



Macquarie Infrastructure Group International Limited

Registered number EC35715

Financial Report 30 June 2008

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.

Financial Report

For the Year Ended 30 June 2008

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Financial Report

For the Year Ended 30 June 2008

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 2008.

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:

- Roslyn O'Brien (Resigned 30 April 2008)
- Donna Phillips (Appointed 30 April 2008)

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 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 2008 \$'000	30 June 2007 \$'000
Total revenue and other income	1,158,444	1,784,688
Profit attributable to MIGIL equity holders	645,101	848,795

Distributions

The total distribution for Macquarie Infrastructure Group (MIG) for the year ended 30 June 2008 was 20.00 cents per stapled security (2007: 20.00 cents per stapled security). An interim distribution of 10.00 cents per stapled security (2007: 10.00 cents per stapled security) was paid by MIGIL on 14 February 2008. A final distribution of 10.00 cents per stapled security (2007: 10.00 cents per stapled security) was paid by MIGIL on 14 August 2008.

Financial Report

For the Year Ended 30 June 2008

Review of the Business

■ *Security buy-back*

On 14 January 2008 MIG completed its A\$1.00 billion on market buy-back, resulting in the total buy-back and cancellation of 292,218,706 MIG securities. Of this amount, A\$829.4 million was payable by MIGIL.

■ *Distribution Reinvestment Plan*

A portion of stapled security holders participated in MIG's Distribution Reinvestment Plan for the distribution paid on 14 August 2007 and the interim distribution paid on 14 February 2008. All of the securities allocated as part of the Distribution Reinvestment Plan were sourced from on-market purchases of existing securities.

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



R Mulderig
Chairman
20 August 2008

Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Financial Report

As at 30 June 2008

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

We have audited the accompanying consolidated financial statements of Macquarie Infrastructure Group International Limited and its subsidiaries (the 'Group') which comprise the consolidated balance sheet as at 30 June 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and the related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 90 of the Bermuda Companies Act 1981 and for no other purpose. We do not, in giving this opinion, 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.

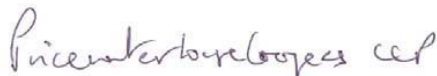
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 30 June 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

The directors are responsible for the maintenance and integrity of the MIG website, which houses the Group's consolidated financial statements. The work carried out by PricewaterhouseCoopers LLP does not involve consideration of the maintenance or integrity of the MIG website and, accordingly, PricewaterhouseCoopers LLP does not accept responsibility for any changes that have occurred to the Group's consolidated financial statements since they were initially presented on the MIG website.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors
London

20 August 2008

Financial Report

As at 30 June 2008

Consolidated Income Statement

	Note	30 June 2008 \$'000	30 June 2007 \$'000
Revenue and other income from continuing activities			
Revenue from continuing activities		187,749	210,047
Revaluation and other income from continuing activities		970,695	1,574,641
Total revenue and other income from continuing activities	2(i)	1,158,444	1,784,688
Operating expenses from continuing activities			
Finance costs		(147,514)	(155,606)
Other operating expenses		(218,586)	(239,239)
Total operating expenses from continuing activities	2(ii)	(366,100)	(394,845)
Profit from continuing activities before taxation		792,344	1,389,843
Taxation expense	3	(321)	(407)
Profit from continuing activities after taxation		792,023	1,389,436
Profit attributable to:			
MIGIL equity holders		645,101	848,795
Minority interest		146,922	540,641
		792,023	1,389,436

The above Consolidated Income Statement should be read in conjunction with the accompanying notes on pages 10 to 39.

Financial Report

As at 30 June 2008

Consolidated Balance Sheet

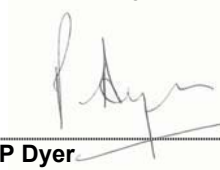
	Note	30 June 2008 \$'000	30 June 2007 \$'000
Current assets			
Cash and cash equivalents	5	754,473	1,445,359
Receivables	6	2,937	3,687
Prepayments		2,088	2,708
Derivative financial instruments	14	3,957	-
Total current assets		763,455	1,451,754
Non-current assets			
Investments in financial assets	7	5,751,730	5,396,544
Property, plant and equipment	9	1,243,553	1,435,207
Tolling concessions	10	41,625	48,461
Derivative financial instruments	14	110,838	254,791
Total non-current assets		7,147,746	7,135,003
Total assets		7,911,201	8,586,757
Current liabilities			
Trade and other payables	11	(31,543)	(96,500)
Distribution payable to MIGIL equity holders	4	(240,383)	(251,679)
Total current liabilities		(271,926)	(348,179)
Non-current liabilities			
Trade and other payables	11	(150,969)	(111,746)
Provisions	12	-	(2,339)
Interest-bearing financial liabilities	13	(2,428,289)	(2,638,396)
Deferred tax liability	15	(31,035)	(76,437)
Total non-current liabilities		(2,610,293)	(2,828,918)
Total liabilities		(2,882,219)	(3,177,097)
Net assets		5,028,982	5,409,660
Equity			
Equity attributable to MIGIL equity holders			
Contributed equity	16	5,721,318	6,024,212
Reserves	17	(3,090,738)	(2,768,182)
Retained profits	18	1,662,198	1,499,009
		4,292,778	4,755,039
Minority interest	19	736,204	654,621
Total equity		5,028,982	5,409,660

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes on pages 10 to 39.

