



# **Macquarie International Infrastructure Fund Limited**

## **SGX Report for the Financial Period from Date of Incorporation to 31 December 2005**

Macquarie Infrastructure Management (Asia) Pty Limited (Manager of Macquarie International Infrastructure Fund Limited ("the Fund")) is a wholly owned subsidiary of Macquarie Bank Limited.

Investments in Macquarie International Infrastructure Fund Limited are not deposits with or other liabilities of Macquarie Bank Limited, 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 Macquarie Infrastructure Management (Asia) Pty Limited, nor any member of the Macquarie Bank Group guarantees the performance of the Fund, the repayment of capital or the payment of a particular rate of return on the securities of the Fund.

This report is not an offer or invitation for subscription or purchase, 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 Macquarie International Infrastructure Fund Limited, 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.

Macquarie Infrastructure Management (Asia) Pty Limited, as Manager of the Fund, is entitled to fees for so acting. Macquarie Bank Limited and its related corporations, together with their officers and directors, may hold securities in Macquarie International Infrastructure Fund Limited from time to time.

## Table of Contents

<b>Review of Macquarie International Infrastructure Fund Limited Performance</b> .....	<b>1</b>
Comparison of Actual Results against the Prospectus Forecasts.....	1
Income Statement .....	1
Balance Sheet.....	2
Borrowings .....	3
Cash Flows .....	3
Investment Portfolio .....	3
Competitive Industry Conditions .....	5
Dividends .....	5
Accounting Policies Application .....	6
Changes in Share Capital .....	7
Interested Person Transactions .....	7
Subsequent Events.....	9
<b>Income Statement</b> .....	<b>10</b>
<b>Balance Sheet</b> .....	<b>11</b>
<b>Statement of Cash Flows</b> .....	<b>12</b>
<b>Consolidated Statement of Changes in Shareholders' Equity</b> .....	<b>13</b>
<b>Statement of Changes in Shareholders' Equity of the Company</b> .....	<b>14</b>
<b>Net Asset Value</b> .....	<b>15</b>
<b>Earnings Per Share</b> .....	<b>16</b>
<b>Borrowings</b> .....	<b>17</b>
<b>Segment Reporting</b> .....	<b>18</b>
<b>Sales Analysis</b> .....	Error! Bookmark not defined.

## Review of Macquarie International Infrastructure Fund Limited Performance

### Comparison of Actual Results against the Prospectus Forecasts

Macquarie International Infrastructure Fund Limited ("MIIF" or the "Company"), and its subsidiaries collectively referred to as the "Group", continued to perform well during the period, meeting all forecasts as detailed in the MIIF Prospectus dated 20 May 2005 and the Circular dated 15 November 2005 (combined the "Prospectus").

This strong performance has enabled the Company to confirm its intention to pay a dividend to shareholders for the period ended 31 December 2005 of 3.1 cents per share, bringing the dividends per share for the period ended 31 December 2005 to 5.3 cents, which is consistent with the Prospectus.

#### INCOME STATEMENT

The following table compares the actual results for the period from incorporation on 7 January 2005 to 31 December 2005 to the forecasts included in the Prospectus. The table details net income of \$50.1 million (before items not included in the Prospectus forecast) compared to a Prospectus forecast of \$45.8 million. This table also details those items which are included in the financial performance of the Group (as shown on page 10), but were not included in the Prospectus forecast. The impact of these items was taken into account and disclosed in the Prospectus and, as noted in the Prospectus, will not impact the ability of the Group to meet its ongoing dividend guidance issued.

	Group For the Period ended 31 December 2005 Adjusted Actuals \$'000	Group Year to Date 31 December 2005 Forecast* \$'000
<b>Revenue</b>		
Distribution income	23,078	22,550
Investment income	34,214	31,200
Interest income	819	100
<b>Total investment revenue</b>	<b>58,111</b>	<b>53,850</b>
<b>Expenses</b>		
Management fees	5,919	6,100
Directors' fees	226	225
Interest expense	641	1,000
Other operating expenses	1,206	775
<b>Total operating expenses</b>	<b>7,992</b>	<b>8,100</b>
<b>Net income before items not included in Prospectus forecast</b>	<b>50,119</b>	<b>45,750</b>
<b>Revenue items not included in Prospectus forecast</b>		
Net gain on movement in fair value of financial assets	53,687	0
Foreign exchange gain	320	0
<b>Expense items not included in Prospectus forecast</b>		
Transaction costs	23,184	0
Performance fees	28,140	0
Marketing costs	2,324	0
Borrowing costs	3,567	0
<b>Net income on an unconsolidated basis</b>	<b>46,911</b>	<b>45,750</b>
Additional net income recognised on consolidation	7,097	0
<b>Net income on a consolidated basis</b>	<b>54,008</b>	<b>45,750</b>

\* The Prospectus included a forecast profit range. The forecast income statement above is the midpoint of the forecast profit range included in the Prospectus.

# Unaudited Financial Report

For the period ended 31 December 2005

## Comparison of Actual Results against the Prospectus Forecasts (continued)

Unless otherwise stated all amounts are in Singapore Dollars.

Year to Date refers to the period from date of incorporation 7 January 2005 to 31 December 2005.

Distribution and Investment income from the underlying investment portfolio of MIIF of \$57.3 million was at the higher end of the range included in the Prospectus forecast and exceeded the midpoint of the forecast shown in this table by \$3.5 million.

