



Macquarie Infrastructure Group

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

Financial Report 30 June 2007

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). The registered office of the Responsible Entity is No.1 Martin Place, Sydney NSW 2000.

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

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

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

MIIML, as responsible entity of the trusts comprised by MIG and MIMUK as the adviser to MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIMUK) together with their officers and directors and officers and directors of 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 Accounting Standards in relation to stapled structures. The responsibility for preparation of the consolidated financial report and any financial information contained in this financial report rests solely with the directors of MIIML.

Financial Report

Year Ended 30 June 2007

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Year Ended 30 June 2007

Directors' Report

In respect of the year ended 30 June 2007, the directors of Macquarie Infrastructure Investment Management Limited (MIIML or 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 the development and operation of 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 2007 was 20.0000 cents per stapled security (2006: 21.0000 cents per stapled security). An interim distribution of 10.0000 cents per stapled security (2006: 10.0000 cents per stapled security) was paid on 14 February 2007. A final distribution of 10.0000 cents per stapled security (2006: 11.0000 cents per stapled security) was paid on 14 August 2007. Additionally an in specie distribution of 38.3333 cents per stapled security was made on 1 August 2006 in relation to the demerger of Sydney Roads Group (SRG).

Review and Results of Operations

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

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
Revenue and other income from continuing activities	2,740,365	1,060,209
Profit attributable to MIG security holders*	1,702,253	424,727
	Cents	Cents
Basic and diluted earnings per stapled security after finance costs to security holders	66.57	13.37

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

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Year Ended 30 June 2007

Review and Results of Operations (cont'd)

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

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

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

The impact of this transaction on MIG's balance sheet is summarised in Note 11(vi).

■ **Refinance of M6 Toll**

MIG completed a debt refinancing of the M6 Toll on 24 August 2006. Following the refinancing, the previous £619.9 million (A\$1.54 billion) debt facility was replaced by new facilities of £1.03 billion (A\$2.55 billion) and new interest rate swaps. The new facilities are due for repayment in 2015 and comprise a £1.00 billion (A\$2.48 billion) term loan and a £30.0 million (A\$74.5 million) capital expenditure facility. To date the capital expenditure facility has not been utilised. Interest rate hedging has been put in place in relation to 100% of the face value of the new loan for the next 30 years.

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

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

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

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

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

The impact of this transaction on MIG's balance sheet is summarised in Note 11(vi).

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

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

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

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

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

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

Financial Report

Year Ended 30 June 2007

■ **Security buy-back**

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

As at 30 June 2007, MIG had bought back 179,261,530 MIG securities for total consideration of A\$636.2 million. In accordance with approval received from ASIC on 10 August 2007, the buy back will conclude no later than 10 August 2008.

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

A portion of stapled security holders participated in MIG's Distribution and Dividend Reinvestment Plan (DRP) for the final distribution paid on 14 August 2007. Of the distribution declared \$49.4 million was reinvested in MIG. All of the securities allocated as part of the DRP were sourced from on-market purchases of existing securities.

On 10 August 2007 MIG received approval from ASIC for the on-market buy-back of securities to be extended to 10 August 2008.

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.

Fees Paid to the Responsible Entity and Adviser

Fees paid to the Responsible Entity and Macquarie Investment Management (UK) Limited (MIMUK or the Adviser) out of MIG's property during the year are disclosed in Note 27 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 27 to the financial statements.

Financial Report

Year Ended 30 June 2007

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 2007 '000	Consolidated 2006 '000	Parent Entity 2007 '000	Parent Entity 2006 '000
Securities on issue at the beginning of the year	2,475,499	2,164,890	2,475,499	2,164,890
Securities issued during the year	220,554	310,609	220,554	310,609
Securities cancelled during the year	(179,262)	-	(179,262)	-
Securities on issue at the end of the year	2,516,791	2,475,499	2,516,791	2,475,499

For further details please refer Note 22 to the financial statements. For further details on securities held by related parties, refer to Note 27.

Value of Assets

	Consolidated 2007 (\$'000)	Consolidated 2006 (\$'000)	Parent Entity 2007 (\$'000)	Parent Entity 2006 (\$'000)
Value of total assets at 30 June	10,331,517	12,715,972	1,323,805	2,861,940

The value of the Group's assets is derived using the basis set out in Note 1 to the financial statements.

Environmental Regulation

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

■ 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.

Auditor's Independence Declaration

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

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 Johnson

Sydney
22 August 2007



John Roberts

Sydney
22 August 2007

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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 2007, 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
22 August 2007

Financial Report

For the Year Ended 30 June 2007

Income Statements

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Revenue and other income from continuing activities					
Revenue from continuing activities		314,665	509,128	31,133	32,795
Other income from continuing activities		2,425,700	551,081	(257,931)	148,649
Total revenue and other income from continuing activities	2(i)	2,740,365	1,060,209	(226,798)	181,444
Operating expenses from continuing activities					
Financing costs excluding costs attributable to security holders*		(254,172)	(330,550)	(7,305)	(1,442)
Other operating expenses		(375,720)	(401,006)	(44,062)	(37,549)
Total operating expenses from continuing activities before finance costs attributable to security holders*	2(ii)	(629,892)	(731,556)	(51,367)	(38,991)
Profit/(loss) from continuing activities before income tax benefit and finance costs attributable to security holders*		2,110,473	328,653	(278,165)	142,453
Income tax benefit/(expense)	3	133,908	141,383	388,931	(26,236)
Profit from continuing activities after income tax benefit and before finance costs attributable to security holders*		2,244,381	470,036	110,766	116,217
Finance costs attributable to MIT(I) unitholders*		-	(107,356)	-	-
Finance costs attributable to AMT unitholders *		(1,974)	(19,607)	-	-
Profit from continuing activities after income tax benefit/(expense) and finance costs attributable to security holders		2,242,407	343,073	110,766	116,217
Profit attributable to:					
MIG security holders / MIT(II) unit holders		1,702,253	317,371	110,766	116,217
Minority interest		540,154	25,702	-	-
		2,242,407	343,073	110,766	116,217
Earnings per security for net profit from continuing activities attributable to MIG security holders:					
Basic and diluted earnings per stapled security	25	cents 66.57	cents 13.37		

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

* Refer Note 1(d)

Financial Report

For the Year Ended 30 June 2007

Balance Sheets

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current assets					
Cash and cash equivalents	6	1,673,122	1,201,734	91,409	294,647
Receivables	7	13,471	126,190	3,695	7,402
Prepayments	8	2,958	16,108	123	69
Other assets	9	-	3,350	-	-
Total current assets		1,689,551	1,347,382	95,227	302,118
Non-current assets					
Receivables	7	2,525	2,516	618,153	171,126
Prepayments	8	-	6,954	-	-
Derivative financial instruments	10	254,791	44,273	-	-
Investments in financial assets	11	6,894,680	6,430,226	610,425	2,388,696
Property, plant and equipment	14	1,367,769	3,025,654	-	-
Tolling concessions	15	122,201	1,858,967	-	-
Total non-current assets		8,641,966	11,368,590	1,228,578	2,559,822
Total assets		10,331,517	12,715,972	1,323,805	2,861,940
Current liabilities					
Distribution payable	16	251,679	272,306	-	-
Payables	17	55,136	214,380	10,028	18,747
Interest-bearing financial liabilities	18	-	299,150	-	230,000
Derivative financial instruments	10	-	31,118	-	-
Current tax liabilities	19	6,326	1,016	-	318
Provisions	20	-	1,092	-	-
Total current liabilities		313,141	819,062	10,028	249,065
Non-current liabilities					
Payables	17	111,747	175,133	-	121,559
Interest-bearing financial liabilities	18	2,638,396	4,671,033	-	-
Concession notes	21	-	49,520	-	-
Derivative financial instruments	10	-	6,792	-	-
Deferred tax liabilities	19	190,007	335,071	10,362	404,435
Provisions	20	2,339	2,781	-	-
Total non-current liabilities excluding AMT unitholder interests classified as debt		2,942,489	5,240,330	10,362	525,994
AMT units*		-	52,089	-	-
Total non-current liabilities		2,942,489	5,292,419	10,362	525,994
Total liabilities		3,255,630	6,111,481	20,390	775,059
Net assets		7,075,887	6,604,491	1,303,415	2,086,881
Equity					
MIG security holders' interest					
Contributed equity	22	3,956,004	4,770,026	662,317	1,449,986
Reserves	23	208,378	371,706	-	-
Retained profits	24	2,256,887	1,174,472	641,098	636,895
Total MIG security holders' interest		6,421,269	6,316,204	1,303,415	2,086,881
Minority interest in controlled entities		654,618	288,287	-	-
Total equity		7,075,887	6,604,491	1,303,415	2,086,881

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

* Refer Note 1(d)

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For the Year Ended 30 June 2007