This financial information was approved by the Board of Directors on 20 August 2008 and was signed on its behalf by:



R Mulderig
Chairman



P Dyer
Director

Financial Report

For the Year Ended 30 June 2008

Consolidated Statement of Changes in Equity

	30 June 2008 \$'000	30 June 2007 \$'000
Total equity at the beginning of the year	5,409,660	4,791,690
Exchange differences on translation of foreign operations	(217,563)	(335,512)
Movement in cash flow hedging reserve	(88,440)	180,062
Profit for the year	792,023	1,389,436
Total recognised income and expense for the year	486,020	1,233,986
Transactions with equity holders		
Issue of share capital, net of transaction costs paid	-	119,067
Securities cancelled pursuant to security buy-back (including transaction costs)	(302,894)	(527,868)
Securities issued pursuant to conversion of ReCNs	-	426,704
Distributions provided for or paid to ordinary share holders	(481,912)	(513,274)
Distributions provided for or paid to minority interest	(81,892)	(120,645)
Total equity at the end of the year	5,028,982	5,409,660
Total recognised income and expense for the year is attributable to:		
MIGIL equity holders	322,545	718,500
Minority interest	163,475	515,486
	486,020	1,233,986

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 10 to 39.

Financial Report

For the Year Ended 30 June 2008

Consolidated Cash Flow Statement

	30 June 2008 \$'000	30 June 2007 \$'000
Cash flows from operating activities		
Toll revenue received	151,761	169,684
Interest received	53,417	62,267
Net indirect taxes paid	(15,384)	(14,915)
Payments to suppliers and employees (inclusive of VAT)	(30,895)	(41,558)
Adviser's fees paid	(65,402)	(71,364)
Dividends and interest income received from investments	297,911	306,131
Income taxes paid	(232)	(284)
Other income received	7,812	8,994
Net cash flows from operating activities	398,988	418,955
Cash flows from investing activities		
Proceeds from disposal of interest bearing financial assets	-	360,419
Purchase of fixed assets	(14,487)	(1,861)
Proceeds from sale of fixed assets	-	12
Net cash flows from investing activities	(14,487)	358,570
Cash flows from financing activities		
Issue of ordinary share capital	-	118,423
On-market buy-back	(302,894)	(527,868)
Borrowing costs paid	(82,199)	(139,059)
Proceeds from bank borrowings	15,497	2,479,104
Repayment of bank borrowings	-	(1,536,820)
Repayment of related entity loans	(44,531)	466,810
Distributions paid to MIGIL equity holders	(493,208)	(353,005)
Distributions paid to minority interests	(98,705)	(102,147)
Net cash flows from financing activities	(1,006,040)	405,438
Net (decrease)/increase in cash assets held	(621,539)	1,182,963
Cash assets at the beginning of the year	1,445,359	326,087
Effects of exchange rate movements	(69,347)	(63,691)
Cash assets at the end of the year	754,473	1,445,359

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes on pages 10 to 39.

Financial Report

For the Year Ended 30 June 2008

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.

— *Critical accounting estimates*

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

The area involving a higher degree of judgement or complexity is related to investments in financial assets, which are measured at directors' estimates of fair value.

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

— *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 through profit or loss.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MIGIL at 30 June 2008 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, which 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-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, 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.

Investments have been measured as follows:

— *Interests in unlisted securities in companies*

Interests in unlisted companies 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.

Financial Report

For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

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

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 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.

MIGIL engages specialist traffic forecasting experts to provide a view on the most likely level of traffic to use the 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 risk premiums applied to the discounted cash flow forecasts of the Groups' interests in securities in companies can be found in Note 7.

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as independent valuations and 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 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.

(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*.

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For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(e) Property, plant and equipment (cont'd)

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 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 cost 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 for which a reliable recoverable amount can be determined in an overall assessment.

(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.

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.

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For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, 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) Post retirement benefits

A subsidiary within the Group, Macquarie Infrastructure (UK) Limited (MIUK), operates a pension scheme providing benefits on final pensionable pay. A liability or asset in respect of this pension scheme is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date, plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the pension scheme's assets at that date and any unrecognised past service cost.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past service costs are recognised immediately in income, unless the changes to the pension scheme are conditional on the employees remaining in service for a specified time. In this case, the past service costs are amortised on a straight-line basis over this period.

(j) 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.

(k) 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.

(l) 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 hedge

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.

Financial Report

For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(l) Derivative financial instruments (cont'd)

(ii) Cash flow hedge

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

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

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

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

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

— *Fair value estimation*

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

(m) 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 as an exemption is available from capital gains tax on disposal of certain entities.

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.

Financial Report

For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(n) 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 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.

(o) 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 (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).

(p) 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.

(q) 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.

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For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(r) Value added tax (VAT) and Good and Services Tax (GST)

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

GST incurred (and not recoverable from the Australian Taxation Office) is recognised as an expense in the income statement.