- Distribution income includes distributions received or receivable from MIC of \$1.5 million, from MAp of \$9.0 million, from DUET of \$4.5 million and from MCG of \$8.1 million.
- Investment income includes payments received from MIIF's unlisted investments including Arqiva, Novera, Brussels Airport, Macquarie European Infrastructure Fund (MEIF) and Leisureworld.

In the income statement on page 10 distribution and investment income are shown as part of "Net gain on movement in the fair value of financial assets" in accordance with our revised accounting policy stated on page 6.

MIIF generated interest income on its cash balances of \$0.9 million.

Base management fees payable to Macquarie Infrastructure Management (Asia) Pty Limited (the "Manager") were below forecast due to a lower than expected share price. Other operating expenses are higher than forecast due to certain expenses incurred as part of the initial public offering and the equity fund raising being expensed rather than offset against equity.

### Revenue items not included in Prospectus forecast:

- Net gain on movement in the fair value of financial assets of \$53.7 million. This refers to the increase in the fair value of these assets during the period being reported on. These gains do not represent cash inflows for the Group, but arise as a result of accounting for the investments of the Group at fair value. The net gain on movement in the fair value of financial assets as shown in the income statement on page 10 differs from the above amount due to a difference in MIIF's accounting policies between the Prospectus and this period end report. Refer to the note below for further information regarding this Change in Accounting Policies.

### Expense items not included in Prospectus forecast:

- Transaction costs of \$23.2 million. Payment of these costs does not impact our ability to pay the forecast dividends as they were funded through the issue of our shares during the initial public offering and the over-allotment offering.
- Performance fees of \$28.1 million earned by the Manager. The Manager invested the entire performance fee earned by it for the quarter ended 30 June 2005 in MIIF shares. The new shares were issued on 23 August 2005.
- Marketing costs of \$2.3 million. These costs were incurred as part of our initial public offering and the equity fund raising and are not of a recurring nature. The costs were funded through the issue of our shares during the initial public offering, the over-allotment offering and the equity fund raising.
- Borrowing costs of \$3.6 million relates to loan establishment and other loan related costs. The Prospectus forecast did not include such borrowing costs.

The Prospectus clearly noted that each of these items were excluded from the forecast profit range, and further noted what the impact of each would have been on the forecast profit had they been included. The forecast profit excluded these items in order to reflect a "normalised" income statement for the forecast period.

### BALANCE SHEET

Trade and other receivables total to \$39.2 million, of which \$18.2 million relate to distribution income that is receivable from MIIF's investments as at balance date. The majority of these distributions have since been received. The remaining balance relates to trade receivables from storage services provided by MIIF's subsidiary Deukalion Tanklager GmbH & Co. KG (TSB), which owns the German tank storage business acquired by MIIF during November 2005.

Property, plant and equipment of \$278.1 million relate to the tank storage facilities in Germany and other property, plant and equipment and were part of the assets owned by TSB, which was acquired on 16 November 2005.

# Unaudited Financial Report

For the period ended 31 December 2005

## Comparison of Actual Results against the Prospectus Forecasts (continued)

Financial assets at fair value have increased by \$266.9 million since 30 September 2005. The significant contributors to this increase are the acquisition of an economic interest in Leisureworld of \$164.9 million and the acquisition of Changshu Xinghua Port Co. Ltd (CXP) of \$118.2 million. This increase was partly offset by a slight decrease in the fair values of other investments of \$16.2 million.

Goodwill of \$83.8 million has arisen on the acquisition of TSB and represents the excess of the amount paid for TSB over the fair value of the net identifiable assets of TSB as at the date of acquisition. MIIF is still in the process of performing a detailed fair value assessment of all assets and liabilities acquired and in accordance with the International Financial Reporting Standard, IAS 3, any changes identified as a result of this process to the fair value of the assets acquired and liabilities assumed will be reflected as an adjustment to goodwill. In accordance with IFRS 3, this assessment will be completed within twelve months from the date of acquisition of TSB.

Trade and other payables increased by \$41.0 million which is mainly due to the acquisition of TSB. TSB's liabilities at 31 December account for \$31.7 million and represent mainly liabilities for lease rentals and other trade creditors. Other payables include accrued transaction costs in relation to the Equity Fund Raising and the new acquisitions of approximately \$8.1 million.

Provisions of \$19.0 million recognised during the period arise only on consolidation of TSB, and relate to storage site rehabilitation obligations and long-term employee benefits.

Deferred tax liabilities of \$2.2 million arise on consolidation and relate to the acquisition of TSB.

### **BORROWINGS**

As at 31 December 2005, MIIF had total borrowings of \$253.2 million outstanding as set out on page 17. These borrowings are recognised on consolidation of TSB. The funds relating to these borrowings formed part of the acquisition price relating to TSB.

### **CASH FLOWS**

The Group raised funds through an Initial Public Offering and a subsequent Equity Fund Raising of \$1,237.8 million and borrowings of \$221.4 million. The funds were used to acquire financial assets and business operations of \$1,367.7 million.

The assets acquired generated an operating cash flow of \$11.7 million, driven by distributions and other investment income of \$32.4 million and Storage income of \$9.2 million. These inflows were partly offset by Operating expenses paid of \$31.7 million.