Statements of Changes in Equity

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Total equity at the beginning of the year		6,604,491	4,892,374	2,086,881	1,911,942
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		6,604,491	4,501,879	2,086,881	1,911,942
Transfer of net assets attributable to security holders from liabilities to equity*		-	535,037	-	-
Changes in the fair value of cash flow hedges, net of tax		180,062	-	-	-
Exchange differences on translation of foreign operations		(368,547)	426,578	-	-
Profit for the year		2,242,407	343,073	110,766	116,217
Total recognised income and expense for the year		2,053,922	1,304,688	110,766	116,217
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs paid		665,532	1,103,968	97,774	299,272
Securities cancelled pursuant to security buy-back, including transaction costs		(637,212)	-	(87,664)	-
Distributions provided for or paid to MIG security holders	5	(513,274)	(512,856)	-	(240,550)
In specie distribution	5	(948,906)	-	(904,342)	-
Distributions provided for or paid to minority interest		(120,645)	(6,607)	-	-
Acquisition of further stake in a controlled entity		-	8,535	-	-
Minority interest contribution of equity		-	204,885	-	-
Minority interest on demerger of subsidiary		(28,021)	-	-	-
		(1,582,526)	797,925	(894,232)	58,722
Total equity at the end of the year		7,075,887	6,604,491	1,303,415	2,086,881
Total recognised income and expenses for the year is attributable to:					
MIG security holders		1,538,925	1,264,937	110,766	116,217
Minority interest		514,997	39,751	-	-
		2,053,922	1,304,688	110,766	116,217

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

* Refer Note 1(d)

Financial Report

For the Year Ended 30 June 2007

Cash Flow Statements

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Cash flows from operating activities					
Toll revenue received		219,694	359,358	-	-
Interest received		262,649	180,097	26,211	25,147
Interest paid		(74,593)	(68,560)	-	-
Net indirect taxes received/(paid)		(13,547)	(9,069)	1,385	-
Payments to suppliers and employees (inclusive of GST)		(85,470)	(109,672)	(20,040)	(8,248)
Responsible Entity and Adviser base fees paid		(92,961)	(112,027)	(12,890)	(23,346)
Responsible Entity and Adviser performance fees paid		-	(13,041)	-	(2,219)
Distributions and dividend income received		258,465	83,822	-	60,328
Income taxes (paid)/received		(4,869)	(18,619)	-	80
Other income received		9,194	14,630	27	41
Net cash flows from operating activities	26	478,562	306,919	(5,307)	51,783
Cash flows from investing activities					
Proceeds from sale of assets to MIP, net of cash disposed		661,261	-	531,430	-
Proceeds from demerger of SRG, net of cash disposed		27,913	-	119,125	-
Proceeds from sale of Transurban Group securities		-	151,043	-	-
Proceeds from return of capital from investments		10,658	221,775	1,262	10,698
Payment for purchase of controlled entity net of cash acquired		-	(606,977)	-	(96,506)
Payments for purchase of investments		(34,648)	(1,392,331)	-	(506,640)
Capital expenditure		(104,347)	(208,667)	-	-
Proceeds from sale of property, plant and equipment		339	19	-	-
Loans advanced to investments and controlled entities		(864)	(2,516)	-	-
Proceeds from repayment of loans advanced to investments/controlled entities		-	8,602	-	-
Net cash flows from investing activities		560,312	(1,829,052)	651,817	(592,448)
Cash flows from financing activities					
Repayment of bank borrowings		(2,036,820)	(463,606)	270,000	-
Proceeds from bank borrowings		2,884,131	1,315,594	(500,000)	230,000
Borrowing costs paid		(149,690)	(139,969)	(6,558)	(1,281)
Net payment of interest to MIT(I)		-	-	-	(1,610)
Proceeds from repayment of loan to MIT(I)		-	-	-	423,294
Loan advanced to MIT(I)		-	-	(106,985)	(149,669)
Proceeds from repayment of MIT(I) subsidiaries		-	-	3,533	-
Loans advanced to/proceeds from repayment of loan to MIGIL		-	-	(62,865)	2,055
Loans advanced to MIT(I) subsidiaries		-	-	(406,569)	-
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/MIT(II) unit holders		(533,899)	(538,222)	-	(240,550)
DRP proceeds received		147,785	306,469	-	71,475
Proceeds from issue of securities		-	784,307	97,774	207,723
Costs of raising capital		-	(8,112)	-	(2,121)
On market buyback		(637,212)	-	(87,664)	-
Contributed equity issued to minority interests		-	204,666	-	-
Distributions paid to minority interests		(105,762)	(20,742)	-	-
Net cash flows from financing activities		(431,467)	1,440,385	(799,334)	655,393
Net increase/(decrease) in cash assets held		607,407	(81,748)	(152,824)	114,728
Cash and cash equivalents at the beginning of the year		1,201,734	1,262,921	294,647	182,777
Effects of exchange rate movements on cash and cash equivalents		(136,019)	20,561	(50,414)	(2,858)
Cash and equivalents assets at the end of the year	6, 26	1,673,122	1,201,734	91,409	294,647
Non cash financing and investing activities	26				

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

Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, 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)**

Compliance with Australian Accounting Standards 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).

— **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 and judgements**

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

The area involving a higher degree of judgement or complexity is related to investments in financial assets, which are measured at directors' estimates of fair value. Discounted cash flow (DCF) analysis is the 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: 407 ETR 3.5% (2006: 4.0%), Lusoponte 2.8% (2006: 2.8%), Rostock 5.0% (2006: 6.5%), Skyway 5.5% (2006: 6.0%), South Bay Expressway 7.0% (2006: 7.5%), Westlink M7 5.0% (2006: 5.5%), Dulles Greenway 7.0% (2006: 7.5%), Indiana Toll Road 7.0% (2006: 7.8%) and APRR 8.0% (2006: 18.0%).

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.

Financial Report

For the Year Ended 30 June 2007

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.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by MIT(II) at 30 June 2007, 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. On 8 December 2005, MIBL changed its name to MIGIL. Macquarie Investment Management (UK) Limited is the Adviser of this company.

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) were 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 as a finance cost, for the year ended 30 June 2006.

Units in Airport Motorway Trust (AMT) were also classified as debt on 1 July 2005. Any amounts payable to MIG were eliminated on consolidation but amounts due to minority interests were presented on the balance sheet as amount due to AMT unitholders, for the year ended 30 June 2006.

(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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(e) Investments in financial assets (cont'd)

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. Refer Note 1(a).

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

— *Interests in listed securities in companies and trusts*

The fair value of financial assets traded in active markets is based on quoted market price at balance date. The quoted market price used for financial assets held by the 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.

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 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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(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 M6 Toll in exercising its tolling concession rights.

— **Leasehold improvements**

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

(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 property, plant and equipment for the M6 Toll is as follows:

Asset Description	Asset Classification	Estimated Useful Life	Depreciation basis
Road Infrastructure	M6 Toll Road	50 years	Straight line basis
Roadbase	M6 Toll Road	15 years	Straight line basis
Wearing Course	M6 Toll Road	8 years	Straight line basis
Road Buildings Infrastructure	M6 Toll Road	50 years	Straight line basis
Non Road Buildings including Motorway Service Area	Short Leasehold Land and Buildings	50 years	Straight line basis
Masts and Columns	Plant and Machinery	12 years	Straight line basis
Office Furniture and Fittings	Plant and Machinery	10 years	Straight line basis
Signage	Plant and Machinery	6 years	Straight line basis
Vehicles and Maintenance Equipment	Plant and Machinery	5 years	Straight line basis
IT Equipment	Plant and Machinery	3 years	Straight line basis
Toll Collection System	Plant and Machinery	3 years	Straight line basis

— **Leasehold improvements**

Amounts recorded as leasehold improvements relating to the M6 Toll including preliminary expenses and borrowing costs, are amortised over the estimated remaining term of the right granted to operate the relevant road, being until January 2054.

The period of amortisation of capitalised expenditure is reassessed on a regular basis.

— **Tolling concessions**

Tolling concessions are amortised on a straight line basis over the life of each concession, expiring in January 2054 for the M6 Toll.

(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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(l) Impairment of assets (cont'd)

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) Financial instruments transaction costs

Transaction costs are included in the carrying amounts, disclosed in the financial statements, except for financial assets or liabilities that are measured at fair value through the profit or loss, where transaction costs directly attributable to the acquisition or issue of the financial asset or liability are recognised in the Income Statement.

(p) Payables and 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.

(q) Distributions

Provision for distribution is recognised 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.

(r) 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).

(s) 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 service 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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(t) 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, and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

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 implemented 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 to the extent they related to tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. 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.

(u) 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 they are deferred in equity as qualifying investment hedges or are attributable to part of the net investment in a foreign operation.

— *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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(u) Foreign currency translation (cont'd)

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.

(v) Derivative financial instruments

The Group enters into interest rate swap agreements and forward foreign exchange contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value 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 hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges), or hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging 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 assessment, 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 using a recalculated effective interest rate.

(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.

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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(w) Earnings per stapled security

— *Basic earnings per stapled security*

Basic earnings per stapled security is determined by dividing the 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.

(x) 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. 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. Revenue & Customs 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. Revenue & Customs 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.

(y) Significant terms and conditions of investments

MIG's investment in Westlink M7 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 M7. 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.

(z) 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.

(aa) 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 Group's share of 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.

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.

(bb) 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.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(cc) 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.

(dd) Standard, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group and the parent entity for accounting periods beginning on or after 1 July 2007 or later periods but which the Group and parent entity has not yet adopted. The significant ones are as follows:

(i) **AASB 7 Financial Instruments: Disclosures**

AASB 7 is applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risk, including sensitivity analysis to market risk. Application of the standard will not affect any of the amounts recognised in the financial statements.

(ii) **AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038]**

AASB 2005-10 is applicable to annual reporting periods beginning on or after 1 January 2007. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(iii) **AASB 101: Presentation of Financial Statements**

The revised AASB 101 is applicable from 1 January 2007. The impact of the revised AASB 101 are to eliminate much of the Australian specific content, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously "encouraged" to adopt in preparing their financial statements. In addition to this, the standard introduces disclosures about the level of an entity's capital and how it manages capital.