(s) Rounding of amounts

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

(t) Provisions

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

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

(u) 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 2008 or later periods but which the Group has not yet adopted. The significant ones are as follows:

IFRIC 12, *Service Concession Arrangements*

At 30 June 2008, IFRIC 12: *Service Concession Arrangements* has been issued, but is not yet effective. The interpretation is applicable for reporting periods starting on or after 1 January 2008. The application of the interpretation to the M6 Toll, MIGIL's only consolidated asset, is currently being assessed. If the interpretation were applicable to the M6 Toll the impact is not expected to be material to MIGIL's net asset position.

IFRS 8, *Operating Segments* (effective from 1 July 2009). This standard will require the entity to adopt the 'management approach' to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the chief decision maker for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statement and balance sheet, in which case reconciliations of certain items will be required.

IFRS 3, *Business Combinations* and IAS 27, *Consolidated and Separate Financial Statements* (effective from 1 July 2009). These standards amend the accounting for certain aspects of business combinations and changes in ownership interests in controlled entities. 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 AASB 3, the impact on MIGIL is not known.

Financial Report

For the Year Ended 30 June 2008

1 Summary of Significant Accounting Policies (cont'd)

(v) Comparative figures

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

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For the Year Ended 30 June 2008

2 Profit for the Year

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

(i) Revenue and other income from continuing activities

	30 June 2008 \$'000	30 June 2007 \$'000
Revenue from continuing activities		
Interest income:		
Related parties	69	142
Other persons and corporations	54,415	62,976
Toll revenue	127,847	141,048
Other revenue	5,418	5,881
Total revenue from continuing activities	187,749	210,047
Revaluation and other income from continuing activities		
Revaluation of interests in unlisted securities in companies	856,945	1,439,443
Revaluation of interest bearing financial assets	67,434	141,110
Foreign exchange effect of revaluations	36,056	(5,912)
Total revaluation income	960,435	1,574,641
Gains on derivative financial instruments	10,260	-
Total revaluation and other income from continuing activities	970,695	1,574,641
Total revenue and other income from continuing activities	1,158,444	1,784,688

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For the Year Ended 30 June 2008

2 Profit for the Year (cont'd)

(ii) Operating expenses from continuing activities

	30 June 2008 \$'000	30 June 2007 \$'000
Finance costs		
Interest expense	144,819	153,109
Amortisation of capitalised borrowing costs	2,695	2,497
	147,514	155,606
Other operating expenses		
Amortisation of tolling concessions	982	1,079
Depreciation		
Plant and machinery	6,424	10,533
Land and buildings	1,029	1,131
M6 Toll road	24,299	20,203
	31,752	31,867
Cost of operations:		
Employment costs	12,290	14,857
Operating expenses	6,726	9,550
Operating lease rentals	55,425	33,055
	74,441	57,462
Other operating expenses:		
Consulting and administration fees	2,003	22,327
Manager's and adviser's base fees	56,266	65,169
Foreign exchange loss	46,092	57,348
Other expenses	7,050	3,987
	111,411	148,831
Total other operating expenses	218,586	239,239
Total operating expenses from continuing activities	366,100	394,845

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For the Year Ended 30 June 2008

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 2008 \$'000	30 June 2007 \$'000
(a) Profit before taxation	792,344	1,389,843
Prima facie taxation charge on profit before taxation at Bermuda tax rate of 0% (2007 – 0%)	-	-
Factors affecting tax charge:		
Overseas tax	321	407
Aggregate income tax expense	321	407
	30 June 2008 \$'000	30 June 2007 \$'000
(b) Income tax expense		
Aggregate income tax expense comprises:		
Current taxation provision	321	407
	321	407
Income tax expense is attributable to:		
Profit from continuing operations	321	407
Aggregate income tax expense	321	407
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	806,332	721,530
Potential tax benefit of unused tax losses	255,090	216,459

4 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	30 June 2008 \$'000	30 June 2007 \$'000
Interim distribution paid for the half year ended 31 December	241,529	261,595
Final distribution payable for the year ended 30 June	240,383	251,679
	481,912	513,274
	Cents per share	Cents per share
Interim distribution paid for the half year ended 31 December	10.00	10.00
Final distribution payable for the year ended 30 June	10.00	10.00
	20.00	20.00

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For the Year Ended 30 June 2008

5 Cash and Cash Equivalents

	30 June 2008 \$'000	30 June 2007 \$'000
Cash at bank	87,187	90,994
Short term money market investments	667,286	1,354,365
	754,473	1,445,359

(a) Short term money market investments

The short term money market investments outstanding at the year end mature within 120 days (2007: 90 days) and pay interest between 2.67% and 7.89% (2007: 5.23% - 6.50%) per annum.

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

(b) Cash not available for use

Cash at bank and short term money market investments include amounts that have restrictions on their use. This includes restricted amounts relating to Macquarie Motorways Group Limited's (MMG's) debt service obligations, equity commitments to Warnowquerung GmbH & Co (Warnow Tunnel) and blocked deposits required under Midland Expressway Limited's (MEL's) concession agreement obligations amounting to \$43.5 million (2007: \$52.9 million).

