,150,714
Reserves	24	371,706	(40,815)	-	-
Retained profits	25	1,174,472	1,252,798	636,895	761,228
Total MIG security holders' interest		6,316,204	4,807,751	2,086,881	1,911,942
Minority interest in controlled entities		288,287	84,623	-	-
Total equity		6,604,491	4,892,374	2,086,882	1,911,942

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

* Refer to note 1(d)

Financial Report

For the Year Ended 30 June 2006

Statements of Changes in Equity

	Note	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Total equity at the beginning of the year		4,892,374	4,920,862	1,911,942	1,470,058
Adjustment to equity upon adoption of AASB 132 and AASB 139, net of tax*		(390,495)	-	-	-
Restated total equity at the beginning of the financial year		4,501,879	4,920,862	1,911,942	1,470,058
Transfer of net assets attributable to security holders from liabilities to equity*		535,037	-	-	-
Exchange differences on translation of foreign operations		426,578	(40,815)	-	-
Net profit for the year		343,073	759,523	116,217	252,214
Total recognised income and expense for the year		1,304,688	718,708	116,217	252,214
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs paid		1,103,968	811,938	299,272	215,129
Distributions provided for or paid to MIG security holders	5	(512,856)	(1,532,471)	(240,550)	(25,459)
Distributions provided for or paid to minority interest		(6,607)	(26,663)	-	-
Acquisition of further stake in a controlled entity		8,535	-	-	-
Minority interest contribution of equity		204,885	-	-	-
		797,925	(747,196)	58,722	189,670
Total equity at the end of the year		6,604,492	4,892,374	2,086,881	1,911,942
Total recognised income and expenses for the year is attributable to:					
MIG security holders		1,264,937	731,825	116,217	252,214
Minority interest		39,751	(13,117)	-	-
		1,304,688	718,708	116,217	252,214

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

* Refer note 1(d)

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For the Year Ended 30 June 2006

Cash Flow Statements

	Note	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Cash flows from operating activities					
Toll revenue received		359,358	274,625	-	-
Interest received		180,097	180,009	25,147	16,341
Interest paid		(68,560)	(63,016)	-	-
Net indirect taxes received/(paid)		(9,069)	(14,037)	-	1,452
Payments to suppliers and employees (inclusive of GST)		(109,672)	(92,007)	(8,248)	(9,756)
Responsible Entity and Adviser base fees paid		(112,027)	(85,056)	(23,346)	(19,906)
Responsible Entity and Adviser performance fees paid		(13,041)	(2,076)	(2,219)	(156)
Management and secondment fees received		41	50	41	-
Distributions and dividend income received		83,822	55,564	60,328	46,678
Income taxes (paid)/received		(18,619)	(19,828)	80	-
Other income received		14,589	11,762	-	55
Net cash flows from operating activities	27	306,919	245,990	51,783	34,708
Cash flows from investing activities					
Proceeds from repayment of interest bearing financial assets		-	4,239	-	-
Proceeds from sale of investments		-	1,842,874	-	403,907
Proceeds from exchange of Hills Motorway Group securities		-	3,750	-	-
Proceeds from sale of Transurban Group securities		151,043	-	-	-
Proceeds from return of capital from investments		221,775	1,636	10,698	-
Payment for purchase of controlled entity net of cash acquired		(606,977)	-	(96,506)	-
Payments for purchase of investments		(1,392,331)	(639,709)	(506,640)	(327,023)
Capital expenditure		(208,667)	(139,123)	-	-
Proceeds from sale of property, plant and equipment		19	35	-	-
Payment of loan advanced to investments and controlled entities		(2,516)	-	-	-
Proceeds from repayment of loans advanced to investments/controlled entities		8,602	-	-	-
Net cash flows from investing activities		(1,829,052)	1,073,702	(592,448)	76,884
Cash flows from financing activities					
Repayment of bank borrowings		(463,606)	(793,333)	-	273,557
Proceeds from bank borrowings		1,315,594	1,067,385	230,000	(487,157)
Borrowing costs paid		(139,969)	(167,946)	(1,281)	(1,943)
Net payment of interest to MIT(I)		-	-	(1,610)	-
Proceeds from repayment of loan to MIT(I)		-	-	423,294	-
Loan advanced to MIT(I)		-	-	(149,669)	-
Proceeds from repayment of loan to MIGIL		-	-	2,055	-
Loan advanced by M5 Holdings Funding Trust		-	-	121,577	-
Loan advanced to Sydney Roads Management Limited		-	-	(5,000)	-
Loan advanced to M5 Holding Pty Ltd		-	-	(500)	-
Distributions paid to MIG security holders		(538,222)	(1,307,195)	(240,550)	(66,112)
DRP proceeds received		306,469	805,854	71,475	190,471
Proceeds from issue of securities		784,307	-	207,723	-
Costs of raising capital		(8,112)	-	(2,121)	-
Contributed equity issued to minority interests		204,666	-	-	-
Distributions paid to minority interests		(20,742)	(32,800)	-	-
Net cash flows from financing activities		1,440,385	(428,035)	655,393	(91,184)
Net Increase in cash assets held		(81,748)	891,657	114,728	20,408
Cash and cash equivalents at the beginning of the year		1,262,921	417,735	182,777	167,219
Effects of exchange rate movements on cash and cash equivalents		20,561	(46,471)	(2,858)	(4,850)
Cash and equivalents assets at the end of the year	6, 27	1,201,734	1,262,921	294,647	182,777
Non cash financing and investing activities	27				

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

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For the Year Ended 30 June 2006

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 financial report.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

— **Compliance with International Financial Reporting Standards (IFRS)**

Australian Accounting Standards include AIFRS. Compliance with AIFRS ensures that the consolidated financial statements and notes of MIG comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132: *Financial Instruments: Presentation and Disclosure* (AASB132).

— **Application of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards**

This financial report is the first MIG financial report to be prepared in accordance with AIFRS. AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* (AASB1) has been applied in preparing these financial statements.

Financial statements of MIG until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the MIG financial report for the year ended 30 June 2006, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. The comparative figures are restated to reflect these adjustments.

MIG has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139: *Financial Instruments: Recognition and Measurement* (AASB 139) from 1 July 2005. MIG has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AIFRS on MIG's equity and net profit are given in Note 35.

— **Stapled security**

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

— **Historical cost convention**

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

— **Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The area involving a higher degree of judgement or complexity is related to investments in financial assets. Refer to Note 11(a) for sensitivities surrounding these.

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(b) Consolidated accounts and stapling arrangements

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

This financial report consists of the consolidated financial statements of MIT(II), which comprises MIT(II) and its controlled entities, MIT(I) and its controlled entities and MIGIL and its controlled entities, together acting as MIG.

In accordance with UIG 1013, consolidated financial statements have been prepared by MIT(II) as the identified parent of MIG and the combined financial report prepared for MIG at 30 June 2004 has been used for the purposes of applying AASB 1 at the date of transition to restate MIG's comparative information. The financial statements of MIT(II) should be read in conjunction with the separate consolidated financial statements of MIT(I) and MIGIL for the year ended 30 June 2006.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by MIT(II) at 30 June 2006, including those deemed to be controlled by MIT(II) by identifying it as the parent of MIG on transition to AIFRS, and the results of those controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MIT(I), MIT(II) or MIGIL.

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

(d) Group formation

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

On 20 September 2000, the investment of MIT(II) in Macquarie European Infrastructure plc (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 mutual fund company (incorporated in Bermuda), Macquarie Infrastructure Bermuda Limited (MIBL), above MEI, replacing MEI as the stapled company in the MIG stapled structure. Macquarie Investment Management (UK) Limited is the Adviser of this company.

On 21 November 2005, the change of name of MIBL to MIGIL was approved by MIG security holders.

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

Financial Report

For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(d) Group formation (cont'd)

Units in AMT are also to be classified as debt on 1 July 2005. Any amounts payable to MIG are eliminated on consolidation but amounts due to minority interests are presented on the balance sheet as amount due to AMT unitholders.

(e) Investments in financial assets

MIG has designated its investments in financial assets as financial assets at fair value through profit or loss. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139. Changes in the fair values of investments in financial assets, both positive and negative have been recognised in the Income Statement.

Investments have been brought to account by the Group as follows:

— *Interests in unlisted securities in companies and trusts*

Interests in unlisted companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow (DCF) analysis is the primary methodology applied in the valuation framework as it is the generally accepted methodology for valuing toll roads, bridges and tunnels and the basis upon which market participants have derived valuations for toll road, bridge and tunnel transactions.

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

The risk premiums applied to the DCF forecasts for MIG's interests in unlisted securities in companies and trusts are as follows: Eastern Distributor 3.0% (2005: 3.0%), M4 Motorway 2.5% (2005: 2.5%), M5 Motorway 2.50% (2005: 2.50%), M6 Toll 5.00% (2005: 5.50%), 407 ETR 4.00% (2005: 4.20%), Lusoponte 2.80% (2005: 3.09%), Rostock 6.5% (2005: 6.5%), Skyway 6.00% (2005: 6.50%), South Bay Expressway 7.5% (2005: 8.0%), Westlink M7 5.50% (2005: 7.00%), Dulles Greenway 7.5%, Indiana Toll Road 7.80% and APRR 18.00%.

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

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

— *Interests in listed securities in companies and trusts*

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

— *Interests in interest bearing debt securities*

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

— *Loans and receivables*

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

(f) Investments in associates and subsidiaries

Investments in associates have been accounted for at fair value through profit or loss in both the parent and consolidated entity accounts.

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(f) Investments in associates and subsidiaries(cont'd)

Investments in subsidiaries have been accounted for at fair value through profit or loss consistent with note 1(e) above in the parent entity accounts.

(g) Receivables

Receivables are initially recorded at their fair values and are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts on a review of all outstanding amounts at year end where there is objective evidence of impairment. Bad debts are written off in the period in which they are identified.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Intangible assets - tolling concessions

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

Tolling concessions have a finite useful life and are carried at cost which represents fair value on acquisition less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over their estimated useful lives.

(j) Property, plant and equipment

Property, plant and equipment includes leasehold improvements. Property, plant and equipment is recorded at cost, which represents fair value on acquisition.

— *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.

Regular purchases and sales of investments are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

— *Leasehold improvements*

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

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 operation of the road commences.

(k) 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.

— *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 life of plant and equipment is as follows:

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

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(k) Depreciation and amortisation of non-current assets (cont'd)

— *Leasehold improvements*

Amounts recorded as leasehold improvements relating to the M4 Motorway, Eastern Distributor, M6 Toll and Dulles Greenway 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, July 2048, January 2054 and February 2056 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 capitalised expenditures will be reassessed annually.

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 on a straight line basis over the life of each concession, expiring in February 2010 for the M4 Motorway, July 2048 for the Eastern Distributor, January 2054 for the M6 Toll and February 2056 for the Dulles Greenway.

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.

(l) Impairment of assets

The carrying amount of tolling concessions, leasehold improvements and property, plant and equipment is assessed periodically to determine whether there are indications of any impairment of the value beyond what is expressed in the amortisation or depreciation charges. If that is the case, an impairment charge is taken against the recoverable amount of the assets, if that is lower than the carrying amount.

The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets for which a reliable recoverable amount can be determined in an overall assessment.

(m) Prepayments

Prepayments recognised comprise costs incurred relating to the following financial year.

(n) Interest-bearing financial liabilities

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

(o) Concession notes

Concession notes representing non-interest bearing long-term debt have been issued to the Roads and Traffic Authority of NSW by Airport Motorway Limited as required under the terms of the Eastern Distributor Project Deed. The concession notes are issued annually in August and the value of the concession notes are included in other liabilities. Post commencement of operations, the expense has been recognised in the Income Statement.

Under AIFRS the financial liabilities of the Group are initially measured at fair value and will subsequently be measured at amortised cost. Previously under AGAAP, finance costs were recognised at face value with interest costs expensed in the period in which they were incurred. The amortised cost methodology requires finance and transaction costs to be recognised over the period of borrowing using the effective interest method.

Financial Report

For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(p) Financial instruments transaction costs

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139. Under previous AGAAP transaction costs were excluded from the amounts disclosed in the financial statements. Under AIFRS such costs are included in the carrying amounts, except for financial assets or liabilities that are measured at fair value through profit or loss.

(q) Payables/Other liabilities

Liabilities are recognised at fair value 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.

(r) 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.

(s) Revenue and other income recognition

Revaluation income represents changes in the fair value of investments in listed and unlisted securities and interest bearing debt securities and is brought to account as described in Note 1(e) above. 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.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of subsidies, goods and services tax (GST) and value added tax (VAT).

(t) Post Retirement Benefits

A subsidiary within the Group, Macquarie Infrastructure UK Limited (MIUK) operates a pension scheme providing benefits on final pensionable pay. A liability or asset in respect to the pension scheme is recognised on the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the pension scheme's assets at the date and any unrecognised past revenue cost. The pension scheme is not considered material to the Group so no further disclosure has been made.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employee's expected average remaining working lives. Past service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified time. In this case the past service costs are amortised on a straight line basis over this period.

(u) Income tax

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

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

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

Financial Report

For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(u) Income tax (cont'd)

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

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 all current tax balances and deferred tax assets only to the extent they related to tax losses. In addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances, income tax is allocated amongst the entities in the tax consolidated group on a separate taxpayer within group method.

