

**MACQUARIE INFRASTRUCTURE GROUP INTERNATIONAL LIMITED**

REGISTERED NUMBER EC35715

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2009



MACQUARIE

# Financial Report

## for the year ended 30 June 2009

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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 Company ARBN 112 684 885 (MIGIL).

Macquarie Infrastructure Investment Management Limited (ACN 072 609 271) (AFSL 241405) (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Group Limited (MGL) (ACN 122 169 279).

Macquarie Capital Funds (Europe) Limited (MCFEL) (registered number 3976881) is the adviser for MIGIL. MCFEL is a wholly owned subsidiary of MGL.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia) and their obligations do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL). MBL does not guarantee or provide assurance in respect of the obligations of these entities.

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 MCFEL as the adviser to MIGIL are entitled to fees for so acting. MGL and its related corporations (including MIIML and MCFEL) together with their officers and directors and officers and directors of MIGIL hold stapled securities in MIG from time to time.

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# Financial Report

## for the year ended 30 June 2009

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# Directors' Report

## for the year ended 30 June 2009

### Directors' Report

The Directors of Macquarie Infrastructure Group International Limited (MIGIL or the Company) submit the following report in respect of the year ended 30 June 2009.

#### Principal Activities and Results

This financial report has been prepared in accordance with International Financial Reporting Standards (IFRS).

The principal activity of the Company and its subsidiaries (together the Group) is the development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector. The Group forms part of Macquarie Infrastructure Group (MIG), a triple stapled security which comprises a unit in each of two Australian trusts, Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)) and an ordinary share of the Company. MIGIL is a mutual fund company incorporated and domiciled in Bermuda.

The report is presented in Australian dollars. The Group results for the year are set out below and in more detail in the attached financial statements.

	30 June 2009 \$'000	30 June 2008 \$'000
Total revenue and other income	<b>(1,328,856)</b>	1,112,352
(Loss)/Profit attributable to MIGIL equity holders	<b>(1,060,231)</b>	645,101

#### Directors

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

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

#### Secretary

The following persons held office as company secretary of the Company during the year and up to the date of this report, except as otherwise noted:

- Donna Phillips

#### Distributions

The total distribution for MIGIL for the year ended 30 June 2009 was 10.00 cents per security (2008: 20.00 cents per security). An interim distribution of 10.00 cents per security was paid on 14 February 2009 (2008: 10.00 cents per security). There was no final distribution paid for the year ended 30 June 2009 (2008: 10.00 cents per security).

# Directors' Report

## for the year ended 30 June 2009

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### Review of the Business

#### Valuation of investments in financial assets

The current dislocation in global economic and market conditions has had a negative impact on the valuation of MIGIL's investments in financial assets. The decrease in MIGIL's portfolio valuation reflects changes to asset discount rates, lower forecast traffic volumes driven by the recessionary environment in the Northern Hemisphere, higher assumed financing costs across the portfolio, and macroeconomic influences such as long term inflationary expectations and foreign exchange rates.

In the current global economic climate there is greatly increased uncertainty and unpredictability about many of these factors. In arriving at the valuation of the portfolio at 30 June 2009, the directors have made estimates and judgements which they believe to be reasonable concerning these and other matters affecting the values of MIGIL's investments in financial assets, including expectations of long term future economic developments and other future events.

Further information on the valuation of investments in financial assets can be found in Note 1(c) and Note 1(u), and information on the sensitivity of the valuations to the key assumptions underpinning them is included in Note 8.

#### *(a) Security buy-back*

On 21 August 2008, MIG announced as part of its ongoing capital management strategy that it would buy back up to 10% of its issued securities within a period of 12 months.

As at 30 June 2009, MIG had bought back 142,102,047 MIG securities for total consideration of \$250.5 million (including brokerage of \$412,695 paid to Macquarie Capital Securities (Australia) Limited). Of this amount \$205.4 million related to consideration for 142,102,047 shares in MIGIL.

#### *(b) Lusoponte*

In September 2008, MIG accepted a binding offer from two of the existing shareholders in Lusoponte, Mota-Engil Concessões de Transporte (Mota) and Vinci SA (Vinci), to purchase MIG's 30.6% interest in Lusoponte for €112.0 million (\$227.0 million). The conditions precedent were met on 30 December 2008 and financial close occurred on 5 January 2009.

#### *(c) Autoroutes Paris-Rhin-Rhône (APRR)*

In April 2009 the Board of Directors of APRR decided not to pay a final distribution with respect to the financial year ended 31 December 2008. Previously, Eiffarie, the holding company of APRR, has met its debt service obligations from the cash dividend paid to it by APRR. In light of APRR's decision the June 2009 obligations were met by Eiffarie shareholder contributions. MIGIL's pro rata contribution was €20.6 million (\$35.8 million) which was contributed on 24 June 2009.

In the opinion of the Directors, there were no other significant developments within the Company and its controlled entities that occurred during the year.

By order of the Board



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R Mulderig  
Chairman  
19 August 2009

Rosebank Centre  
11 Bermudiana Road  
Pembroke HM08  
Bermuda

## Independent Auditors' Report to the Members of Macquarie Infrastructure Group International Limited

### Report on the financial report

We have audited the accompanying financial report of Macquarie Infrastructure Group International Limited, which comprises the balance sheet as at 30 June 2009, 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 the Macquarie Infrastructure Group International Limited Group (the consolidated entity). The consolidated entity comprises 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 the consolidated entity are responsible for the preparation and fair presentation of the financial report in accordance with International Financial Reporting Standards (including the International Financial Reporting Interpretations). This responsibility includes establishing and maintaining internal controls 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.

#### *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.

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 Australian professional ethical pronouncements.

*Auditor's opinion*

In our opinion the accompanying consolidated financial statements:

- (i) give a true and fair view of Macquarie Infrastructure Group International Limited Group's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
- (ii) comply with International Financial Reporting Standards (including the International Financial Reporting Interpretations).

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Wayne Andrews*

W J Andrews  
Partner

Sydney  
19 August 2009

# Financial Report

## for the year ended 30 June 2009

### Consolidated Income Statement

	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>Revenue and other income from continuing activities</b>			
Revenue from continuing activities		151,235	187,749
Revaluation (loss)/gain and other income from continuing activities		(1,480,091)	924,603
<b>Total revenue and other income from continuing activities</b>	2(i)	<b>(1,328,856)</b>	1,112,352
<b>Operating expenses from continuing activities</b>			
Finance costs		(184,012)	(147,514)
Other operating expenses		(131,891)	(172,494)
<b>Total operating expenses from continuing activities</b>	2(ii)	<b>(315,903)</b>	(320,008)
<b>(Loss)/Profit from continuing activities before taxation</b>		<b>(1,644,759)</b>	792,344
<b>Taxation expense</b>	3	<b>(100,288)</b>	(321)
<b>(Loss)/Profit from continuing activities after taxation</b>		<b>(1,745,047)</b>	792,023
<b>(Loss)/Profit attributable to:</b>			
MIGIL security holders		(1,060,231)	645,101
Minority interest		(684,816)	146,922
		<b>(1,745,047)</b>	792,023
<b>Earnings per security for (loss)/profit from continuing activities attributable to MIGIL security holders</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per security		<b>(45.62)</b>	26.45

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

# Financial Report

## as at 30 June 2009

### Consolidated Balance Sheet

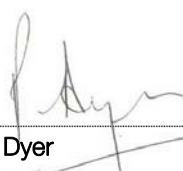
	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>Current assets</b>			
Cash and cash equivalents	5	413,833	754,473
Receivables	6	3,683	2,937
Prepayments		2,009	2,088
Derivative financial instruments	7	-	47,096
<b>Total current assets</b>		<b>419,525</b>	<b>806,594</b>
<b>Non-current assets</b>			
Investments in financial assets	8	4,481,589	5,751,730
Property, plant and equipment	9	1,188,529	1,243,553
Tolling concessions	10	39,933	41,625
Derivative financial instruments	7	-	67,699
<b>Total non-current assets</b>		<b>5,710,051</b>	<b>7,104,607</b>
<b>Total assets</b>		<b>6,129,576</b>	<b>7,911,201</b>
<b>Current liabilities</b>			
Trade and other payables	12	(36,660)	(31,543)
Derivative financial instruments	7	(63,831)	-
Distribution payable to MIGIL equity holders	4	-	(240,383)
<b>Total current liabilities</b>		<b>(100,491)</b>	<b>(271,926)</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	(184,503)	(150,969)
Derivative financial instruments	7	(4,949)	-
Deferred tax liability	13	(99,079)	(31,035)
Interest-bearing financial liabilities	14	(2,512,049)	(2,428,289)
<b>Total non-current liabilities</b>		<b>(2,800,580)</b>	<b>(2,610,293)</b>
<b>Total liabilities</b>		<b>(2,901,071)</b>	<b>(2,882,219)</b>
<b>Net assets</b>		<b>3,228,505</b>	<b>5,028,982</b>
<b>Equity</b>			
<b>Equity attributable to MIGIL equity holders</b>			
Contributed equity	15	5,515,942	5,721,318
Reserves	16	(2,806,045)	(3,090,738)
Retained profits	17	370,490	1,662,198
<b>Total MIGIL equity holders' interest</b>		<b>3,080,387</b>	<b>4,292,778</b>
Minority interest in controlled entities	18	148,118	736,204
<b>Total equity</b>		<b>3,228,505</b>	<b>5,028,982</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

