

**MACQUARIE INFRASTRUCTURE GROUP**

MACQUARIE INFRASTRUCTURE TRUST (II) ARSN 092 863 548

CONCISE FINANCIAL REPORT 30 JUNE 2007



MACQUARIE

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

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542 (MBL). The registered office of the Responsible Entity is No.1 Martin Place, Sydney NSW 2000.

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

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

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

MIIML, as responsible entity of the trusts comprised by MIG and MIMUK as the adviser to MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIMUK) together with their officers and directors and officers and directors of MIGIL may hold stapled securities in MIG from time to time.

The MIG concise financial report has been prepared to enable MIIML as responsible entity to comply with its obligations under the Corporations Act 2001 and to ensure compliance with the ASX Listing Rules and satisfy the requirements of the Australian Accounting Standards in relation to stapled structures. The responsibility for preparation of the concise financial report and any financial information contained in this financial report rests solely with the directors of MIIML.

This concise financial report has been derived from the full financial report for the year ended 30 June 2007. The full financial report and the auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investors Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

This concise financial report cannot be expected to provide a full on understanding of the Income Statement, Balance Sheet, Cash Flow Statement and Statement of Changes in Equity of MIG as the full financial report.

# Financial Report

Year Ended 30 June 2007

## Table of Contents

<b>Directors' Report</b> .....	<b>1</b>
Principal Activities .....	1
Directors .....	1
Distributions .....	1
Review and Results of Operations .....	1
Significant Changes in State of Affairs .....	2
Events Occurring after Balance Sheet Date.....	2
Likely Developments and Expected Results of Operations .....	2
Indemnification and Insurance of Officers and Auditors .....	2
Fees Paid to the Responsible Entity and Adviser .....	2
Interests in the Group Issued During the Financial Year.....	3
Value of Assets .....	3
Environmental Regulation .....	3
Auditor's Independence Declaration .....	3
Rounding of Amounts in the Directors' Report and Financial Report .....	3
<b>Auditor's Independence Declaration</b> .....	<b>4</b>
<b>Income Statement</b> .....	<b>5</b>
<b>Balance Sheet</b> .....	<b>6</b>
<b>Statement of Changes in Equity</b> .....	<b>7</b>
<b>Cash Flow Statement</b> .....	<b>8</b>
Overview of Major Transactions .....	9
Overview of Operating Performance .....	10
Discussion and Analysis of Financial Position .....	11
Discussion and Analysis of Statement of Cash Flows.....	12
Discussion and Analysis of Changes in Equity .....	12
<b>Notes to the Consolidated Financial Statements</b> .....	<b>13</b>
1 Summary of Significant Accounting Policies .....	13
2 Profit for the Year .....	16
3 Distributions Paid and Proposed .....	18
4 Derivative Financial Instruments.....	19
5 Investments in Financial Assets .....	20
6 Interest-Bearing Financial Liabilities .....	22
7 Segment Reporting.....	23
8 Commitments for Expenditure .....	24
9 Contingent Liabilities .....	24
10 Events Occurring After Balance Sheet Date.....	24
<b>Statement by the Directors of the Responsible Entity of Macquarie Infrastructure Trust (II)</b> .....	<b>25</b>
<b>Independent auditor's report to the security holders of Macquarie Infrastructure Trust (II) (MIT (II))</b> .	<b>26</b>

# Financial Report

Year Ended 30 June 2007

## Directors' Report

In respect of the year ended 30 June 2007, the directors of Macquarie Infrastructure Investment Management Limited (MIIML or the Responsible Entity) submit the following report on the consolidated financial report of Macquarie Infrastructure Trust (II) (MIT(II)). UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, MIT(II) has been identified as the parent of the consolidated group comprising MIT(II) and its controlled entities, Macquarie Infrastructure Trust (I) (MIT(I)) and its controlled entities and Macquarie Infrastructure Group International Limited (MIGIL) and its controlled entities, together acting as Macquarie Infrastructure Group (MIG or the Group).

## Principal Activities

The principal activity of MIG is the development and operation of toll roads, bridges and tunnels. There were no significant changes in the nature of the Group's activities during the year.