Neither MIT(I) nor its controlled entities are liable for income tax under the Income Tax Assessment Acts, provided that their 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).

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

(v) Foreign currency translation

— *Functional and presentation currency*

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

— *Transactions and balances*

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

— *Group companies*

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

(w) Derivative financial instruments

The Group enters into interest rate swap agreements and forward foreign exchange contracts. In respect of such instruments, the Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. The Group has applied previous AGAAP in the comparative information on financial instruments within the scope of AASB 132 and AASB 139.

Financial Report

For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(w) Derivative financial instruments (cont'd)

— *The following sets out how derivatives are accounted for under previous AGAAP*

(i) Interest rate swaps

The net amount receivable or payable under interest rate swap agreements are progressively brought to account over the term to settlement. The amount recognised is accounted for as an adjustment to borrowing costs during the year and included in other debtors or creditors at each reporting date.

(ii) Forward foreign exchange contracts

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.

In the case of hedges of monetary items, exchange gains or losses are brought to account in the financial period in which the exchange rate changes. Gains or costs arising at the time of entering into such hedging transactions are brought to account in the Income Statement over the lives of the hedges.

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

The main adjustments required to comply with AASB 132 and AASB 139 are to measure derivatives on a fair value basis. At the date of transition (1 July 2005) changes in the carrying amounts of derivatives are taken to retained earnings or reserves, depending on whether the criteria for hedge accounting are satisfied at the transition date.

— **From 1 July 2005**

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or (2) hedges of highly probably forecast transactions (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(w) Derivative financial instruments (cont'd)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that are not designated as hedges or do not qualify for hedge accounting

Certain derivative instruments are not designated as hedges or do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that are not designated as hedges or do not qualify for hedge accounting are recognised immediately in the Income Statement.

— ***Fair value estimation***

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

(x) Earnings per stapled security

— ***Basic earnings per stapled security***

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

— ***Diluted earnings per stapled security***

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary stapled securities and the weighted average number of stapled securities assumed to have been issued for no consideration in relation to dilutive potential ordinary stapled securities.

(y) 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% of non-recovered GST on various services such as Responsible Entity fees and custodian fees. These expenses have been recognised in the Income Statement 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 Balance Sheet. Cash flows relating to GST and VAT are included in the Cash Flow Statement on a gross basis.

(z) Significant terms and conditions of investments

MIG's investment in the 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 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 Subordinated Term Loan Notes (SLNs) issued by the WestLink Motorway Partnership.

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(aa) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(bb) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisition of additional interests in an entity once control has been gained are accounted for using a purchased goodwill method. Any difference between the amount by which the minority interest is adjusted and the consideration paid is recognised as an increase in goodwill with any residual amount recognised directly in equity.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

(cc) Accounting Standards issued but not effective as at 30 June 2006

At 30 June 2006, Standards that have been issued but are not yet effective that are applicable to the consolidated entity are *AASB7: Financial Instruments: Disclosures* (AASB7) and consequential amendments made by AASB 2005-10 (applicable to annual reporting periods beginning on or after 1 January 2007) and AASB 2005-9, AASB 2004-3 and AASB 2006-1 (applicable to annual reporting periods beginning on or after 1 January 2006). The Group does not intend to adopt these prior to this date. These impact financial statement disclosure only.

(dd) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ee) Provisions

Provisions are recognised when: the group has present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

(ff) Comparative figures

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

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For the Year Ended 30 June 2006

1 Summary of Significant Accounting Policies (cont'd)

(gg) Rounding of amounts

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 financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Profit for the Year

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

(i) Revenue and other income from continuing activities

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Revenue from continuing activities				
Distribution and dividend income	-	55,932	-	45,827
Interest income:				
Related parties	1,043	29,346	7,176	11,715
Other persons and corporations	175,521	185,293	24,527	10,227
Toll revenue	320,466	242,420	-	-
Construction contract revenue	223	223	-	-
Rental income	4,078	3,159	-	-
Other revenue	7,797	6,839	1,092	64
Total revenue from continuing activities	509,128	523,212	32,795	67,833
Revaluation income from continuing activities				
Revaluation of interests in listed securities in companies and trusts	(7,608)	50,609	-	-
Revaluation of interests in unlisted securities in companies and trusts	424,643	785,935	145,090	301,598
Revaluation of interest bearing financial assets	68,675	73,476	-	-
Foreign exchange effect of revaluations	1,475	(64,596)	3,559	(13,150)
Total revaluation income from continuing activities	487,185	845,424	148,649	288,448
Other income from continuing activities				
Net gain on sale of investments and subsidiaries	-	55,726	-	(1,086)
Foreign exchange (loss)	(3,605)	(42,563)	(1,656)	(6,916)
Gains on derivative financial instruments	63,896	-	-	-
Total other income from continuing activities	60,291	13,163	(1,656)	(8,002)
Total revaluation and other income from continuing activities	547,476	858,587	146,993	280,446
Total revenue and revaluation and other income from continuing activities	1,056,604	1,381,799	179,788	348,279

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For the Year Ended 30 June 2006

2 Profit for the Year (cont'd)

(ii) Operating Expenses from Continuing Activities

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Financing costs				
Amortisation of capitalised borrowing costs	1,337	618	1,072	872
Interest expense	329,213	295,335	370	-
	330,550	295,953	1,442	872
Other operating expenses				
Amortisation of tolling concessions	65,036	44,435	-	-
Loss on derivative financial instruments	197	-	-	-
Depreciation:				
Buildings	1,137	1,171	-	-
Leasehold improvements	65,540	68,424	-	-
Motor vehicles	506	449	-	-
Plant and equipment	23,256	15,153	-	-
	90,439	85,197	-	-
Cost of operations:				
Concession notes – face value	15,000	15,000	-	-
Effective interest adjustment on concession notes	(6,843)	-	-	-
Employment costs	15,119	15,979	-	-
Operating expenses	54,225	39,945	-	-
Operating lease rentals	33,367	30,212	-	-
	110,868	101,136	-	-
Other operating expenses:				
Consulting and administration fees	8,113	4,742	1,263	151
Custodians' fees	408	424	292	233
Responsible entity's and adviser's base fees	97,962	83,283	21,182	20,555
Responsible entity's and adviser's performance fees	-	92,521	-	22,716
Option premium paid	-	4,764	-	-
Refinancing costs	-	8,252	-	-
Demerger transaction costs	10,912	-	10,912	-
Other expenses	13,466	14,350	2,244	2,053
	130,861	208,336	35,893	45,708
Total other operating expenses	397,401	439,104	35,893	45,708
Total operating expenses from continuing activities before finance costs attributable to security holders	727,951	735,057	37,335	46,580

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For the Year Ended 30 June 2006

3 Income Tax Expense

The income tax for the financial year differs from the amount calculated on the net profit from ordinary activities. The differences are reconciled as follows:

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
(a) Net profit from continuing activities before income tax expense and before finance costs attributable to security holders	328,653	646,742	142,453	301,699
Prima facie income tax on net profit from continuing activities at the Australian tax rate of 30% (2005 - 30%)	98,595	194,023	42,736	90,510
Tax effect of operating result of MIT(I) Group (refer Note 1(u))	(38,810)	(54,568)	-	-
Tax effect of operating result of TRIP II Partnership (refer note 1(u))	12,312	-	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-assessable income	(78,227)	(15,969)	-	-
Non-deductible tolling concession amortisation	19,024	31,980	-	-
Non-deductible depreciation	(6,842)	8,080	-	-
Non-deductible interest expense	36,243	31,715	-	-
Non-deductible expenditure	3,789	-	3,580	-
Non-deductible preference share security distributions	478	-	-	-
Rebateable dividends	(8,612)	(9,015)	(17,045)	(13,748)
Foreign exchange loss not liable to tax	1,134	30,179	3,209	(72)
Deferred tax asset not brought to account	57,159	35,655	-	-
Prior year tax losses utilised	(1,649)	-	(4,819)	9,239
Non-assessable gain on sale of investments	-	(5,342)	-	-
Reversal of deferred tax on revaluations of investments sold free of tax	-	(361,986)	-	(35,602)
Reversal of deferred tax on revaluation exempted from UK capital gains tax	(233,920)	-	-	-
Capital raising costs claimed	(1,067)	(1,067)	(1,067)	(1,067)
Sundry items	(713)	1,776	(106)	225
Income tax adjusted for permanent differences	(141,106)	(114,539)	26,488	49,485
(Over)/Under provision in prior year	(277)	1,758	(252)	-
Aggregate income tax (benefit)/expense	(141,383)	(112,781)	26,236	49,485

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For the Year Ended 30 June 2006

3 Income Tax Expense (cont'd)

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
(b) Income tax expense				
Aggregate income tax expense comprises:				
Current taxation provision	18,952	19,136	-	-
Deferred tax liability	(160,058)	(133,675)	26,488	49,485
Under provision in prior year	(277)	1,758	(252)	-
	(141,383)	(112,781)	26,236	49,485
Income tax expense is attributable to:				
Profit from continuing activities	(141,383)	(112,781)	26,236	49,485
Aggregate income tax expense	(141,383)	(112,781)	26,236	49,485
Deferred income tax (revenue)/expense included in income tax expense comprises:				
(Decrease)/increase in deferred tax liabilities	20	(160,058)	(133,675)	26,488
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	1,021,645	880,513	268,640	260,893
Potential tax benefit of unused tax losses	306,494	264,154	80,592	78,268

(a) AML tax losses

The deferred tax asset 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 \$76.7 million (2005: \$106.5 million).

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 \$133.0 million have been claimed from the opening of the Eastern Distributor until 30 June 2006 (2005: \$118.0 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 2006 of \$76.7 million (2005: \$106.5 million) reducing to the amount of \$nil (2005: \$2.0 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. No hearing of this appeal has yet taken place.

(b) Revision of estimate

Deferred tax liabilities have been recognised for all investment revaluation increments above investment cost for tax paying entities. An exemption from capital gains tax on disposal of certain entities exists in the UK, termed the Substantial Shareholding Exemption (SSE). The Group consider that as at 30 June 2006 it is probable that the SSE would be satisfied and that no tax would be likely to be payable in the event of disposals of Lusoponte and 407 ETR. Accordingly, the deferred tax liabilities recognised in connection with these assets has been reversed. The net effect in the current period is to increase the taxation benefit by \$234.0 million.

The amount of the effect of the application of the SSE is not disclosed for future years as the estimation of future revaluation increments above the investment cost of Lusoponte and 407 ETR is impracticable.

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For the Year Ended 30 June 2006

4 Remuneration of Auditors

	Consolidated 30 June 2006 \$	Consolidated 30 June 2005 \$	Parent Entity 30 June 2006 \$	Parent Entity 30 June 2005 \$
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit services	576,814	720,920	377,146	284,351
Other services				
Taxation compliance services	472,542	168,713	289,649	57,143
Trust compliance services	12,073	12,678	6,875	6,903
Investigating accountant services	87,444	-	87,444	-
	1,148,873	902,311	761,114	348,397
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:				
Audit Services	1,061,261	633,497	-	-
Other services				
Taxation compliance services	501,328	501,713	62,393	-
Other	182,534	-	-	-
	1,745,123	1,135,210	62,393	-
Amounts paid or payable to other auditors of controlled entities for:				
Audit services	72,314	63,300	3,399	-
Other services				
Other	17,961	89,334	17,961	81,934
	90,275	152,634	21,360	81,934

Of the amounts paid or payable to PricewaterhouseCoopers, \$156,180 (2005: \$198,827) related to the provision of services to San Diego Expressway LP, USA, \$250,209 related to the provision of services to Toll Road Investors Partnership II, L.P., USA, \$64,490 (2005: \$75,413) related to the provision of services to Airport Motorway Group, and \$1,276,340 (2005: \$1,015,356) to MIGIL and its controlled entities.

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For the Year Ended 30 June 2006

5 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Interim distribution paid for the half year ended 31 December	240,550	1,234,798	240,550	25,459
Final distribution proposed and subsequently payable for the year ended 30 June	272,306	297,673	-	-
	512,856	1,532,471	240,550	25,459
	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Interim distribution paid for the half year ended 31 December	10.0000	63.7500	10.0000	1.3144
Final distribution proposed and subsequently payable for the year ended 30 June	11.0000	13.7500	-	-
	21.0000	77.5000	10.0000	1.3144
Fully franked portion of interim distribution paid for the half year ended 31 December	1.8898	1.3144	1.8898	1.3144
Fully franked portion of final distribution proposed and subsequently payable for the year ended 30 June	-	-	-	-
	1.8898	1.3144	1.8898	1.3144

6 Cash and Cash Equivalents

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Cash at bank	249,451	82,962	29,902	304
Short term money market investments	952,283	1,179,959	264,745	182,473
	1,201,734	1,262,921	294,647	182,777

(a) Short term money market investment

The short term money market investments outstanding at year end mature within 60 days (2005: 60 days) and pay interest between 5.80% - 5.92% (2005: 5.43% - 5.79%) per annum.

The majority of the cash at bank balance is held in accounts earning money market rates of interest.