The financial information was approved by the Board of Directors on 19 August 2009 and was signed on its behalf by:



R Mulderig  
Chairman



P Dyer  
Director

# Financial Report

## for the year ended 30 June 2009

### Consolidated Statement of Changes in Equity

	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>Total equity at the beginning of the year</b>		<b>5,028,982</b>	5,409,660
Exchange differences on translation of foreign operations		<b>582,679</b>	(217,563)
Changes in fair value of cash flow hedges (net of tax)		<b>(192,385)</b>	(88,440)
(Loss)/Profit for the year		<b>(1,745,047)</b>	792,023
<b>Total recognised income and expense for the year</b>		<b>(1,354,753)</b>	486,020
<b>Transactions with equity holders in their capacity as equity holders:</b>			
Securities cancelled pursuant to security buy-back (including transaction costs)	15	<b>(205,376)</b>	(302,894)
Distributions provided for or paid to ordinary share holders	4	<b>(231,477)</b>	(481,912)
Distributions provided for or paid to minority interest	18	<b>(23,301)</b>	(81,892)
Equity contribution from minority interest	18	<b>14,430</b>	-
<b>Total equity at the end of the year</b>		<b>3,228,505</b>	5,028,982
<b>Total recognised income and expense for the year is attributable to:</b>			
MIGIL equity holders		<b>(775,538)</b>	322,544
Minority interest		<b>(579,215)</b>	163,476
		<b>(1,354,753)</b>	486,020

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

# Financial Report

## for the year ended 30 June 2009

### Consolidated Cash Flow Statement

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Cash flows from operating activities</b>		
Toll revenue received	142,584	151,761
Interest received	23,746	53,417
Net indirect taxes paid	(15,314)	(15,384)
Payments to suppliers and employees (inclusive of VAT/ GST)	(29,865)	(30,895)
Adviser's fees paid	(38,227)	(65,402)
Distributions and interest income received from investments	122,150	297,911
Income taxes paid	-	(232)
Other income received	5,552	7,812
<b>Net cash flows from operating activities</b>	<b>210,626</b>	<b>398,988</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments in financial assets	223,167	-
Payment for purchase of investments in financial assets	(71,840)	-
Purchase of fixed assets	(852)	(14,487)
Proceeds from sale of fixed assets	53	-
<b>Net cash flows from investing activities</b>	<b>150,528</b>	<b>(14,487)</b>
<b>Cash flows from financing activities</b>		
On-market buy-back (including transaction costs)	(205,376)	(302,894)
Borrowing costs paid	(76,421)	(82,199)
Proceeds from bank borrowings	1,026	15,497
Repayment of related entity loans	(4,346)	(44,531)
Distributions paid to MIGIL equity holders	(471,860)	(493,208)
Distributions paid to minority interest	(23,301)	(98,705)
Loan advanced from minority interest	21,650	-
Contributions of equity from minority interest	14,430	-
<b>Net cash flows from financing activities</b>	<b>(744,198)</b>	<b>(1,006,040)</b>
<b>Net decrease in cash assets held</b>	<b>(383,044)</b>	<b>(621,539)</b>
Cash assets at the beginning of the year	754,473	1,445,359
Effects of exchange rate movements	42,404	(69,347)
<b>Cash assets at the end of the year</b>	<b>413,833</b>	<b>754,473</b>

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

# Financial Report

## for the year ended 30 June 2009

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### 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 financial report has been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

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 years presented, unless otherwise stated.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value. The most significant of these are the Groups' non-controlled investments in toll road assets. Further information on the valuation of these investments is disclosed in Note (u) and Note 8. This includes details of key estimates and assumptions incorporated into the valuations and information on the sensitivity of the valuations to changes in those estimates and assumptions.

##### *Stapled security*

The units of Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Group International Limited (MIGIL) are combined and issued as stapled securities in MIG. 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.

##### (b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MIGIL at 30 June 2009 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the consolidated Group 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 that are not held directly or indirectly by MIGIL.

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

##### (c) Investments in financial assets

MIGIL has designated its non-controlling investments in toll road 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 IAS 39 *Financial Instruments: Recognition and Measurement*. Changes in the fair values of investments in financial assets, both positive and negative have been recognised in the Income Statement for the year.

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (c) Investments in financial assets (continued)

Investments have been measured as follows:

##### *Interests in unlisted securities in companies*

MIGIL, as a mutual fund company, has designated those infrastructure investments that are associated undertakings as financial assets at fair value through profit or loss in line with IAS 39.

Interests in unlisted securities in companies and partnerships are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the 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 transactions.

Discounted cash flow analysis 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 the 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 and/or the return over the risk free rate which an investor would require on the asset.

MIGIL engages independent traffic forecasting experts to provide a view on the most likely level of traffic to use the toll road having regard to a wide range of factors including the development of the surrounding road network, economic growth in the traffic corridor and people's willingness to pay specific toll levels based on the perceived benefits they gain from using the toll road.

The risk free rate for each asset is determined using the yields on 10 year nominal government bonds in the relevant jurisdiction at the valuation date.

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure.

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

##### *Interests in interest bearing debt securities*

Interests in interest bearing debt securities are measured at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework. Adjustments to the fair value of 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.

#### (d) 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 by the terms of the concession arrangement and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over the concession term.

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Cost represents purchase cost and in the case of the construction of the M6 Toll all expenses that are directly attributable to bringing the road into final condition. These expenses include finance costs up to Permit to Use which have been capitalised in accordance with IAS 16 *Property, Plant and Equipment* and IAS 23 *Borrowing Costs*.

Depreciation rates are selected based on expected economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Group's circumstances. Depreciation of tangible fixed assets commenced at Permit to Use for the M6 Toll or the date of acquisition if later on the following bases over their respective estimated useful lives:

Asset Description	Asset Classification	Estimated Useful Life	Depreciation basis
Road Infrastructure	M6 Toll Road	50 years	Vehicle usage basis
Roadbase	M6 Toll Road	15 years	Vehicle usage basis
Wearing Course	M6 Toll Road	8 years	Vehicle usage 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

#### (f) Impairment of assets

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

The recoverable amount of the asset is determined as the higher of the fair value less costs to sell 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 which generate cash inflows that are largely independent of those from other assets or group of assets.

#### (g) Acquisition 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. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (g) Acquisition of assets (continued)

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.

#### (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) Interest bearing financial liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing 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.

#### (j) 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.

#### (k) 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.

##### *(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 through the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast interest payment 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.

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (k) Derivative financial instruments (continued)

##### *(ii) Cash flow hedges (continued)*

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 valuation techniques adopted by the 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.

#### (l) Income tax

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

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

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

Deferred tax liabilities are not recognised on revaluation increments above investment cost for tax paying entities where an exemption is available from capital gains tax on disposal of the investment.

Under current Bermudian law, MIGIL will not be subjected 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.

#### (m) 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 MIGIL's functional and presentation currency.

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (m) Foreign currency translation (continued)

##### *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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when deferred in equity from applying cash flow hedge accounting and applying net investment hedge accounting.

##### *Group companies*

The results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) 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 or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised initially in a separate component of 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 is 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.

#### (n) Revenue and other income recognition

Revaluation of investments in financial assets represents changes in the fair value of investments in unlisted securities and interest bearing debt securities. Income relating to these investments is brought to account as described in Note 1(c) above.