6 Receivables

	30 June 2008 \$'000	30 June 2007 \$'000
Other receivables	2,574	2,950
Receivables from related parties	363	737
	2,937	3,687

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For the Year Ended 30 June 2008

7 Investments in Financial Assets 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	2008 ownership %	2007 ownership %
(i) 407 International Inc., including subsidiaries (incorporated in Canada)	Toll road operator	30.0	30.0
(ii) Gestiponte-Operação e Manutenção das Travessias do Tejo S.A. (incorporated in Portugal)	Investment in toll bridges	30.6	30.6
(ii) Lusoponte Concessionária para a Travessia do Tejo S.A. (incorporated in Portugal)	Holding company	30.6	30.6
(iii) Financière Eiffarie SAS (incorporated in France)	Holding company	25.0	25.0
(iii) Eiffarie SAS (incorporated in France)	Investment in toll road network	25.0	25.0
(iii) Autoroutes Paris-Rhin-Rhône, including subsidiaries and associates (incorporated in France)	Toll road network operator	20.4	20.4
(iv) Warnowquerung GmbH & Co. KG (WKG) (limited partnership incorporated in Germany) Note (v)	Investment in toll tunnel	70.0	70.0
(iv) Warnowquerung Verwaltungsgesellschaft GmbH (incorporated in Germany) Note (v)	General Partner of partnership	70.0	70.0
(v) PROMAC Holdings SA de CV (incorporated in Mexico)	Holding company	40.0	40.0
(v) Macquarie Autoroutes de France 2 S.A. (incorporated in Luxembourg)	Holding company	50.0	-

The fair values attributed to these investments are disclosed below.

	Balance at 30 June 2007	Returns from Investments Note (i)	FX Effects Note(iii)	Revaluations	Balance at 30 June 2008
	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies					
(i) Investment in 407 International Inc. (407 ETR)	3,039,268	(42,913)	(296,124)	594,774	3,295,005
(ii) Shares in Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte)	216,967	(5,003)	6,262	(30,618)	187,608
(iii) Investment in Financière Eiffarie SAS (APRR) Note (ii)	1,340,606	(204,575)	41,756	293,604	1,471,391
(iv) Partnership interest in Warnowquerung GmbH (Warnow Tunnel)	2,431	-	65	(815)	1,681
	4,599,272	(252,491)	(248,041)	856,945	4,955,685
Interest bearing financial assets					
(iii) Investments in Financière Eiffarie SAS Bonds (APRR) Note (ii)	478,935	(45,420)	15,669	43,888	493,072
Investments in Dulles Greenway Subordinated Loans	318,337	-	(38,910)	23,546	302,973
	797,272	(45,420)	(23,241)	67,434	796,045
Total Investments	5,396,544	(297,911)	(271,282)	924,379	5,751,730

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For the Year Ended 30 June 2008

7 Investments in Financial Assets through Profit or Loss (cont'd)

At 30 June 2008, the total value of MIGIL's investments in financial assets is \$5,751.7 million. The values of these investments, which are unlisted, have been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors. Refer to Note 1(c).

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

	2008 50 bps lower \$ million	2008 50 bps higher \$ million	2007 50 bps lower \$ million	2007 50 bps higher \$ million
Change in valuation of investments due to movement in the discount rates	581.3	(497.0)	517.0	(441.8)

	2008 5% lower \$ million	2008 5% higher \$ million	2007 5% lower \$ million	2007 5% higher \$ million
Change in the valuation of investments due to movement in revenue forecasts	(687.0)	678.9	(590.4)	596.9

Notes

(i) Returns from investments

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

(ii) 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 adviser of MAF.

(iii) 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 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 \$271.3 million foreign exchange loss relating to investments in financial assets, \$36.1 million was credited to the Income Statement and \$307.4 million was taken to the Foreign Currency Translation Reserve.

(iv) Risk premiums

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

	2008	2007
407 ETR	4.3%	3.5%
Lusoponte	4.0%	2.8%
Rostock	7.0%	5.0%
Dulles Greenway	8.5%	7.0%
APRR	6.0%	8.0%

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For the Year Ended 30 June 2008

7 Investments in Financial Assets through Profit or Loss (cont'd)

(v) Warnowquerung

A subsidiary of MIGIL, European Transport Investments (UK) Limited (ETIUK), beneficially owns 70% of both the WKG partnership and the General Partner (GP) of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The agreement is structured such that any decision made in regard to the financial and operational policies requires 75% of the voting members to proceed, as a result MIGIL does not control WKG.