(b) Cash not available for use

Cash at bank includes cash that has restrictions on its use. Restricted cash includes amounts restricted for approved costs of construction on the M6 Toll, Midland Expressway Limited's debt service obligations, equity commitments to Warnowquerung GmbH & Co (Warnow Tunnel), and other blocked deposits following the restructure of MEI amounting to £55.8 million (\$138.8 million) (2005: £56.6 million (\$133.1 million)), US\$160.1 million (\$215.4 million) (2005: nil) in funds held in escrow relating to Dulles Greenway and A\$18.7 million in funds held in the AMG debt service and maintenance reserves.

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For the Year Ended 30 June 2006

7 Receivables

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Dividends and distributions receivable	-	3,969	-	-
GST and VAT recoverable	2,267	6,279	970	2,461
Interest receivable	106,449	96,131	-	-
Trade receivables	10,711	7,651	5,922	2,795
Provision for doubtful debts	(951)	(20)	-	-
Receivable from MEI/MIGIL	-	-	510	3,379
Other receivables	7,714	5,989	-	51
	126,190	119,999	7,402	8,686
Non-current				
Loan to MIT(I)	-	-	31	267,601
Loans to controlled entities	-	-	171,095	157,230
Loan to Transtoll	2,516	-	-	-
	2,516	-	171,126	424,831

Interest receivable includes interest of \$106.4 million (2005: \$96.1 million) on the AML infrastructure loan facility (refer Note 18(b)).

8 Prepayments

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Prepaid lease rentals	2,633	2,633	-	-
Prepaid expenses	13,475	18,018	69	189
	16,108	20,651	69	189
Non-current assets				
Prepaid lease rentals	6,954	9,587	-	-
	6,954	9,587	-	-

9 Other Assets

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Prepaid concession notes	3,020	2,014	-	-
Other	330	497	-	-
	3,350	2,511	-	-
Non-current				
Deferred foreign exchange contract loss	-	37,288	-	-
Capitalised debt issuance costs	-	1,626	-	-
	-	38,914	-	-

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For the Year Ended 30 June 2006

10 Derivative Financial Instruments

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Non-current assets				
Interest rate swap contracts	44,273	-	-	-
Current liabilities				
Forward FX contracts	31,118	-	-	-
Non-current liabilities				
Interest rate swap contracts	6,792	-	-	-

Transition to AASB 132 and AASB 139

The Group has taken the exemption available under AASB 1 to apply AASB 132 and AASB 139 from 1 July 2005. At the date of transition to these standards on 1 July 2005, adjustments to the Group and the Parent Entity are set out in notes 35(7)(a) and 35(8) respectively. The Group has entered into derivative contracts during the year.

Instruments used by the Group

At 30 June 2006, the Group is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 31).

(i) Interest rate swap contracts

Airport Motorway Trust (AMT), MEL, Statewide Roads Limited (SWR), San Diego Expressway L.P (SDELP), ED Funding Trust and M5 Funding Trust 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.

(a) AMT interest rate swap agreements

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. AMT has not sought hedge accounting treatment in respect of these contracts.

At 30 June 2006, the notional principal amounts and periods of expiry of AMT's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
1 – 5 years	386,625	386,625
	386,625	386,625

At balance date these contracts were assets with a fair value of \$4.7 million

(b) MEL interest rate swap agreements

MEL has entered into interest rate swap agreements to substitute a floating LIBOR rate obligation on its borrowings of 4.817% at 30 June 2006 with a fixed rate of 5.475%, settled monthly. The notional principal amount is £439.2 million (\$1,092.6 million) and the swap agreements terminate between December 2006 and December 2008. MEL has not sought hedge accounting treatment in respect of these contracts.

At 30 June 2006, the notional principal amounts and periods of expiry of MEL's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
1 – 5 years	1,092,600	1,034,100

At balance date these contracts were liabilities with a fair value of \$6.8 million

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For the Year Ended 30 June 2006

10 Derivative Financial Instruments (cont'd)

(c) SWR interest rate swap agreements

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. SWR has not sought hedge accounting treatment in respect of these contracts.

At 30 June 2006, the notional principal amounts and periods of expiry of SWR's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
1 - 5 years	60,000	50,000

At balance date these contracts were liabilities with a fair value of \$0.2 million

(d) SDELP interest rate swap agreements

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. These contracts do not qualify for hedge accounting under AIFRS.

At 30 June 2006, the notional principal amounts and periods of expiry of SDELP's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
5 - 10 years	480,285	244,580

At balance date these contracts were assets with a fair value of \$39.4 million.

(e) ED Funding Trust (EDFT) interest rate swap agreements

EDFT, a wholly owned subsidiary of MIT(I), entered into interest rate swap agreements to hedge \$120.0 million of the \$150.0 million drawn EDFT facility. See note 18(b). The contracts are settled semi-annually each year commencing on 29 September 2006 to the termination date of the facility on 1 November 2009. Under these swap contracts, MIG is obliged to pay interest at fixed rates at the rate of 6.235% per annum. EDFT has not sought hedge accounting treatment in respect of these contracts.

At 30 June 2006, the notional principal amounts and periods of expiry of EDFT's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
1 - 5 years	120,000	-

At balance date these contracts were liabilities with a fair value of \$0.04 million.

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10 Derivative Financial Instruments (cont'd)

(f) M5 Holdings Funding Trust (M5FT) interest rate swap agreements

M5FT, a wholly owned subsidiary of MIT(II), entered into interest rate swap agreements to hedge the full \$125.0 million drawn under the M5FT facility. See note 18(b). The contracts are settled semi-annually each year, commencing on the 29 September 2006 to the termination date of the facility on 31 December 2008. MIG is obliged to pay interest at fixed rates at the rate of 6.22% per annum. M5FT has not sought hedge accounting treatment in respect of these contracts.

At 30 June 2006, the notional principal amounts and periods of expiry of M5FT's interest rate swap contracts are:

	2006 \$'000	2005 \$'000
1 – 5 years	125,000	-

At balance date these contracts were liabilities with a fair value of \$0.07 million.

(ii) Forward foreign currency exchange contracts

In order to protect against exchange rate movements, the Group has entered into forward foreign exchange contracts to make equity contributions in relation to the South Bay Expressway. The Group has not sought hedge accounting treatment in respect of these contracts. The average contract rate is A\$1 = US\$0.6267.

At balance date, the details of the outstanding contracts are:

	Buy US Dollars US\$'000	Sell Australian Dollars \$'000
2006		
Maturity profile		
Less than 1 year	127,718	203,786
2005		
Maturity profile		
Less than 1 year	4,200	6,819
1 – 5 years	127,718	203,786

At balance date these contracts were liabilities with a fair value of \$31.1 million.

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For the Year Ended 30 June 2006

11 Investments in Financial Assets

(a) Consolidated

The table below summarises the movements in MIG's investment portfolio during the year ended 30 June 2006.

	Balance at 30 June 2005 \$'000	AIFRS transition adjustment \$'000	Investments \$'000	Income from investments Note (i) \$'000	Divestment/ repayments \$'000	FX effects Note (vii) \$'000	Revaluations Note (i) \$'000	Balance at 30 June 2006 \$'000
Interests in listed securities in companies and trusts								
Stapled securities in Transurban Group (Note ii)	156,059	7,993	-	(5,402)	(151,042)	-	(7,608)	-
	156,059	7,993	-	(5,402)	(151,042)	-	(7,608)	-
Interests in unlisted securities in companies and trusts								
Shares in Interlink Roads Pty Limited	540,783	-	-	(25,084)	-	-	44,365	560,064
Shares in Transtoll Pty Limited	10,343	-	-	-	-	-	(8,828)	1,515
Investments in Western Sydney Orbital Holding Company Pty Limited	-	-	-	-	-	-	103,793	103,793
Investment in 407 International Inc.	2,549,699	-	-	(48,229)	-	327,921	130,670	2,960,061
Shares in Lusoponte Concessionária para a Travessia do Tejo S.A.	236,633	-	-	(1,135)	(8,629)	16,048	(8,221)	234,696
Partnership interest in Warnowquering GmbH	-	-	-	-	-	-	-	-
Shares in Skyway Concession Company Holdings LLC Note (iii)	603,199	-	-	-	(221,729)	8,936	65,927	456,333
Investment in Financière Eiffarie SAS Note (iv)	-	-	409,363	-	-	28,486	96,937	534,786
Shares in Statewide Mobility Partners LLC Note (v)	-	-	506,640	-	-	(3,414)	-	503,226
	3,940,657	-	916,003	(74,448)	(230,358)	377,977	424,643	5,354,474
Interest bearing financial assets								
Investment in WestLink Construction phase Loan Notes Note (vi)	459,343	-	-	(13,194)	(459,343)	-	13,194	-
Investment in Westlink Subordinated term Loan Notes Note (vi)	-	-	506,693	-	-	-	55,481	562,174
Investment in Financière Eiffarie SAS Bonds Note (iv)	-	-	686,500	-	(210,171)	37,249	-	513,578
	459,343	-	1,193,193	(13,194)	(669,514)	37,249	68,675	1,075,752
Total investments	4,556,059	7,993	2,109,196	(93,044)	(1,050,914)	415,226	485,710	6,430,226

At 30 June 2006, the value of MIG's investments in financial assets is \$6,430.2 million. The value of these investments, which are unlisted, have been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specific risk premiums as outlined in Note 1(e). If the risk premiums applied were 0.5% lower/higher, the value of MIG's investments in financial assets would increase/decrease by \$855.1 million/\$1,014.3 million respectively. If the traffic levels of the investments were 5% higher/lower, the value of MIG's investments in financial assets would increase/decrease by \$932.7 million/\$669.5 million respectively.

Notes

(i) Income from investments

Income from the investments are credited directly against the investment when received.

(ii) Sale of Transurban Group Securities

On 10 March 2006, MIG sold its entire holding of 22,050,000 securities in Transurban Group for \$6.85 per security.

(iii) 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\$1.6 billion (\$2.2 billion) of new debt facilities to replace the existing facilities of US\$1.0 billion (\$1.4 billion). The refinancing structure provided an immediate return of US\$168.2 million (\$221.7 million) of cash to MIG.

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For the Year Ended 30 June 2006

11 Investments in financial assets (cont'd)

(iv) Acquisition of APRR Road Network

On the 14 December 2005, the Government of France advised that the consortium comprising Eiffage SA, MIG and Macquarie European Infrastructure Fund (together the Consortium) had been selected as preferred bidder to acquire its 74.7% interest in Autoroutes Paris-Rhin-Rhône (APRR), subject to customary regulatory approvals, including European Commission consent. The Consortium acquired this stake on 20 February 2006 and MIG's equity contribution was €252.8 million (\$409.4 million).

Under French law a company that acquires more than 33.3% of voting rights in a French listed company must make a takeover offer for the balance of the shares at the same price as the price offered to the majority shareholders, in this case the Consortium made an offer for the remaining 25.3% shares in APRR. The price offered by the Consortium was €61.00 per share. On 13 April 2006, the Consortium closed its standing offer to minority shareholders and held 81.48% of APRR shares.

MIG has a 25% plus one share interest in Financiere Eiffarie, the Consortium vehicle, giving it an effective interest of 20.37% in APRR.

As part of the acquisition a subsidiary of MIGIL has subscribed for interest bearing bonds. These bonds bear interest at a fixed margin above the libor rate and have a term of 27 years expiring in 2033. These bonds are designated as financial assets at a fair value through profit or loss.

(v) Indiana Toll Road

On 13 April 2006 ITR Concession Company LLC, the bid vehicle for the Statewide Mobility Partners consortium comprising MIG and Cintra, signed the Indiana Toll Road Concession and Lease Agreement for the 75 year lease of the Indiana Toll Road with the Indiana Finance Authority.

The purchase price for the lease is US\$3.8 billion (\$5.1 billion), with MIG's 50% equity commitment upon financial close being US\$374.0 million (\$506.6 million). Financial close was achieved on 29 June 2006.

(vi) MIG's investment in Westlink M7 stapled securities

At completion of construction of the Westlink M7 on 16 December 2005, there was a mandatory redemption of Construction phase Loan Notes (CLNs) of \$392.0 million and mandatory reinvestment for the same amount in Subordinated term Loan Notes (SLNs) issued by the Westlink Motorway Partnership. SLNs are debt instruments that accrue interest on a quarterly basis. Interest payments are only able to be made under the provisions of the Loan Note Subscription Agreement. Interest payments are not expected to be made during the first 21 months of operation of the Westlink M7. The interest rate applicable to the SLNs is 11.9% per annum.

On 16 December 2005, MIG exercised its fixed price option to acquire an additional 5.0% equity interest in Westlink M7. This interest was held by Abigroup Limited (2.5%) and Leighton Holdings Limited (2.5%). As part of the transaction, MIG acquired LMI Westlink Partner Holding No 3 Pty Ltd, LMI Westlink Partner No 3 Pty, LMI WSO Holdings No 3 Pty Ltd, Abigroup Westlink Partner Holding No 3 Pty Ltd, Abigroup Westlink Partner No 3 Pty Limited and Abigroup WSO Holding No 3 Pty Ltd for nominal consideration. LMI Westlink Partner No 3 Pty Limited and Abigroup Westlink Partner No 3 Pty Limited were each obliged to subscribe for \$23.7 million (combined \$47.4 million) of SLN's. This was contributed on 16 December 2005.

Abigroup Limited and Leighton Holdings Limited now hold a total interest of 10.0% in Westlink M7, over which MIG and Transurban Group have pre-emptive rights. MIG now holds a 45.0% direct stake.