Interest income on cash balances is brought to account on an accruals basis and toll revenue is recognised when the service is provided. Other revenue is recognised when the fee in respect of services provided is receivable.

Toll revenue and other revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of value added tax (VAT).

#### (o) 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.

#### (p) 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.

#### (q) Value added tax (VAT) and Goods and Services Tax (GST)

All income and expense items are presented in the financial statements net of indirect taxes. Receivables and payables are stated at amounts inclusive of indirect taxes. The net amount of VAT recoverable from H.M. Revenue & Customs or GST recoverable from the Australian Tax Office is included in receivables in the Balance Sheet. Cash flows relating to indirect taxes are included in the Cash Flow Statement on a gross basis.

# Financial Report

## for the year ended 30 June 2009

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### 1 Summary of Significant Accounting Policies (continued)

#### (r) Rounding of amounts

Amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars, unless otherwise indicated.

#### (s) Provisions

Provisions are recognised when: the Group has a 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.

#### (t) Comparative figures

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

#### (u) Critical accounting estimates and judgement

The preparation of the financial report in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its judgement in the process of applying the Group's accounting policies.

#### ***Investments in financial assets at fair value through profit or loss***

Interests in partnerships and unlisted securities in companies are brought to account at fair value determined in accordance with the discounted cash flow analysis methodology adopted by the directors. Discounted cash flow 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 key assumptions used in calculating the fair value are therefore the future cash flows that are expected to be generated by an asset, the future financing costs of the asset and the appropriate discount rate.

Further information on the valuation of investments in financial assets can be found in Note 1(c).

#### ***Derivative financial instruments***

The fair values of over-the-counter derivatives are determined using valuations techniques adopted by the 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.

#### ***Income tax***

The Group is subject to income taxes in jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises anticipated tax liabilities based on its current understanding of the tax law.

In addition, the Group has recognised deferred tax assets relating to carried forward losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority and the same subsidiary against which the unused tax losses can be utilised. The utilisation of tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

# Financial Report

## for the year ended 30 June 2009

### 1 Summary of Significant Accounting Policies (continued)

#### (v) Standards, 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 for accounting periods beginning on or after 1 July 2009 or later periods but which the Group has not yet adopted. The significant ones are as follows:

##### ***IFRS 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 Directors 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 statement and balance sheet, in which case reconciliations of certain items will be required.

##### ***Revised IAS 101: Presentation of Financial Statements (effective from 1 January 2009).***

This standard introduces the notion of a 'complete set of financial statements', and changes the presentation of financial statements so owner changes in equity are disclosed separately from non-owner changes in equity. All non-owner changes in equity ('comprehensive income') will be presented either in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income), instead of being presented in the statement of changes in equity. Additional disclosure will be made of the income tax relating to each component of other comprehensive income, and the titles of the financial statements will change although their use will not be mandatory ('balance sheet' becomes 'statement of financial position'; 'income statement' becomes part of the 'statement of comprehensive income', unless a separate income statement is provided; 'cash flow statement' becomes 'statement of cash flows').

##### ***Revised IAS 23: Borrowing Costs (effective from 1 January 2009)***

The revised IAS 23 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

##### ***Revised IFRS 3: Business Combinations and Revised IAS 27: Consolidated and Separate Financial Statements (effective 1 July 2009)***

These standards amend the accounting for certain aspects of business combinations and changes in ownership interests in controlled entities. Consequential amendments are made to other standards, IAS 28: *Investments in Associates* and IAS 31: *Interests in Joint Ventures*. Changes include:

- transaction costs are recognised as an expense at the acquisition date, unless the cost relates to issuing debt or equity securities;
- contingent consideration is measured at fair value at the acquisition date (allowing for a 12 month period post-acquisition to affirm fair values) without regard to the probability of having to make a future payment, and all subsequent changes in fair value are recognised in profit;
- changes in control are considered significant economic events, thereby requiring ownership interests to be remeasured to their fair value (and the gain/loss recognised in profit) when control of a controlled entity is gained or lost;
- changes in a parent's ownership interest in a controlled entity that do not result in a loss of control (e.g. dilutionary gains) are recognised directly in equity.

Until future acquisitions take place that are accounted for in accordance with revised IFRS 3, the impact on MIGIL is not known.

# Financial Report

## for the year ended 30 June 2009

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### 1 Summary of Significant Accounting Policies (continued)

#### (v) Standards, interpretations and amendments to published standards that are not yet effective (continued)

##### ***Revised IFRS 5: Non-Current Assets Held for Sale and Discontinued Operations (effective 1 July 2009)***

The revised standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

##### ***Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)***

IAS 39 *Financial Instruments: Recognition and Measurement* must be applied retrospectively in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. The Group does not currently have hedges of this nature. Therefore, it is not expected to have a material impact on the Group's financial statements.

##### ***Amendments to IFRS 7 Financial Instruments: Disclosure (effective for annual periods beginning on or after 1 January 2009).***

In March 2009, the IASB published amendments to IFRS 7 *Financial Instruments: Disclosure to improve the information that entities report about their liquidity risk and the fair value of their financial instruments*. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The IASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Group will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

##### ***Improvements to IFRS (effective for annual periods beginning on or after 1 July 2009)***

The IASB has made amendments to IFRS 2 *Share-based payment*, IAS 38 *Intangible Assets*, IFRIC Interpretations 9 *Reassessment of Embedded Derivatives* and 16 *Hedges of a Net Investment in a Foreign Operation* as a result to the IASB's annual improvements project. The Group will apply the amendments from 1 July 2009. The Group does not expect that any adjustments will be necessary as a result of applying the revised rules.

# Financial Report

## for the year ended 30 June 2009

### 2 (Loss)/Profit for the Year

The (loss)/profit from continuing activities before taxation includes the following specific items of revenue, revaluation and expense:

#### (i) Revenue and other income from continuing activities

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Revenue from continuing activities</b>		
Interest income:		
Related parties	486	69
Other persons and corporations	23,371	54,415
Toll revenue	121,612	127,847
Other revenue	5,766	5,418
<b>Total revenue from continuing activities</b>	<b>151,235</b>	187,749
<b>Revaluation (loss)/gain and other income from continuing activities</b>		
Revaluation of interests in unlisted securities in companies	(1,276,385)	856,945
Revaluation of interest bearing financial assets	(267,491)	67,434
Net foreign exchange gain	41,587	36,056
<b>Total revaluation (loss)/gain</b>	<b>(1,502,289)</b>	960,435
Net foreign exchange gain/(loss)	38,986	(46,092)
(Losses)/gains on derivative financial instruments	(16,788)	10,260
<b>Total revaluation (loss)/gain and other income from continuing activities</b>	<b>(1,480,091)</b>	924,603
<b>Total revenue and other income from continuing activities</b>	<b>(1,328,856)</b>	1,112,352

# Financial Report

## for the year ended 30 June 2009

### 2 (Loss)/Profit for the Year (continued)

#### (ii) Operating expenses from continuing activities

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Finance costs</b>		
Interest expense	147,279	147,514
Revision to carrying value of financial liabilities carried at amortised cost (see Note 14)	36,733	-
	<b>184,012</b>	147,514
<b>Other operating expenses</b>		
Amortisation of tolling concessions	954	982
<b>Depreciation</b>		
Plant and machinery	6,098	6,424
Land and buildings	996	1,029
M6 Toll road	26,965	24,299
	<b>34,059</b>	31,752
<b>Cost of operations:</b>		
Employment costs	10,365	12,290
Operating expenses	7,066	6,726
Operating lease rentals	39,384	55,425
	<b>56,815</b>	74,441
<b>Other operating expenses:</b>		
Consulting and administration fees	4,537	2,003
Adviser's base fees	29,943	56,266
Other expenses	5,583	7,050
	<b>40,063</b>	65,319
<b>Total other operating expenses</b>	<b>131,891</b>	172,494
<b>Total operating expenses from continuing activities</b>	<b>315,903</b>	320,008

# Financial Report

## for the year ended 30 June 2009

### 3 Taxation

Under existing laws of Bermuda, the Company is not required to pay taxes on either income or capital gains. Controlled entities of MIGIL are subject to taxes in their jurisdictions.