## Investment Portfolio

MIIF was incorporated in Bermuda on 7 January 2005 and was subsequently registered as a mutual fund company, which was formed to own, operate and invest in a diversified group of infrastructure businesses around the world. On 27 May 2005 MIIF listed on the Singapore Exchange Securities Trading Limited (SGX).

### **Existing Investment Portfolio**

The net IPO, over-allotment, Cornerstones and Sponsor and Equity Fund Raising proceeds were used to acquire the following investments either via direct investment or by way of total return swaps.

#### ■ **Arqiva (formerly ntl Broadcast)**

Arqiva is one of only two TV broadcast transmission operators in the UK and the second largest independent wireless site leasing provider in the UK. Arqiva provides transmission services to TV and radio broadcasters, site leasing to mobile phone and other wireless telecommunication companies and radio services to police, fire and ambulance services. MIIF has an 8.69% direct interest in Arqiva plus an additional 2.64% indirect interest held through its investment in Macquarie Communications Infrastructure Group (MCG), an Australian Stock Exchange (ASX) listed fund.

#### ■ **Brussels Airport**

Brussels Airport is the largest airport in Belgium with 16.2 million passengers in 2005, representing approximately 85% of total Belgian airline passenger traffic. MIIF has a 3.21% direct interest in Brussels Airport plus an additional 1.81% indirect interest held through its investment in Macquarie Airports, an ASX listed group, and its investment in Macquarie European Infrastructure Fund.

## Investment Portfolio (continued)

### ■ **Novera Macquarie Renewable Energy Joint Venture Limited (Novera)**

NMRE owns and operates electricity generation projects across 60 sites in the UK, with a total capacity of 144 MW, of which, 122 MW is currently operational. Electricity is generated from renewable sources such as landfill gas, hydro and wind. MIIF has a 50.00% interest in NMRE through its wholly owned subsidiary, Macquarie Renewables Limited.

On 21 October 2005 Novera announced that it had acquired additional landfill gas assets in the UK for a consideration of GBP11 million. MIIF contributed equity of GBP1.9 million to partly fund the acquisition.

### ■ **Macquarie European Infrastructure Fund (MEIF)**

MEIF is an unlisted investment fund with investments in infrastructure and related assets in European OECD countries. MIIF has invested €42.3 million (\$87.4 million) during the period and holds a 6.32% interest in MEIF. MIIF has committed to invest a further €53.5 million, to be drawn at the discretion of MEIF, to fund MEIF's future acquisitions.

### ■ **Macquarie Airports (MAp)**

MAp is an ASX listed globally diversified airport fund. MAp currently has interests in airports located in Sydney, Rome, Copenhagen, Bristol, Birmingham and Brussels, which collectively handled over 100 million passengers in 2004. MIIF has a 2.21% direct interest in MAp by way of a total return swap with a Macquarie Bank Group member.

On 14 December 2005 MAp announced that its tender offer for the shares of Københavns Lufthavne A/S (CPH) became unconditional and will be completed. The acquisition gives MAp a controlling stake in CPH.

### ■ **Macquarie Communications Infrastructure Group (MCG)**

MCG targets investments in communications infrastructure. MCG has investments in Broadcast Australia which owns and operates the most extensive broadcast transmission infrastructure network in Australia. MCG also has a controlling interest in Arqiva (formerly ntl Broadcast). MIIF has a 4.76% direct interest in MCG by way of a total return swap with a Macquarie Bank Group member and a 0.09% indirect interest in MCG.

### ■ **Diversified Utility and Energy Trusts (DUET)**

DUET owns a diverse portfolio of energy utility assets. DUET is an ASX listed group which holds interests in gas pipelines and distribution networks in Western Australia and electricity and gas distribution networks in Victoria. MIIF has a 4.15% direct interest in DUET by way of a total return swap with a Macquarie Bank Group member.

### ■ **Macquarie Infrastructure Company (MIC)**

MIC is listed on the NYSE. MIC focuses on infrastructure opportunities in the United States and other OECD countries. MIC currently owns airport services, airport parking and district energy businesses and interests in MCG, South East Water and a UK toll road. MIIF has a 2.21% direct interest in MIC by way of a total return swap with a Macquarie Bank Group member.

### ■ **Leisureworld**

Leisureworld owns and operates 19 Long Term Care (LTC) facilities, two retirement homes and one Independent Living facility in Ontario, Canada. Leisureworld is the third largest operator of LTC facilities in Ontario. MIIF acquired a 55% economic interest in Leisureworld by way of total return swaps with Macquarie Bank Group members. The investment in Leisureworld was acquired on 22 November 2005.

### ■ **Changshu Xinghua Port Co. Ltd (CXP)**

CXP is a multi-purpose cargo river port which handles mainly steel and forestry products and containers. CXP enjoys a competitive advantage and strong growth opportunities through its strategic location on the Yangtze River Delta, one of China's fastest growing industrial regions. MIIF acquired a 40% interest in Singapore Changshu Development Company which owns 95% of CXP, giving MIIF an effective interest in CXP of 38%. The investment in CXP was acquired on 2 December 2005.

### ■ **Deukalion Tanklager GmbH & Co. KG (TSB)**

TSB is an oil and chemicals tank storage business and the largest independent provider of oil storage services in Germany with an overall capacity of almost 3 million cubic metres. The TSB business consists of 10 tank storage sites strategically located close to major industry centres throughout Germany. MIIF acquired 100% of TSB in November 2005. The investment in TSB was acquired on 16 November 2005.