(vii) Foreign Exchange (FX) effects

Where an investment in a toll road company is held by a group entity that has a different functional currency as the asset, FX effects resulting from translation of the group entity's assets and liabilities and are taken to the Foreign Currency Translation Reserve. Where an investment in a toll road company is held by a group entity that has the same functional currency as that of the asset, FX effects resulting from translation of the investment in the books of the group entity are taken through the Income Statement. On the \$415.2 million foreign exchange relating to investments in financial assets, \$1.5 million was credited to the Income Statement and \$413.7 million was taken to the Foreign Currency Translation Reserve.

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11 Investments in financial assets (cont'd)

(b) Parent Entity

	Balance at 30 June 2005	Investments/ (divestments)	Income from investments Note (i)	FX effects	Revaluations	Balance at 30 June 2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies and trusts						
Shares in MIT(II) Holdings Pty Limited	28	-	-	-	-	28
Investment in Macquarie Infrastructure US Pty Limited	216,987	-	-	3,969	(27,709)	193,247
Shares in MIG Investments Australia Pty Limited (Skyway) Note (ii), (iii)	369,749	497,030	-	140	60,581	927,500
Shares in Macquarie Infrastructure Australia Pty Limited (Dulles)	-	96,506	-	(550)	58,923	154,879
Shares in M5 Holdings Pty Limited	475,533	16	(60,328)	-	51,992	467,213
Shares in Airport Motorway Holdings Pty Limited	644,526	-	-	-	(102,490)	542,036
Shares in Western Sydney Orbital Holding Company Pty Limited (Westlink) Note (iv)	-	-	-	-	103,793	103,793
Total investments	1,706,823	593,552	(60,328)	3,559	145,090	2,388,696

* Investments in wholly owned subsidiaries

Investments in wholly owned subsidiaries with a value of less than \$1,000 have been excluded from the list. These are included on the full list of subsidiaries (refer note 12).

Notes

(i) Distributions received

Refer note 11(a)(i).

(ii) Refinancing of Skyway

Refer note 11(a)(iii).

(iii) Indiana Toll Road

Refer note 11(a)(v).

(iv) Westlink M7 Stapled securities

On 16 December 2005, MIT(II) exercised its fixed price option to acquire an additional 5.0% equity interest in Westlink M7. This interest was held by LMI WSO Holding No. 3 Pty Limited and Abigroup WSO Holding No. 3 Pty Limited for normal consideration. The equity investment held by MIT(II) was revalued to \$103.8 million in the period.

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For the Year Ended 30 June 2006

12 Subsidiaries

Name of controlled entity	Country of incorporation	2006 ownership %	2005 ownership %
Abigroup Westlink Partner Holding No. 3 Pty Limited	Australia	100.0	-
Abigroup Westlink Partner No. 3 Pty Limited	Australia	100.0	-
Abigroup WSO Holding No. 3 Pty Limited	Australia	100.0	-
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 (in liquidation)	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 (in liquidation)	Australia	100.0	100.0
Devome Pty Limited	Australia	75.0	75.0
ED Funding Trust	Australia	100.0	-
European Transport Investments (UK) Limited	UK	100.0	100.0
European Transport Investments Pty Limited	Australia	100.0	100.0
Focufu Pty Limited (in liquidation)	Australia	100.0	100.0
ISI Nominees Pty Limited (in liquidation)	Australia	100.0	100.0
LH Nominees Pty Limited (in liquidation)	Australia	100.0	100.0
LMI Westlink Partner Holding No 3 Pty Limited	Australia	100.0	-
LMI Westlink Partner No 3 Pty Limited	Australia	100.0	-
LMI WSO Holding No 3 Pty Limited	Australia	100.0	-
Lodavas Pty Limited (previously M4 Holdings Pty Limited) (in liquidation)	Australia	100.0	100.0
Lodco Pty Limited (in liquidation)	Australia	100.0	100.0
M4 Holdings No. 1 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 LBJ Holdings LLC	USA	100.0	-
Macquarie Nova Holdings LLC	USA	100.0	-
Macquarie 1604 Holdings Pty Limited	USA	100.0	-
Macquarie 1604 Partnership LP	USA	100.0	-
Macquarie 1604 ML Holdings LLC	USA	100.0	-
Macquarie 1604 ML Inc	USA	100.0	-
Macquarie 635 Holdings Pty Limited	USA	100.0	-
Macquarie 635 ML Holdings LLC	USA	100.0	-
Macquarie 635 Partnership LP	USA	100.0	-
Macquarie 635 ML Inc	USA	100.0	-
Macquarie European Infrastructure Limited	UK	100.0	100.0
Macquarie Infrastructure Australia Pty Limited	Australia	100.0	-
MIG Chicago Holdings LLC	USA	100.0	100.0
MIG Holdings (US) LLC	USA	100.0	-
MIG Investments 2 (US) LLC	USA	100.0	-
MIG Investments 3 (US) LLC	USA	100.0	-
Shenandoah Greenway Corporation	USA	100.0	-
Toll Road Investors Partnership II LP***	USA	13.4	-
Macquarie Autoroutes de France SA	France	50.0	-
Macquarie Green Bermudian Holdings Limited	Bermuda	100.0	-
Macquarie Infrastructure (Luxembourg) SA	Luxembourg	100.0	100.0
Macquarie Infrastructure (Toll Route) SA	Luxembourg	100.0	100.0
Macquarie Infrastructure (UK) Limited (MIUK)	UK	100.0	100.0
Macquarie Infrastructure Australia Pty Limited	Australia	100.0	100.0
Macquarie Infrastructure Canada Inc	Canada	100.0	100.0
Macquarie Infrastructure (Club) Limited****	UK	-	100.0

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For the Year Ended 30 June 2006

12 Subsidiaries (cont'd)

Name of controlled entity	Country of incorporation	2006 ownership %	2005 ownership %
Macquarie Infrastructure TR Limited****	UK	-	100.0
Macquarie Infrastructure TR2 Limited****	UK	-	100.0
Macquarie Infrastructure US Pty Limited	Australia	100.0	100.0
Macquarie Midland Holdings Limited (MMHL)	UK	100.0	100.0
Macquarie Texas Holdings Pty Limited	USA	100.0	-
Macquarie Holdings (Texas) LLC	USA	100.0	-
Macquarie 121 Holdings LLC	USA	100.0	-
Macquarie 121 Partnership LP	USA	100.0	-
Macquarie 121 Tollroad Inc*	USA	100.0	-
MEIL Holdings Pty Limited	Australia	100.0	100.0
MIBL Finance Luxembourg SarL	Luxembourg	100.0	100.0
Midland Expressway Limited (MEL)	UK	100.0	100.0
MIG - Western Sydney Orbital Holding Company Pty Limited	Australia	100.0	100.0
MIG Chicago Holdings LLC	USA	100.0	100.0
MAF France Sarl	Luxembourg	50.2	-
MIG Indiana Holdings LLC	USA	100.0	-
MIG Indiana LLC	USA	100.0	-
MIG Investments Australia Pty Limited	Australia	100.0	100.0
MIG Investments Limited	Bermuda	100.0	-
MIG Holdings Limited	Bermuda	100.0	-
Millba Pty Limited (in liquidation)	Australia	100.0	100.0
MIT(II) Holdings Pty Limited	Australia	100.0	100.0
Newberg Dundee Concession Company LLC	USA	100.0	-
San Diego Expressway Limited Partnership (SDELP)	USA	100.0	100.0
South 1-205 Concession Company LLC	USA	100.0	-
Statewide Environmental Pty Limited	Australia	50.6	50.6
Statewide Rail Pty Limited ****	Australia	-	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
Sunrise Concession Company LLC	USA	100.0	-
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
Sydney Roads Trust	Australia	100.0	-
Sydney Roads Management Limited	Australia	100.0	-
Sydney Roads Limited	Australia	100.0	-
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

* 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 fair value.

** MIG controls AFM through its controlled stake in SWR.

*** Economic interest is 100%

**** Deregistered

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13 Investments in Associates

Name of associate	Principal activity	Balance date	2006 ownership %	2005 ownership %
407 International Inc. (incorporated in Canada)	Toll road operator	31 Dec	30.0	30.0
407 ETR Concession Company Limited (incorporated in Canada)	Toll road operator	31 Dec	30.0	30.0
Gestiponte-Operação e Manutenção das Travessias do Tejo SA (incorporated in Portugal)	Investment in toll bridges	31 Dec	30.6	30.6
Interlink Roads Pty Limited (Interlink)	Investment in toll road	30 Jun	50.0	50.0
Lusoponte Concessionária para a Travessia do Tejo SA (incorporated in Portugal)	Holding company	31 Dec	30.6	30.6
Financierè Eiffarie SAS (incorporated in France)	Holding company	31 Dec	25.0	-
Eiffarie SAS (incorporated in France)	Investment in toll road network	31 Dec	25.0	-
Autoroutes Paris-Rhin-Rhône (incorporated in France) and its subsidiaries	Toll road network operator	31 Dec	20.4	-
Skyway Concession Company Holdings LLC (incorporated in USA)	Holding company	31 Dec	45.0	45.0
Skyway Concession Company LLC (incorporated in USA)	Toll road operator	31 Dec	45.0	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
Statewide Mobility Partners LLC (incorporated in USA)	Holding company	30 Jun	50.0	-
ITR concession Company Holdings LLC (incorporated in USA)	Investment in toll road	30 Jun	50.0	-
ITR Concession Company LLC (incorporated in USA)	Toll road operator	30 Jun	50.0	-
WestLink Motorway Limited	Nominee for partnership	30 Jun	45.0	40.0
WestLink Motorway Partnership	Investment in and construction of toll road	30 Jun	45.0	40.0
WSO Co. Pty Limited	Toll road operator	30 Jun	45.0	40.0
WSO Finance Pty Limited	Finance company	30 Jun	45.0	40.0

* A subsidiary of MIGIL, 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.

The above associates are measured at fair value in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*, as the changes in fair value are recognised in the Income Statement in the financial year in which the changes occur. Refer also to Note 1(e).

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14 Property, Plant and Equipment

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Plant and equipment, at cost	633,280	101,429	-	-
Less: accumulated depreciation	(186,053)	(29,704)	-	-
	447,227	71,725	-	-
Buildings, at cost	58,112	54,941	-	-
Less: accumulated depreciation	(3,401)	(2,176)	-	-
	54,711	52,765	-	-
Leasehold improvements, at cost	2,859,937	2,511,208	-	-
Less: accumulated depreciation	(337,695)	(271,460)	-	-
	2,522,242	2,239,748	-	-
Motor vehicles, at cost	3,063	2,281	-	-
Less: accumulated depreciation	(1,589)	(768)	-	-
	1,474	1,513	-	-
	3,025,654	2,365,751	-	-

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.

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Property, plant and equipment				
Carrying amount at beginning of year	71,818	84,204	-	-
Additions	395,062	2,688	-	-
Disposals	(1)	(8)	-	-
Depreciation/amortisation expense	(23,256)	(15,153)	-	-
Foreign currency exchange differences*	3,604	87	-	-
Carrying amount at end of year	447,227	71,725	-	-
Buildings				
Carrying amount at beginning of year	52,765	53,491	-	-
Additions	164	437	-	-
Depreciation/amortisation expense	(1,137)	(1,171)	-	-
Foreign currency exchange differences*	2,919	8	-	-
Carrying amount at end of year	54,711	52,765	-	-

* Foreign currency exchange gains and losses (relating to leasehold improvements held by 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 \$17.1 million (2005: \$16.9 million). Assets in the course of construction amount to \$547.7 million (2005: \$369.5 million)

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For the Year Ended 30 June 2006

14 Property, Plant and Equipment (cont'd)

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Leasehold improvements				
Carrying amount at beginning of year	2,239,748	2,196,123	-	-
Additions	261,351	111,671	-	-
Depreciation/amortisation expense	(65,540)	(68,424)	-	-
Foreign currency exchange differences*	86,683	378	-	-
Carrying amount at end of year	2,522,242	2,239,748	-	-
Motor Vehicles				
Carrying amount at beginning of year	1,513	1,795	-	-
Additions	417	187	-	-
Disposals	(27)	(21)	-	-
Depreciation/amortisation expense	(506)	(449)	-	-
Foreign currency exchange differences*	77	1	-	-
Carrying amount at end of year	1,474	1,513	-	-

* Foreign currency exchange gains and losses (relating to leasehold improvements held by 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 \$17.1 million (2005: \$16.9 million). Assets in the course of construction amount to \$547.7 million (2005: \$369.5 million)

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15 Tolling Concessions

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Eastern Distributor	348,208	356,480	-	-
M4 Motorway	121,678	155,172	-	-
M6 Toll	131,050	126,592	-	-
South Bay Expressway	24,760	24,178	-	-
Dulles Greenway	1,233,271	-	-	-
	1,858,967	662,422	-	-

Tolling concessions are amortised over the remaining life of each concession, expiring in February 2010 for the M4 Motorway, July 2048 for the Eastern Distributor, January 2054 for the M6 Toll and February 2056 for the Dulles Greenway. (Refer note 2(ii)).

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.