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

	30 June 2009 \$'000	30 June 2008 \$'000
<b>(a) (Loss)/Profit from continuing activities before taxation</b>	<b>(1,644,759)</b>	792,344
Prima facie taxation charge on (loss)/profit before taxation at Bermuda tax rate of 0% (2008 – 0%)	-	-
<b>Factors affecting tax charge:</b>		
Overseas tax	212	321
Previously unrecognised losses brought to account	<b>(94,763)</b>	-
Deferred tax liability recognised (*)	<b>194,839</b>	-
<b>Aggregate income tax expense</b>	<b>100,288</b>	321
<b>(b) Income tax expense</b>		
Aggregate income tax expense comprises:		
Current taxation provision	212	321
Deferred tax liability	<b>100,076</b>	-
	<b>100,288</b>	321
<b>Income tax expense is attributable to:</b>		
(Loss)/Profit from continuing operations	<b>100,288</b>	321
Aggregate income tax expense	<b>100,288</b>	321
<b>(c) Amounts recognised directly in equity</b>		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:		
Net deferred tax credited to equity	<b>(32,032)</b>	(45,402)
<b>(d) Tax losses</b>		
Unused tax losses for which no deferred tax asset has been recognised	<b>530,085</b>	806,332
Potential tax benefit of unused tax losses	<b>148,424</b>	255,090

(\*) As a result of legislative change affecting depreciation deductions for the M6 Toll, a deferred tax liability of \$194.8 million has been recognised.

# Financial Report

## for the year ended 30 June 2009

### 4 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	30 June 2009 \$'000	30 June 2008 \$'000
Interim distribution paid for the half year ended 31 December	231,477	241,529
Final distribution payable for the year ended 30 June	-	240,383
	<b>231,477</b>	<b>481,912</b>
	<b>Cents per security</b>	<b>Cents per security</b>
Interim distribution paid for the period ended 31 December	10.0000	10.0000
Final distribution proposed and subsequently paid for the year ended 30 June	-	10.0000
	<b>10.0000</b>	<b>20.0000</b>

### 5 Cash and Cash Equivalents

	30 June 2009 \$'000	30 June 2008 \$'000
Cash at bank	47,559	43,710
Short term money market investments	334,601	667,286
Cash not available for use	31,673	43,477
	<b>413,833</b>	<b>754,473</b>

#### (a) Short term money market investments

The short term money market investments outstanding at the year-end mature within 90 days (2008: 120 days) and pay interest between 0.41% and 3.20% (2008: 2.67% - 7.89%) 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

This includes restricted amounts relating to Macquarie Motorway Group Limited's (MMG) debt service obligations, equity commitments to Warnowquerung GmbH & Co (Warnow Tunnel) and blocked deposits required under MEL's concession agreement obligations amounting to \$31.7 million (2008: \$43.5 million).

### 6 Receivables

	30 June 2009 \$'000	30 June 2008 \$'000
Other receivables	1,161	2,574
Receivables from related parties	2,522	363
	<b>3,683</b>	<b>2,937</b>

# Financial Report

## for the year ended 30 June 2009

### 7 Derivative Financial Instruments

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Current assets</b>		
Interest rate swap contracts	-	47,096
<b>Total current derivative financial instrument assets</b>	<b>-</b>	<b>47,096</b>
<b>Non-current assets</b>		
Interest rate swap contracts	-	67,699
<b>Total non-current derivative financial instrument assets</b>	<b>-</b>	<b>67,699</b>
<b>Current liabilities</b>		
Interest rate swap contracts	63,831	-
<b>Total current derivative financial instrument liabilities</b>	<b>63,831</b>	<b>-</b>
<b>Non-current liabilities</b>		
Interest rate swap contracts	4,949	-
<b>Total non-current derivative financial instrument liabilities</b>	<b>4,949</b>	<b>-</b>

#### Instruments used by the Group

At 30 June 2009 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 23).

#### Interest rate swap contracts – cash flow hedges

MMG has entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1.00 billion term loan (refer to note 14) 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 hedges. At the balance sheet date these contracts were liabilities with a fair value of £33.7 million (\$68.8 million) (2008: £53.3 million (\$110.8 million asset)) and have been disclosed as derivative instrument financial liabilities in the Balance Sheet. The fair value movement of the swaps in the year was a loss of £85.8 million (\$230.1 million) (2008: £54.3 million (\$125.5 million)). Of this movement a loss of £85.6 million (\$229.0 million) (2008: £55.7 million (\$128.3 million)) has been recognised in the Statement of Changes in Equity in the cash flow hedging reserve and a loss of £0.2 million (\$1.1 million due to monthly foreign exchange rate variations) (2008: gain of £1.4 million (\$2.8 million)) has been recognised in the Income Statement.

A liability of £74.8 million (\$152.5 million) (2008: £50.6 million (\$105.2 million)) has been recognised in interest bearing financial liabilities (refer to note 14) to reflect the low level of fixed payments currently being paid under the swap contracts.

#### Interest rate swap contracts – other

During the year ended 30 June 2008, MMG entered into a 1 year basis swap agreement for a notional amount of £1.00 billion. Under the terms of the swap agreement MMG paid 6 month London Interbank Offered Rate (LIBOR) and received 1 month LIBOR plus a premium from 30 June 2008 to 30 June 2009. The fair value movement of those swaps in the year was a loss of £3.1 million (\$15.7 million due to monthly foreign exchange rate variations) which has been recognised in the Income Statement.

# Financial Report

## for the year ended 30 June 2009

### 7 Derivative Financial Instruments (continued)

#### Interest rate swap contracts – other (continued)

At 30 June 2009, the notional principal amounts and periods of expiry of MMG's interest rate swap contracts are:

	2009 \$'000	2008 \$'000
1 – 5 years	-	2,079,152
25 - 30 years	<b>2,039,361</b>	2,079,152

### 8 Investments in Financial Assets at Fair Value through Profit or Loss

MIGIL, as a mutual fund company, has taken advantage of the exemption available under IAS 28, and designated those infrastructure investments that are associated undertakings as financial assets at fair value through profit or loss in line with IAS 39, see note 1(c).

MIGIL's investments in associates are disclosed in the table below.

Name of associate	Principal activity	2009 ownership %	2008 ownership %
407 International Inc., including subsidiaries (incorporated in Canada)	Toll road operator	<b>30.0</b>	30.0
Gestiponte-Operação e Manutenção das Travessias do Tejo S.A. (incorporated in Portugal)	Investment in toll bridges	-	30.6
Lusoponte Concessionária para a Travessia do Tejo S.A. (incorporated in Portugal)	Holding company	-	30.6
Financière Eiffarie SAS (incorporated in France)	Holding company	<b>25.0</b>	25.0
Eiffarie SAS (incorporated in France)	Investment in toll road network	<b>25.0</b>	25.0
Autoroutes Paris-Rhin-Rhône, including subsidiaries and associates (incorporated in France)	Toll road network operator	<b>20.4</b>	20.4
Warnowquerung GmbH & Co. KG (limited partnership incorporated in Germany) (v)	Investment in toll tunnel	<b>70.0</b>	70.0
Warnowquerung Verwaltungsgesellschaft GmbH (incorporated in Germany) (v)	General Partner of partnership	<b>70.0</b>	70.0
PROMAC Holdings SA de CV (incorporated in Mexico)	Holding company	<b>40.0</b>	40.0
Macquarie Autoroutes de France 2 S.A. (incorporated in Luxembourg)	Holding company	<b>50.0</b>	50.0

# Financial Report

## for the year ended 30 June 2009

### 8 Investments in Financial Assets at Fair Value through Profit or Loss (continued)

The fair values attributed to these investments are disclosed below.

	Balance at 30 June 2008 \$'000	Investment \$'000	Returns from Investments Note (i) \$'000	FX Effects Note (ii) \$'000	Revaluations \$'000	Divestment \$'000	Balance at 30 June 2009 \$'000
<b>Interests in unlisted securities in companies and partnerships</b>							
407 International Inc. (407 ETR)	3,295,005	-	(56,637)	196,244	(150,736)	-	<b>3,283,876</b>
Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte) (iii)	187,608	-	(3,428)	42,805	(3,818)	(223,167)	-
Financière Eiffarie SAS (APRR) (iv)	1,471,391	28,736	(40,638)	205,191	(1,121,320)	-	<b>543,360</b>
Warnowquerung GmbH (Warnow Tunnel) (v)	1,681	-	-	130	(511)	-	<b>1,300</b>
	<b>4,955,685</b>	<b>28,736</b>	<b>(100,703)</b>	<b>444,370</b>	<b>(1,276,385)</b>	<b>(223,167)</b>	<b>3,828,536</b>
<b>Interest bearing financial assets</b>							
Investments in Financière Eiffarie SAS Bonds (APRR) (iv)	493,072	43,104	(21,447)	28,016	(190,952)	-	<b>351,793</b>
Investments in Dulles Greenway Subordinated Loans	302,973	-	-	74,826	(76,539)	-	<b>301,260</b>
	<b>796,045</b>	<b>43,104</b>	<b>(21,447)</b>	<b>102,842</b>	<b>(267,491)</b>	<b>-</b>	<b>653,053</b>
<b>Total investments</b>	<b>5,751,730</b>	<b>71,840</b>	<b>(122,150)</b>	<b>547,212</b>	<b>(1,543,876)</b>	<b>(223,167)</b>	<b>4,481,589</b>

At 30 June 2009, the total value of MIGIL's investments in financial assets is \$4,481.6 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. Refer to Note 1(c).

