



Macquarie Infrastructure Group International Limited

Registered number **EC35715**

Interim Financial Report 31 December 2008

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

Macquarie Infrastructure Investment Management Limited (MIIML) (ACN 072 609 271) (AFSL 241405) 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 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.

Interim Financial Report

Half Year Ended 31 December 2008

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Directors' Report

Half Year Ended 31 December 2008

Directors' Report

The directors of Macquarie Infrastructure Group International Limited (MIGIL or the Company) submit the following report for MIGIL and its controlled entities, in respect of the half year ended 31 December 2008 (the half year).

Principal Activities and Results

This interim 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 interim financial report is presented in Australian dollars.

Directors

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

- Donna Phillips

Distributions

MIG proposed an interim distribution for the half year ended 31 December 2008 of 10.00 cents per security (31 December 2007: 10.00 cents per security), of which 10.00 cents per security (31 December 2007: 10.00 cents per security) was paid by MIGIL on 13 February 2009.

Review and Results of Operations

The performance of the Company for the half year, as represented by the results of the operations, was as follows:

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Total revenue and other income from continuing activities	(940,488)	1,146,230
(Loss)/profit attributable to MIGIL equity holders	(788,724)	824,610
	Cents	Cents
Basic earnings per security or share	(33.33)	33.36

Directors' Report

Half Year Ended 31 December 2008

Review and Results of Operations (cont'd)

■ *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. This outcome has been affected by changes to asset discount rates reflecting the current market environment, lower forecast traffic volumes driven by the recessionary environment in the Northern Hemisphere, higher assumed financing costs across the portfolio, and the impact of macroeconomic factors such as long term inflationary expectations and foreign exchange rates.

■ *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 31 December 2008, MIG had bought back 89,062,213 MIG securities for a total consideration of \$184.1 million (including transaction costs). Of this amount \$150.8 million was paid by MIGIL.

■ *Lusoponte*

In September 2008, the Group accepted a binding offer from two of the existing shareholders in Lusoponte, Mota-Engil Concessões de Transporte (Mota) and Vinci SA (Vinci), to purchase the Group'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.

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

By order of the Board



Robert Mulderig
Chairman
18 February 2009

Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Interim Financial Report

Half Year Ended 31 December 2008

Independent Review Report to Macquarie Infrastructure Group International Limited

We have been engaged by the company to review the condensed set of financial statements in the interim financial report for the half year ended 31 December 2008, which comprises the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes. We have read the other information contained in the interim financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

The interim financial report is the responsibility of, and has been approved by, the directors.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards. The condensed set of financial statements included in this interim financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting".

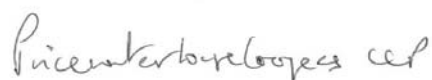
The maintenance and integrity of the Macquarie Infrastructure Group website, which includes the financial statements of Macquarie Infrastructure Group International Limited, is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to Macquarie Infrastructure Group International Limited financial statements since they were initially presented on the website.

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the interim financial report based on our review. This report, including the conclusion, has been prepared for and only for the company and for no other purpose.

We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim financial report for the half year ended 31 December 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34.



PricewaterhouseCoopers LLP
Chartered Accountants
London
18 February 2009

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Income Statement

	Note	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Revenue and other income from continuing activities			
Revenue from continuing activities		84,843	105,696
Revaluation (loss)/gain and other income from continuing activities		(1,025,331)	1,040,534
Total revenue and other income from continuing activities	2(i)	(940,488)	1,146,230
Operating expenses from continuing activities			
Finance costs		(74,896)	(76,962)
Other operating expenses		(74,100)	(82,811)
Total operating expenses from continuing activities	2(ii)	(148,996)	(159,773)
(Loss)/profit from continuing activities before taxation		(1,089,484)	986,457
Taxation expense		(112,033)	(189)
(Loss)/profit from continuing activities after taxation		(1,201,517)	986,268
(Loss)/profit attributable to:			
MIGIL equity holders		(788,724)	824,610
Minority interest		(412,793)	161,658
		(1,201,517)	986,268
Earnings per share for (loss)/profit from continuing activities attributable to MIGIL shareholders			
		Cents	Cents
Basic earnings per security or share		(33.33)	33.36