Consolidated	Eastern Distributor \$'000	M4 Motorway \$'000	M6 Toll \$'000	South Bay Expressway \$'000	Dulles Greenway \$'000	Total \$'000
At 1 July 2005	356,480	155,172	126,592	24,178	-	662,422
Amortisation for the year	(8,272)	(33,494)	(2,668)	-	(20,602)	(65,036)
Acquisition of asset	-	-	-	-	1,245,751	1,245,751
Exchange differences	-	-	7,126	582	8,122	15,830
Carrying value at 30 June 2006	348,208	121,678	131,050	24,760	1,233,271	1,858,967
At 30 June 2006						
Cost	393,964	306,857	137,946	24,760	1,253,873	2,117,400
Accumulated amortisation	(45,756)	(185,179)	(6,896)	-	(20,602)	(258,433)
Net carrying amount	348,208	121,678	131,050	24,760	1,233,271	1,858,967

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16 Payables

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Deferred construction contract revenue	223	254	-	-
Distributions payable to minority interests	36,280	33,236	-	-
GST payable	4,874	5,316	2	-
Interest payable	82,231	75,545	-	-
Responsible Entity's and Advisor's base fees payable	23,690	24,302	5,646	6,298
Responsible Entity's and Advisor's performance fees payable	-	95,299	-	24,378
Sundry creditors and accruals	35,088	20,237	13,098	2,483
Trade creditors	31,139	21,570	-	-
Easement liability	673	-	-	-
Lease payable	182	-	-	-
	214,380	275,759	18,746	33,159
Non-Current				
Loan from Interlink	3,605	4,531	-	-
Lease payable	83,941	46,428	-	-
Loan from M5FT	-	-	121,559	-
Easement liability	5,918	-	-	-
Deferred consideration Dulles Greenway (refer note 30)	81,669	-	-	-
	175,133	50,959	121,559	-

The loans from Interlink Roads (ILR) of \$3.6 million and M5 Holdings Funding Trust (M5FT) of \$121.6 million are non-interest bearing.

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For the Year Ended 30 June 2006

17 Provisions

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Employee entitlements	1,092	941	-	-
Other provisions	-	2,137	-	-
	1,092	3,078	-	-
Non-Current				
Employee entitlements	53	130	-	-
Other provisions	2,728	3,418	-	-
	2,781	3,548	-	-
The aggregate employee entitlements liability comprises:				
Current provisions	1,092	941	-	-
Non-current provisions	53	130	-	-
	1,145	1,071	-	-

Movement in provisions

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

	Other \$'000	Commitment for equity \$'000	Pension \$'000	Total \$'000
Consolidated – 2006				
Carrying amount at the start of the year	699	1,899	2,957	5,555
Additional provisions recognised	137	-	-	137
Provision released	-	(1,899)	-	(1,899)
Utilisation of provision	(604)	-	(461)	(1,065)
Carrying amount at the end of the year	232	-	2,496	2,728

The average number of employees during the year was 246 (2005: 231).

No significant uncertainty exists over the current provisions.

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For the Year Ended 30 June 2006

18 Interest-Bearing Financial Liabilities

	Notes	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current					
Non-recourse loans	b	69,150	29,650	-	-
Multi-option facility	a	230,000	-	230,000	-
		299,150	29,650	230,000	-
Non-current					
Non-recourse loans	b	4,174,370	2,393,028	-	-
Reset convertible notes (ReCNs)	c	496,663	453,359	-	-
Finance lease payable		-	220	-	-
		4,671,033	2,846,607	-	-

(a) Credit facilities available to the Group

■ **MIG**

MIG has a multi-option debt facility with Westpac Banking Corporation and the Commonwealth Bank of Australia for a total amount of \$500.0 million (2005: \$300.0 million). At 30 June 2006, \$230.0 million was drawn under the facility. The facility attracts interest at BBSW plus a margin of 0.55% per annum. The facility terminates on 1 November 2007.

Line fees and establishment fees of \$4.8 million (2005: \$2.7 million) were incurred in relation to the facility during the year.

(b) Non-recourse loans

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

■ **ED Funding Trust (EDFT)**

On 8 July 2005, MIG introduced a new credit facility in relation to MIG's 71.35% interest in AMG. The \$150.0 million (2005: nil) facility is a securitisation of part of the expected future distributions from AMG and is provided to EDFT, a funding trust wholly owned by MIT(I). The facility is provided by Westpac Banking Corporation and the Commonwealth Bank of Australia. At 30 June 2006, this facility was fully drawn.

The facility has a term of 4.3 years with a 100.0% bullet repayment on 1 November 2009 or can be repaid earlier without penalty. The facility carries a margin of between 0.7% and 1.5% on a sliding scale depending on interest coverage ratios. MIG has entered into interest rate swap agreements to hedge \$120.0 million of the \$150.0 million drawn facility. The contracts are settled semi-annually each year commencing on 29 September 2006 to the termination date of the facility on 1 November 2009. Under the swap agreements, MIG is obliged to pay interest at fixed rates at a rate of 6.24% per annum.

■ **M5 Holdings Funding Trust (M5FT)**

On 20 December 2005, MIG introduced a new facility in relation to its investment in Interlink Roads (ILR) and Statewide Roads (SWR). The \$125.0 million (2005: nil) facility, which terminates on 31 December 2008, is a securitisation of part of the expected future distributions from ILR and SWR and is provided to a funding trust wholly owned by MIT(II). The facility is provided by Westpac Banking Corporation and the Commonwealth Bank of Australia. The facility was drawn down to \$125.0 million on 31 May 2006.

On 16 June 2006 this facility increased to \$155.0 million.

The facilities have a term of 3 years with a 100% bullet repayment on 31 December 2008 or can be repaid earlier without penalty. The facilities carry a margin of between 0.65% and 1.45% on a sliding scale depending on interest coverage ratios. MIG has entered into interest rate swap agreements to hedge \$125.0 million of the \$125.0 million drawn facility. The contracts are settled semi-annually each year commencing on 29 September 2006 to the termination date of the facility on 31 December 2008. Under the swap agreements, MIG is obliged to pay interest at fixed rates at a rate of 6.22% per annum.

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For the Year Ended 30 June 2006

18 Interest-Bearing Financial Liabilities (cont'd)

(b) Non-recourse loans (cont'd)

■ *Airport Motorway Group*

A term debt facility of \$515.5 million (2005: \$515.5 million) is provided by Westpac Banking Corporation to AMT. Interest is payable in arrears and accrues at BBSW 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 2006. These project related liabilities are non-recourse to the Group.

A \$556.0 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 \$847.7 million (2005: \$779.1). The facility will be repaid with proceeds from the Deposit Account in August 2011. The facility was fully drawn at 30 June 2006.

A legal right of set-off exists in respect of the specific cash deposit of \$847.7 million (2005: \$779.1 million), representing collateralisation of liabilities under the infrastructure loan facility.

■ *Statewide Roads Limited and Controlled Entities*

SWR and its controlled entities have a fully utilised facility agreement with the Commonwealth Bank of Australia for \$79.7 million (2005: \$108.9 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% (2005: 0.6%) per annum of the facility are payable quarterly. These projects 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 £685.0 million (\$1,863.2 million). At 30 June 2006, £619.9 million (\$1,542.2 million) (2005 £619.9 million (\$1,456.8 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.

■ *San Diego Expressway Limited Partnership (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 2006, US\$277.6 million (\$373.5 million) (2005: US\$195.1 million (\$256.3 million)) of the construction loan had been drawn down.

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\$109.0 million (\$146.7 million) (2005: US\$62.7 million (\$83.4 million)). The TIFIA loan commitment is for US\$140 million plus capitalised interest. The TIFIA loan bears interest at 4.46% (2005: 4.46%) per annum.

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For the Year Ended 30 June 2006

18 Interest-Bearing Financial Liabilities (cont'd)

(b) Non-recourse loans (cont'd)

■ Dulles Greenway

At 30 June 2006, TRIP II, the concessionaire of the Dulles Greenway, had issued the following debt securities:

(i) 1999 Senior Bonds

The 1999 Senior Bonds comprise US\$35.0 million (\$47.1 million) Senior Current Interest Bonds, Series 1999A, due 2035 (the 1999A Bonds) and US\$297.8 million (\$400.7 million) of Senior Zero Coupon Bonds, Series 1999B, due 15 February 2003 through to 2035 (the 1999B Bonds).

Interest accrues on the 1999A Bonds at a rate of 7.125% per annum. Interest is payable semi-annually on each 15 February and 15 August each year. Interest accrues on the 1999B Bonds and compounds semi-annually on 15 February and 15 August each year, at rates ranging from 6.1% to 7.3%, such interest to be paid only at maturity or redemption. Scheduled maturities of the 1999B Bonds are US\$15.8 million (\$21.3 million) in 2006, US\$17.4 million (\$23.4 million) in 2007, US\$19.1 million (\$25.7 million) in 2008, US\$23.5 million (\$31.7 million) in 2009, US\$25.1 million (\$33.8 million) in 2010 and US\$1.2 billion (\$1.6 billion) maturing in years 2011 to 2035.

(ii) 2005 Senior Bonds

The 2005 Senior Bonds comprise US\$162.4 million (\$218.5 million) of Senior Callable Zero Coupon Insured Dulles Greenway Project Revenue Bonds, Series 2005 due 2045 (the 2005A Bonds), US\$53.8 million (\$72.4 million) of Senior Callable Zero Coupon Insured Dulles Greenway Project Revenue Bonds, Series 2005B, due 2043 (the 2005B Bonds) and US\$174.4 million (\$234.7 million) of Senior Callable Zero Coupon Insured Dulles Greenway Project Revenue Bonds, Series 2005C due each 15 February from 2036 to 2056 (the 2005C Bonds).

Interest accrues on the 2005A Bonds and compounds semi-annually on each 15 February and 15 August at rates that will produce yields at maturity of 5.425%, such interest to be paid only at maturity or prior redemption. Interest accrues on the 2005B Bonds and compounds semi-annually on 15 February and 15 August at 5.7%, such interest to be paid only at maturity or prior redemption. Interest accrues on the 2005C Bonds and compounds semi-annually each 15 February and 15 August at rates ranging from 5.55% to 5.65%, such interest only to be paid on maturity or prior redemption.

(c) Reset convertible notes (ReCNs)

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 2006, \$490.0 million in ReCNs have been issued. Interest on the ReCNs is calculated at a margin of 2.5% per annum above 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 2006 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 in advance of 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 (14 February 2003). Should the holder choose to convert, conversion takes place over the following 9 months. The total amount convertible is \$490.0 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.

Interest-bearing financial liabilities are carried at amortised cost. By allocating the discount at conversion into capital raising costs at 5.0% with the residual being a deferred interest charge, the amortised cost of the ReCNs of \$496.7 million differs from the face value of \$490.0 million. MIG's minimum total liability in relation to ReCNs, if all future interest is paid, will be \$490.0 million.

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For the Year Ended 30 June 2006

19 Distribution Payable

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Provision for distribution				
Balance at the beginning of the year	297,673	72,395	-	72,395
Provided for during the year	512,856	1,532,473	240,550	25,459
Paid during the year	(538,223)	(1,307,195)	(240,550)	(97,854)
Balance at the end of the year	272,306	297,673	-	-

The provision for distribution represents the distribution of the Group for the period ended 30 June 2006. This amount was paid on 15 August 2006.

20 Tax Liabilities

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Current				
Provision for income tax	1,016	4,722	318	258
Non-current				
Provision for deferred income tax	335,071	477,157	404,435	377,947
The balance of the provision for deferred income tax comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Prepayments	2,881	3,666	-	-
Property, plant and equipment	14,521	14,841	-	-
Trade receivables	(285)	(6)	-	-
Financial assets at fair value through profit or loss	284,650	462,443	404,435	377,947
Other payables	33,304	(3,787)	-	-
	335,071	477,157	404,435	377,947
Net deferred tax liabilities	335,071	477,157	404,435	377,947
Movements in provision for deferred income tax:				
Opening balance at 1 July	477,157	610,832	377,947	328,462
Change on adoption of AASB 132 & AASB 139	17,972	-	-	-
Charged/(credited) to the income statement	(160,058)	(133,675)	26,488	49,485
Closing balance at 30 June	335,071	477,157	404,435	377,947

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For the Year Ended 30 June 2006

21 Concession Notes

	Consolidated 30 June 2006	Consolidated 30 June 2005	Parent Entity 30 June 2006	Parent Entity 30 June 2005
	\$'000	\$'000	\$'000	\$'000
Non-Current				
Concession notes – face value	135,000	120,000	-	-
Unamortised discount	(85,480)	-	-	-
	49,520	120,000	-	-

Concession notes, representing non-interest bearing long term financial liabilities, 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. The prepaid portion of the expense has been capitalised and amortised, with the associated expense recognised in the Income Statement. Refer note 1(o).