(iv) **AASB 8 Operating Segments**

Effective from 1 January 2009, this standard will require the entity to adopt the "management approach" to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statements and balance sheet, in which case reconciliations of certain items will be required.

(v) **AASB 2007-4 Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments**

AASB 2007-4 was made recently to introduce accounting policy choices allowable under IFRS that were not previously incorporated by the AASB, and to remove many Australian specific disclosures. The primary impacts are to reduce the disclosures relating to investments in associates. Application of the interpretation is expected to have no impact on the Group's or the parent entity's financial statements.

(vi) **AASB-I 10 Interim Financial Reporting and Impairment**

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(vii) **AASB-I 12 Service Concession Arrangements**

Effective from 1 July 2008, this standard will require concession arrangements that fall within its scope to either be accounted for as a financial asset or an intangible asset depending on the consideration the operator receives from the grantor. A financial asset is recognised if the operator has an unconditional right to receive cash or another financial asset from the grantor. If the consideration the operator receives from the grantor is a right to charge users, an intangible asset is recognised.

Financial Report

For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(ee) Comparative figures

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

(ff) 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.

Financial Report

For the Year Ended 30 June 2007

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 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Revenue from continuing activities				
Interest income:				
Related parties	2,269	1,043	6,164	7,176
Other persons and corporations	116,313	175,521	24,969	24,527
Toll revenue	184,855	320,466	-	-
Construction contract revenue	-	223	-	-
Rental income	363	4,078	-	-
Other revenue	10,865	7,797	-	1,092
Total revenue from continuing activities	314,665	509,128	31,133	32,795
Revaluation income from continuing activities				
Revaluation of interests in listed securities in companies and trusts	-	(7,608)	-	-
Revaluation of interests in unlisted securities in companies and trusts	1,616,477	424,643	(137,545)	145,090
Revaluation of interest bearing financial assets	175,866	68,675	-	-
Foreign exchange effect of revaluations	(18,798)	1,475	(106,702)	3,559
Total revaluation income from continuing activities	1,773,545	487,185	(244,247)	148,649
Other income from continuing activities				
Net gain/(loss) on sale of investments and deconsolidation/demerger of subsidiaries	644,799	-	(13,684)	-
Gains on derivative financial instruments	7,356	63,896	-	-
Total other income from continuing activities	652,155	63,896	(13,684)	-
Total revaluation and other income from continuing activities	2,425,700	551,081	(257,931)	148,649
Total revenue and revaluation and other income from continuing activities	2,740,365	1,060,209	(226,798)	181,444

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For the Year Ended 30 June 2007

2 Profit for the Year (cont'd)

(ii) Operating Expenses from Continuing Activities

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Financing costs				
Related parties	-	-	1,525	-
Amortisation of capitalised borrowing costs	3,503	1,337	-	1,072
Interest expense	250,669	329,213	5,780	370
	254,172	330,550	7,305	1,442
Other operating expenses				
Amortisation of tolling concessions	18,253	65,036	-	-
Loss on derivative financial instruments	75	197	-	-
Depreciation:				
Plant and equipment	15,921	23,256	-	-
Buildings	1,131	1,137	-	-
Leasehold improvements	43,724	65,540	-	-
Motor vehicles	400	506	-	-
	61,176	90,439	-	-
Cost of operations:				
Concession notes	1,274	8,157	-	-
Employment costs	15,054	15,119	-	-
Operating expenses	19,847	54,225	-	-
Operating lease rentals	33,055	33,367	-	-
	69,230	110,868	-	-
Other operating expenses:				
Consulting and administration fees	25,131	8,113	1,075	1,263
Custodians' fees	196	408	148	292
Responsible entity's and adviser's base fees	81,963	97,962	8,151	21,182
Demerger transaction costs	7,607	10,912	6,444	10,912
Foreign exchange loss	102,957	3,605	25,369	1,656
Other expenses	9,132	13,466	2,875	2,244
	226,986	134,466	44,062	37,549
Total other operating expenses	375,720	401,006	44,062	37,549
Total operating expenses from continuing activities before finance costs attributable to security holders	629,892	731,556	51,367	38,991

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For the Year Ended 30 June 2007

3 Income Tax Expense

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

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
(a) Profit/(loss) from continuing activities before income tax expense and before finance costs attributable to security holders	2,110,473	328,653	(278,165)	142,453
Prima facie income tax on profit/(loss) from continuing activities at the Australian tax rate of 30% (2006 - 30%)	633,142	98,595	(83,450)	42,736
Tax effect of operating result of MIT(I) Group	(14,478)	(38,810)	-	-
Tax effect of operating result of TRIPPII Partnership	2,867	12,312	-	-
Tax effect of operating result of MIGIL	(416,954)	(27,491)	-	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Non-assessable income	(784)	(44,496)	(2,790)	-
Non-deductible tolling concession amortisation	5,153	18,710	-	-
Non-deductible depreciation	6,584	3,769	-	-
Non-deductible interest expense	-	36,243	-	-
Non-deductible expenditure	3,567	2,497	3,432	3,580
Non-deductible preference share security distributions	-	478	-	-
Rebateable dividends	-	(8,612)	-	(17,045)
Foreign exchange loss not liable to tax	-	1,134	-	3,209
Prior year tax losses utilised	-	(1,649)	-	(4,819)
Reversal of deferred tax on revaluation exempted from UK capital gains tax	-	(233,920)	-	-
Non assessable (gain)/loss on disposal	(192,456)	-	4,105	-
Capital raising costs claimed	-	(1,067)	-	(1,067)
Sundry items	13,902	(15,958)	-	(106)
Income tax adjusted for permanent differences	40,543	(141,106)	(78,703)	26,488
Deferred tax asset not brought to account	8,848	57,159	8,848	-
Reversal of deferred tax balances recognised in prior periods	(183,299)	-	(319,076)	-
(Over)/Under provision in prior year	-	(277)	-	(252)
Aggregate income tax (benefit)/expense	(133,908)	(141,383)	(388,931)	26,236

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3 Income Tax Expense (cont'd)

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
(b) Income tax expense				
Aggregate income tax expense comprises:				
Current taxation provision	6,326	18,952	-	-
Deferred tax liability	(140,234)	(160,058)	(388,931)	26,488
Under provision in prior year	-	(277)	-	(252)
	(133,908)	(141,383)	(388,931)	26,236
Income tax expense is attributable to:				
Profit from continuing activities	(133,908)	(141,383)	(388,931)	26,236
Aggregate income tax expense	(133,908)	(141,383)	(388,931)	26,236
Deferred income tax (revenue)/expense included in income tax expense comprises:				
(Decrease)/increase in deferred tax liabilities	(140,234)	(160,058)	(388,931)	26,488
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised				
	1,295,043	1,021,645	73,824	58,491
Potential tax benefit of unused tax losses	391,999	306,494	22,147	17,547

4 Remuneration of Auditors

	Consolidated 30 June 2007 \$	Consolidated 30 June 2006 \$	Parent Entity 30 June 2007 \$	Parent Entity 30 June 2006 \$
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit services	654,919	576,814	402,354	377,146
Other services				
Taxation compliance services	860,526	472,542	317,169	289,649
Trust compliance services	14,520	12,073	7,260	6,875
Investigating accountant services	45,700	87,444	42,730	87,444
	1,575,665	1,148,873	769,513	761,114
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:				
Audit Services	758,295	1,061,261	-	-
Other services				
Taxation compliance services	317,129	501,328	-	62,393
Other	201,589	182,534	-	-
	1,277,013	1,745,123	-	62,393
Amounts paid or payable to other auditors of controlled entities for:				
Audit services	-	72,314	-	3,399
Other services				
Other	-	17,961	-	17,961
	-	90,275	-	21,360

Of the amounts paid or payable to PricewaterhouseCoopers, \$Nil (2006: \$156,180) related to the provision of services to San Diego Expressway LP, USA, \$105,023 (2006: \$250,209) related to the provision of services to Toll Road Investors Partnership II, L.P., USA, \$Nil (2006: \$64,490) related to the provision of services to Airport Motorway Group, and \$991,404 (2006: \$1,276,340) to MIGIL and its controlled entities.

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For the Year Ended 30 June 2007

5 Distributions Paid and Proposed

The distributions were paid/payable to MIG security holders as follows:

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
In specie distribution*	948,906	-	904,342	-
Interim distribution paid for the half year ended 31 December	261,595	240,550	-	240,550
Final distribution proposed and subsequently payable for the year ended 30 June	251,679	272,306	-	-
	1,462,180	512,856	904,342	240,550
	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
In specie distribution*	38.3333	-	36.5316	-
Interim distribution paid for the half year ended 31 December	10.0000	10.0000	-	10.0000
Final distribution proposed and subsequently payable for the year ended 30 June	10.0000	11.0000	-	-
	58.3333	21.0000	36.5316	10.0000
Fully franked portion of interim distribution paid for the half year ended 31 December	-	1.8898	-	1.8898
Fully franked portion of final distribution proposed and subsequently payable for the year ended 30 June	-	-	-	-
	-	1.8898	-	1.8898

* Refer note 11(ii)

6 Cash and Cash Equivalents

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Cash at bank	137,658	249,451	5,569	29,902
Short term money market investments	1,535,464	952,283	85,840	264,745
	1,673,122	1,201,734	91,409	294,647

(a) Short term money market investment

The short term money market investments outstanding at year end mature within 90 days (2006: 60 days) and pay interest between 5.23% - 6.54% (2006: 5.80% - 5.92%) 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 and short term money market investments include amounts that have restrictions on their use. This includes restricted amounts relating to MMG's debt service obligation, equity commitments to Warnowquering GmbH & Co (Warnow Tunnel), blocked deposits required under MEL's concession agreement obligations and other blocked deposits following the capital reduction of MEI in January 2005 amounting to \$52.9 million (2006: \$138.8 million).