The investment valuation sensitivity to movements in the discount rates, revenue forecasts and project level interest rates is disclosed in the table below.

	2009 50 bps lower \$ million	2009 50 bps higher \$ million	2008 50 bps lower \$ million	2008 50 bps higher \$ million
Change in valuation of investments due to movement in the discount rates	<b>501.4</b>	<b>(431.3)</b>	581.3	(497.0)

	2009 5% lower \$ million	2009 5% higher \$ million	2008 5% lower \$ million	2008 5% higher \$ million
Change in the valuation of investments due to movement in revenue forecasts	<b>(511.7)</b>	<b>521.0</b>	(687.0)	678.9

	2009 50 bps lower \$ million	2009 50 bps higher \$ million	2008 50 bps lower \$ million	2008 50 bps higher \$ million
Change in the valuation of investments due to movement in interest rates	<b>71.8</b>	<b>(72.8)</b>	85.0	(83.3)

# Financial Report

## for the year ended 30 June 2009

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### 8 Investments in Financial Assets at Fair Value through Profit or Loss (continued)

#### Notes

(i) **Returns from investments**

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

(ii) **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 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 \$547.2 million foreign exchange gain relating to investments in financial assets, \$41.6 million was credited to the Income Statement and \$505.6 million was taken to the Foreign Currency Translation Reserve and Minority Interest.

(iii) **Lusoponte**

In September 2008, MIGIL accepted a binding offer from two of the existing shareholders in Lusoponte, Mota-Engil Concessões de Transporte (Mota) and Vinci SA (Vinci), to purchase MIG's 30.6% interest in Lusoponte for €112 million (\$227.0 million). The conditions precedent were met on 30 December 2008. The sale was completed on 5 January 2009.

(iv) **Financière Eiffarie (APRR)**

The Group's interest in APRR is held through Macquarie Autoroutes de France SA (MAF) and MAF Finance Sarl (MFS), companies 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 and MFS 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 and MFS to the Group or purchase the Group's interest in MAF and MFS at fair market value in the event that a MGL Group entity ceases to be the manager of MAF.

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

The decrease in valuation of MAF's investment in Financière Eiffarie has been driven by: revisions to forecast traffic in light of the current economic climate; revisions to financing assumptions in light of the current credit markets; and an increase in discount rate as set out below.

(v) **Warnowquerung GmbH**

A subsidiary of MIGIL, European Transport Investments (UK) Limited (ETIUK), beneficially owns 70% of both the Warnowquerung 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 MIGIL does not control Warnowquerung GmbH.

# Financial Report

## for the year ended 30 June 2009

### 8 Investments in Financial Assets at Fair Value through Profit or Loss (continued)

#### Notes (continued)

#### (vi) Discount rates

The discount rates applied to the discounted cash flow forecasts of the Groups' interests in securities in companies are as follows:

	<b>30 June 2009</b>	30 June 2008
407 ETR	<b>9.50%</b>	8.02%
Lusoponte	-	9.07%
APRR	<b>13.50%</b>	10.81%
Warnow Tunnel	<b>12.50%</b>	11.62%
Dulles Greenway	<b>12.50%</b>	12.51%

The differentials between the discount rates applied across the portfolio reflect the different levels of inherent risk in the forecast cash flows for each asset. Discount rates used for the purposes of MIG's valuations are benchmarked to recent market transactions where available. In the current dislocated market, returns required by direct investors have been observed to be higher than in stable market conditions.

# Financial Report

## for the year ended 30 June 2009

### 9 Property, Plant and Equipment

	Plant and machinery \$'000	Short leasehold land and buildings \$'000	M6 Toll Road \$'000	Total \$'000
<b>Net Book Value</b>				
As at the beginning of the year	34,021	43,415	1,166,117	<b>1,243,553</b>
<b>Cost</b>				
As at the beginning of the year	79,838	47,768	1,253,859	<b>1,381,465</b>
Additions	828	-	24	<b>852</b>
Disposals	(248)	-	-	<b>(248)</b>
Foreign currency exchange differences	(1,559)	(915)	(24,000)	<b>(26,474)</b>
<b>As at the end of the year</b>	<b>78,859</b>	<b>46,853</b>	<b>1,229,883</b>	<b>1,355,595</b>
<b>Depreciation</b>				
As at the beginning of the year	(45,817)	(4,353)	(87,742)	<b>(137,912)</b>
Charge for the year	(6,098)	(996)	(26,965)	<b>(34,059)</b>
Eliminated on disposal	222	-	-	<b>222</b>
Foreign currency exchange differences	1,223	142	3,318	<b>4,683</b>
<b>As at the end of the year</b>	<b>(50,470)</b>	<b>(5,207)</b>	<b>(111,389)</b>	<b>(167,066)</b>
<b>Net Book Value</b>				
As at the end of the year	28,389	41,646	1,118,494	<b>1,188,529</b>

### 10 Tolling Concessions

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Net Book Value</b>		
As at the beginning of the year	<b>41,625</b>	48,461
<b>Cost</b>		
As at the beginning of the year	<b>45,791</b>	52,164
Foreign currency exchange differences	<b>(876)</b>	(6,373)
<b>As at the end of the year</b>	<b>44,915</b>	45,791
<b>Amortisation</b>		
As at the beginning of the year	<b>(4,166)</b>	(3,703)
Charge for the year	<b>(954)</b>	(982)
Foreign currency exchange differences	<b>138</b>	519
<b>As at the end of the year</b>	<b>(4,982)</b>	(4,166)
<b>Net Book Value</b>		
As at the end of the year	<b>39,933</b>	41,625

Tolling concessions represent the right to levy tolls in respect of the M6 Toll.

Tolling concessions are amortised over the remaining life of each concession, the M6 Toll concession expires in January 2054.

# Financial Report

## for the year ended 30 June 2009

### 11 Subsidiaries

Name of controlled entity	Country of incorporation	2009 ownership %	2008 ownership %
European Transport Investments (UK) Limited (ETI)	UK	100.0	100.0
MAF Finance Sarl	Luxembourg	50.2	50.2
Macquarie (UK) Projects Limited (i)	UK	100.0	100.0
Macquarie Autoroutes de France SAS (MAF)	France	50.0	50.0
Macquarie European Infrastructure Limited (MEI)	UK	100.0	100.0
Macquarie Green Bermudian Holdings Limited	Bermuda	100.0	100.0
Macquarie Infrastructure Luxembourg Investments Sarl	Luxembourg	100.0	100.0
Macquarie Infrastructure (Luxembourg) S.A. (ii)	Luxembourg	100.0	100.0
Macquarie Infrastructure Netherlands Investments Cooperatief UA	Netherlands	100.0	100.0
Macquarie Infrastructure Netherlands Toll Roads BV	Netherlands	100.0	100.0
Macquarie Infrastructure Road Investments Sarl	Luxembourg	100.0	100.0
Macquarie Infrastructure (Toll Route) S.A. (ii)	Luxembourg	100.0	100.0
Macquarie Infrastructure (UK) Limited (MIUK)	UK	100.0	100.0
Macquarie Infrastructure Canada Inc	Canada	100.0	100.0
Macquarie Mexico Holdings SA de CV	Mexico	100.0	100.0
Macquarie Midland Holdings Limited (i)	UK	100.0	100.0
Macquarie Motorways Group Limited (MMG)	UK	100.0	100.0
MARE SAS	France	50.1	-
MARI SAS	France	50.1	-
MIBL Finance Luxembourg SarL	Luxembourg	100.0	100.0
Midland Expressway Limited (MEL)	UK	100.0	100.0
MIG Holdings Limited	Bermuda	100.0	100.0
MIG Investments Limited (i)	Bermuda	100.0	100.0
0830273 BC Ltd (GP)	Canada	100.0	-
0830356 BC Ltd	Canada	100.0	-
Connect BC Development Group Limited	Canada	100.0	100.0
Connect Highways Development Group Ltd Partnerships	Canada	100.0	-
New International Canadian Holding Luxembourg Sarl	Luxembourg	100.0	-
Tipperhurst Limited	UK	100.0	100.0