# Unaudited Financial Report

For the period ended 31 December 2005

## Competitive Industry Conditions

MIIF has been formed to own, operate and invest in a diversified group of infrastructure businesses around the world. MIIF's investments reside primarily in China, Australia, Canada, parts of Europe and the United States. The performance of these economies is expected to influence the performance of MIIF.

### ■ China

The Chinese economy is expected to grow in 2006 albeit at a slower rate than recent experience. China's GDP growth is expected to slow down slightly in 2006, however is expected to accelerate again as economic reform unfolds. Growth is currently mainly driven by industrial production and investment activity. This is however expected to shift towards higher value added goods and services.

### ■ Australia

The Australian economy is expected to grow in 2006, with rising employment. As a result of higher real wages, disposable incomes and consumer spending are expected to increase. GDP growth is expected to increase in 2006. The potential for high petrol prices is expected to drive a rise in inflation rates.

### ■ Canada

The Canadian economy is expected to grow in 2006 as a result of greater demand for natural resource products and the flow on impact of the US economy. Higher oil prices has generated further investment in the Canadian oil industry. These investments will take place over several years and will continue to have a positive impact on the Canadian economy.

### ■ Europe

The European economy is expected to continue to grow in 2006, based on growth experienced to date. Growth is driven by a weaker Euro and the resulting increase in exports. Interest rates are expected to rise in 2006 and inflation is expected to fall.

### ■ US

The US economy is expected to grow in 2006 despite increases in interest rates. Consumer spending is expected to continue as house prices and equity markets contribute to consumer wealth. Continuing low unemployment and growth in real income will further contribute to increased consumer spending. Corporate profits will continue to contribute to business investment activity in the US.

## Dividends

MIIF paid a dividend of 2.2 cents per share in relation to the quarter ended 30 June 2005 on 9 September 2005. The dividend for the period to 31 December 2005 of 3.1 cents per share is consistent with guidance issued on 22 November 2005.

As the Company was incorporated in Bermuda and is not resident in Singapore for tax purposes, dividends paid by the Company will be regarded as foreign-source income. The foreign dividend is subject to Singapore income tax when received in Singapore by corporate shareholders. Foreign dividends received by foreign investors with no permanent establishments in Singapore are generally not subject to Singapore income tax.

Foreign dividends received by individuals in Singapore (whether resident or otherwise) are exempt from Singapore income tax.

Singapore does not currently impose withholding tax on dividends paid to non-Singapore tax resident shareholders.

### Dividend breakdown

	Dividend per Share paid cents	Dividends paid \$'000
Ordinary Shares	2.2	17,662

# Unaudited Financial Report

For the period ended 31 December 2005

## Accounting Policies Application

Accounting policies and methods of computation applied in the preparation of these figures that are not stated in this report are the same as those used in the Pro Forma Financial Statements detailed in the Prospectus.

### ■ Financial assets recognised at fair value

The investments held by MIIF are classified as “financial assets recognised at fair value” on the balance sheet upon initial recognition. As a mutual fund, MIIF also classifies investments in associated entities and jointly controlled entities as financial assets recognised at fair value where it has determined that the fair value of investments in such entities can be reliably determined.

Purchases and sales of financial assets are recognised on trade date, being the date on which MIIF commits to purchase or sell the asset. Transaction costs for all “financial assets recognised at fair value” are expensed as incurred.

The fair value of these financial assets that are traded in active markets is based on quoted market prices at the balance sheet date. MIIF values its listed equity securities with reference to the quoted market price (the closing price) as at the date of each valuation.

The fair value of unlisted securities is determined by using established valuation techniques.

Gains and losses arising from changes in the fair value of the “financial assets recognised at fair value” are included in the income statement in the period in which they arise.

### ■ Critical accounting estimates and judgements in applying accounting policies

MIIF makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are evaluated on an ongoing basis and take account of historical experience and expectations of future events.

#### *Fair value of unlisted securities*

The fair value of unlisted securities that are not quoted in active markets is determined by using established valuation techniques. MIIF uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. MIIF uses the following valuation methods when determining the fair value of these unlisted securities:

- Discounted cash flows
- Capitalisation of earnings analysis, such as EBITDA multiple analysis
- Valuation of similar investments
- Reference to recent sales transactions of the same or similar securities

### ■ Distribution and investment income

Dividends, distributions, interest, loan repayments and swap payments received from the Group's investments are included within revenue in the income statement as part of “Net gain on movement in fair value of financial assets”.

#### **Change in Accounting Policies**

The policy of distribution and investment income was adopted during the current quarter being reported on with effect from 27 May 2005. The policy detailed in the Prospectus, which was applied at 30 June 2005, was to include dividends, distributions, interest, loan repayments and swap payments received from the Group's investments in distribution and investment income.

The revised policy ensures the nature of the payments received from investments is reflected more reliably in the financial statements of MIIF.

The change in accounting policy did not result in a change in “Total investment revenue”. However it resulted in a decrease in “Investment income” and an increase in “Net gain on movement in fair value of financial assets” by \$29.0 million.