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

Interim Financial Report


As at 31 December 2008

Consolidated Balance Sheet

	Note	31 Dec 2008 \$'000	30 Jun 2008 \$'000
Current assets			
Cash and cash equivalents		523,458	754,473
Receivables		226,380	2,937
Prepayments		1,953	2,088
Derivative financial instruments		-	3,957
Total current assets		751,791	763,455
Non-current assets			
Derivative financial instruments		-	110,838
Investments in financial assets	4	5,408,960	5,751,730
Property, plant and equipment		1,216,458	1,243,553
Tolling concessions		40,753	41,625
Total non-current assets		6,666,171	7,147,746
Total assets		7,417,962	7,911,201
Current liabilities			
Distribution payable	3	231,477	240,383
Trade and other payables		73,448	31,543
Derivative financial instruments		5,329	-
Total current liabilities		310,254	271,926
Non-current liabilities			
Trade and other payables		169,135	150,969
Interest-bearing financial liabilities	5	2,483,146	2,428,289
Derivative financial instruments		366,264	-
Deferred tax liabilities		111,803	31,035
Total non-current liabilities		3,130,348	2,610,293
Total liabilities		3,440,602	2,882,219
Net assets		3,977,360	5,028,982
Equity			
MIGIL equity holders' interest			
Contributed equity	6	5,570,539	5,721,318
Reserves	8	(2,696,962)	(3,090,738)
Retained profits	7	641,997	1,662,198
Total MIGIL equity holders' interest		3,515,574	4,292,778
Minority interest in controlled entities		461,786	736,204
Total equity		3,977,360	5,028,982

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

This financial information was approved by the Board of Directors on 18 February 2009 and was signed on its behalf by:


R Mulderig
Director


P Dyer
Director

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Statement of Changes in Equity

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Total equity at the beginning of the half year	5,028,982	5,409,660
Exchange differences on translation of foreign operations	1,041,936	192,040
Changes in fair value of cashflow hedges (net of tax)	(486,484)	(108,639)
(Loss)/Profit for the half year	(1,201,517)	986,268
Total recognised income and expense for the half year	(646,065)	1,069,669
Transactions with equity holders in their capacity as equity holders:		
Securities cancelled pursuant to security buy-back (including transaction costs)	(150,779)	(273,058)
Dividend provided for or paid to ordinary share holders	(231,477)	(241,528)
Distributions provided for or paid to minority interest	(23,301)	(40,543)
	(405,557)	(555,129)
Total equity at the end of the half year	3,977,360	5,924,200
Total recognised income and expense for the half year is attributable to:		
MIGIL equity holders	(394,948)	882,017
Minority interest	(251,117)	187,652
	(646,065)	1,069,669

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

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Cash Flow Statement

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Cash flows from operating activities		
Toll revenue received	77,566	81,504
Interest received	16,246	33,273
Net indirect taxes paid	(6,533)	(8,596)
Payments to suppliers and employees (inclusive of VAT)	(17,782)	(12,346)
Adviser's fees paid	(25,373)	(34,687)
Distributions and interest income received from investments	87,236	119,883
Income taxes paid	(145)	(146)
Other income received	2,482	5,797
Net cash flows from operating activities	133,697	184,682
Cash flows from investing activities		
Purchase of fixed assets	(796)	(2,168)
Proceeds from sale of property, plant and equipment	56	-
Proceeds from return of capital from investments	944	442
Net cash flows from investing activities	204	(1,726)
Cash flows from financing activities		
On-market buyback (including transaction costs)	(150,779)	(273,058)
Borrowing costs paid	(36,840)	(37,128)
Proceeds from borrowings	616	1,982
Receipt/(repayment) of related entity loans	35,271	(54,530)
Distributions paid to MIGIL equity holders	(240,384)	(251,679)
Distributions paid to minority interests	(23,301)	(40,543)
Net cash flows from financing activities	(415,417)	(654,956)
Net decrease in cash assets held	(281,516)	(472,000)
Cash and cash equivalents at the beginning of the half year	754,473	1,445,359
Effects of exchange rate movements on cash and cash equivalents	50,501	(22,533)
Cash and cash equivalents at the end of the half year	523,458	950,826

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

Notes to the Interim Financial Report

1 Summary of Significant Accounting Policies

This interim financial report for the half year ended 31 December 2008 has been prepared in accordance with Accounting Standard IAS 34 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of MIGIL for the year ended 30 June 2008, which has been prepared in accordance with International Financial Reporting Standards (IFRS).