22 Other Liabilities

	Consolidated 30 June 2006	Consolidated 30 June 2005	Parent Entity 30 June 2006	Parent Entity 30 June 2005
	\$'000	\$'000	\$'000	\$'000
Non-Current				
Foreign exchange hedge contract payable	-	37,288	-	-
	-	37,288	-	-

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For the Year Ended 30 June 2006

23 Contributed Equity

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
On issue at the beginning of the year	3,595,768	3,821,789	1,150,714	935,585
Adjustment to equity on adoption of AASB 132 and AASB 139*	(254,720)			-
Transfer of movement in net assets attributable to MIT(I) unitholders from liabilities to equity*	325,010	-	-	-
Issued pursuant to:				
Dividend Reinvestment Plan (DRP) on 13 August 2004	-	15,443	-	3,532
Reinvestment of performance fees in securities on 31 August 2004	-	6,087	-	1,558
DRP on 10 February 2005	-	790,408	-	210,039
DRP on 12 August 2005	68,296	-	19,341	-
Institutional placement on 1 September 2005	641,723	-	180,182	-
Reinvestment of performance fees in securities on 12 September 2005	76,590	-	22,194	-
Security purchase plan dated 12 October 2005	98,215	-	27,566	-
DRP on 14 February 2006	226,853	-	52,134	-
Distribution from MIGIL share premium account	-	(255,550)	-	-
Transfer to retained profits (Note 25)	-	(782,409)	-	-
Costs incurred in the raising of capital	(7,709)	-	(2,145)	-
On issue at the end of the period	4,770,026	3,595,768	1,449,986	1,150,714
	Number of stapled securities '000	Number of stapled securities 000	Number of stapled securities '000	Number of stapled securities 000
On issue at the beginning of the year	2,164,890	1,930,528	2,164,890	1,930,528
Issued pursuant to:				
DRP on 13 August 2004	-	4,550	-	4,550
Reinvestment of performance fees in securities on 31 August 2004	-	1,863	-	1,863
DRP on 10 February 2005	-	227,949	-	227,949
DRP on 12 August 2005	17,594	-	17,594	-
Institutional placement on 1 September 2005	174,419	-	174,419	-
Reinvestment of performance fees in securities on 12 September 2005	21,862	-	21,862	-
Security purchase plan dated 12 October 2005	26,732	-	26,732	-
DRP on 14 February 2006	70,002	-	70,002	-
On issue at the end of the year	2,475,499	2,164,890	2,475,499	2,164,890

* Refer note 1(d).

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For the Year Ended 30 June 2006

23 Contributed Equity (cont'd)

Ordinary units in MIT(I) and MIT(II) and ordinary shares in MIGIL

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001, Companies Act and the Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in MIT(I) and MIT(II) and one vote for each fully paid share in respect of MIGIL.

While MIT(II) is taxed as a company, it need not distribute all of its taxable income to security holders. Unless the Responsible Entity determines otherwise, a security on issue in MIT(I) at the end of an income period entitles its holder to a pro-rata proportion of the net income of the Trust in respect of that income period. The Responsible Entity determines the net income of the Trusts as at the end of each financial year. The directors of MIGIL may declare dividends which are appropriate given the financial position of MIGIL. The entitlement to income of each fully paid stapled security will be distributed to the investor within two months of the last day of the income period.

Upon the winding up of a Trust, the Responsible Entity is required to realise the assets of the Trust and after meeting liabilities of the Trust, to distribute the net proceeds to the security holders pro-rata according to the number of securities held on the date upon which the Trust commenced to be wound up. If MIGIL is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the members in specie or in kind the whole or any part of the assets of MIGIL.

24 Reserves

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Movements in foreign currency translation reserve:				
Balance at 1 July 2005	(40,815)	-	-	-
Currency translation differences during the year	412,521	(40,815)	-	-
Balance at 30 June 2006	371,706	(40,815)	-	-

Exchange differences arising on transaction of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(v)

25 Retained Profits

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Balance at the beginning of the period	1,252,798	974,670	761,228	534,473
Adjustment to retained profits on adoption of AASB 132 and 139*	(101,402)	-	-	-
Transfer of movement in net assets attributable to security holders from liability to equity*	210,026	-	-	-
Acquisition of further stake in controlled entity	8,535	-	-	-
Transfers from contributed equity	-	782,409	-	-
Net result attributable to security holders	317,371	772,640	116,217	252,214
Distributions paid and proposed*	(512,856)	(1,276,921)	(240,550)	(25,459)
Balance at the end of the period	1,174,472	1,252,798	636,895	761,228

* Refer note 1(d).

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For the Year Ended 30 June 2006

26 Earnings Per Stapled Security

	Consolidated 30 June 2006	Consolidated 30 June 2005
Basic earnings per stapled security after finance costs to security holders	13.37c	38.18c
Diluted earnings per stapled security after finance costs to security holders	14.09c	37.37c
	\$'000	\$'000
Earnings used in calculation of basic earnings per stapled security after finance costs to security holders	317,371	772,640
Earnings used in calculation of diluted earnings per stapled security after finance costs to security holders	357,575	809,590
	\$'000	\$'000
Weighted average number of stapled securities used in calculation of basic earnings per stapled security after finance costs to security holders	2,373,725	2,023,599
Weighted average number of stapled securities used in calculation of diluted earnings per stapled security after finance costs to security holders	2,538,400	2,166,519

* the difference between earnings used in calculation of basic earnings per share and diluted earnings per share is the interest charge on ReCNs (refer Note 18(c)).

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For the Year Ended 30 June 2006

27 Cash Flow Information

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
(i) Reconciliation of net results from continuing activities after income tax to net cash flows from operating activities				
Net result from continuing activities after income tax	470,036	759,523	116,217	252,214
Revaluation of investments	(392,666)	(803,542)	(84,762)	(288,448)
Expenses relating to financing activities	207,584	159,239	875	1,850
Interest capitalised to loans	36,640	49,495	(6,491)	(5,601)
Net foreign exchange differences	(14,707)	(10,589)	(822)	-
Depreciation and amortisation	156,814	129,632	-	-
Concession notes	8,157	15,000	-	-
(Loss)/profit on sale of investments	-	(74,804)	-	1,086
Changes in assets and liabilities				
Decrease/(increase) in receivables	1,664	(3,183)	(8,593)	(7,737)
Decrease in other assets	39,547	10,254	1	680
Increase in provision for income taxes	(3,706)	4,344	65	-
(Decrease)/increase in provision for deferred income taxes	(165,675)	(119,171)	25,407	56,401
Increase/(decrease) in payables	(16,802)	100,157	9,886	24,263
Movement in financial derivatives	(33,967)	-	-	-
Increase/(decrease) in other liabilities	8,408	29,635	-	-
Other balance sheet item	5,592	-	-	-
Net cash inflow from operating activities	306,919	245,990	51,783	34,708
(ii) Reconciliation of cash assets				
Cash assets at the end of the year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheet as follows:				
Cash at bank	249,451	82,962	29,902	304
Short term money market investments	952,283	1,179,959	264,745	182,473
Cash assets	1,201,734	1,262,921	294,647	182,777

(iii) Non-cash financing and investing activities

— Consolidated

Responsible Entity and Adviser performance fees of \$91.6 million (2005: \$1.6 million) were elected to be reinvested in 21.9 million (2005: 1.9 million) new MIG stapled securities at an issue price of \$4.1897 (2005: \$3.2682). This transaction is not reflected in the Cash Flow Statement.

Concession notes (refer Note 1(o)) are not reflected in the Cash Flow Statements.

— Parent Entity

Responsible Entity and Adviser performance fees of \$91.6 million (2005: \$1.6 million) were elected to be reinvested in 21.9 million (2005: 1.9 million) new MIG stapled securities at an issue price of \$4.1897 each (2005: \$3.2682) in August 2005. Of this amount \$22.2 million (2005: \$1.6 million) related to the issue of stapled securities by MIT(II). This transaction is not reflected in the Cash Flow Statement.

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For the Year Ended 30 June 2006

28 Related Party Disclosures

■ **Responsible Entity**

The Responsible Entity of the Trusts is Macquarie Infrastructure Investment Management Limited, a wholly owned subsidiary of Macquarie Bank Limited (MBL). The registered office of the Responsible Entity is No.1 Martin Place, Sydney NSW 2000.

■ **Advisor**

The adviser of MIGIL is Macquarie Investment Management (UK) Limited (MIMUK or the Adviser), a wholly owned subsidiary of MBL. The registered office of the Adviser is 1 Ropemaker Street, London EC2Y 9HD, United Kingdom.

■ **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

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

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

No fees were paid out of Group property to the directors of the Responsible Entity during the year.

	Stapled Securities
	Balance at the end of the year
Michael Bernard Easson	368
Mark Roderick Granger Johnson	811,619
Eric Paul McClintock	85,438
Nicholas William Moore	840,247
David Allen Mortimer	514,521
John Stuart Hugh Roberts	208,587
David Anthony Walsh	25,000
Jeffrey Gerald Conyers	-
Dr Peter Dyer	-
Robert Andrew Mulderig	-
	2,485,780

During the year, no director of the Responsible Entity or the Company 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 and governing documents of the Company.

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For the Year Ended 30 June 2006

28 Related Party Disclosures (cont'd)

■ Key Management Personnel

The following are key management personnel of the Group:

- The Responsible Entity
- Robert Andrew Mulderig (Director)
- Dr Peter Dyer (Director)
- Jeffrey Gerald Conyers (Director)
- Mark Roderick Granger Johnson (Director)

Key Management Personnel are defined in AASB 124: *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity of the Trusts and the directors of MIGIL meet the definition of Key Management Personnel as they have this authority in relation to the activities of MIG. These powers have not been delegated by the Responsible Entity or the directors of MIGIL to any person, including the CEO of MIG. Accordingly, there are no other Key Management Personnel of MIG.

Compensation in the form of directors' fees of US\$40,000 per director per annum were paid or payable by MIGIL to Jeffrey Conyers and Robert Mulderig for the year ended 30 June 2005 (2005: US\$25,000). Peter Dyer received £40,000 for acting as a director of MIGIL. Mark Johnson is an employee of MBL. During the year ended 30 June 2006, MBL paid an amount equivalent to US\$40,000 to Mark Johnson on behalf of MIGIL for services rendered to MIGIL. The compensation paid by MBL was not charged to MIG and has been recognised as an expense of MBL.

The compensation paid to directors of MIGIL is determined with reference to current market rates for directorships of similar entities. The level of compensation is not related to the performance of MIGIL.

Base management fees of \$98.0 million (2005: \$83.3 million) and performance fees of \$nil million (2005: \$92.5 million) were paid to the Responsible Entity as compensation.

The number of stapled securities MIG held directly, indirectly or beneficially by the key management personnel or their related entities during the financial year are set out below:

	Stapled Securities			Balance at the end of the year
	Balance at the start of the year	Received during the year on exercise of options	Other charges during the year	
Mark Roderick Granger Johnson	811,619	-	-	811,619
Jeffrey Gerald Conyers	-	-	-	-
Dr Peter Dyer	-	-	-	-
Robert Andrew Mulderig	-	-	-	-
Responsible Entity	8,958,672	-	21,861,756	30,820,428
	9,770,291	-	21,861,756	31,632,047

■ Responsible Entity's and advisers' 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 Adviser of MIGIL were:

	Consolidated 30 June 2006 \$'000	Consolidated 30 June 2005 \$'000	Parent Entity 30 June 2006 \$'000	Parent Entity 30 June 2005 \$'000
Base fee	97,962	83,283	21,182	20,555
Performance fee	-	92,521	-	22,716
	97,962	175,804	21,182	43,271

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.

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For the Year Ended 30 June 2006

28 Related Party Disclosures (cont'd)

■ **Responsible Entity's and advisers' fees (cont'd)**

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 MIGIL 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 2006, no new performance fee was calculated for MIG.

For the year ended 30 June 2005, a total performance fee of \$77.7 million 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 third instalment of the 2005 fee will become due and payable on 30 June 2007 should the performance criteria be met during the respective financial year.

The second instalment of the 30 June 2005 performance fee was not earned by the Responsible Entity and Adviser in the period and was not payable at 30 June 2006.

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

■ **Custodian's fees**

Under the terms of the Custody Agreements, fees paid or payable to Custodians were \$407,729 (2005: \$423,783). This includes fees of \$65,000 (2005: \$68,952) 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 MBL 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 30,820,428 (2005: 8,958,672) stapled securities. Distributions totalling \$6,472,290 (2005: \$6,942,970) were payable by MIG to the Responsible Entity for the year ended 30 June 2006.

During the financial year, MIG reimbursed MBL \$826,770 (2005: \$1,486,862), representing out-of-pocket expenses incurred by the Responsible Entity and Advisor in the performance of their duties.

As at 30 June 2006, MIG held funds totalling \$30,136,980 (2005: \$11,703,808) on deposit with MBL. The Group earns interest on deposits at commercial rates. Interest income from MBL deposits totalling \$846,295 (2005: \$847,799) was included in the determination of net profit from operating activities for the Group for the year ended 30 June 2006.

During the year, Macquarie Securities (USA) Inc, a subsidiary of MBL, earned advisory fees from the Group of US\$15,995,000 (\$21,521,639) for work performed on the Dulles Greenway acquisition.

During the year, MBL earned advisory fees from the Group of \$2,945,405 for work performed on the APRR acquisition. MBL also earned fees of \$81,760,000 from Financierè Eiffarie SAS relating to the debt raising performed on the APRR transaction.

During the year, MBL earned advisory fees from the Group of \$1,500,000 for work performed on the securitisation of future Airport Motorway Group (AMG) cash flows.

During the year, MBL earned advisory fees from the Group of \$937,500 for work performed on the securitisation of future ILR and SWR cash flows.

During the year, MBL earned advisory fees from the Group of \$5,470,118 for work performed in relation to the Westlink M7 refinance.