The following table shows the impact on the revenue line items in the income statement included in the MIIF SGX Quarterly Report for the quarter ended 30 September 2005. The table compares the revenue line items had this new policy been applicable at the time of preparation of the MIIF SGX Quarterly Report compared to the revenue line items in the MIIF SGX Quarterly Report that was published on 4 November 2005.

# Unaudited Financial Report

For the period ended 31 December 2005

	For the Period ended 30 September 2005 Actuals \$'000 Restated	For the Period ended 30 September 2005 Actuals \$'000 Reported to SGX
<b>Revenue</b>		
Distribution income	0	11,592
Investment income	0	17,420
Interest income	482	482
Net foreign exchange loss	(99)	(99)
Net gain on movement in fair value of financial assets	114,184	85,172
<b>Total investment revenue</b>	<b>114,567</b>	<b>114,567</b>

This change in accounting policy will not impact the ability of the Group to meet its ongoing dividend guidance issued.

## Changes in Share Capital

On 7 January 2005, MIIF was incorporated in Bermuda with the issue of two ordinary shares of par value \$1.00 to Macquarie Infrastructure Management (Asia) Pty Limited (the "Manager").

On 7 February 2005, MIIF's shareholder approved the increase in the authorised share capital from \$2, divided into two ordinary shares of \$1.00 each, to \$680,000,000, divided into 68,000,000,000 shares of \$0.01 each. This resulted in the share split of the existing 2 shares of par value \$1.00 into 200 shares of par value \$0.01 each.

On 27 May 2005, MIIF issued 730,000,000 ordinary shares with a par value of \$0.01 per share.

On 7 June 2005, MIIF issued an additional 72,833,133 ordinary shares with a par value of \$0.01 each. Share capital as at 30 June 2005 was comprised of 802,833,333 ordinary shares of par value \$0.01 each.

On 23 August 2005, the Manager of MIIF invested all of the performance fee earned by it for the quarter ended 30 June 2005 in 23,728,421 MIIF Shares. These shares were not entitled to participate in the dividend paid on 9 September 2005.

On 22 November 2005, MIIF issued 453,125,000 ordinary shares with a par value of \$0.01 through a placement on the SGX.

There are no outstanding convertible shares as at 31 December 2005.

## Interested Person Transactions

### (a) Directors

The following persons were directors of MIIF during the financial period:

	Date of Appointment	Date of Resignation
John Stuart Hugh Roberts	7 February 2005	Not applicable
Heng Chiang Meng	7 February 2005	Not applicable
Robert Andrew Mulderig	7 February 2005	Not applicable
Michael David Hamer	7 February 2005	Not applicable
Gregory Kenneth Osborne (alternate director to John Stuart Hugh Roberts)	7 February 2005	Not applicable
Alison Guilfoyle	7 January 2005	7 February 2005
Charles Collis	7 January 2005	7 February 2005
Graham Collis	7 January 2005	7 February 2005

# Unaudited Financial Report

For the period ended 31 December 2005

## Interested Person Transactions (continued)

### Directors remuneration

John Roberts and Gregory Osborne are executive directors of Macquarie Bank Limited, the ultimate parent entity of the Manager, and are not entitled to any remuneration from MIF, other than reimbursement of expenses incurred on behalf of the Company, such as travel costs and accommodation.

Heng Chiang Meng, Robert Mulderig and Michael Hamer are entitled to a total remuneration of US\$50,000 per annum each.

### (b) The Manager

The Manager was appointed by the Company as the sole and exclusive manager pursuant to a management agreement dated 19 May 2005.

The following relationships and transactions with the Manager exist:

	Group 2005 \$'000	Company 2005 \$'000
<b>Transactions</b>		
Base management fees	5,919	5,919
Performance fee	28,140	28,140
Structuring fee	21,252	21,252
Dividends	1,766	1,766
<hr/>		
	Group As at 31 December 2005 \$'000	Company As at 31 December 2005 \$'000
<b>Balances</b>		
Accrued base management fees	5,063	5,063
Total liabilities payable to the Manager	<b>5,063</b>	<b>5,063</b>

The Manager holds 104,011,754 ordinary shares in the Company, of which 200 relate to the share capital pre Initial Public Offering when the Manager was the sole shareholder. Subsequently 73,000,000 shares were acquired by the Manager as part of the Initial Public Offering on 27 May 2005, and an additional 7,283,133 as part of the over-allotment option that were issued on 7 June 2005. On 23 August 2005 the Manager invested all of its performance fee earned for the period ended 30 June 2005 into 23,728,421 ordinary shares.

### (c) Macquarie Bank Group

Macquarie Bank Limited ("MBL") is the ultimate parent of the Manager. MBL and its subsidiaries and in particular the Investment Banking Group are an important source of acquisition opportunities and financial and acquisition advice. The Macquarie Bank Group provided financing to the Group to fund various acquisitions.