(a) Basis of Preparation of Interim Financial Report

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

— **Stapled security**

The units of 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 31 December 2008 and the results of all controlled entities for the period 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, which are not held directly or indirectly by MIGIL.

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

(c) 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(d) below.

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).

(d) Investments in Financial Assets at Fair Value Through Profit or Loss

MIGIL has designated its non-controlled 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 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 half year.

Interim Financial Report

Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(d) Investments in Financial Assets at Fair Value Through Profit or Loss (cont'd)

Investments have been brought to account as follows:

— *Interests in partnerships and unlisted securities in companies*

MIGIL, as a mutual fund company, has taken advantage of the exemption available under IAS 28 *Investments in Associates*, and 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 specialist 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 financial assets*

Interests in interest bearing financial assets 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 interest bearing financial assets are recognised in the Income Statement.

(e) Loans and Receivables

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

(f) Intangible Assets - Tolling Concessions

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

Tolling concessions have a finite useful life and are carried at cost 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.

Interim Financial Report

Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(g) Interest-bearing Financial Liabilities

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

(h) 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.

— *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

— *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 investments 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 are recognised in the Income Statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Critical Accounting Estimates and Judgement

The preparation of the interim 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 pricing of debt refinancing and the appropriate discount rate.

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

Interim Financial Report

Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(i) Critical Accounting Estimates and Judgement (cont'd)

— *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 Australia and 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 liabilities for anticipated tax issues based on their current understanding of the tax law.

(j) Comparative Figures

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

Interim Financial Report

Half Year Ended 31 December 2008

2 (Loss)/Profit for the Half Year

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

(i) Revenue and other income from continuing activities

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Revenue from continuing activities		
Interest income:		
Related parties	172	7
Other persons and corporations	16,340	34,076
Toll revenue	65,250	68,624
Other revenue	3,081	2,989
Total revenue from continuing activities	84,843	105,696
Revaluation (loss)/gain from continuing activities		
Net revaluation of interests in unlisted securities in companies designated as fair value through the profit or loss	(1,002,047)	993,969
Net revaluation of interest bearing financial assets designated as fair value through the profit or loss	(90,794)	38,549
Net foreign exchange gain	41,587	19,576
Total revaluation (loss)/gain from continuing activities	(1,051,254)	1,052,094
Other income from continuing activities		
(Loss)/gain on derivative financial instruments	(16,242)	3,490
Foreign exchange gain/(loss)	42,165	(15,050)
Total other income from continuing activities	25,923	(11,560)
Total revaluation (loss)/gain and other income from continuing activities	(1,025,331)	1,040,534
Total revenue and other income from continuing activities	(940,488)	1,146,230

Interim Financial Report

Half Year Ended 31 December 2008

2 (Loss)/Profit for the Half Year (cont'd)

(ii) Operating expenses from continuing activities

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Finance costs		
Interest expense:		
Other persons and corporations	74,896	76,962
Other operating expenses		
Amortisation of tolling concessions	495	516
Depreciation:		
Plant and machinery	3,063	3,323
Land and buildings	514	538
M6 Toll road	12,876	11,746
	16,453	15,607
Cost of operations:		
Employment costs	5,547	5,673
Operating expenses	3,798	3,685
Operating lease rentals	22,454	22,542
	31,799	31,900
Other operating expenses:		
Consulting and administration fees	1,542	940
Adviser's base fees	19,291	30,651
Other expenses	4,520	3,197
	25,353	34,788
Total other operating expenses	74,100	82,811
Total operating expenses from continuing activities	148,996	159,773

Interim Financial Report

Half Year Ended 31 December 2008

3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Final distribution paid for the year ended 30 June	240,384	251,679
Interim distribution payable for the half year ended 31 December (*)	231,477	241,528
	471,861	493,207
	Cents per share	Cents per share
Final distribution paid for the year ended 30 June	10.0000	10.0000
Interim distribution payable for the half year ended 31 December	10.0000	10.0000
	20.0000	20.0000

(*) This amount was paid by MIGIL on 13 February 2009.

4 Investments in Financial Assets

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 accordance with IAS 39. Refer to Note 1(d).

The table below summarises the movements in MIGIL's investment in financial assets during the half year ended 31 December 2008.