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For the Year Ended 30 June 2006

28 Related Party Disclosures (cont'd)

■ *Other transactions (cont'd)*

During the year, Macquarie Securities (Australia) Limited earned brokerage fees of \$302,085 in relation to MIG's Sale of Transurban Group stapled securities on 10 March 2006.

During the year, Macquarie (USA) Securities Inc earned an advisory fee of US\$1,575,000 (\$2,106,453) in relation to the refinance of Skyway.

During the year Macquarie Equity Capital Markets earned underwriting fees of \$3.4 million from the Group with regard to the institutional placement of 1 September 2006.

At 30 June 2006, MIT(I) had a receivable balance with MIT(II) of \$30,847 under a \$300.0 million facility agreement dated 20 December 2001. Interest on the loan is calculated at BBSW plus a margin of 3.0% per annum and is payable quarterly in arrears. The loan is repayable on 15 January 2027, unless otherwise determined by the parties of loan agreement. During the year ended 30 June 2006, MIT(I) borrowed \$149,669,221 and repaid \$423,294,160 to MIT(II). Interest paid by MIT(II) in the year totalled \$1,609,739. Interest capitalised and payable by MIT(I) to MIT(II) totalled \$6,045,609.

At 30 June 2006, MIT(II) had a receivable balance with MIGIL of \$404,774. Interest on the loan is calculated at 90 day BBSW plus a margin of 4.5% per annum and is payable quarterly in arrears. During the year ended 30 June 2006, MIGIL borrowed \$598,465,244 and repaid \$600,178,066. Interest paid by MIGIL to MIT(II) totalled \$1,056,407 and interest paid by MIT(II) to MIGIL was \$741,432.

MIG utilises the services provided by MBL's foreign exchange and treasury and commodities departments from time to time on arms length terms.

■ *Transactions in prior financial year*

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 49.0% 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 45.0%, \$US19 million for financial advisory services performed in relation to the acquisition of Skyway.

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 2006

29 Segment Reporting

The principal activity of MIG during the year was investment in toll roads, tunnels and bridges. The primary basis of segment reporting is geographical.

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

Geographical segments

	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Consolidated				
30 June 2006				
Segment revenue	514,072	246,111	296,421	1,056,604
Revenue from continuing activities	514,072	246,111	296,421	1,056,604
Segment profit/(loss) from continuing activities before income tax (expense)/benefit	191,388	(48,401)	185,666	328,653
Net profit from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	191,388	(48,401)	185,666	328,653
Segment assets				
Total assets	3,259,366	3,125,880	6,330,726	12,715,972
Segment liabilities				
Total liabilities	2,424,245	2,005,227	1,682,009	6,111,481
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,671	4,856	1,896,218	1,902,745
Depreciation and amortisation expense	67,882	57,550	30,043	155,475
	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Consolidated				
30 June 2005				
Segment revenue	805,583	(136,422)	712,638	1,381,799
Revenue from continuing activities	805,583	(136,422)	712,638	1,381,799
Segment profit/(loss) from continuing activities before income tax (expense)/benefit	379,784	(445,680)	712,638	646,742
Net profit/(loss) from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	379,784	(445,680)	712,638	646,742
Segment assets				
Total assets	3,354,363	2,110,692	3,573,760	9,038,815
Segment liabilities				
Total liabilities	2,431,770	1,471,780	242,891	4,146,441
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	151,434	20,224	2,640,926	2,812,584
Depreciation and amortisation expense	68,622	61,010	-	129,632

MIG's only business segment is investment in toll roads, tunnels and bridges and entities in the same industry sector.

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30 Business Combination

Acquisition of Dulles Greenway

MIG reached financial close on its investment in the Dulles Greenway toll road in Virginia in September 2005. The concessionaire of Dulles Greenway is Toll Road Investors Partnership II, L.P. (TRIP II). On 9 September 2005, MIG invested US\$531.7 million (A\$710.7 million) to acquire the General Partner, Shendandoah Greenway Corporation and to provide loans to Shendandoah Holdings LLC (SHLLC) and AEI Holdings LLC (AIEHLLC). SHLLC and AIEHLLC own a combined interest of 86.6% of TRIP II. Two-long dated call options are exercisable by a subsidiary of MIT(II) in respect of the issued shares in SHLLC and AIEHLLC.

On the 29 September 2005, MIG acquired a further 13.3% interest in TRIP II from Kellogg, Brown and Root (KBR) for US\$84.5 million (A\$112.0 million) via MIG Investments 2 (US) LLC. Following the completion of the KBR acquisition, MIG holds a 100% economic interest in Dulles Greenway.

Dulles Greenway contributed revenues of US\$49.5 million (\$66.2 million) and a net loss of US\$16.9 million (\$22.6 million) to the Group for the period from 9 September 2005 to 30 June 2006. If Dulles Greenway had been controlled for the year ended 30 June 2006, it would have delivered a loss to the Group of US\$21.3 million (\$28.5 million).

Details of the Dulles Greenway acquisition are as follows:

	Acquiree's carrying amount USD \$'000	MIG USD 2005 \$'000	MIG AUD 2005 \$'000
Fair value of identifiable net assets of controlled entities at date of acquisition			
Cash and cash equivalents	196,619	196,619	262,816
Receivables	411	411	549
Property, plant and equipment	269,028	324,500	433,751
Tolling concession	-	931,977	1,245,752
Interest-bearing financial liabilities	(764,747)	(764,744)	(1,022,215)
Payables	(5,457)	(5,457)	(7,292)
Net assets	(304,146)	683,306	913,361
Less:			
Minority interests	-	(90,879)	(121,476)
Net identifiable assets acquired	(304,146)	592,427	791,885
Outflow of cash to acquire Shendandoah Greenway Corporation and provide loans to SHLLC and AIELLC, net of cash acquired			
Cash consideration		531,730	710,763
Cash assets acquired		(196,619)	(262,816)
Net outflow of cash		335,111	447,947
Goodwill recognised on acquisition			
Cash consideration		510,000	681,717
Direct costs relating to transaction		21,730	29,046
Deferred consideration		60,697	81,123
Total purchase consideration		592,427	791,886
Fair value of assets acquired		592,427	791,886
Goodwill recognised of acquisition		-	-
Outflow of cash to acquire additional stake of TRIP II from KBR			
Cash consideration		84,500	111,754
Minority interest acquired		(90,879)	(121,476)
Foreign exchange		-	1,187
Residual posted in retained earnings		(6,379)	(8,535)

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31 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

Risk management is carried out by the Responsible Entity under policies approved by the Board of the Responsible Entity. The Board of the Responsible Entity and the Boards of the consolidated roads identifies, evaluates and hedges financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

■ **Market risk**

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transaction and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Euro, Pound Sterling, United States Dollar and Canadian Dollar.

The Group does not hedge the foreign exchange exposure on overseas investments due to their long-term horizon. However, commitments to make equity commitments which are denominated in foreign currencies are hedged, by way of forward contracts, as close as possible to the time of making the commitment or raising the required capital.

(b) Price risk

The Group is not exposed to equity securities price risk or commodity price risk.

(c) Fair value interest rate risk

Refer below.

■ **Credit risk**

The Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high quality financial institutions.

■ **Liquidity risk**

The Group has a prudent liquidity policy to ensure that it maintains sufficient cash and cash equivalents to meet its obligations.

■ **Cash flow and fair value interest rate risk**

The Group has no significant interest-bearing assets other than cash and cash equivalents and investments in Westlink M7 and APRR (refer note 11(a)).

The Group's interest-rate risk arises from long-term borrowings. The Group has long term borrowings issued at both fixed and floating interest rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. For floating rate exposures, the Group partially hedges the exposure by entering into interest rate swaps, whereby the Group agrees with its counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts.

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For the Year Ended 30 June 2006

32 Contingent Liabilities

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

■ **M6 Toll**

Outstanding claims against Midland Expressway Limited (MEL) a subsidiary of MIGIL, for construction liabilities amounting to £27.7 million (\$68.9 million), have been withdrawn during the year. MEL expects further claims but is unable to quantify the amount. The Group believes that it will defend these claims successfully and that no provisions are necessary in the financial statements as at 30 June 2006.

■ **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. Statewide Road Limited's bankers have issued a performance guarantee for \$5.0 million in support of the entity's obligations.

■ **South Bay Expressway**

There are outstanding claims against SDELP for construction liabilities amounting to US\$98.6 million (\$132.7 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 2006.

■ **Legal Proceedings**

Atlantic Pacific Infrastructure Limited had previously notified a claim against Macquarie European Infrastructure Limited (MEI) in connection with the acquisition in 1999 of assets from Kvaerner plc. The limitation period on these claims expired at the end of June 2006. A provision of £0.09 million (\$0.2 million) was released in the year for the anticipated legal costs to defend this action.

■ **Warnow Tunnel**

During the period a restructuring of existing debt was negotiated. Under the restructuring, European Transport Investments (UK) Limited (ETI) a subsidiary of MIGIL, had its existing contingent commitment to make an equity contribution to the Warnow Tunnel amended to form two separate guarantees, totalling €1.19 million (\$2.05 million), in the event of a senior debt payment event or default by the Warnow Tunnel. The group believes it is unlikely to have to make these contributions and that no provisions are necessary in the financial statements as at 30 June 2006.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$2.05 million) has been deposited.

33 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. 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\$127.7 million (\$203.8 million).

MIT(I) is the primary party to the South Bay Expressway acquisition agreement, with its obligations under the documents guaranteed by MIT(II), MEI and MIGIL. MIT(II), through its wholly owned subsidiary MIUS, will contribute US\$102.7 million (\$164.2 million) of the funding and MIT(I) will invest the remaining US\$25.0 million (\$39.6 million) at construction completion.

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33 Commitments for Expenditure (cont'd)

Forward foreign exchange contracts have been entered into to hedge US\$127.7 million of the above contributions. The applicable hedge rate of contracts outstanding was A\$1 = US\$0.6267. Details of SDELP's commitments in relation to the design and construction of South Bay Expressway toll road are detailed in the table below.

	As at 30 June 2006 \$'000	As at 30 Jun 2005 \$'000
Operating leases and easement commitments		
Commitments in relation to land leased by MEL from the Highways Agency in the UK , Dulles Greenway easement commitments and other non cancellable operating leases are payable as follows:		
Within one year	33,950	34,162
Later than one year but not later than five years	136,962	135,117
Later than five years	1,490,785	1,414,587
	1,661,697	1,583,866
Road maintenance commitments		
Commitments in relation to a maintenance contracts for the M4 Motorway and Dulles Greenway are payable as follows:		
Within one year	43,269	1,011
Later than one year but not later than five years	6,742	-
	50,011	1,011
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	213,632	301,392
Later than one year but not later than five years	-	87,698
	213,632	389,090
Indiana Toll Road Commitments		
Letter of credit in relation to the Indiana Toll Road are payable as follows:		
Within one year	255,649	-
	255,649	-

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34 Events Occurring After Balance Sheet Date

■ **Distribution Reinvestment Plan**

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

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

On 24 July 2006, MIG demerged its interests in the Eastern Distributor, M5 South-West Motorway and M4 Motorway. MIG's interests in the three roads were transferred to the newly established Sydney Roads Group (SRG). The demerger was effected through an in specie distribution of one SRG stapled security for every three MIG stapled securities and an IPO of SRG to raise A\$125.0 million of new capital.

In consideration for the transfer of its mature Australian toll road assets to SRG, MIG received 825 million SRG securities and the payment of A\$125.0 million in cash. As a result of the demerger, MIG has divested interests in the Airport Motorway Group and the funding trust associated with the securitisation of AMG cashflows, the M5 South-West Motorway, M4 Motorway and the funding trust associated with the securitisation of Interlink Roads Pty Limited and SWR cashflows, and of ILR and SWR cashflows, and has received proceeds of A\$400.0 million.

An advisory fee of \$4.5 million was paid by the Group to MBL and an underwriting fee of \$1.1 million was paid to Macquarie Equity Capital Markets in relation to the demerger transaction.

■ **Refinance of M6 Toll**

On 23 August 2006, MIG completed the refinance of the M6 Toll debt facilities. This is expected to release GBP 393 million (A\$974.1 million) to MIG.

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

On 23 August 2006, MIG entered into an agreement with MIP to divest up to 50% of its interests in the Dulles Greenway, Indiana Toll Road, Skyway, South Bay Expressway. This is expected to occur prior to 31 December 2006.

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

The financial report was authorised for issue on 24 August 2006 by the directors of the Responsible Entity of the Trusts. The Responsible Entity has the power to amend and re-issue the financial report.

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35 Explanation of Transition to AIFRS

(1) Reconciliation of Consolidated Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to Equity under Australian equivalents to IFRS (AIFRS).

Presented at the date of transition (1 July 2004) and at the end of the last annual reporting period 30 June 2005.