# Unaudited Financial Report

For the period ended 31 December 2005

The following relationships and transactions with the Macquarie Bank Group exist:

For the period ended 31 December 2005	Group 2005 \$'000	Company 2005 \$'000
<b>Transactions</b>		
<i>Fees paid to Macquarie Bank Group with respect to capital raisings</i>		
Capital raising fees – 27 May 2005 <sup>1</sup>	10,797	10,797
Capital raising fees – 7 June 2005 <sup>1</sup>	801	801
Capital raising fees – 22 November 2005 <sup>1</sup>	8,038	8,038
<i>Advisory fees paid or payable to Macquarie Bank Group</i>		
Advisory fees in relation to the acquisition of TSB <sup>2</sup>	5,900	0
Advisory fees in relation to the acquisition of CXP <sup>2</sup>	3,235	0
<i>Assets acquired from the Macquarie Bank Group</i>		
Total Return Swap for MAp Securities <sup>3</sup>	156,721	156,721
Total Return Swap for MCG Securities <sup>3</sup>	150,102	150,102
Total Return Swap for DUET Securities <sup>3</sup>	55,184	55,184
Total Return Swap for MIC Securities <sup>3</sup>	28,146	28,146
Acquisition of investment in Arqiva <sup>4</sup>	176,592	176,592
Acquisition of investment in Brussels Airport <sup>5</sup>	71,698	71,698
Acquisition of investment in Novera <sup>6</sup>	63,576	63,576
Total Return Swaps for investment in Leisureworld <sup>7</sup>	164,945	164,945
<i>Debt facility items paid to Macquarie Bank Group</i>		
Loan establishment costs	906	906
Commitment and loan break fees	174	174
Interest paid on borrowings <sup>8</sup>	487	487

## Notes:

- 1 Amount presented is net of fees paid by MBL to sub-underwriters;
- 2 Advisory fees earned by Macquarie Bank Group entities in relation to the acquisition or structuring of transactions;
- 3 MIIF entered into Total Return Swaps with a Macquarie entity to acquire the economic interest in these securities without acquiring legal title of these securities;
- 4 MIIF acquired its interest in Arqiva (formerly Macquarie UK Broadcast Holdings Limited) from MBL at the stated cost;
- 5 MIIF acquired its interest in Brussels Airport from MBL at the stated cost. The investment in Brussels Airport is held through a direct interest in Macquarie Airports (Brussels) SA, which holds a 70% interest in Brussels International Airport Company NV/SA;
- 6 MIIF acquired its interest in Novera, through the acquisition of 100% of the share capital of Macquarie Renewables Limited from a Macquarie Bank Group entity;
- 7 MIIF entered into two Total Return Swaps with two Macquarie entities to acquire the economic interest in Leisureworld without acquiring legal title of this asset;
- 8 The interest paid relates to interest on a bridge facility used by MIIF to fund part of its investment in MEIF. This facility has been repaid in full and no amount remains outstanding as at the balance sheet date.

## Subsequent Events

There have been no significant events from balance date to the date of this report.

# Unaudited Financial Report

For the period ended 31 December 2005

## Income Statement

	Group For the Quarter ended 31 December 2005 \$'000 Unaudited	Group Year to Date 31 December 2005 \$'000 Unaudited
<b>Revenue</b>		
Storage income	17,721	17,721
Interest income	375	858
Net foreign exchange gain	419	320
Net gain on movement in fair value of financial assets	8,466	122,452
<b>Total investment revenue</b>	<b>26,981</b>	<b>141,351</b>
<b>Expenses</b>		
Raw materials and consumables	1,322	1,322
Employee benefits expense	4,631	4,631
Depreciation	2,896	2,896
Base management and performance fee	3,054	34,059
Directors' fees	75	226
Transaction costs	5,831	26,753
Borrowing costs	5,913	7,103
Other operating expenses	3,432	6,040
Operating expenses - TSB	4,118	4,118
<b>Total operating expenses</b>	<b>31,272</b>	<b>87,148</b>
<b>(Loss)/profit before tax</b>	<b>(4,291)</b>	<b>54,203</b>
Income tax expense	(195)	(195)
<b>(Loss)/profit after tax</b>	<b>(4,486)</b>	<b>54,008</b>
Basic earnings per share (cents per share) *	(0.44)	9.92
Diluted earnings per share (cents per share) *	(0.44)	9.92

\* The weighted average number of shares used in the Year to Date Earnings per Share calculations has been calculated from 7 January 2005, the date of incorporation of MIIF, to 31 December 2005. Had the weighted average number of shares been calculated for the period 27 May 2005, the date of the IPO on the SGX, to 31 December 2005 the Basic Earnings per Share would be 6.04c and the Diluted Earnings per Share would be 6.04c.

# Unaudited Financial Report

As at 31 December 2005

## Balance Sheet

	Group As at 31 December 2005 \$'000 Unaudited	Group As at 30 September 2005 \$'000 Unaudited	Company As at 31 December 2005 \$'000 Unaudited	Company As at 30 September 2005 \$'000 Unaudited
<b>Assets</b>				
Cash at bank	51,942	29,069	46,589	29,008
Trade and other receivables	39,212	0	18,176	0
Inventory	711	0	0	0
Other assets	57	153	57	153
Property, plant and equipment	278,121	0	0	0
Financial assets recognised at fair value	1,128,293	861,414	1,210,661	861,475
Goodwill	83,756	0	0	0
<b>Total assets</b>	<b>1,582,092</b>	<b>890,636</b>	<b>1,275,483</b>	<b>890,636</b>
<b>Liabilities</b>				
Trade and other payables	46,417	5,383	14,695	5,383
Borrowings	253,198	37,095	0	37,095
Provisions	18,978	0	0	0
Deferred tax liabilities	2,238	0	0	0
<b>Total liabilities</b>	<b>320,831</b>	<b>42,478</b>	<b>14,695</b>	<b>42,478</b>
<b>Net assets attributable to shareholders</b>	<b>1,261,261</b>	<b>848,158</b>	<b>1,260,788</b>	<b>848,158</b>
<b>Shareholders' equity</b>	<b>1,261,261</b>	<b>848,158</b>	<b>1,260,788</b>	<b>848,158</b>
Net asset value per share (\$ per share)	\$0.99	\$1.03	\$0.99	\$1.03