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For the Year Ended 30 June 2007

7 Receivables

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
GST and VAT recoverable	589	2,267	277	970
Interest receivable	-	106,449	-	-
Trade receivables	-	10,711	3,418	5,922
Provision for doubtful debts	-	(951)	-	-
Receivable from MEI/MIGIL	-	-	-	510
Deferred consideration	8,358	-	-	-
Other receivables	4,524	7,714	-	-
	13,471	126,190	3,695	7,402
Non-current				
Loans to related entities	-	-	618,153	171,126
Loan to Transtoll	2,525	2,516	-	-
	2,525	2,516	618,153	171,126

8 Prepayments

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Prepaid lease rentals	-	2,633	-	-
Prepaid expenses	2,958	13,475	123	69
	2,958	16,108	123	69
Non-current assets				
Prepaid lease rentals	-	6,954	-	-
	-	6,954	-	-

9 Other Assets

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Prepaid concession notes	-	3,020	-	-
Other	-	330	-	-
	-	3,350	-	-

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10 Derivative Financial Instruments

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Non-current assets				
Interest rate swap contracts	254,791	44,273	-	-
Current liabilities				
Forward FX contracts	-	31,118	-	-
Non-current liabilities				
Interest rate swap contracts	-	6,792	-	-

Instruments used by the Group

At 30 June 2007 the Group has used derivative financial instruments in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 29).

Interest rate swap contracts – cash flow hedges

Macquarie Motorways Group Limited (MMG) has entered into a 30 year interest rate hedge, such that all floating rate payments due on the new £1.00 billion term loan (refer to note 18) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from period to period. The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term. The swap contracts are currently being settled on a six monthly basis.

The interest rate swap contracts have been designated and qualify as an effective cash flow hedge. At the balance sheet date these contracts were assets with a fair value of £107.6 million (\$254.8 million) and have been disclosed as derivative financial instrument assets in the balance sheet. The fair value movement of the swaps in the year was a gain of £107.6 million (\$254.8 million) which has been recognised in the statement of changes in equity in the hedging reserve.

A liability of £22.6 million (\$53.6 million) has been recognised in interest bearing financial liabilities (refer to note 18) to reflect the low rates of fixed payments currently being paid under the swap contracts.

At 30 June 2007, the notional principal amounts and periods of expiry of MMG's interest rate swap contracts are:

	2007 \$'000	2006 \$'000
1 – 5 years	-	1,092,600
25 – 30 years	2,368,533	-

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For the Year Ended 30 June 2007

11 Investments in Financial Assets

(a) Consolidated

The table below summarises the movements in MIG's investment portfolio during the year ended 30 June 2007.

	Balance at 30 June 2006 \$'000	Investments Note (iii) \$'000	Returns from investments Note (i) \$'000	Divestments Note (ii) \$'000	FX effects Note (v) \$'000	Revaluations \$'000	Balance at 30 June 2007 \$'000
Interests in unlisted securities in companies and trusts							
Shares in Interlink Roads Pty Limited Note (ii) (M5 South-West Motorway)	560,064	-	-	(560,064)	-	-	-
Shares in Transtoll Pty Limited	1,515	348	-	(446)	-	(316)	1,101
Investment in WSO Co Pty Limited Note (iii) (Westlink M7)	103,793	-	-	-	-	(69,344)	34,449
Investment in 407 International Inc.	2,960,061	-	(35,245)	-	(236,586)	351,036	3,039,266
Shares in Lusoponte Concessionária para a Travessia do Tejo S.A.	234,696	-	(5,985)	-	(17,691)	5,947	216,967
Shares in Chicago Skyway Partnership Note (ii)	456,333	-	(5,012)	(228,403)	(43,966)	64,032	242,984
Investment in Financière Eiffarie SAS Note (iv) (APRR)	534,786	-	(217,235)	-	(56,976)	1,080,031	1,340,606
Shares in Indiana Toll Road Partnership Note (ii)	503,226	-	(4,602)	(253,183)	(43,168)	52,737	255,010
Shares in Macquarie 125 Holdings Inc Note (ii) (South Bay Expressway)	-	109,474	-	-	(12,886)	65,255	161,843
Shares in Dulles Greenway Partnership Note (ii)	-	20,516	-	-	(8,544)	64,668	76,640
Partnership interest in Warnowquerung GmbH & Co. KG	-	-	-	-	-	2,431	2,431
	5,354,474	130,338	(268,079)	(1,042,096)	(419,817)	1,616,477	5,371,297
Interest bearing financial assets							
Investment in Westlink Subordinated term Loan Notes Note (iii)	562,174	34,300	-	-	-	129,638	726,112
Investment in Financière Eiffarie SAS Bonds Note (iv) (APRR)	513,578	-	(40,933)	-	(36,755)	43,044	478,934
Investment in Dulles Greenway Subordinated Loans Note (ii)	-	335,281	-	-	(20,128)	3,184	318,337
	1,075,752	369,581	(40,933)	-	(56,883)	175,866	1,523,383
Total investments	6,430,226	499,919	(309,012)	(1,042,096)	(476,700)	1,792,343	6,894,680

At 30 June 2007, the total value of MIG's investments in financial assets is \$6,894.7 million. The values 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(a). If all risk premiums were 0.5% lower/higher, the value of MIG's investments in financial assets would increase/decrease by \$605.7 million and \$518.7 million respectively. If all revenue forecasts were 5% higher/lower, the value of MIG's investments in financial assets would increase/decrease by \$562.9 million and \$578.5 million respectively.

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For the Year Ended 30 June 2007

11 Investments in financial assets (cont'd)

(b) Parent Entity*

	Balance at 30 June 2006	Investments	Returns from investments Note (i)	Divestments Note (ii)	FX effects Note (v)	Revaluations	Balance at 30 June 2007
	\$'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 (South Bay Expressway)	193,247	-	-	-	(25,203)	(70,444)	97,600
Shares in MIG Investments Australia Pty Limited (Chicago Skyway)	927,500	396	(482,260)	-	(69,563)	51,081	427,154
Shares in Macquarie Infrastructure Australia Pty Limited (Dulles Greenway)	154,879	6,953	(50,342)	-	(11,936)	(48,360)	51,194
Shares in M5 Holdings Pty Limited	467,213	-	-	(466,735)	-	(478)	-
Shares in Airport Motorway Holdings Pty Limited	542,036	-	-	(542,036)	-	-	-
Shares in MIG – Western Sydney Orbital Holding Company Pty Limited (Westlink M7)	103,793	-	-	-	-	(69,344)	34,449
Total investments	2,388,696	7,349	(532,602)	(1,008,771)	(106,702)	(137,545)	610,425

* 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) Returns from investments

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

(ii) Divestments

— Transaction with Macquarie Infrastructure Partners (MIP)

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

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

As the Indiana Toll Road and Skyway were not controlled by MIG prior to this transaction, the partial sales of these assets appear as divestments in 11(a).

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11 Investments in financial assets (cont'd)

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

— *Sydney Roads Group (SRG) Demerger*

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

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

(iii) **Westlink M7**

On 24 August 2006, MIG, through a subsidiary company of MIT(l) completed the acquisition of a further 2.5% interest in Westlink M7 for \$34.3 million, increasing MIG's total ownership interest to 47.5%.

Subordinated term Loan Notes accrue interest at 11.93% per annum.

(iv) **Financière Eiffarie (APRR)**

The risk premium applied in the valuation of APRR at 30 June 2006 was 18.0%, reflecting the acquisition price of the asset. The risk premium was revised to 12.0% at 31 December 2006, reflective of the fact that the asset was in a transition phase operationally, and to 8.0% at 30 June 2007, bringing it more into line with the risk premiums used in valuing MIG's other assets.

The Group's interest in APRR is held through Macquarie Autoroutes de France SA (MAF), a company owned 50% plus one share by the Group and 50% less one share by Macquarie European Infrastructure Fund (MEIF). The Group's interest in MAF is subject to put and call options granted in favour of MEIF. These options include provisions that enable MEIF to sell its interest in MAF to the Group or purchase the Group's interest in MAF at fair market value in the event that an MBL Group entity ceases to be the manager of MAF.

In addition, Eiffage SA has a call option over MAF's shares in Financiere Eiffarie, exercisable at fair value in the event that an MBL Group entity ceases to be the manager of MAF.

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

Where an investment in a toll road company is held by a group entity that has the same functional currency as the asset, FX effects result from translation of the group entity's assets and liabilities, and are taken to the Foreign Currency Translation Reserve. Where an investment in a toll road company is held by a group entity that has a functional currency different from that of the asset, FX effects resulting from translation of the investment in the books of the group entity are taken through the Income Statement. Of the \$476.7 million foreign exchange loss relating to investments in financial assets, \$18.8 million was debited to the Income Statement and \$457.9 million was taken to the Foreign Currency Translation Reserve.