#### Notes

- (i) Company dormant
- (ii) Company in liquidation

# Financial Report

## for the year ended 30 June 2009

### 12 Trade and Other Payables

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Current</b>		
Trade creditors	5,985	12,050
Payables to related parties	-	177
Other payables	24,399	6,151
Accruals and deferred income	6,276	13,165
	<b>36,660</b>	<b>31,543</b>
<b>Non-Current</b>		
MEL land fund operating lease obligations (see note 22)	184,503	150,969
	<b>184,503</b>	<b>150,969</b>

### 13 Deferred Tax Liability

	30 June 2009 \$'000	30 June 2008 \$'000
<b>The balance of deferred tax liabilities comprises temporary differences attributable to:</b>		
<b><i>Amounts recognised in profit or loss</i></b>		
Temporary differences on property, plant and equipment, net of recognised tax losses	99,079	-
	<b>99,079</b>	<b>-</b>
<b><i>Amounts recognised directly in equity</i></b>		
Cash flow hedges	-	31,035
	<b>-</b>	<b>31,035</b>
Deferred tax liabilities	<b>99,079</b>	<b>31,035</b>
<b>Movements in deferred income tax:</b>		
Opening balance at 1 July	31,035	76,437
Charged to the income statement	100,076	-
Credited to cash flow hedging reserve	(36,575)	(39,862)
Foreign currency exchange differences	4,543	(5,540)
Closing balance at 30 June	<b>99,079</b>	<b>31,035</b>

# Financial Report

## for the year ended 30 June 2009

### 14 Interest Bearing Financial Liabilities

	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>Non-current</b>			
Non-recourse loans	(i)	2,077,034	2,076,573
Accrued interest rate swap liability (see note 7)	(ii)	152,539	105,181
Loan from minority interest	(iii)	282,476	246,535
		<b>2,512,049</b>	<b>2,428,289</b>
<b>The maturity profile of the above interest bearing liabilities is:</b>			
Due within one year		-	-
Due between one and five years		136,567	137,923
Due after five years		2,375,482	2,290,366
		<b>2,512,049</b>	<b>2,428,289</b>

The fair values of interest bearing financial liabilities, other than non-recourse loans, approximate their carrying values. The fair value of non-recourse loans at 30 June 2009 was \$1,623.3 million. The difference of \$453.7 million to the carrying amount is attributable to higher credit margins observed on recent transactions of similar rated debt.

#### (i) 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.

The non-recourse loan represents MMG's debt facilities of £1.03 billion (\$2.1 billion) (net of capitalised borrowing costs) relating to the M6 Toll. Interest expense on the non-recourse loans is calculated by applying the effective interest rate of 6.58% to the liability component. In 2009, a one-off finance charge of £18.0 million (\$36.7 million) was recognised to increase the carrying value of the MMG non-recourse debt to reflect the present value of the revised estimated cash flows resulting from higher margins. These revised estimated cash flows have been discounted using the original effective interest rate in accordance with the requirements of IAS 39: *Financial Instruments: Recognition and Measurement*.

Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR). At 30 June 2009 the interest rate was 1.87% (2008: 6.75%). The facilities are due for repayment in 2015 with a cash sweep commencing 2012 and comprise a £1.00 billion (\$2.04 billion) term loan and a £30.0 million (\$61.1 million) capital expenditure facility. The facilities are subject to a change of control provision whereby, should MMG cease to be controlled directly or indirectly by an entity managed or advised by a member of the Macquarie Group, the lenders have the right to cancel the facilities and declare outstanding amounts immediately due and payable.

At 30 June 2009 the term loan was fully drawn down and £7.65 million (\$15.6 million) (2008: £7.4m (\$15.4 million) of the capital expenditure facility had been drawn down. The facilities have certain covenants attached and are secured by way of a debentures over MEL's assets. Interest rate hedging has been put in place in relation to 100% of the face value of the term loan to 2036. Details of these derivative contracts can be found in Note 7 and details of the risk management for the Group can be found in Note 23.

#### (ii) Accrued interest rate swap liability

The swap liability represents a separate element associated with the MMG 30 year interest rate hedge. This reflects the fact that fixed payments currently being paid under the swap contracts are less than the effective swap rate. As at 30 June 2009, this element incurs fixed interest of 3.6% per annum.

#### (iii) Loan from minority interest

The shareholder loan from MEIF Luxembourg Holdings S.A. to MAF has a nominal value of €162.4 million (\$282.5 million) and interest is charged at a floating rate at a margin over the Euro Inter Bank Offer Rate (EURIBOR). The loan is due for repayment in 2033.

At 30 June 2009 the interest rate was 6.51% (2008: 8.81%).

# Financial Report

## for the year ended 30 June 2009

### 15 Contributed Equity

#### Authorised shares

	30 June 2009 \$'000	30 June 2008 \$'000
68,000,000,000 Ordinary Shares of A\$0.01 each	680,000	680,000
1 A special share of A\$1.00 each	-	-
1 B special share of A\$1.00 each	-	-

#### Allotted, called up and fully paid

	30 June 2009 \$'000	30 June 2008 \$'000
2,261,732,048 Ordinary Shares of A\$0.01 each	22,617	24,038
Share Premium on Ordinary Shares	5,493,325	5,697,280
1 A special share of A\$1.00 each	-	-
1 B special share of A\$1.00 each	-	-
	<b>5,515,942</b>	<b>5,721,318</b>

The rights attaching to each class of shares of the Company are as follows:

#### *Ordinary shares*

Holders of ordinary shares are entitled to one vote per share on all matters except the appointment and removal of directors in respect of whom the right to appoint or remove is vested in the A special shareholder or the B special shareholder. The shares are participating and non redeemable.

#### *A special share*

The A special share is to be held by the Macquarie Capital Funds (Europe) Limited (MCFEL or the Adviser), its successors or assignees. 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 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) Trustee, 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.

# Financial Report

## for the year ended 30 June 2009

### 15 Contributed Equity (continued)

#### Share issuances and cancellations

	30 June 2009 \$'000	30 June 2008 \$'000
<b>On issue at the beginning of the year</b>	<b>5,721,318</b>	<b>6,024,212</b>
<b>Cancelled pursuant to:</b>		
Security buy-back*; net of transaction costs	(205,376)	(302,894)
<b>On issue at the end of the year</b>	<b>5,515,942</b>	<b>5,721,318</b>
	<b>2009</b>	<b>2008</b>
	<b>Number of</b>	<b>Number of</b>
	<b>shares</b>	<b>shares</b>
	<b>'000</b>	<b>'000</b>
<b>On issue at the beginning of the year</b>	<b>2,403,834</b>	<b>2,516,791</b>
<b>Cancelled pursuant to:</b>		
Security buy-back*	(142,102)	(112,957)
<b>On issue at the end of the year</b>	<b>2,261,732</b>	<b>2,403,834</b>

(\*) On 14 January 2008 MIG completed its \$1.00 billion on market buy-back, resulting in the total buy-back and cancellation of 292,218,706 MIG securities. On 21 August 2008 MIG commenced an on market buy-back of up to 240,383,409 MIG securities over a 12 month period ending 21 August 2009.

### 16 Reserves

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Movements in foreign currency translation reserve:</b>		
Balance at the beginning of the year	(180,393)	53,723
Currency translation differences during the year	477,078	(234,116)
<b>Balance at the end of the year</b>	<b>296,685</b>	<b>(180,393)</b>
<b>Movements in cash flow hedging reserve:</b>		
Balance at the beginning of the year	91,622	180,062
Decrease in fair value of interest rate swap contracts	(228,960)	(128,302)
Movement in deferred tax liability recognised on interest rate swap contracts	36,575	39,862
<b>Balance at the end of the year</b>	<b>(100,763)</b>	<b>91,622</b>
<b>Movements in other reserve:</b>		
Balance at the beginning of the year	(3,001,967)	(3,001,967)
Movements in other reserve during the year	-	-
<b>Balance at the end of the year</b>	<b>(3,001,967)</b>	<b>(3,001,967)</b>
<b>Total reserves at the end of the year</b>	<b>(2,806,045)</b>	<b>(3,090,738)</b>

On 11 January 2005, the High Court in London sanctioned a scheme of arrangement under the UK Companies Act to insert the Company as the parent of the Group, whose former parent was MEI. The balance in other reserves represents the difference between the Company's shareholders' funds and the Group shareholders' funds on application of the scheme of arrangement.