## Statement of Cash Flows

	Group For the Quarter ended 31 December 2005 \$'000 Unaudited	Group Year to Date 31 December 2005 \$'000 Unaudited
<b>Cash flows from operating activities</b>		
Storage Income	9,207	9,207
Other Income	1,041	1,041
Distributions received	500	11,829
Investment income received	3,174	20,594
Interest received	321	743
Operating expenses paid	(8,199)	(31,686)
<b>Net cash inflow from operating activities</b>	<b>6,044</b>	<b>11,728</b>
<b>Cash flows from investing activities</b>		
Purchase of financial assets	(278,050)	(1,061,893)
Purchase of business assets	(305,822)	(305,822)
Purchase of property, plant and equipment	(5,839)	(5,839)
Proceeds from repayment of loans	0	6,457
<b>Net cash outflow from investing activities</b>	<b>(589,711)</b>	<b>(1,367,097)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of ordinary shares	435,000	1,237,833
Capital raising costs paid	(10,444)	(32,159)
Proceeds from borrowings	341,688	379,396
Repayment of borrowings	(158,024)	(158,024)
Borrowing costs	(2,952)	(2,952)
Dividends paid	0	(17,662)
<b>Net cash inflow from financing activities</b>	<b>605,268</b>	<b>1,406,432</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,601</b>	<b>51,063</b>
Cash and cash equivalents at beginning of period	29,069	0
Effects of exchange rate changes on cash and cash equivalents	1,272	879
<b>Cash and cash equivalents at 31 December 2005</b>	<b>51,942</b>	<b>51,942</b>

## Consolidated Statement of Changes in Shareholders' Equity

Changes in Shareholders' Equity of the Group for the Quarter ended 31 December 2005	Share Capital and Reserves \$'000	Retained Earnings \$'000	Translation Reserves \$'000	Total \$'000
<b>Balance as at 1 October 2005</b>	<b>808,471</b>	<b>40,832</b>	<b>(1,145)</b>	<b>848,158</b>
Loss for the quarter	0	(4,486)	0	<b>(4,486)</b>
Foreign currency translation reserve	0	0	(5,479)	<b>(5,479)</b>
Total recognised income for the period	0	(4,486)	(5,479)	<b>(9,965)</b>
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital – Equity Fund Raising	435,000	0	0	<b>435,000</b>
Capital raising costs	(11,932)	0	0	<b>(11,932)</b>
<b>Balance at 31 December 2005</b>	<b>1,231,539</b>	<b>36,346</b>	<b>(6,624)</b>	<b>1,261,261</b>
<hr/>				
Changes in Shareholders' Equity of the Group from Date of Incorporation to 31 December 2005	Share Capital and Reserves \$'000	Retained Earnings \$'000	Translation Reserves \$'000	Total \$'000
<b>Balance as at 7 January 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit for the period	0	54,008	0	<b>54,008</b>
Foreign currency translation reserve	0	0	(6,624)	<b>(6,624)</b>
Dividends paid	0	(17,662)	0	<b>(17,662)</b>
Total recognised income for the period	0	36,346	(6,624)	<b>29,722</b>
Transactions with equity holders in their capacity as equity holders:				
Issue of share capital – Initial Public Offering	802,833	0	0	<b>802,833</b>
Issue of share capital – Conversion of Performance Fees	28,140	0	0	<b>28,140</b>
Issue of share capital – Equity Fund Raising	435,000	0	0	<b>435,000</b>
Capital raising costs	(34,434)	0	0	<b>(34,434)</b>
<b>Balance at 31 December 2005</b>	<b>1,231,539</b>	<b>36,346</b>	<b>(6,624)</b>	<b>1,261,261</b>

# Unaudited Financial Report

For the period ended 31 December 2005

## Statement of Changes in Shareholders' Equity of the Company

Changes in Shareholders' Equity of the Company for the Quarter ended 31 December 2005	Share Capital and Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 1 October 2005</b>	<b>808,471</b>	<b>39,687</b>	<b>848,158</b>
Profit for the quarter	0	(10,438)	<b>(10,438)</b>
Total recognised income for the period	0	(10,438)	<b>(10,438)</b>
Transactions with equity holders in their capacity as equity holders:			
Issue of share capital – Equity Fund Raising	435,000	0	<b>435,000</b>
Capital raising costs	(11,932)	0	<b>(11,932)</b>
<b>Balance at 31 December 2005</b>	<b>1,231,539</b>	<b>29,249</b>	<b>1,260,788</b>