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For the Year Ended 30 June 2007

11 Investments in financial assets (cont'd)

(vi) Balance sheet impact of SRG demerger and MIP transaction

	As at 30 June 2006 \$'000	SRG 30 June 2006 \$'000	MIP 30 June 2006 \$'000	Other \$'000	As at 30 June 2007 \$'000
Current assets					
Cash and cash equivalents	1,201,734	27,913	662,365	(218,890)	1,673,122
Other current assets	145,648	(119,806)	(7,598)	(1,815)	16,429
Total current assets	1,347,382	(91,893)	654,767	(220,705)	1,689,551
Non-current assets					
Other non current assets	53,743	(11,683)	(39,377)	254,633	257,316
Investments in financial assets	6,430,226	(560,510)	(76,833)	1,101,797	6,894,680
Property, plant and equipment	3,025,654	(527,376)	(1,008,639)	(121,870)	1,367,769
Tolling concessions	1,858,967	(469,887)	(1,258,030)	(8,849)	122,201
Total non-current assets	11,368,590	(1,569,456)	(2,382,879)	1,225,711	8,641,966
Total assets	12,715,972	(1,661,349)	(1,728,112)	1,005,006	10,331,517
Current liabilities					
Other current liabilities	519,912	(116,540)	-	(90,231)	313,141
Interest-bearing financial liabilities	299,150	(29,323)	(39,828)	(229,999)	-
Total current liabilities	819,062	(145,863)	(39,828)	(320,230)	313,141
Non-current liabilities					
Other non-current liabilities	621,386	(330,549)	(112,266)	125,522	304,093
Interest-bearing financial liabilities	4,671,033	(715,902)	(1,534,055)	217,320	2,638,396
Total non current liabilities	5,292,419	(1,046,451)	(1,646,321)	342,842	2,942,489
Total liabilities	6,111,481	(1,192,314)	(1,686,149)	22,612	3,255,630
Net assets	6,604,491	(469,035)	(41,963)	982,394	7,075,887

The analysis above illustrates the impact of no longer consolidating entities which have exited MIG through the demerger of SRG and for which control was lost following the transaction with MIP. For the purposes of this analysis, these entities have been taken as at 30 June 2006. As at 30 June 2007, only the M6 Toll remains as a consolidated toll road.

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

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For the Year Ended 30 June 2007

12 Subsidiaries

Subsidiaries at 30 June 2006 that are associates at 30 June 2007 are listed in Note 13.

Name of controlled entity	Country of incorporation	2007 voting %	2006 voting %
Abigroup Westlink Partner Holding No. 1 Pty Limited	Australia	100.0	-
Abigroup Westlink Partner Holding No. 3 Pty Limited	Australia	100.0	100.0
Abigroup Westlink Partner No. 1 Pty Limited	Australia	100.0	-
Abigroup Westlink Partner No. 3 Pty Limited	Australia	100.0	100.0
Abigroup WSO Holding No. 1 Pty Limited	Australia	100.0	-
Abigroup WSO Holding No. 3 Pty Limited	Australia	100.0	100.0
Airport Motorway Construction Company Pty Limited	Australia	-	71.4
Airport Motorway Holdings Pty Limited	Australia	-	71.4
Airport Motorway Limited	Australia	-	71.4
Airport Motorway Trust	Australia	-	71.4
AJL Nominees Pty Limited (in liquidation)	Australia	-	100.0
Australian Facilities Management Pty Limited	Australia	-	25.3
Davjan Pty Limited (in liquidation)	Australia	-	100.0
Devome Pty Limited	Australia	-	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
ISI Nominees Pty Limited (in liquidation)	Australia	-	100.0
LH Nominees Pty Limited (in liquidation)	Australia	-	100.0
LMI Westlink Partner Holding No 3 Pty Limited	Australia	100.0	100.0
LMI Westlink Partner No 3 Pty Limited	Australia	100.0	100.0
LMI WSO Holding No 3 Pty Limited	Australia	100.0	100.0
Lodavas Pty Limited (previously M4 Holdings Pty Limited) (in liquidation)	Australia	-	100.0
Lodco Pty Limited (in liquidation)	Australia	-	100.0
M4 Holdings No.1 Pty Limited	Australia	-	100.0
M5 Holdings Pty Limited	Australia	-	100.0
Macquarie (UK) Projects Limited	UK	100.0	100.0
Macquarie 121 Holdings LLC	USA	100.0	100.0
Macquarie 121 Partnership LLC	USA	100.0	-
Macquarie 121 Tollroad Inc	USA	-	100.0
Macquarie 1604 Holdings Pty Limited	USA	100.0	100.0
Macquarie 1604 ML Holdings LLC	USA	100.0	100.0
Macquarie 1604 ML Inc	USA	100.0	100.0
Macquarie 1604 Partnership LP	USA	100.0	100.0
Macquarie 635 Holdings Pty Limited	USA	100.0	100.0
Macquarie 635 ML Holdings LLC	USA	100.0	100.0
Macquarie 635 ML Inc	USA	100.0	100.0
Macquarie 635 Partnership LP	USA	100.0	100.0
Macquarie Autoroutes de France SA	France	50.0	50.0
Macquarie European Infrastructure Limited	UK	100.0	100.0
Macquarie Green Bermudian Holdings Limited	Bermuda	100.0	100.0
Macquarie Holdings (Texas) LLC	USA	100.0	100.0
Macquarie Infrastructure (Luxembourg) SA (in liquidation)	Luxembourg	100.0	100.0
Macquarie Infrastructure (Toll Route) SA (in liquidation)	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 US Pty Limited	Australia	100.0	100.0
Macquarie LBJ Holdings LLC	USA	100.0	100.0
Macquarie Mexico Holdings SA de CV	Mexico	100.0	-
Macquarie Midland Holdings Limited (MMHL)	UK	100.0	100.0
Macquarie Motorways Group Limited (MMG)	UK	100.0	-

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For the Year Ended 30 June 2007

12 Subsidiaries (cont'd)

Name of controlled entity	Country of incorporation	2007 voting %	2006 voting %
Macquarie (Florida) LLC	USA	100.0	-
Macquarie Nova Holdings LLC	USA	100.0	100.0
Macquarie Poinciana Parkway Holdings LLC	USA	100.0	-
Macquarie Texas Holdings Pty Limited	USA	100.0	100.0
Macquarie Texas Partnership LP (previously Macquarie 121 Partnership LP)	USA	-	100.0
MAF Finance Sarl	Luxembourg	50.2	50.2
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 Holdings (US) LLC	USA	100.0	100.0
MIG Holdings 2 (US) LLC	USA	100.0	100.0
MIG Holdings Limited	Bermuda	100.0	100.0
MIG Indiana Holdings LLC	USA	100.0	100.0
MIG Investments Australia Pty Limited	Australia	100.0	100.0
MIG Investments Limited	Bermuda	100.0	100.0
Millba Pty Limited (in liquidation)	Australia	-	100.0
MIT(II) Holdings Pty Limited	Australia	100.0	100.0
Newberg Dundee Concession Company LLC	USA	100.0	100.0
South 1-205 Concession Company LLC	USA	100.0	100.0
Statewide Environmental Pty Limited	Australia	-	50.6
Statewide Roads (M2) Pty Limited	Australia	-	50.6
Statewide Roads (M4) Pty Limited	Australia	-	50.6
Statewide Roads Limited	Australia	-	50.6
Sunrise Concession Company LLC	USA	100.0	100.0
SWR Constructors Pty Limited	Australia	-	50.6
SWR Engineers Pty Limited	Australia	-	50.6
SWR Operations Pty Limited	Australia	-	50.6
SWR Properties Pty Limited	Australia	-	50.6
SWR Services Pty Limited	Australia	-	50.6
Sydney Roads Limited	Australia	-	100.0
Sydney Roads Management Limited	Australia	-	100.0
Sydney Roads Trust	Australia	-	100.0
Tipperhurst Limited	UK	100.0	100.0
Transtoll Pty Limited *	Australia	59.5	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 59.5% 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.

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13 Investments in Associates

Name of associate	Country of incorporation	Principal activity	Balance date	2007 voting %	2006 voting %
407 ETR Concession Company Limited	Canada	Toll road operator	31 Dec	30.0	30.0
407 International Inc	Canada	Toll road operator	31 Dec	30.0	30.0
Autoroutes Paris-Rhin-Rhône and its subsidiaries	France	Toll road network operator	31 Dec	20.4	20.4
Californian Transportation Ventures Inc (CTV)	USA	General Partner of SBXLP	30 Jun	50.0	100.0
Chicago Skyway Partnership (previously MIG Chicago Holdings LLC)	USA	Holding company	30 Jun	50.0	100.0
Dulles Greenway Partnership (previously MIG Investments 2 (US) LLC)	USA	Holding company	30 Jun	50.0	100.0
Eiffarie SAS	France	Investment in toll road network	31 Dec	25.0	25.0
Financière Eiffarie SAS	France	Holding company	31 Dec	25.0	25.0
Gestiponte-Operação e Manutenção das Travessias do Tejo SA	Portugal	Investment in toll bridges	31 Dec	30.6	30.6
Indiana Toll Road Partnership (previously MIG Indiana LLC)	USA	Holding company	31 Dec	49.0	100.0
ITR concession Company Holdings LLC	USA	Investment in toll road	30 Jun	25.0	50.0
ITR Concession Company LLC	USA	Toll road operator	30 Jun	25.0	50.0
Lusoponte Concessionária para a Travessia do Tejo SA	Portugal	Holding company	31 Dec	30.6	30.6
Macquarie 125 Holdings Inc	USA	Holding company	30 Jun	50.0	100.0
MIG Investment 3 (US) LLC	USA	Holding company	30 Jun	50.0	100.0
PROMAC Holdings SA de CV	Mexico	Holding company	30 Jun	40.0	-
Shenandoah Greenway Corporation	USA	General Partner of TRIP II	30 Jun	50.0	100.0
Skyway Concession Company Holdings LLC	USA	Holding company	31 Dec	22.5	45.0
Skyway Concession Company LLC	USA	Toll road operator	31 Dec	22.5	45.0
South Bay Expressway Limited Partnership (previously San Diego Expressway Limited Partnership) (SBXLP))	USA	Toll road operator	30 Jun	50.0	100.0
Statewide Mobility Partners LLC	USA	Holding company	30 Jun	25.0	50.0
Toll Road Investors Partnership II LP (TRIP II)*	USA	Toll road operator	31 Mar	50.0	100.0
Warnowquerung GmbH & Co. KG (WKG) (limited partnership)**	Germany	Investment in toll tunnel	31 Dec	70.0	70.0
Warnowquerung Verwaltungsgesellschaft GmbH*	Germany	General Partner of WRG	31 Dec	70.0	70.0
WestLink Motorway Limited	Australia	Nominee for partnership	30 Jun	47.5	45.0
WestLink Motorway Partnership	Australia	Investment in toll road	30 Jun	47.5	45.0
WSO Co. Pty Limited	Australia	Toll road operator	30 Jun	47.5	45.0
WSO Finance Pty Limited	Australia	Finance company	30 Jun	47.5	45.0