## Directors

The following persons were directors of the Responsible Entity during the year and up to the date of this report:

- Mark Roderick Granger Johnson (Chairman)
- Michael Bernard Easson
- Eric Paul McClintock
- Nicholas William Moore
- David Allen Mortimer
- John Stuart Hugh Roberts
- David Anthony Walsh

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

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

## Distributions

The total distribution for the year ended 30 June 2007 was 20.0000 cents per stapled security (2006: 21.0000 cents per stapled security). An interim distribution of 10.0000 cents per stapled security (2006: 10.0000 cents per stapled security) was paid on 14 February 2007. A final distribution of 10.0000 cents per stapled security (2006: 11.0000 cents per stapled security) was paid on 14 August 2007. Additionally, an in specie distribution of 38.3333 cents per stapled security was made on 1 August 2006 in relation to the demerger of Sydney Roads Group (SRG).

## Review and Results of Operations

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

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

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

## **Financial Report**

Year Ended 30 June 2007

### **Review and Results of Operations (cont'd)**

MIG entered into a number of transactions during the year, which are summarised below. A full description of each transaction is contained within the Overview of Major Transactions section in this Concise Financial Report.

- August 2006: Demerger of mature Australian toll road assets to Sydney Roads Group (SRG)
- August 2006: Refinancing of M6 Toll releasing A\$971.8 million to MIG
- August 2006: Sale of 50% of interests in its four US assets for total proceeds US\$824.6 million (A\$1.06 billion)
- September 2006: Acquisition of additional 2.5% ownership interests in Westlink M7 for A\$34.3 million
- November 2006: Ontario Teachers Pension Plan Board (OTPP) converted all outstanding Reset Convertible Notes into 165,048,894 MIG stapled securities.
- October 2006: MIG commenced an on-market buy-back of up to A\$1.00 billion of MIG securities.

### **Significant Changes in State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the Group that occurred during the year under review other than those disclosed in the Review and Results of Operations.

### **Events Occurring after Balance Sheet Date**

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

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

### **Likely Developments and Expected Results of Operations**

Further information on likely developments in the operations of the Group and the expected results of those operations have not been included in this report because the directors of the Responsible Entity believe it would be likely to result in unreasonable prejudice to the Group.

### **Indemnification and Insurance of Officers and Auditors**

No insurance premiums are paid for out of the assets of the Group in regard to insurance cover provided to either the Responsible Entity or auditors of the Group. So long as the officers of the Responsible Entity act in accordance with the Trust Constitutions and the Corporations Act, the officers remain indemnified out of the assets of the Group against any losses incurred while acting on behalf of the Group. The auditors of the Group are in no way indemnified out of the assets of the Group.

### **Fees Paid to the Responsible Entity and Adviser**

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

No fees were paid out of Group property to the directors of the Responsible Entity or the Adviser during the year. Interests in the Group held by the Responsible Entity and its associates during the year are disclosed in Note 27 to the MIG full financial statements.

## Financial Report

Year Ended 30 June 2007

### Interests in the Group Issued During the Financial Year

The movement in securities on issue in the Group during the year is as set out below:

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

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

### Value of Assets

	Consolidated 2007 (\$'000)	Consolidated 2006 (\$'000)
Value of total assets at 30 June	10,331,517	12,715,972

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

### Environmental Regulation

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

#### ■ **United Kingdom**

Midland Expressway Limited constructed the M6 Toll road under a series of Orders made in 1998 by the Secretary of State for Transport pursuant to his powers under the Highways Act 1980 and the New Roads and Street Works Act 1991. Prior to that, the M6 Toll had been the subject of a full Environmental Impact Assessment that was considered in detail at a Public Inquiry held in 1994 and 1995. The Public Inquiry produced a list of specific environmental commitments and undertakings. There have been no significant breaches of the environmental legislation, commitments and undertakings.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 4.

### Rounding of Amounts in the Directors' Report and Financial Report

The Group is of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and the Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

This report is made in accordance with a resolution of the directors of Macquarie Infrastructure Investment Management Limited.



**Mark Johnson**

Sydney  
22 August 2007



**John Roberts**

Sydney  
22 August 2007

PricewaterhouseCoopers  
ABN 52 780 433 757

Darling Park Tower 2  
201 Sussex Street  
GPO BOX 2650  
SYDNEY NSW 1171  
DX 77 Sydney  
Australia  
[www.pwc.com/au](http://www.pwc.com/au)  
Telephone +61 2 8266 0000  
Facsimile +61 2 8266 9999

## Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Infrastructure Trust (II) for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Infrastructure Trust (II) and the entities it controlled during the year, which are deemed to include Macquarie Infrastructure Trust (I) and the entities it controlled during the year, and Macquarie Infrastructure Group International Limited and the entities it controlled during the year.