	Balance at 1 July 2008 \$'000	Returns from Investments Note (i) \$'000	FX Effects Note (ii) \$'000	Revaluations \$'000	Divestments \$'000	Balance at 31 Dec 2008 \$'000
Interests in unlisted securities in companies and partnerships						
407 International Inc. (407 ETR)	3,295,005	(22,667)	490,228	(191,160)	-	3,571,406
Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte) (vi)	187,608	(3,428)	42,805	(3,818)	(223,167)	-
Financière Eiffarie SAS (APRR) (iii)	1,471,391	(40,638)	317,339	(806,885)	-	941,207
Warnowquerung GmbH (Warnow Tunnel) (v)	1,681	-	351	(184)	-	1,848
	4,955,685	(66,733)	850,723	(1,002,047)	(223,167)	4,514,461
Interests in interest bearing financial assets						
Financière Eiffarie SAS Bonds (APRR) (iii)	493,072	(21,447)	98,673	22,170	-	592,468
Dulles Greenway Subordinated Loans	302,973	-	112,022	(112,964)	-	302,031
	796,045	(21,447)	210,695	(90,794)	-	894,499
Total investment in financial assets	5,751,730	(88,180)	1,061,418	(1,092,841)	(223,167)	5,408,960

Interim Financial Report

Half Year Ended 31 December 2008

4 Investments in Financial Assets (cont'd)

The sensitivity of investments in financial assets to movements in discount rates, revenue forecasts and project level interest rates is disclosed in the table below. The valuation sensitivities below exclude Lusoporte.

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	30 June 2008 50 bps lower \$ million	30 June 2008 50 bps higher \$ million
Change in valuation of investments due to movement in the discount rates	511.9	(437.4)	523.0	(442.6)

	31 December 2008 5% lower \$ million	31 December 2008 5% higher \$ million	30 June 2008 5% lower \$ million	30 June 2008 5% higher \$ million
Change in the valuation of investments due to movement in revenue forecasts	(484.0)	456.3	(468.0)	463.7

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	30 June 2008 50 bps lower \$ million	30 June 2008 50 bps higher \$ million
Change in the valuation of investments due to movement in interest rates	79.3	(78.2)	85.0	(83.3)

Notes to Investments in Financial Assets

(i) Returns from Investments

Dividends 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 but a different functional currency to MIGIL, FX effects resulting from translation of the entity's assets and liabilities 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 \$1,061.4 million foreign exchange gain on investments in financial assets, \$41.6 million was credited to the Income Statement and \$1,019.8 million was taken to the Foreign Currency Translation Reserve.

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4 Investments in Financial Assets (cont'd)

Notes to Investments in Financial Assets (cont'd)

(iii) 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.

(iv) Discount Rates

The discount rates applied to the discounted cash flow forecasts of the Groups' investments in financial assets are as follows:

	31 December 2008	30 June 2008
407 ETR	9.5%	8.0%
APRR	12.5%	10.8%
Rostock	12.5%	11.6%
Dulles Greenway	12.5%	12.5%

(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 requires 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.

(vi) Divestments

— Lusoponte

In September 2008, the Group accepted a binding offer from two of the existing shareholders in Lusoponte, Mota-Engil Concessões de Transporte (Mota) and Vinci SA (Vinci), to purchase the Group'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.

At 31 December 2008, MIG has derecognised its investment in Lusoponte and has recorded a receivable for the proceeds of sale.

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5 Interest Bearing Financial Liabilities

	Note	As at 31 Dec 2008 \$'000	As at 30 Jun 2008 \$'000
Non-current			
Non-recourse loans	(i)	2,057,693	2,076,573
Accrued interest rate swap liability	(ii)	129,220	105,181
Loan from minority interest	(iii)	296,233	246,535
		2,483,146	2,428,289
The maturity profile of the above interest bearing financial liabilities is:			
Due within one year		-	-
Due between one and five years		134,970	137,923
Due after five years		2,348,176	2,290,366
		2,483,146	2,428,289

Notes

(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 Macquarie Motorway Group Limited's (MMG), a subsidiary of the Group, debt facilities of £1.03 billion (\$2.12 billion). Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR). The facilities are due for repayment in 2015 and comprise a £1.00 billion (\$2.06 billion) term loan and a £30.0 million (\$61.8 million) capital expenditure facility. These facilities have certain covenants attached and are secured by way of debentures over the assets of Midland Expressway Limited, a subsidiary company.