8 Subsidiaries

Name of controlled entity	Country of incorporation	2008 ownership %	2007 ownership %
Connect BC Development Group Limited	Canada	100.0	-
European Transport Investments (UK) Limited	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	-
Macquarie Infrastructure (Luxembourg) S.A. (ii)	Luxembourg	100.0	100.0
Macquarie Infrastructure Netherlands Investments Cooperatief UA	Netherlands	100.0	-
Macquarie Infrastructure Netherlands Toll Roads BV	Netherlands	100.0	-
Macquarie Infrastructure Road Investments Sarl	Luxembourg	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
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 (ii)	Bermuda	100.0	100.0
Tipperhurst Limited (i)	UK	100.0	100.0

Notes

(i) Company dormant

(ii) Company in liquidation

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For the Year Ended 30 June 2008

9 Property, Plant and Equipment

	Plant and machinery	Short leasehold land and buildings	M6 Toll Road	Total
	\$'000	\$'000	\$'000	\$'000
Cost				
As at the beginning of the year	90,004	54,409	1,414,017	1,558,430
Additions	900	7	13,580	14,487
Disposals	(4)	-	-	(4)
Foreign currency exchange differences	(11,062)	(6,648)	(173,738)	(191,448)
As at the end of the year	79,838	47,768	1,253,859	1,381,465
Depreciation				
As at the beginning of the year	(45,405)	(3,871)	(73,947)	(123,223)
Charge for the year	(6,424)	(1,029)	(24,299)	(31,752)
Eliminated on disposal	3	-	-	3
Foreign currency exchange differences	6,009	547	10,504	17,060
As at the end of the year	(45,817)	(4,353)	(87,742)	(137,912)
Net Book Value				
As at the end of the year	34,021	43,415	1,166,117	1,243,553
Net Book Value				
As at the beginning of the year	44,599	50,538	1,340,070	1,435,207

10 Intangible Assets

Tolling Concessions

	30 June 2008 \$'000
Cost	
As at the beginning of the year	52,164
Foreign currency exchange differences	(6,373)
As at the end of the year	45,791
Amortisation	
As at the beginning of the year	(3,703)
Charge for the year	(982)
Foreign currency exchange differences	519
As at the end of the year	(4,166)
Net Book value	
As at the end of the year	41,625
Net Book value	
As at the beginning of the year	48,461

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.

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For the Year Ended 30 June 2008

11 Trade and Other Payables

	30 June 2008 \$'000	30 June 2007 \$'000
Current		
Trade creditors	12,050	16,384
Payables to related parties	177	43,564
Distributions payable to minority interest	-	15,896
Other payables	6,151	6,211
Accruals and deferred income	13,165	14,445
	31,543	96,500
Non-Current		
MEL land fund operating lease obligations (see note 23)	150,969	111,746
	150,969	111,746

12 Provisions

	30 June 2008 \$'000	30 June 2007 \$'000
Non-current		
Defined benefit plan deficit	-	2,339
	-	2,339

Movement in provisions

The movements in the year relate to the MIUK defined benefit pension scheme (see note 20). Movements in each class of provisions during the financial year are set out below:

	Defined benefit plan \$'000
Provisions	
As at the beginning of the year	2,339
Additions during the year	-
Utilised during the year	(2,086)
Foreign currency exchange differences	(253)
As at the end of the year	-

No significant uncertainty exists over the provisions.

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For the Year Ended 30 June 2008

13 Interest Bearing Financial Liabilities

	Note	30 June 2008 \$'000	30 June 2007 \$'000
Non-current			
Non-recourse loans	(i)	2,076,573	2,345,327
Accrued interest rate swap liability (see note 14)	(ii)	105,181	53,602
Loan from minority interest	(iii)	246,535	239,467
		2,428,289	2,638,396
The maturity profile of the above interest bearing liabilities is:			
Due within one year		-	-
Due between one and five years		137,923	80,374
Due after five years		2,290,366	2,558,022
		2,428,289	2,638,396

The fair values of interest bearing financial liabilities approximate their carrying values.

(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. The debt borrowed by these project entities is on a non-recourse basis.

The non-recourse loan represents MMG's, a subsidiary of the Group, debt facilities of £1.03 billion (\$2.14 billion). Interest on the drawn facilities is charged at a floating rate over the London Inter Bank Offer Rate (LIBOR). At 30 June 2008 the interest rate was 6.75% (2007: 6.34%). The facilities are due for repayment in 2015 and comprise a £1.00 billion (\$2.08 billion) term loan and a £30.0 million (\$62.4 million) capital expenditure facility.

At 30 June 2008 the term loan was fully drawn down and £7.4 million (\$15.4 million) of the capital expenditure facility had been utilised. 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 loan for the next 30 years. Details of these derivative contracts can be found in Note 14 and details of the risk management for the Group can be found in Note 24.

(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 30 June 2008, this element incurs fixed interest of 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 (\$246.5 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 2008 the interest rate was 8.81% (2007: 8.56%).

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For the Year Ended 30 June 2008

14 Derivative Financial Instruments

Instruments used by the Group

At 30 June 2008 the Group is party to 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 24).

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 13) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from period to period. The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term. The swap contracts are currently being settled on a six monthly basis.

The interest rate swap contracts have been designated and qualify as an effective cash flow hedge. The gain or loss arising from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective and reclassified into the income statement when the hedged interest exposure is recognised.