	Note	1 July 2004		30 June 2005	
		Previous AGAAP \$'000	AIFRS \$'000	Previous AGAAP \$'000	AIFRS \$'000
Consolidated					
Current assets					
Cash and cash equivalents		417,735	417,735	1,262,921	1,262,921
Receivables		106,691	106,691	119,999	119,999
Prepayments	6e	24,283	23,832	20,651	20,651
Other assets		3,391	3,391	2,511	2,511
Total current assets		552,100	551,649	1,406,082	1,406,082
Non-current assets					
Prepayments	6e	12,220	12,220	9,587	9,587
Investments in financial assets		5,081,509	5,081,509	4,556,059	4,556,059
Property, plant and equipment	6c,d	2,451,790	2,498,463	2,482,021	2,365,751
Tolling concessions	6a	3,330,436	722,558	3,911,577	662,422
Other assets		23,552	23,552	38,914	38,914
Total non-current assets		10,899,507	8,338,302	10,998,158	7,632,733
Total assets		11,451,607	8,889,951	12,404,240	9,038,815
Current liabilities					
Payables		320,916	320,916	280,290	280,290
Provisions		2,540	2,540	3,997	3,078
Interest-bearing financial liabilities		10,650	10,650	29,650	29,650
Distribution payable		72,395	72,395	297,673	297,673
Current tax liabilities		4,930	4,930	4,722	4,722
Total current liabilities		411,431	411,431	616,332	615,413
Non-current liabilities					
Payables		70,594	70,594	-	-
Provisions	6e	1,050	4,131	584	3,548
Interest-bearing financial liabilities	6d	2,860,098	2,726,717	2,983,923	2,846,607
Deferred tax liabilities	6a	1,299,038	610,832	1,377,951	477,157
Concession notes		105,000	105,000	120,000	120,000
Other liabilities	6d	21,938	40,384	37,288	83,716
Total non-current liabilities		4,357,718	3,557,658	4,519,746	3,531,028
Total liabilities		4,769,149	3,969,089	5,136,078	4,146,441
Net assets		6,682,458	4,920,862	7,268,162	4,892,374
Equity					
MIG security holders' Interest					
Contributed equity		3,821,789	3,821,789	3,595,768	3,595,768
Reserves	6a,c,d,e	1,950,946	-	2,314,475	(40,815)
Retained profits	6a,c,d,e	690,908	974,670	1,110,124	1,252,798
Total MIG security holders' Interest		6,463,643	4,796,459	7,020,367	4,807,751
Minority interest in controlled entities	6a	218,815	124,403	247,795	84,623
Total equity		6,682,458	4,920,862	7,268,162	4,892,374

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35 Explanation of Transition to AIFRS (cont'd)

(2) Reconciliation of Parent Entity Equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to Equity under Australian equivalents to IFRS (AIFRS).

The adoption of AIFRS has not resulted in any material adjustments to Parent Entity Equity as at the date of transition (1 July 2004) and at the last reporting period (30 June 2005).

(3) Reconciliation of Consolidated profit under previous AGAAP to profit under AIFRS

Presented for the last reporting period (30 June 2005).

Consolidated	Note	30 June 2005	
		Previous GAAP \$'000	AIFRS \$'000
Revenue from continuing activities			
Revaluation of investments		803,542	845,424
Income from investments	6f	3,192,485	326,297
Toll revenue		242,420	242,420
Other revenue	6a,c	189,087	(32,342)
Total revenue from continuing activities		4,427,534	1,381,799
Operating expenses from continuing activities			
Financing costs	6d	307,773	295,953
Other operating expenses	6a,d,f	3,341,101	439,104
Total operating expenses from continuing activities		3,648,874	735,057
Net profit from continuing activities before income tax expense		778,660	646,742
Income tax benefit		112,781	112,781
Net profit from continuing activities after income tax expense		891,441	759,523
Net loss from controlled entities attributable to minority interests		22,287	13,117
Net profit attributable to MIG security holders		913,728	772,640

(4) Reconciliation of Parent Entity Profit under previous AGAAP to Profit under AIFRS

The adoption of AIFRS has not resulted in any adjustments to Parent Entity Profit as at the last reporting date (30 June 2005).

(5) Reconciliation of Consolidated and Parent Entity Cash Flow Statements under previous AGAAP to Cash Flow Statements under AIFRS

The adoption of AIFRS has not resulted in any adjustments to the Consolidated or Parent Entity Cash Flow Statement as at the date of transition (1 July 2004) and at the last reporting period (30 June 2005).

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35 Explanation of Transition to AIFRS (cont'd)

(6) Notes to the Consolidated reconciliations

a) Intangible assets - Restrictions on revaluation

Under AASB138: Intangible Assets, MIG's tolling concessions are no longer revalued, and are 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-AIFRS revaluations reported by MIG are reversed and the tolling concessions are held at their original acquisition cost less amortisation to date.

The impact following the adoption of AASB 138 are as follows;

	1 July 2004 \$'000	30 June 2005 \$'000
Decrease in tolling concessions	(2,607,878)	(3,249,155)
Decrease in deferred tax liability	688,206	900,772
Decrease in asset revaluation reserve	1,950,946	2,314,475
Decrease in minority interests	94,413	163,172
Increase in retained profits	(125,687)	(129,262)

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

b) 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 AIFRS adoption.

c) 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.

Previous Australian accounting standards determined 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.

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 has, at the date of transition, availed itself of an exemption under AIFRS 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 Income Statement and are now reflected in retained profits.

Non monetary assets previously recognised at historical rates will not be translated at period closing rates.

The impact following the adoption of AASB 121 is as follows;

	1 July 2004 \$'000	30 June 2005 \$'000
Property, plant and equipment	171,811	(94)
Retained profits	(171,811)	(42,741)
Reserves	-	42,835

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For the Year Ended 30 June 2006

35 Explanation of Transition to AIFRS (cont'd)

(6) Notes to the Consolidated reconciliations (cont'd)

d) 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, was previously accounted for as a finance lease. Under AIFRS it has been accounted for as an operating lease.

The impact following the adoption of AASB 117: Leases are as follows;

	1 July 2004 \$'000	30 June 2005 \$'000
Property, plant and equipment	(125,138)	(116,176)
Liability for future payments for use of land	133,381	137,316
Operating lease provision	(18,446)	(46,428)
Retained earnings	10,203	27,027
Reserves	-	(1,739)

e) Retirement benefit obligations: Treatment of defined benefit scheme obligations

Under AASB119: Employee Benefits an asset or liability is recognised in respect of the difference between the present value of the employee's accrued benefits and the net market value of a defined benefit superannuation fund's assets at that date.

	1 July 2004 \$'000	30 June 2005 \$'000
Prepayments	(451)	-
Provisions – current	-	919
Provisions – non current	(3,081)	(2,964)
Retained earnings	3,532	2,326
Reserves	-	(281)

f) Sale of investments

AASB 118: Revenue requires the proceeds and cost of sale of securities disposed to be applied against each other and disclosed as a gain or loss on sale.

	1 July 2004 \$'000	30 June 2005 \$'000
Income from investments	-	(2,866,188)
Other operating expenses	-	2,866,188

Financial Report

For the Year Ended 30 June 2006

35 Explanation of Transition to AIFRS (cont'd)

(7) Adoption of AASB 132 and AASB 139 on 1 July 2005 - Consolidated

MIG has taken the exemption available under AASB 1: *First Time Adoption of Australian International Financial Reporting Standards* to apply AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 July 2005. The adoption by MIG of AASB 132 and AASB 139 on 1 July 2005 had the following effects on the Consolidated Entity;

	Note	AIFRS 30 June 2005 \$'000	Effect of adoption of AASB 132 & AASB 139 \$'000	AIFRS 1 July 2005 \$'000
Consolidated				
Current assets				
Cash and cash equivalents		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 in financial assets	7(b)	4,556,059	7,993	4,564,052
Property, plant and equipment		2,365,751	-	2,365,751
Tolling concessions		662,422	-	662,422
Other assets	7(a)	38,914	(20,744)	18,170
Total non-current assets		7,632,733	(12,751)	7,619,982
Total assets		9,038,815	(12,751)	9,026,064
Current liabilities				
Payables		280,290	-	280,290
Provisions		3,078	-	3,078
Interest-bearing financial liabilities		29,650	-	29,650
Distribution payable		297,673	-	297,673
Current tax liabilities		4,722	-	4,722
Total current liabilities		615,413	-	615,413
Non-current liabilities				
Provisions		3,548	-	3,548
Interest-bearing financial liabilities	7(c)	2,846,607	6,853	2,853,460
Deferred tax liabilities	7(a),(c)	477,157	17,972	495,129
Concession notes	7(c)	120,000	(78,636)	41,364
Other liabilities	7(a)	83,716	24,504	108,220
Total non-current liabilities excluding security holder interest classified as debt*		3,531,028	(29,307)	3,501,721
MIT(I) units	7(d)	-	354,962	354,962
AMT units		-	52,089	52,089
Total non-current liabilities		3,531,028	377,744	3,908,772
Total liabilities		4,146,441	377,744	4,524,185
Net assets		4,892,374	(390,495)	4,501,879

Financial Report

For the Year Ended 30 June 2006

35 Explanation of Transition to AIFRS (cont'd)

(7) Adoption of AASB 132 and AASB 139 on 1 July 2005 (cont'd)

	Note	AIFRS 30 June 2005 \$'000	Effect of adoption of AASB 132 & AASB 139 \$'000	AIFRS 1 July 2005 \$'000
Equity				
MIG security holders' Interest				
Contributed equity	7(d)	3,595,768	(254,720)	3,341,048
Reserves	7(d)	(40,815)	-	(40,815)
Retained profits	7(a),(b),(c),(d)	1,252,798	(101,402)	1,151,396
Total MIG security holders' Interest		4,807,751	(356,122)	4,451,629
Minority interest in controlled entities		84,623	(34,373)	50,250
Total equity		4,892,374	(390,495)	4,501,879

a) Hedging and derivatives

Under AASB139, all derivative contracts, whether or not used for hedging purposes, are carried at fair value. Previous Australian accounting standards did not require the recognition of all such instruments at fair value.

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

The impact following the adoption of AASB 139 on the recognition of derivatives are;

	1 July 2005 \$'000
Other assets	(20,744)
Other liabilities	(24,504)
Deferred tax liability	5,619
Retained earnings	39,146
Minority interest	483

Previously as required under AASB1012: Foreign Currency Translation, MIG had deferred the recognition of an exchange loss due to the hedging of the commitment to make further equity contributions to SDELP. This was no longer appropriate under AASB139, so the deferred foreign exchange contract loss and foreign exchange contract payable of \$37,288,000 is removed and replaced with the fair value of the foreign exchange contracts held being a liability of \$31,216,000.

b) 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 previous practice of deducting estimated selling costs and allowing for specified risks, such as liquidity risk, from the market value of listed investments was no longer permitted. This resulted in an additional \$7,993,000 being recognised in the carrying value of these investments.

Financial Report

For the Year Ended 30 June 2006

35 Explanation of Transition to AIFRS (cont'd)

(7) Adoption of AASB 132 and AASB 139 on 1 July 2005 (cont'd)

c) *Financial liabilities - Application of effective interest rate*

Under AASB139, financial liabilities are to be recognised at either amortised cost or 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.

The impacts following the adoption of AASB 139 on financial liabilities are;

	1 July 2005 \$'000
Interest bearing financial liabilities	(6,853)
Concession notes	78,636
Deferred tax liability	(23,591)
Retained earnings	(32,421)
Minority interest	(15,771)

d) *Compound financial instruments – Classification of security holder funds*

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

Units in AMT are also to be classified as debt on 1 July 2005. Any amounts payable to MIG are eliminated on consolidation but amounts due to outside equity interests are presented on the balance sheet as amounts due to AMT unitholders.

(8) Adoption of AASB 132 and AASB 139 on 1 July 2005 – Parent Entity

MIG has taken the exemption available under AASB 1: *First Time Adoption of Australian International Financial Reporting Standards* to apply AASB 132: *Financial Instruments: Disclosure and Presentation* and AASB 139: *Financial Instruments: Recognition and Measurement* from 1 July 2005. The adoption by MIG of AASB 132 and AASB 139 on 1 July 2005 had no material effect on the Parent Entity.

Financial Report

For the Year Ended 30 June 2006

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 68 are in accordance with the Trust constitution and Corporations Act 2001, including:

- a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) giving a true and fair view of Macquarie Infrastructure Group (as defined in note 1(b)) and consolidated entity's financial position as at 30 June 2006 and of its performance, as represented by the result of its operations and cash flows, for the financial year ended on that date; and
- c) there are reasonable grounds to believe that the Trust and consolidated entities will be able to pay their 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 resolution is made in accordance with a resolution of the directors.



Mark RG Johnson

Sydney
23 August 2006



John SH Roberts

Sydney
23 August 2006

Independent Audit Report to the Security Holders of Macquarie Infrastructure Trust (II) (MIT (II))

Audit opinion

In our opinion the financial report of Macquarie Infrastructure Trust (II):

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Infrastructure Trust (II) and the Macquarie Infrastructure Trust Group (as defined below) as at 30 June 2006, 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, other mandatory financial reporting requirements in Australia, and the Corporations Regulations 2001.

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

Scope

The financial report, remunerations disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for both Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (II) Group (the consolidated entity), for the year ended 30 June 2006.

The consolidated entity comprises both Macquarie Infrastructure Trust (II) and the entities it controlled during that year, which are deemed to include Macquarie Infrastructure Trust (I) and the entities it controlled during the year, and Macquarie Infrastructure Group International Limited and the entities it controlled during the year.

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

Audit approach

We conducted an independent audit in order to express an opinion to the security holders of Macquarie Infrastructure Trust (II). 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 Macquarie Infrastructure Trust (II) and the consolidated entity's financial position, and of their performance as represented by the results of their operations, changes in equity 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
23 August 2006