* MIG holds a 6.7% (2006: 13.4%) interest in the limited partnership, along with interest bearing financial assets giving a 50% economic interest. MIG holds a 50% interest in the General Partner, Shenandoah Greenway Corporation.

** 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. The agreement is structured such that any decision made in regard to the financial and operational policies requires 75% of the voting members to proceed, as a result MIG is not deemed to control WKG.

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 such 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 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Plant and equipment, at cost	88,675	633,280	-	-
Less: accumulated depreciation	(44,095)	(186,053)	-	-
	44,580	447,227	-	-
Buildings, at cost	54,572	58,112	-	-
Less: accumulated depreciation	(3,871)	(3,401)	-	-
	50,701	54,711	-	-
Leasehold improvements, at cost	1,413,323	2,859,937	-	-
Less: accumulated depreciation	(141,411)	(337,695)	-	-
	1,271,912	2,522,242	-	-
Motor vehicles, at cost	1,859	3,063	-	-
Less: accumulated depreciation	(1,283)	(1,589)	-	-
	576	1,474	-	-
	1,367,769	3,025,654	-	-

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 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Property, plant and equipment				
Carrying amount at beginning of year	447,227	71,818	-	-
Additions	1,028	395,062	-	-
Disposals	(385,435)	(1)	-	-
Depreciation/amortisation expense	(15,921)	(23,256)	-	-
Foreign currency exchange differences	(2,319)	3,604	-	-
Carrying amount at end of year	44,580	447,227	-	-
Buildings				
Carrying amount at beginning of year	54,711	52,765	-	-
Additions	-	164	-	-
Disposals	(314)	-	-	-
Depreciation/amortisation expense	(1,131)	(1,137)	-	-
Foreign currency exchange differences	(2,565)	2,919	-	-
Carrying amount at end of year	50,701	54,711	-	-

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14 Property, Plant and Equipment (cont'd)

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Leasehold improvements				
Carrying amount at beginning of year	2,522,242	2,239,748	-	-
Additions	341	261,351	-	-
Disposals	(1,141,832)	-	-	-
Depreciation/amortisation expense	(43,724)	(65,540)	-	-
Foreign currency exchange differences	(65,115)	86,683	-	-
Carrying amount at end of year	1,271,912	2,522,242	-	-
Motor Vehicles				
Carrying amount at beginning of year	1,474	1,513	-	-
Additions	-	417	-	-
Disposals	(464)	(27)	-	-
Depreciation/amortisation expense	(400)	(506)	-	-
Foreign currency exchange differences	(34)	77	-	-
Carrying amount at end of year	576	1,474	-	-

Property, Plant and Equipment pledged as security

Property, Plant and Equipment as at 30 June 2007 relates solely to Midland Expressway Limited (MEL) assets. Non recourse loans of MMG are secured by way of debenture over the assets of MEL.

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For the Year Ended 30 June 2007

15 Tolling Concessions

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Eastern Distributor	-	348,208	-	-
M4 Motorway	-	121,678	-	-
M6 Toll	122,201	131,050	-	-
South Bay Expressway	-	24,760	-	-
Dulles Greenway	-	1,233,271	-	-
	122,201	1,858,967	-	-

Tolling concessions are amortised over the remaining life of each concession, expiring in January 2054 for the M6 Toll. (Refer note 2(ii)).

Consolidated	Eastern Distributor \$'000	M4 Motorway \$'000	M6 Toll \$'000	South Bay Expressway \$'000	Dulles Greenway \$'000	Total \$'000
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
At 1 July 2006	348,208	121,678	131,050	24,760	1,233,271	1,858,967
Amortisation for the year	(703)	(2,845)	(2,606)	-	(12,099)	(18,253)
Acquisition of assets	-	-	-	-	-	-
Disposal/deconsolidation of assets	(347,505)	(118,833)	-	(24,760)	(1,221,172)	(1,712,270)
Exchange differences	-	-	(6,243)	-	-	(6,243)
Carrying value at 30 June 2007	-	-	122,201	-	-	122,201
At 30 June 2007						
Cost	-	-	131,703	-	-	131,703
Accumulated amortisation	-	-	(9,502)	-	-	(9,502)
Net carrying amount	-	-	122,201	-	-	122,201

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For the Year Ended 30 June 2007

16 Distribution Payable

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Provision for distribution				
Balance at the beginning of the year	272,306	297,673	-	-
Provided for during the year	513,274	512,856	-	240,550
Paid during the year	(533,901)	(538,223)	-	(240,550)
Balance at the end of the year	251,679	272,306	-	-

The provision for distributions due to MIG security holders represents the distribution for the period ended 30 June 2007. This amount was paid on 14 August 2007.

17 Payables

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Deferred construction contract revenue	-	223	-	-
Distributions payable to minority interests	15,918	36,280	-	-
GST payable	2,625	4,874	-	2
Interest payable	-	82,231	-	-
Responsible Entity's and Adviser's base fees payable	20,098	23,690	1,503	5,646
Sundry creditors and accruals	16,495	35,088	397	13,099
Amounts payable to related entities	-	-	8,128	-
Trade creditors	-	31,139	-	-
Easement liability	-	673	-	-
Lease payable	-	182	-	-
	55,136	214,380	10,028	18,747
Non-Current				
Loan from Interlink	-	3,605	-	-
Lease payable	111,747	83,941	-	-
Loan from M5FT	-	-	-	121,559
Easement liability	-	5,918	-	-
Deferred consideration Dulles Greenway	-	81,669	-	-
	111,747	175,133	-	121,559

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For the Year Ended 30 June 2007

18 Interest-Bearing Financial Liabilities

	Notes	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current					
Multi-option facility	a	-	230,000	-	230,000
Non-recourse loans	b	-	69,150	-	-
			299,150	-	230,000
Non-current					
Non-recourse loans	b	2,345,327	3,917,173	-	-
Reset convertible notes (ReCNs)	d	-	496,663	-	-
Accrued interest rate swap liability	c	53,602	-	-	-
Loan from minority interest	e	239,467	257,197	-	-
		2,638,396	4,671,033	-	-

(a) Credit facilities available to the Group

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 (2006: \$500.0 million). At 30 June 2007, \$Nil (2006: \$230.0 million) was drawn under the facility. The facility attracts interest at BBSW plus a margin of 0.40% per annum. The facility terminates on 1 November 2007 and negotiations for an extension are on-going.

Line fees and establishment fees of \$2.2 million (2006: \$4.8 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.

MIG completed a debt refinancing of the M6 Toll on 24 August 2006. Following the refinancing, the previous £619.9 million (\$1.54 billion) debt facility was replaced by new facilities of £1.03 billion (\$2.55 billion) and new interest rate swaps. Interest on the drawn facilities is charged at a floating rate at a margin over the London Inter Bank Offer Rate (LIBOR). The new nine-year facilities are due for repayment in 2015 and comprise a £1.00 billion (\$2.48 billion) term loan and a £30.0 million (\$74.5 million) capital expenditure facility. At 30 June 2007 the term loan was fully drawn down and the capital expenditure facility had not been utilised. The facilities have certain covenants attached and are secured by way of a debenture over MEL's assets. Interest rate hedging has been put in place in relation to 100% of the face value of the new loan for the next 30 years.

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

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

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

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

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18 Interest-Bearing Financial Liabilities (cont'd)

(c) Accrued interest rate swap liability

MMG entered into a 30 year interest rate hedge that includes a separate refinancing element (refer note 10). At 30 June 2007, this element incurs fixed interest at 1% per annum.

(d) Reset Convertible Notes (ReCNs)

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

On 13 November 2006, OTPP exercised their right to convert all outstanding ReCNs, with face value of \$490.0 million together with accrued interest of \$14.7 million, into MIG stapled securities.

(e) Loan from Minority Interest

The loan from MEIF Luxembourg Holdings S.A has a nominal value of €150.0 million (\$239.5 million) and interest is charged at a floating rate at a margin over the Euro Inter Bank Officer Rate (EURIBOR). The loan is due for repayment in 2033.