At the balance sheet date these contracts were assets with a fair value of £53.3 million (\$110.8 million) and have been disclosed as derivative instrument financial assets in the balance sheet. The fair value movement of the swaps in the year was a loss of £54.3 million (\$125.5 million). Of this movement a loss of £55.7 million (\$128.3) has been recognised in the statement of changes in equity in the cash flow hedging reserve and a gain of £1.4 million (\$2.8 million) has been recognised in the income statement. A deferred tax liability of £14.9 million (\$31.0 million) has been recognised in relation to the fair value of these assets.

A liability of £50.6 million (\$105.2 million) has been recognised in interest bearing financial liabilities (refer to note 13) to reflect the low level of fixed payments currently being paid under the swap contracts.

Interest rate swap contracts – other

During the year 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 will pay 6 month LIBOR and receive 1 month LIBOR plus a premium from 30 June 2008 to 30 June 2009. At the balance sheet date these contracts were assets with a fair value of £1.9 million (\$4.0 million) and have been disclosed as derivative instrument financial assets in the balance sheet. The fair value movement of these swaps in the year was a gain of £1.9 million (\$4.0 million) which has been recognised in the income statement.

At 30 June 2008, the notional principal amounts and periods of expiry of MMG's interest rate swap contracts are:

	2008 \$'000	2007 \$'000
1 – 5 years	2,079,152	-
25 - 30 years	2,079,152	2,368,533

15 Deferred Tax Liabilities

	30 June 2008 \$'000	30 June 2007 \$'000
Non-current		
Deferred tax liabilities	31,035	76,437
The balance of deferred tax liabilities comprises temporary differences attributable to:		
<i>Amounts recognised directly in equity</i>		
Cash flow hedges	31,035	76,437

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16 Contributed Equity

Authorised shares

	30 June 2008 \$'000	30 June 2007 \$'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 2008 \$'000	30 June 2007 \$'000
2,403,834,095 Ordinary Shares of A\$0.01 each	24,038	25,168
Share Premium on Ordinary Shares	5,697,280	5,999,044
1 A special share of A\$1.00 each	-	-
1 B special share of A\$1.00 each	-	-
	5,721,318	6,024,212

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 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.

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For the Year Ended 30 June 2008

16 Contributed Equity (cont'd)

Share issuances and cancellations

	30 June 2008 \$'000	30 June 2007 \$'000
On issue at the beginning of the year	6,024,212	6,006,310
Issued pursuant to:		
DRP on 15 August 2006	-	118,423
Conversion of ReCNs on 15 November 2006	-	426,704
Cancelled pursuant to:		
Security buy-back: 3 October 2006 – 14 January 2008 (i)	(302,396)	(526,998)
Costs incurred in the raising/buy-back of capital	(498)	(227)
On issue at the end of the year	5,721,318	6,024,212
	Number of shares	Number of shares
On issue at the beginning of the year	2,516,791	2,475,499
Issued pursuant to:		
DRP on 15 August 2006	-	55,505
Conversion of ReCNs on 15 November 2006	-	165,049
Cancelled pursuant to:		
Security buy-back: 3 October 2006 – 14 January 2008 (i)	(112,957)	(179,262)
On issue at the end of the year	2,403,834	2,516,791

(i) From commencement of the buy-back on 3 October 2006, to completion on 14 January 2008, MIG bought back 292,218,706 MIG securities for a total consideration of \$1.0 billion, of which \$829.4 million was payable by MIGIL.

17 Reserves

	30 June 2008 \$'000	30 June 2007 \$'000
Movements in foreign currency translation reserve:		
Balance at the beginning of the year	53,723	364,081
Currency translation differences during the year	(234,116)	(310,358)
Balance at the end of the year	(180,393)	53,723
Movements in cash flow hedging reserve:		
Balance at the beginning of the year	180,062	-
(Decrease)/Increase in fair value of interest rate swap contracts	(128,302)	256,499
Movement in deferred tax liability recognised on interest rate swap contracts	39,862	(76,437)
Balance at the end of the year	91,622	180,062
Movements in other reserve:		
Balance at the beginning of the year	(3,001,967)	(3,001,967)
Movements in other reserve during the year	-	-
Balance at the end of the year	(3,001,967)	(3,001,967)
Total reserves at the end of the year	(3,090,738)	(2,768,182)

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.

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For the Year Ended 30 June 2008

18 Retained Profits

	30 June 2008 \$'000	30 June 2007 \$'000
Balance at the beginning of the year	1,499,009	1,163,489
Profit for the year (net of distributions paid/payable)	163,189	335,520
Balance at the end of the year	1,662,198	1,499,009

19 Minority Interest

	30 June 2008 \$'000	30 June 2007 \$'000
Balance at the beginning of the year	654,621	259,777
Profit attributable to minority interest	146,922	540,641
Foreign exchange differences attributable to minority interest	16,553	(25,152)
Distributions provided for or paid to minority interest	(81,892)	(120,645)
Balance at the end of the year	736,204	654,621

As MIGIL holds a controlling interest in MAF (50% plus 1 share) and MFS (50.2%), it must consolidate 100% of the assets, liabilities and results of the entities into its financial report for the year ended 30 June 2008 and disclose minority interests.