Changes in Shareholders' Equity of the Company from Date of Incorporation to 31 December 2005	Share Capital and Reserves \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance as at 7 January 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>
Profit for the period	0	46,911	<b>46,911</b>
Dividends paid	0	(17,662)	<b>(17,662)</b>
Total recognised income for the period	0	29,249	<b>29,249</b>
Transactions with equity holders in their capacity as equity holders:			
Issue of share capital – Initial Public Offering	802,833	0	<b>802,833</b>
Issue of share capital – Conversion Performance Fees	28,140	0	<b>28,140</b>
Issue of share capital – Equity Fund Raising	435,000	0	<b>435,000</b>
Capital raising costs	(34,434)	0	<b>(34,434)</b>
<b>Balance at 31 December 2005</b>	<b>1,231,539</b>	<b>29,249</b>	<b>1,260,788</b>

# Unaudited Financial Report

As at 31 December 2005

## Net Asset Value

	Group As at 31 December 2005 \$'000 Unaudited	Group As at 30 September 2005 \$'000 Unaudited	Company As at 31 December 2005 \$'000 Unaudited	Company As at 30 September 2005 \$'000 Unaudited
<b>Net Asset Value</b>				
Total net asset value (\$'000)	1,261,261	848,158	1,260,788	848,158
Total number of ordinary shares on issue used in calculation of net asset value per share ('000)	1,279,687	826,562	1,279,687	826,562
Net asset value per ordinary share (\$ per share)	\$0.99	\$1.03	\$0.99	\$1.03

## Earnings Per Share

	Group Quarter ended 31 December 2005 Unaudited	Group Year to Date 31 December 2005 Unaudited
<b>Basic Earnings per Share *</b>		
(Loss)/earnings used in calculation of basic earnings per share (\$'000)	(4,486)	54,008
Weighted average number of shares on issue used in calculation of basic earnings per share ('000)	1,018,647	544,618
Basic (loss)/earnings per share (cents per share)	(0.44)	9.92
<b>Diluted Earnings per Share *</b>		
Diluted (loss)/earnings used in calculation of diluted earnings per share (\$'000)	(4,486)	54,008
Weighted average number of shares on issue used in calculation of diluted earnings per share ('000)	1,018,647	544,618
Diluted (loss)/earnings per share (cents per share)	(0.44)	9.92

\* The weighted average number of shares used in the Year to Date Earnings per Share calculations has been calculated from 7 January 2005, the date of incorporation of MIIF, to 31 December 2005. Had the weighted average number of shares been calculated for the period 27 May 2005, the date of the IPO on the SGX, to 31 December 2005 the Basic Earnings per Share would be 6.04c and the Diluted Earnings per Share would be 6.04c.

# Unaudited Financial Report

As at 31 December 2005

## Borrowings

	Group As at 31 December 2005 \$'000 Unaudited	Group As at 30 September 2005 \$'000 Unaudited
Amount repayable in one year or less, or on demand	5,540	37,095
Amount repayable after one year	247,658	0
<b>Total borrowings</b>	<b>253,198</b>	<b>37,095</b>
Amount secured	253,198	37,095
Amount unsecured	0	0
<b>Total borrowings</b>	<b>253,198</b>	<b>37,095</b>

The borrowings disclosed above relate to the borrowings of TSB and include bank loans as well as finance lease liabilities. These bank loans are secured through a combination of various pledge agreements, agreements to transfer title in the tangible assets of the business to the lender in the event of default, granting of a charge over the real property of the business to the lender and an assignment of the hedging arrangements from TSB back to the lender. These arrangements exist only with respect to the borrowings of TSB.

Borrowings of MIIF, which are nil at 31 December 2005, are generally unsecured.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

## Segment Reporting

The principal activity of MIIF during the period was investment in diversified infrastructure assets around the world. The primary basis of segment reporting is geographical. As at the date of this report, MIIF has investments in the following geographical segments:

	UK and Europe \$'000	United States and Canada \$'000	China \$'000	Australia \$'000	Total \$'000
<b>Geographical segments</b>					
<b>Period to 31 December 2005</b>					
Revenue from continuing activities	149,109	3,016	4,153	(19,257)	137,021
Segment profit from continuing activities before tax	132,041	3,016	(699)	(19,257)	115,101
Unallocated revenue					4,330
Unallocated expenses					(65,228)
Net profit from continuing activities before income tax					54,203
<b>Other segment items</b>					
Capital expenditure – property, plant and equipment	5,839	0	0	0	5,839
Depreciation	2,896	0	0	0	2,896
Other non-cash expenses					
<b>As at 31 December 2005</b>					
Segment assets	889,198	193,355	117,479	332,108	1,532,140
Unallocated assets					49,952
<b>Consolidated total assets</b>					1,582,092
Segment liabilities	300,307	0	10,520	0	310,827
Unallocated liabilities					10,004
<b>Consolidated total liabilities</b>					320,831

## Breakdown of Revenue

	Actuals \$'000
<b>Financial period from date of incorporation to 30 June 2005 (reviewed)</b>	
Total revenue for the financial period from date of incorporation to 30 June 2005	97,185
Operating profit after tax for the financial period from date of incorporation to 30 June 2005	43,580
<b>Financial period from 1 July 2005 to 31 December 2005 (unaudited)</b>	
Total revenue for the financial period from 1 July 2005 to 31 December 2005	44,166
Operating profit after tax for the financial period from 1 July 2005 to 31 December 2005	10,428
<b>Financial period from date of incorporation to 31 December 2005 (unaudited)</b>	
Total revenue for the financial period from date of incorporation to 31 December 2005	141,351
Operating profit after tax for the financial period from date of incorporation to 31 December 2005	54,008