19 Tax Liabilities

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Provision for income tax	6,326	1,016	-	318
Non-current				
Provision for deferred income tax	190,007	335,071	10,362	404,435
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	-	-
Property, plant and equipment	-	14,521	-	-
Trade receivables	-	(285)	-	-
Financial assets at fair value through profit or loss	113,570	284,650	10,362	404,435
Other payables	-	33,304	-	-
	113,570	335,071	10,362	404,435
<i>Amounts charge directly to equity</i>				
Cash flow hedges	76,437	-	-	-
	76,437	-	-	-
Net deferred tax liabilities	190,007	335,071	10,362	404,435
Movements in provision for deferred income tax:				
Balance at the beginning of the year	335,071	477,157	404,435	377,947
Change on adoption of AASB 132 & AASB 139	-	17,972	-	-
Divestment/demerger of subsidiaries	(81,267)	-	(5,142)	-
Charged/(credited) to the income statement	(140,234)	(160,058)	(388,931)	26,488
Charged directly to equity	76,437	-	-	-
Balance at the end of the year	190,007	335,071	10,362	404,435

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20 Provisions

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Employee entitlements	-	1,092	-	-
	-	1,092	-	-
Non-Current				
Employee entitlements	-	53	-	-
Other provisions	2,339	2,728	-	-
	2,339	2,781	-	-
The aggregate employee entitlements liability comprises:				
Current provisions	-	1,092	-	-
Non-current provisions	-	53	-	-
	-	1,145	-	-

Movement in provisions

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

	Other \$'000	Pension \$'000	Total \$'000
Consolidated – 2007			
Carrying amount at the start of the year	232	2,496	2,728
Additional provisions recognised	-	3,134	3,134
Disposal of subsidiaries	(232)	-	(232)
Utilisation of provision	-	(3,291)	(3,291)
Carrying amount at the end of the year	-	2,339	2,339

The average number of employees during the year was 149 (2006: 246).

No significant uncertainty exists over the current provisions.

21 Concession Notes

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Non-Current				
Concession notes – face value	-	135,000	-	-
Unamortised discount	-	(85,480)	-	-
	-	49,520	-	-

Concession notes, representing non-interest bearing long term financial liabilities, were issued to the Roads and Traffic Authority of NSW by Airport Motorway Limited (AML) for the right to build and levy tolls on the Eastern Distributor. The prepaid portion of the expense was capitalised and amortised, with the associated expense recognised in the Income Statement. AML was divested during the year ended 30 June 2007.

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For the Year Ended 30 June 2007

22 Contributed Equity

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
On issue at the beginning of the year	4,770,026	3,595,768	1,449,986	1,150,714
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 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
DRP on 15 August 2006	147,929	-	23,697	-
Conversion of ReCNs on 15 November 2006**	517,361	-	74,077	-
In specie distribution of Sydney Roads Group	(842,342)	-	(797,779)	-
Cancelled pursuant to :				
Security buy-back: 3 October 2006 – 30 June 2007***	(636,162)	-	(87,533)	-
Capital raising and buy back costs	(808)	(7,709)	(131)	(2,145)
On issue at the end of the period	3,956,004	4,770,026	662,317	1,449,986
	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	2,475,499	2,164,890	2,475,499	2,164,890
Issued pursuant to:				
DRP on 12 August 2005	-	17,594	-	17,594
Institutional placement on 1 September 2005	-	174,419	-	174,419
Reinvestment of performance fees in securities on 12 September 2005	-	21,862	-	21,862
Security purchase plan dated 12 October 2005	-	26,732	-	26,732
DRP on 14 February 2006	-	70,002	-	70,002
DRP on 15 August 2006	55,505	-	55,505	-
Conversion of ReCNs on 15 November 2006**	165,049	-	165,049	-
Cancelled pursuant to :				
Security buy-back: 3 October 2006 – 30 June 2007***	(179,262)	-	(179,262)	-
On issue at the end of the year	2,516,791	2,475,499	2,516,791	2,475,499

* Refer note 1(d).

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

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

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

As at 30 June 2007, MIG had bought back 179,261,530 MIG securities for total consideration of A\$636.2 million. In accordance with approval received from ASIC on 10 August 2007, the buy back will conclude no later than 10 August 2008.

Financial Report

For the Year Ended 30 June 2007

22 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.

Special shares in MIGIL

In addition to ordinary shares, MIGIL has on issue 1 A special share of \$1 and 1 B special share of \$1. The rights attaching to each class of special shares of MIGIL are as follows:

■ A special share

The A special share is to be held by the Adviser, its successors or assignees. The adviser of MIGIL is Macquarie Investment Management (UK) Limited. The shareholder is entitled to appoint up to 50% of the directors of the Company and to appoint any one of such directors to be managing director. The A special shareholder has no rights of participation in the profits of MIGIL (the Company) and assets of the Company on a winding up.

The A special shareholder may, after consulting with the Company, request the Company to redeem or repurchase the A special share at par, by giving notice to the Company and delivering the relevant share certificate to the Company.

The Company may redeem or repurchase the A special share at par:

- with the consent of the A special shareholder following notice to the A special shareholder
- without consent of the A special shareholder following notice to the A special shareholder upon unstapling or upon termination of the advisory agreement.

■ B special share

The B special share is to be held by the MIT(II) Responsible Entity, its successors or assignees. The shareholder is entitled to appoint up to 25% of the directors of the Company. The B special shareholder has no rights of participation in the profits of the Company and assets of the Company on a winding up.

The B special shareholder may, after consulting with the Company, request the Company to redeem or repurchase the B special share at par, by giving notice to the Company and delivering the relevant share certificate to the Company.

The Company may redeem or repurchase the B special share at par:

- with the consent of the B special shareholder following notice to the B special shareholder
- without consent of the B special shareholder following notice to the B special shareholder upon unstapling or upon termination of the advisory agreement.

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For the Year Ended 30 June 2007

23 Reserves

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
(a) Reserves:				
Foreign currency translation reserve	28,316	371,706	-	-
Hedging reserve – cash flow hedges	180,062	-	-	-
	208,378	371,706	-	-
(b) Movements:				
Foreign currency translation reserve				
Balance at 1 July 2006	371,706	(40,815)	-	-
Currency translation differences during the year	(343,390)	412,521	-	-
Balance at 30 June 2007	28,316	371,706	-	-
Hedging reserve – cash flow hedges				
Balance at 1 July 2006	-	-	-	-
Revaluation – gross	256,499	-	-	-
Deferred tax liability recognised on interest rate swap contracts	(76,437)	-	-	-
Balance at 30 June 2007	180,062	-	-	-

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

24 Retained Profits

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Balance at the beginning of the year	1,174,472	1,252,798	636,895	761,228
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	-	-
Profit attributable to security holders	1,702,253	317,371	110,766	116,217
Distributions paid and proposed*	(619,838)	(512,856)	(106,563)	(240,550)
Balance at the end of the year	2,256,887	1,174,472	641,098	636,895

* Refer note 1(d).

Financial Report

For the Year Ended 30 June 2007

25 Earnings Per Stapled Security

	Consolidated 30 June 2007	Consolidated 30 June 2006
Basic and diluted earnings per stapled security after finance costs to security holders	66.57c	13.37c
	\$'000	\$'000
Earnings used in calculation of basic and diluted earnings per stapled security after finance costs to security holders*	1,702,253	317,371
	Number '000	Number '000
Weighted average number of stapled securities used in calculation of basic and diluted earnings per stapled security after finance costs to security holders*	2,557,265	2,373,725

* There is no difference in the earnings and weighted average number of stapled securities used in the calculation of basic earnings per security and diluted earnings per security.

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For the Year Ended 30 June 2007

26 Cash Flow Information

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
(i) Reconciliation of profit from continuing activities after income tax to net cash flows from operating activities				
Profit from continuing activities after income tax	2,244,381	470,036	110,766	116,217
Revaluation of investments	(1,792,341)	(392,666)	137,545	(84,762)
Expenses relating to financing activities	198,949	207,584	6,102	875
Interest capitalised to loans/(capitalised interest received)	45,420	36,640	(4,884)	(6,491)
Net foreign exchange differences	90,573	(14,707)	132,071	(822)
Depreciation and amortisation	79,429	156,814	-	-
Concession notes	1,274	8,157	-	-
(Profit)/loss on sale of investments	(644,799)	-	13,684	-
Changes in assets and liabilities				
Decrease/(increase) in receivables	98,232	1,664	3,085	(8,593)
Decrease in other assets	203	39,547	112	1
Increase/(decrease) in provision for income taxes	61,099	(3,706)	(318)	65
(Decrease)/increase in provision for deferred income taxes	(208,567)	(165,675)	(388,613)	25,407
Increase/(decrease) in payables	(47,894)	(11,210)	(14,857)	9,886
Movement in financial derivatives	316,790	(33,967)	-	-
Increase/(decrease) in other liabilities	35,813	8,408	-	-
Net cash inflow/(outflow) from operating activities	478,562	306,919	(5,307)	51,783
(ii) Reconciliation of cash and cash equivalents				
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheets as follows:				
Cash at bank	137,658	249,451	5,569	29,902
Short term money market investments	1,535,464	952,283	85,840	264,745
Cash and cash equivalents	1,673,122	1,201,734	91,409	294,647

(iii) Non-cash financing and investing activities

— Consolidated and Parent Entity

Responsible Entity and Adviser performance fees of \$Nil (2006: \$91.6 million) were elected to be reinvested in Nil (2006: 21.9 million) new MIG stapled securities at an issue price of \$Nil (2006: \$4.1897). Of this amount \$Nil (2006: \$22.2 million) related to the issue of stapled securities by MIT(II).