20 Defined Benefit Pension Scheme

MIUK operates a defined benefit pension scheme, the MIUK Pension Plan (the Plan) which commenced on 1 April 2000. The scheme is operated for employees who were previously part of the Kvaerner Pension Schemes.

As explained in the accounting policies set out in note 1(i) on page 11, the Group operates the Plan providing benefits on final pensionable pay. A liability or asset in respect of this pension scheme is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the pension scheme's assets at that date and any unrecognised past service cost.

The Plan is in the process of being wound up. During the year MIUK made a one off contribution to the Plan of £1.8 million (\$3.7 million) to enable annuities to be purchased for all remaining members. As a result the Plan is no longer in deficit and no provision is required at 30 June 2008.

The net liability recognised in the balance sheet is nil (2007: \$2.3 million)

No further disclosures have been made due the small number of employees in the Plan.

21 Related Party Disclosures

■ *Adviser*

The adviser of MIGIL is Macquarie Capital Funds (Europe) Limited (MCFEL or the Adviser), a wholly owned subsidiary of Macquarie Group Limited (MGL). The registered office of the advisor 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)

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For the Year Ended 30 June 2008

21 Related Party Disclosures (cont'd)

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. Accordingly, there are no other Key Management Personnel of MIGIL.

Compensation in the form of directors' fees of US\$40,000 (\$41,746) (2007: US\$40,000 (\$51,080)) per director per annum were paid or payable by MIGIL to Jeffrey Conyers and Robert Mulderig for the year ended 30 June 2008. Peter Dyer received £40,000 (\$83,166) (2007: £40,833 (\$100,435)) for acting as a director of the MIGIL Group. From 1 July 2006 to 31 March 2007 Mark Johnson was an employee of MGL, and MGL paid an amount equivalent to US\$40,000 (\$51,080) per annum to Mark Johnson on behalf of MIGIL for services rendered to MIGIL. The compensation paid by MGL was not charged to MIGIL and was recognised as an expense of MGL. From 1 April 2007 to 30 June 2008 directors' fees of \$50,000 per annum were paid or payable to Mark Johnson for acting as a director of the MIGIL group.

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 start of the year	Received during the year on exercise of options	Other charges during the year	Balance at the end of the year
Jeffrey Gerald Conyers	-	-	-	-
Dr Peter Dyer	-	-	-	-
Mark Roderick Granger Johnson	811,731	-	-	811,731
Robert Andrew Mulderig	-	-	50,000	50,000
	811,731	-	50,000	861,731

■ Fees paid to MCFEL

Under the terms of the Management Agreement between MEI and MCFEL as manager and between the Company and MCFEL as Adviser, fees paid or payable to MCFEL by the Group were:

	30 June 2008 \$'000	30 June 2007 \$'000
Base fees	56,266	65,169
Performance fees	-	-
	56,266	65,169

The base fee is calculated as 1.25% per annum of the first \$3 billion of MIG adjusted market capitalisation and at 1.00% per annum on MIG adjusted market capitalisation 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 2008 and 30 June 2007, 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 2008.

Fees are apportioned between MIT(I), MIT(II) and the Company based on each entity's share of the net assets of MIG (further adjusted for cash and investment commitments in the case of the base fee). The fair values of the assets are used in the calculation of this apportionment. Fees are calculated in Australian Dollars and invoiced in Pound Sterling based on the exchange rate prevailing at the end of each quarter.

■ Associated undertakings

During the year loan interest of \$43,615,166 (2007: \$39,239,045) was charged by the Group to associated companies in the normal course of business. Interest is charged at a floating rate at a margin over the EURIBOR. Details of associated companies are set out in note 7.

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For the Year Ended 30 June 2008

21 Related Party Disclosures (cont'd)

■ *Other transactions*

At 30 June 2008, entities within the Group had \$30,648,690 (2007: Nil) on deposit with Macquarie Bank Limited (MBL), a wholly owned subsidiary of MGL.

During the year entities within the Group earned interest of \$85,163 (2007: Nil) on deposits with MBL at commercial rates.

Interest of \$68,690 (2007: \$142,173) was charged to MIT(II) by the Group during the year.

As at 30 June 2008 the Group had a receivable balance with MIT(I) of \$362,758, (2007: \$413,247) and with a subsidiary of MIT(I) of nil (2007: \$323,313). The group also had a payable balance with MIT(II) of \$176,892 (2007: \$43,564,452).

MIGIL paid brokerage of \$498,953 (2007: \$869,546) to Macquarie Capital Securities (Australia) Limited (MCSAL) during the period in connection with the security buy-back.

MIGIL paid brokerage of \$272,726 (2007: \$139,086) 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 2007 and the interim distribution paid on 14 February 2008.

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.

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For the Year Ended 30 June 2008

22 Segment Reporting

The principal activity of MIGIL during the year was investment in toll roads, tunnels and bridges. 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.