At 31 December 2008, the term loan was fully drawn down and £7.7 million (\$15.8 million) of the capital expenditure facility had been utilised. Interest rate hedging has been put in place in relation to 100% of the face value of the term loan to 2036.

(ii) Accrued interest rate swap liability

The swap liability represents a separate element associated with the MMG interest rate 30 year hedge. This reflects the low rates of fixed payments currently being paid under the swap contracts. As at 31 December 2008, this element incurs fixed interest at 3.6% per annum.

(iii) Loan from Minority Interest

The loan from MEIF Luxembourg Holdings S.A has a nominal value of €150.0 million (\$296.2 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.

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6 Contributed Equity

	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)
On issue at the beginning of the half year	5,721,318	6,024,212
Cancelled pursuant to:		
Security buy-back (including transaction costs)	(150,779)	(302,894)
On issue at the end of the half year	5,570,539	5,721,318
	Number of ordinary shares '000	Number of ordinary shares '000
On issue at the beginning of the half year	2,403,834	2,516,791
Cancelled pursuant to:		
Security buy-back	(89,062)	(112,957)
On issue at the end of the half year	2,314,772	2,403,834

7 Retained Profits

	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)
Balance at the beginning of the half year	1,662,198	1,499,009
(Loss)/profit attributable to MIGIL equity holders	(788,724)	645,101
Distributions paid and proposed	(231,477)	(481,912)
Balance at the end of the half year	641,997	1,662,198

8 Reserves

	31 Dec 2008 \$'000	30 June 2008 \$'000
Movements in foreign currency translation reserve:		
Balance at the beginning of the half year	(180,393)	53,723
Currency translation differences during the half year/net exchange differences on taxation of foreign controlled entities	880,260	(234,116)
Balance at the end of the half year	699,867	(180,393)
Movements in cash flow hedging reserve:		
Balance at the beginning of the half year	91,622	180,062
(Decrease)/Increase in fair value of interest rate swap contracts	(523,058)	(128,302)
Movement in deferred tax liability recognised on interest rate swap contracts	36,574	39,862
Balance at the end of the half year	(394,862)	91,622
Movements in other reserve:		
Balance at the beginning of the half year	(3,001,967)	(3,001,967)
Movements in other reserve during the half year	-	-
Balance at the end of the half year	(3,001,967)	(3,001,967)
Total reserves at the end of the half year	(2,696,962)	(3,090,738)

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9 Segment Reporting

The principal activity of MIGIL during the half year was the 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.

Geographical segments

Half year ended 31 December 2008	Europe \$'000	Australia \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	(636,535)	172	(304,125)	(940,488)
Segment (loss)/profit from continuing activities before taxation	(778,576)	172	(307,254)	(1,085,658)
Unallocated expenses				(3,826)
Loss from continuing activities before taxation				(1,089,484)

Half year ended 31 December 2007	Europe \$'000	Australia \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	481,420	7	664,803	1,146,230
Segment profit from continuing activities before taxation	339,757	7	650,008	989,772
Unallocated expenses				(3,315)
Profit from continuing activities before taxation				986,457

10 Contingencies

MIGIL had the following contingent liabilities at the balance sheet date. No provisions have been raised against these items unless stated below.

■ Warnow Tunnel

European Transport Investments (UK) Limited, a subsidiary of MIGIL, has made two separate guarantees, totalling €1.19 million (\$2.35 million) in the event of a senior debt payment event or default by Warnowquerung GmbH & Co. KG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions and that no provisions are necessary in the financial statements as at 31 December 2008.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$2.35 million) has been deposited. These funds are restricted and are not accessible.

■ Conversion of Reset Convertible Notes

On 13 November 2006, Ontario Teachers' Pension Plan Board (OTPP) exercised their right to convert all outstanding Reset Convertible Notes (ReCNs) into MIG stapled securities. At the same time, OTPP advised that it considered that MIG had not complied with the terms of the ReCNs Deed Poll in relation to the giving of notice of a Trigger Event. On 7 March 2008 OTPP lodged a statement of claim with the Supreme Court of NSW alleging the same.

MIG's view is that a compliant notice was given. MIG is contesting the above proceedings.

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11 Events Occurring After Balance Sheet Date

Except as disclosed elsewhere in this interim financial report, no matter or circumstance has arisen since 31 December 2008 that has significantly affected, or may materially affect the operations of the Group in future financial years.