Financial Report

For the Year Ended 30 June 2007

27 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.

■ **Adviser**

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 No.1 Ropemaker Street, London EC2Y 9HD, United Kingdom.

■ **Directors**

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

- 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.

The number of MIG stapled securities held directly, indirectly or beneficially by the directors of the Responsible Entity during the financial year are set out below:

	Stapled Securities	
	Balance at start of the year 1 July 2006	Balance at the end of the year 30 June 2007
Mark Roderick Granger Johnson	811,619	811,731
Michael Bernard Easson	368	394
Eric Paul McClintock	85,438	89,604
Nicholas William Moore	840,247	881,355
David Allen Mortimer	514,521	550,385
John Stuart Hugh Roberts	208,587	208,587
David Anthony Walsh	25,000	25,000
	2,485,780	2,567,056

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 2007

27 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.

Directors' fees of US\$40,000 (\$51,080) (2006: US\$40,000 (\$53,480)) per director were paid or payable by MIGIL to Jeffrey Conyers and Robert Mulderig for the year ended 30 June 2007. Peter Dyer received £40,833 (\$100,435) (2006: £40,000 (\$94,990)) for acting as a director of the MIGIL Group. Mark Johnson is an employee of MBL. During the year ended 30 June 2007, MBL paid an amount equivalent to US\$40,000 (\$51,080) (2006: US\$40,000 (\$53,480)) 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.

The number of MIG stapled securities 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 changes during the year	
Mark Roderick Granger Johnson	811,619	-	112	811,731
Jeffrey Gerald Conyers	-	-	-	-
Dr Peter Dyer	-	-	-	-
Robert Andrew Mulderig	-	-	-	-
Responsible Entity	30,820,428	-	837,516	31,657,944
	<u>31,632,047</u>	-	<u>837,628</u>	32,469,675

■ 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 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Base fee	81,963	97,962	8,151	21,182
Performance fee	-	-	-	-
	81,963	97,962	8,151	21,182

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

The performance fee is calculated with reference to the performance of the accumulated security price of MIG compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. For the year ended 30 June 2007, and 30 June 2006, no new performance fee was calculated for MIG and no instalments of performance fees, relating to previous periods became payable.

Financial Report

For the Year Ended 30 June 2007

27 Related Party Disclosures (cont'd)

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 fair values of the assets are used in the calculation of this apportionment.

■ **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 MIGIL 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 31,657,944 (2006: 30,820,428) stapled securities. Distributions totalling \$6,247,837 (2006: \$6,472,290) were payable by MIG to the Responsible Entity in respect of the year ended 30 June 2007.

During the financial year, MIG reimbursed MBL \$864,339 (2006: \$826,770), representing out-of-pocket expenses incurred by the Responsible Entity and Advisor in the performance of their duties.

As at 30 June 2007, MIG held funds totalling \$46,663,891 (2006: \$30,136,980) on deposit with MBL. The Group earns interest on deposits at commercial rates. Interest income from MBL deposits totalling \$3,043,596 (2006: \$846,295) was included in the determination of profit from operating activities for the Group for the year ended 30 June 2007.

During the year, MBL earned advisory fees from the Group of \$5,807,106 for work performed on the sale of MIG's interest in its four US assets.

An advisory fee of \$4,950,000 was paid by the Group to MBL and underwriting fees of \$1,109,375 were paid to both Macquarie Equity Capital Markets Limited (a subsidiary of MBL) and UBS in relation to the demerger of Sydney Roads Group.

During the year, MBL earned advisory fees from the Group of £6,175,000 (A\$15,407,221) for work performed in relation to the M6 Toll debt refinance.

At 30 June 2007, MIT(II) had a receivable balance with MIT(I) of \$34,119,770. The balance principally comprises amounts advanced by MIT(II) to MIT(I) in order to buy-back securities which had not yet been utilised at year end. During the year MIT(II) had advanced a net amount of \$106,984,880 to MIT(I). In terms of the \$300 million facility agreement dated 20 December 2001 MIT(II) had no amount owing from MIT(I) at 30 June 2007 and MIT(I) had paid \$9,084 in interest to MIT(II). The interest on the loan is calculated at BBSW plus a margin of 3.0% per annum and is payable quarterly in arrears.

At 30 June 2007, MIT(II) has a receivable balance with WSOFT of \$504,141,342. The balance represents amounts owing by WSOFT to MIT(II) in relation to the conversion of the Reset Convertible Notes on 15 November 2006. The loan between MIT(II) and WSOFT bears interest at BBSW plus a margin of 0.45%. Interest capitalised and payable by WSOFT to MIT(II) totalled \$4,886,442 for the year.

At 30 June 2007 MIT(II) had a receivable balance with MIGIL of \$43,590,448. The balance comprises amounts funded by MIT(II) on behalf of MIGIL in relation to the buy-back of securities. During the year MIT(II) had advanced a net amount of \$62,865,071.33 to MIGIL and had received interest of \$6,069. The interest was calculated at the 90 day BBSW plus a margin of 0.45% per annum and is payable quarterly in arrears.

At 30 June 2007 MIT(II) had a receivable balance with Macquarie Infrastructure US Pty Limited (MIUS) of \$32,264,486. The balance principally comprises amounts owing by MIUS in relation to settled foreign exchange forward contracts.

Brokerage of \$1,049,668 was paid to Macquarie Securities (Australia) Limited (MSAL) during the period in connection with the security buy back.

Brokerage of \$139,086 was paid to MSAL during the period in connection with the on market sourcing of securities for the MIG DRP in relation to the interim distribution payable on 14 February 2007.

Financial Report

For the Year Ended 30 June 2007

28 Segment Reporting

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

MIG's toll road business includes the development 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 2007				
Revenue from continuing activities	713,830	1,359,630	666,905	2,740,365
Net profit from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	594,462	940,918	575,093	2,110,473
Total assets	1,520,209	5,228,478	3,582,830	10,331,517
Total liabilities	321,739	2,883,623	50,268	3,255,630
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	34,648	1,346	465,294	501,288
Depreciation and amortisation expense	5,860	55,924	17,845	79,429
<hr/>				
	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Consolidated				
30 June 2006				
Revenue from continuing activities	517,677	246,111	296,421	1,060,209
Net profit/(loss) from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	191,388	(48,401)	185,666	328,653
Total assets	3,259,366	3,125,880	6,330,726	12,715,972
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

Financial Report

For the Year Ended 30 June 2007

29 Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange 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 directors of the Responsible Entity. The directors 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 transactions 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, Dulles Greenway 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 floating interest rates. 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 2007

30 Commitments for Expenditure

	As at 30 June 2007 \$'000	As at 30 Jun 2006 \$'000
Operating leases commitments		
Commitments in relation to land leased by MEL from the Highways Agency in the UK and other non cancellable operating leases are payable as follows:		
Within one year	33,525	33,950
Later than one year but not later than five years	117,196	136,962
Later than five years	1,406,065	1,490,785
	1,556,786	1,661,697

31 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.

■ *Warnow Tunnel*

European Transport Investment (UK) Limited, a subsidiary of MIGIL, has made two separate guarantees, totalling €1.19 million (\$1.77 million), in the event of a senior debt payment event or default by Warnowquerung GmbH & Co.KG, the owner of the Rostock Fixed Crossing Concession. 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 2007.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$1.77 million) has been deposited.

32 Events Occurring After Balance Sheet Date

■ *Distribution and Dividend Reinvestment Plan (DRP)*

A portion of stapled security holders participated in MIG's DRP for the final distribution paid on 14 August 2007. Of the distribution declared, \$49.4 million was reinvested in MIG. All of the securities allocated as part of the DRP were sourced from on-market purchases of existing securities.

■ *Security buy-back*

On 10 August 2007 MIG received approval from ASIC for the on-market buy-back of securities to be extended to 10 August 2008.

Financial Report

For the Year Ended 30 June 2007

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

In the opinion of the directors of Macquarie Infrastructure Investment Management Limited (MIIML) (the "Responsible Entity"):

The financial statements and notes set out on pages 6 to 51 are in accordance with the Trust constitution of MIT(II) 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 MIT(II) financial positions as at 30 June 2007 and of their performance, for the financial year ended on that date; and
- c) there are reasonable grounds to believe that the MIT(II) will be able to its debts as and when they become due and payable.

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

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



Mark Johnson

Sydney
22 August 2007



John Roberts

Sydney
22 August 2007

Independent auditor's report to the security holders of Macquarie Infrastructure Trust (II) (MIT (II))

Report on the financial report

We have audited the accompanying financial report of Macquarie Infrastructure Trust (II) (MIT (II)), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both MIT (II) and the Macquarie Infrastructure Group (MIG or the consolidated entity). MIG comprises Macquarie Infrastructure Trust (II) and the entities it controlled at the year's end or from time to time during the financial year, Macquarie Infrastructure Trust (I) (MIT (I)) and the entities it controlled at the year's end or from time to time during the financial year, and Macquarie Infrastructure Group International Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Macquarie Infrastructure Investment Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.
Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

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

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of Macquarie Infrastructure Trust (II) is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of Macquarie Infrastructure Trust (II)'s and the consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with the Trust Constitutions, Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney
22 August 2007