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

Geographical Segments

	Europe \$'000	Australia \$'000	North America \$'000	Total \$'000
Year ended 30 June 2008				
Segment revenue and other income	563,601	69	594,774	1,158,444
Total revenue and other income	563,601	69	594,774	1,158,444
Segment profit	232,096	69	563,128	795,293
Unallocated expenses				(2,949)
Profit before taxation				792,344
Segment assets	4,312,860	363	3,597,978	7,911,201
Segment liabilities	2,635,428	240,560	6,231	2,882,219
Capital expenditure	14,487	-	-	14,487
Depreciation and amortisation expense	32,734	-	-	32,734
Year ended 30 June 2007				
Segment revenue and other income	1,335,446	142	449,100	1,784,688
Total revenue and other income	1,335,446	142	449,100	1,784,688
Segment profit	977,421	142	415,954	1,393,517
Unallocated expenses				(3,674)
Profit before taxation				1,389,843
Segment assets	5,228,415	737	3,357,605	8,586,757
Segment liabilities	2,873,944	295,244	7,909	3,177,097
Capital expenditure	1,346	-	-	1,346
Depreciation and amortisation expense	32,946	-	-	32,946

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For the Year Ended 30 June 2008

23 Commitments for Expenditure

■ Operating leases

	30 June 2008 \$'000	30 June 2007 \$'000
Commitments under non-cancellable operating leases expiring:		
Within one year	52,940	33,525
Later than one year but not later than five years	211,584	117,196
Later than five years	2,141,459	1,406,065
	2,405,983	1,556,786

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 2010 to 2054.

■ Other commitments

As part of the debt refinancing of the M6 Toll in August 2006, MEI, a subsidiary of MIGIL has made a commitment to contribute up to a maximum of £70 million (\$145.5 million) (indexed) towards a road enhancement project which would provide a link to the M6 Toll. 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 2008.

24 Financial Risk and Capital Management

Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency 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.

■ Market risk

(a) 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.

(b) 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 13.

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For the Year Ended 30 June 2008

24 Financial Risk and Capital Management (cont'd)

■ 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
2008			
Cash and cash equivalents	754,473	-	754,473
Derivative financial instruments	114,795	-	114,795
Receivables	-	2,937	2,937
Total	869,268	2,937	872,205
2007			
Cash and cash equivalents	1,445,359	-	1,445,359
Derivative financial instruments	254,791	-	254,791
Receivables	-	3,687	3,687
Total	1,700,150	3,687	1,703,837

- 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.

- Corporates

The credit risk to retail and property trade receivables at the Toll road asset level. These counterparties have a range of credit ratings.

■ 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.

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For the Year Ended 30 June 2008

24 Financial Risk and Capital Management (cont'd)

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
2008					
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	-	-	-	-
Total	435,062	172,505	221,287	495,252	5,447,469
2007					
Non-recourse loans	163,363	170,724	168,730	411,897	2,786,198
Loan from minority interest	21,197	19,897	22,453	45,026	723,927
Payables	96,500	-	-	52,727	1,700,287
Distribution payable	251,679	-	-	-	-
Total	532,739	190,621	191,183	509,650	5,210,412

■ 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 (2007: 0.09)
- AUD/EUR exchange rate increased/decreased by 0.04 Euro dollars (2007: 0.04)
- AUD/GBP exchange rate increased/decreased by 0.04 UK pounds (2007: 0.04)
- AUD/USD exchange rate increased/decreased by 0.09 United States dollars (2007: 0.09)

The below table displays the balances 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 an appropriate sensitivity 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
2008				
Total financial assets	(13,286)	-	16,030	-
Total financial liabilities	57	-	(69)	-
Total	(13,229)	-	15,961	-
2007				
Total financial assets	(77,213)	-	95,535	-
Total financial liabilities	53	-	(65)	-
Total	(77,160)	-	95,470	-

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For the Year Ended 30 June 2008

24 Financial Risk and Capital Management (cont'd)

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 71 bps (2007: 49 bps)
- London interbank offered rate (LIBOR) increased/decreased by 70 bps (2007: 60 bps)
- Euro London interbank offered rate increased/decreased by 55 bps (2007: 66 bps)
- US Dollar London interbank offered rate increased/decreased by 149 bps (2007: 93 bps)

The below tables display the balances for financial instruments that would be recognised in the income statement or directly in equity if the above interest rate movements occur. MIG management has determined the above movements in interest rates to be an appropriate sensitivity 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
2008				
Total financial assets	12,213	193,584	(12,273)	(228,018)
Total financial liabilities	(1,461)	-	1,461	-
Total	10,752	193,584	(10,812)	(228,018)
2007				
Total financial assets	10,746	212,139	(10,746)	(249,086)
Total financial liabilities	(1,572)	-	1,572	-
Total	9,174	212,139	(9,174)	(249,086)

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

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

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 2008 the Group does not have any externally imposed capital requirements.

25 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 (\$2.33 million), in the event of a senior debt payment event or default by Warnowquerung. 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 2008.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million (\$2.33 million) has been deposited.

Financial Report

For the Year Ended 30 June 2008

26 Events Occurring After Balance Sheet Date

■ ***Distribution Reinvestment Plan***

A portion of stapled security holders participated in MIG's Distribution and Dividend Reinvestment Plan (DRP) for the final distribution paid on 14 August 2008. MIG sourced the securities allocated to the participants under the DRP from on-market purchases of existing securities.