### 17 Retained Profits

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Balance at the beginning of the year</b>	<b>1,662,198</b>	<b>1,499,009</b>
(Loss)/Profit attributable to security holders	(1,060,231)	645,101
Distributions provided for or paid	(231,477)	(481,912)
<b>Balance at the end of the year</b>	<b>370,490</b>	<b>1,662,198</b>

# Financial Report

## for the year ended 30 June 2009

### 18 Minority Interest

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Balance at the beginning of the year</b>	<b>736,204</b>	654,621
Equity contribution received from minority interest	14,430	-
(Loss)/Profit attributable to minority interest	<b>(684,816)</b>	146,922
Foreign exchange differences attributable to minority interest	<b>105,601</b>	16,553
Distributions provided for or paid to minority interest	<b>(23,301)</b>	(81,892)
<b>Balance at the end of the year</b>	<b>148,118</b>	736,204

As MIGIL holds a controlling interest in MAF (50% plus 1 share) and MFS (50% plus 1 share), it must consolidate 100% of the assets, liabilities and results of the entities into its financial report for the year ended 30 June 2009 and disclose minority interests.

### 19 Earnings per security

Consolidated	30 June 2009	30 June 2008
Basic and diluted earnings per security after finance costs to security holders	<b>(45.62)c</b>	26.45c
	<b>\$'000</b>	\$'000
Earnings used in the calculation of basic and diluted earnings per security after finance costs attributable to unit holders*	<b>(1,060,231)</b>	645,101
	<b>Number</b>	Number
Weighted average number of securities used in calculation of basic and diluted earnings per security after finance costs to security holders*	<b>2,324,368,983</b>	2,438,496,933

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

### 20 Related Party Disclosures

#### Adviser

The Adviser of MIGIL is a wholly owned subsidiary of Macquarie Group Limited (MGL). The registered office of the Adviser is No 1 Ropemaker Street, London EC2Y 9HD.

#### Key Management Personnel

The following are Key Management Personnel of the Group:

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

Key Management Personnel are defined in IAS 24: *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The directors of MIGIL meet the definition of Key Management Personnel as they have this authority in relation to the activities of MIGIL. These powers have not been delegated by the directors of MIGIL to any person, including the CEO of MIG. Accordingly, there are no other Key Management Personnel of MIGIL.

Compensation in the form of directors' fees were received by directors as follows for the year ended 30 June 2009:

	30 June 2009	30 June 2008
Jeffery Conyers	<b>US\$40,000 (\$49,580)</b>	US\$40,000 (\$41,746)
Robert Mulderig	<b>US\$40,000 (\$49,580)</b>	US\$40,000 (\$41,746)
Peter Dyer	<b>£40,000 (\$81,574)</b>	£40,000 (\$83,166)
Mark Johnson	<b>\$50,000</b>	\$50,000

# Financial Report

## for the year ended 30 June 2009

### 20 Related Party Disclosures (continued)

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	Change during the year	
Jeffrey Gerald Conyers	-	-	-
Dr Peter Dyer	-	-	-
Mark Roderick Granger Johnson	811,731	-	811,731
Robert Andrew Mulderig	50,000	150,000	200,000
	861,731	150,000	1,011,731

### Fees paid to MCFEL

Under the terms of the Advisory Deed between the Company and MCFEL as Adviser, fees paid or payable to MCFEL by the Group were:

	30 June 2009 \$'000	30 June 2008 \$'000
Base fees	29,943	56,266
Performance fees	-	-
	29,943	56,266

During the year the management agreement between MEI and MCFEL as manager was terminated for nil consideration.

The base fee is calculated as 1.25% per annum of the first \$3 billion of MIG net investment value (market capitalisation adjusted for cash and investment commitments) and at 1.00% per annum on MIG net investment value over \$3 billion at the end of each quarter.

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 years ended 30 June 2009 and 30 June 2008, no new performance fee was calculated for MIG and no instalments of performance fees relating to previous periods became payable. No instalments in relation to past performance fees remain outstanding at 30 June 2009.

Fees are apportioned between MIT(I), MIT(II) and the Company based on each entity's share of the net assets of MIG. The fair values of the assets are used in the calculation of this apportionment.

### Associated undertakings

During the year loan interest of \$42,635,938 (2008: \$43,615,166) was charged by the Group to associated companies in the normal course of business. Interest is charged at a margin over the EURIBOR. Details of associated companies are set out in note 8.

# Financial Report

## for the year ended 30 June 2009

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### 20 Related Party Disclosures (continued)

#### Other transactions

At 30 June 2009, entities within the Group had \$nil (2008: \$30,648,690) on deposit with Macquarie Bank Limited (MBL), a wholly owned subsidiary of MGL.

During the year entities within the Group earned interest of \$386,277 (2008: \$85,163) on deposits with MBL at commercial rates.

Interest of \$483,306 (2008: \$68,690) was charged to MIT(II) by the Group during the year.

As at 30 June 2009 the Group had a receivable balance with MIT(I) of \$355,815 (2008: \$362,758). The Group also had a receivable balance with MIT(II) of \$2,166,709 (2008 payable: \$176,892).

MIGIL paid brokerage of \$337,899 (2008: \$498,953) to Macquarie Capital Securities (Australia) Limited (MCSAL) during the period in connection with the security buy-back.

MIGIL paid brokerage of \$197,955 (2008: \$272,726) to MCSAL during the year in connection with the on market sourcing of securities for the MIG DRP in relation to the final distribution paid on 14 August 2008.

Advisory fees of €3,227,500 (\$5,981,637) paid/payable to Macquarie Capital (Europe) Limited, a subsidiary of MGL, were incurred by Eiffarie SAS, an associate of MIGIL.

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

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

# Financial Report

## for the year ended 30 June 2009

### 21 Segment Reporting

The principal activity of MIGIL during the year was development and operation of toll roads, tunnels and bridges and investment in entities in the same industry sector. The primary basis of segment reporting is geographical. At the date of this report MIGIL had investments in Europe, Canada and the United States of America.

#### Geographical Segments

	Europe \$'000	Australia \$'000	North America \$'000	Total \$'000
<b>Year ended 30 June 2009</b>				
Segment revenue and other income	(1,102,067)	486	(227,275)	<b>(1,328,856)</b>
Total revenue and other income	(1,102,067)	486	(227,275)	<b>(1,328,856)</b>
Segment (loss)/profit	(1,387,954)	486	(254,233)	<b>(1,641,701)</b>
Unallocated expenses				<b>(3,058)</b>
Loss from continuing activities before taxation				<b>(1,644,759)</b>
Segment assets	2,541,917	2,523	3,585,136	<b>6,129,576</b>
Segment liabilities	2,896,244	-	4,827	<b>2,901,071</b>
Capital expenditure	72,692	-	-	<b>72,692</b>
Depreciation and amortisation expense	35,013	-	-	<b>35,013</b>
<b>Year ended 30 June 2008</b>				
Segment revenue and other income	517,509	69	594,774	<b>1,112,352</b>
Total revenue and other income	517,509	69	594,774	<b>1,112,352</b>
Segment profit	232,096	69	563,128	<b>795,293</b>
Unallocated expenses				<b>(2,949)</b>
Profit from continuing activities before taxation				<b>792,344</b>
Segment assets	4,312,860	363	3,597,978	<b>7,911,201</b>
Segment liabilities	2,635,428	240,560	6,231	<b>2,882,219</b>
Capital expenditure	14,487	-	-	<b>14,487</b>
Depreciation and amortisation expense	32,734	-	-	<b>32,734</b>

# Financial Report

## for the year ended 30 June 2009

### 22 Commitments for Expenditure

#### Operating leases

	30 June 2009 \$'000	30 June 2008 \$'000
<b>Commitments under non-cancellable operating leases expiring:</b>		
Within one year	36,539	52,940
Later than one year but not later than five years	145,770	211,584
Later than five years	1,438,697	2,141,459
	<b>1,621,006</b>	2,405,983

The Group leases land from the Highways Agency in respect of the M6 Toll. The lease payments are established via a formula set out by the Highways Agency, which settles all costs associated with the purchase by the Highways Agency of that land, and interest on those costs at 6% real per annum. Lease payments will be made from 2011 to 2054.

#### Other commitments

As part of the debt refinancing of the M6 Toll in August 2006, MEL committed to contribute £112.0 million (\$228.4 million) towards a road enhancement project which would provide a link to the M6 Toll. MEL agreed to procure any related costs payable by MEL in the event MEL could not pay them. As this contribution is conditional upon the project being undertaken at a future date, the Group believes that no provisions are necessary in the financial statements at 30 June 2009.

### 23 Financial Risk and Capital Management

#### Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity 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.

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

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 investments due to their long-term horizon. However, commitments to make investments which are denominated in foreign currencies are hedged, by way of forward contracts with maturities as close as possible to the time of making the commitment or raising the required capital

Monetary items are converted to the Australian Dollar at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

# Financial Report

## for the year ended 30 June 2009

### 23 Financial Risk and Capital Management (continued)

#### (a) Market risk (continued)

##### (ii) Interest rate risk

The Group has no significant interest-bearing assets, apart from cash and cash equivalent balances, whose fair value is significantly impacted by changes in market interest rates.

The Group's main interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group only has long term borrowings issued at floating interest rates. For floating rate exposures, the Group hedges the exposure by entering into interest rate swaps, whereby the Group agrees with their 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. Refer to note 7.

#### (b) Credit risk

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to committed transactions. The Group limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Group only accepts independently rated parties with appropriate minimum credit ratings of A-1. The Board of the adviser from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security.

The Group has no balances which are past due but not impaired or impaired.

The following table sets out the counterparties with which the Groups transact and therefore provides an indication of the credit risk exposures.

	Financial Institutions \$'000	Corporates \$'000	Total \$'000
<b>2009</b>			
Cash and cash equivalents	413,833	-	<b>413,833</b>
Receivables	-	3,683	<b>3,683</b>
<b>Total</b>	<b>413,833</b>	<b>3,683</b>	<b>417,516</b>
<b>2008</b>			
Cash and cash equivalents	754,473	-	<b>754,473</b>
Derivative financial instruments	114,795	-	<b>114,795</b>
Receivables	-	2,937	<b>2,937</b>
<b>Total</b>	<b>869,268</b>	<b>2,937</b>	<b>872,205</b>

##### (i) Financial Institutions

The credit risk to financial institutions relates to cash held by, receivables due from and commercial paper that has been purchased from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum credit rating of A-1.

##### (ii) Corporates

The credit risk to retail and property trade receivables exist at the Toll road asset level and in receivables from MIT(I) and MIT(II). These counterparties have a range of credit ratings.

# Financial Report

## for the year ended 30 June 2009

### 23 Financial Risk and Capital Management (continued)

#### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Groups and parent entities have a prudent liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or highly liquid cash assets, anticipated cash in and outflows and exposure to connected parties.

The below tables display the forecast contractual undiscounted future cash flows of the Group's liabilities.

#### Contractual undiscounted future cash flows

	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000
<b>2009</b>					
Non-recourse loans	47,164	85,466	140,180	358,261	2,347,271
Loan from minority interest	18,197	18,530	21,557	47,160	757,199
Payables	36,766	79	20,203	42,194	1,742,916
Derivative liability	64,449	32,049	(5,863)	(14,146)	38,443
Accrued interest rate swap liability	(42,561)	(40,013)	(50,356)	(70,359)	1,220,090
<b>Total</b>	<b>124,015</b>	<b>96,111</b>	<b>125,721</b>	<b>363,110</b>	<b>6,105,919</b>
<b>2008</b>					
Non-recourse loans	143,583	147,788	173,715	398,913	2,244,850
Loan from minority interest	19,553	24,717	24,705	47,909	717,109
Payables	31,543	-	22,867	48,430	2,485,510
Distribution payable	240,383	-	-	-	-
<b>Total</b>	<b>435,062</b>	<b>172,505</b>	<b>221,287</b>	<b>495,252</b>	<b>5,447,469</b>

#### (d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and disclosure purposes.

The fair value of financial instruments that are not actively traded in an active market is determined using valuation techniques. Discounted cash flows, are used to determine the fair value for financial instruments (refer Note 1(c)). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing foreign exchange risk, management has assumed the following movements in the Australian dollar:

- AUD/CAD exchange rate increased/decreased by 0.10 Canadian dollars (2008: 0.10)
- AUD/EUR exchange rate increased/decreased by 0.06 Euro dollars (2008: 0.04)
- AUD/GBP exchange rate increased/decreased by 0.05 UK pounds (2008: 0.04)
- AUD/USD exchange rate increased/decreased by 0.13 United States dollars (2008: 0.09)

# Financial Report

## for the year ended 30 June 2009

### 23 Financial Risk and Capital Management (continued)

#### (d) Fair value estimation (continued)

The below table displays the amounts for financial instruments that would be recognised in the Income Statement or directly in equity if the movements in foreign exchange rates as outlined above occur. MIGIL management has determined the above movements in the Australian dollar to be a reasonably possible shift following analysis of foreign exchange volatility for relevant currencies over the last 5 years.

	Foreign exchange risk			
	Appreciation in foreign exchange rates		Depreciation in foreign exchange rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>2009</b>				
Total financial assets	(3,784)	-	5,046	-
Total financial liabilities	109	-	(134)	-
<b>Total</b>	<b>(3,675)</b>	<b>-</b>	<b>4,912</b>	<b>-</b>
<b>2008</b>				
Total financial assets	(13,286)	-	16,030	-
Total financial liabilities	57	-	(69)	-
<b>Total</b>	<b>(13,229)</b>	<b>-</b>	<b>15,961</b>	<b>-</b>

In assessing interest rate risk, management has assumed the following movements in the identified interest rates:

- Bank bill swap reference rate (BBSW) increased/decreased by 161 bps (2008: 71 bps)
- London interbank offered rate (LIBOR) increased/decreased by 164 bps (2008: 70 bps)
- Euro London interbank offered rate increased/decreased by 154 bps (2008: 55 bps)
- US Dollar London interbank offered rate increased by 207 bps and decreased by 60 bps (2008: increased/decreased 149 bps)
- Canadian London interbank offered rate increased/decreased by 157 bps (2008: 108 bps)

The below tables display the amounts for financial instruments that would be recognised in the Income Statement or directly in equity if the above interest rate movements occur. MIGIL management has determined the above movements in interest rates to be a reasonably possible shift following analysis of the interest spreads of comparable debt instruments.

	Interest rate risk			
	Increase in interest rates		Decrease in interest rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
<b>2009</b>				
Total financial assets	6,741	431,880	(6,332)	(632,107)
Total financial liabilities	(4,600)	-	4,600	-
<b>Total</b>	<b>2,141</b>	<b>431,880</b>	<b>(1,732)</b>	<b>(632,107)</b>
<b>2008</b>				
Total financial assets	12,213	193,584	(12,273)	(228,018)
Total financial liabilities	(1,461)	-	1,461	-
<b>Total</b>	<b>10,752</b>	<b>193,584</b>	<b>(10,812)</b>	<b>(228,018)</b>

Financial assets include cash and cash equivalents, receivables, prepayment balances and derivative financial assets.

Financial liabilities include, distribution payable, payables, interest bearing financial liabilities, derivative financial liabilities and provisions.

# Financial Report

## for the year ended 30 June 2009

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### 23 Financial Risk and Capital Management (continued)

#### Capital Management

The Group's capital management objectives are to:

- Ensure sufficient capital resources to support the Group's business and operational requirements
- Safeguard the Group's ability to continue as a going concern.

Periodic reviews of the Group's capital requirements are performed to ensure the Group is meeting its objectives.

Contributed equity is defined as share capital plus reserves. As at 30 June 2009 the Group does not have any externally imposed capital requirements.

### 24 Contingent Liabilities

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

#### Warnow Tunnel

ETI, a subsidiary of MIGIL, has made two separate guarantees, totalling €1.19 million (\$2.43 million), in the event of a senior debt payment event of 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 2009.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$2.07 million) has been deposited. These funds are restricted and are not accessible.

### 25 Events Occurring After Balance Sheet Date

Since the end of the year, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in years subsequent to the year ended 30 June 2009