**Mark Haberlin**  
Partner  
PricewaterhouseCoopers

Sydney  
22 August 2007

## Concise Financial Report

For the Year Ended 30 June 2007

### Income Statement

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
<b>Revenue and other income from continuing activities</b>			
Revenue from continuing activities		314,665	509,128
Other income from continuing activities		2,425,700	551,081
<b>Total revenue and other income from continuing activities</b>	2(i)	<b>2,740,365</b>	1,060,209
<b>Operating expenses from continuing activities</b>			
Financing costs excluding costs attributable to security holders*		(254,172)	(330,550)
Other operating expenses		(375,720)	(401,006)
<b>Total operating expenses from continuing activities before finance costs attributable to security holders*</b>	2(ii)	<b>(629,892)</b>	(731,556)
<b>Profit/(loss) from continuing activities before income tax benefit and finance costs attributable to security holders*</b>			
		<b>2,110,473</b>	328,653
Income tax benefit/(expense)		133,908	141,383
<b>Profit from continuing activities after income tax benefit and before finance costs attributable to security holders*</b>		<b>2,244,381</b>	470,036
Finance costs attributable to MIT(l) unitholders*		-	(107,356)
Finance costs attributable to AMT unitholders *		(1,974)	(19,607)
<b>Profit from continuing activities after income tax benefit/(expense) and finance costs attributable to security holders</b>		<b>2,242,407</b>	343,073
<b>Profit attributable to:</b>			
MIG security holders		1,702,253	317,371
Minority interest		540,154	25,702
		<b>2,242,407</b>	343,073
<b>Earnings per security for net profit from continuing activities attributable to MIG security holders:</b>			
		<b>cents</b>	cents
Basic and diluted earnings per stapled security		<b>66.57</b>	13.37

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

\* Refer Note 1(c)

# Concise Financial Report

For the Year Ended 30 June 2007

## Balance Sheet

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
<b>Current assets</b>			
Cash and cash equivalents		1,673,122	1,201,734
Receivables		13,471	126,190
Prepayments		2,958	16,108
Other assets		-	3,350
<b>Total current assets</b>		<b>1,689,551</b>	<b>1,347,382</b>
<b>Non-current assets</b>			
Receivables		2,525	2,516
Prepayments		-	6,954
Derivative financial instruments	4	254,791	44,273
Investments in financial assets	5	6,894,680	6,430,226
Property, plant and equipment		1,367,769	3,025,654
Tolling concessions		122,201	1,858,967
<b>Total non-current assets</b>		<b>8,641,966</b>	<b>11,368,590</b>
<b>Total assets</b>		<b>10,331,517</b>	<b>12,715,972</b>
<b>Current liabilities</b>			
Distribution payable		251,679	272,306
Payables		55,136	214,380
Interest-bearing financial liabilities	6	-	299,150
Derivative financial instruments	4	-	31,118
Current tax liabilities		6,326	1,016
Provisions		-	1,092
<b>Total current liabilities</b>		<b>313,141</b>	<b>819,062</b>
<b>Non-current liabilities</b>			
Payables		111,747	175,133
Interest-bearing financial liabilities	6	2,638,396	4,671,033
Concession notes		-	49,520
Derivative financial instruments	4	-	6,792
Deferred tax liabilities		190,007	335,071
Provisions		2,339	2,781
<b>Total non-current liabilities excluding AMT unitholder interests classified as debt</b>		<b>2,942,489</b>	<b>5,240,330</b>
AMT units*		-	52,089
<b>Total non-current liabilities</b>		<b>2,942,489</b>	<b>5,292,419</b>
<b>Total liabilities</b>		<b>3,255,630</b>	<b>6,111,481</b>
<b>Net assets</b>		<b>7,075,887</b>	<b>6,604,491</b>
<b>Equity</b>			
<b>MIG security holders' interest</b>			
Contributed equity		3,956,004	4,770,026
Reserves		208,378	371,706
Retained profits		2,256,887	1,174,472
<b>Total MIG security holders' interest</b>		<b>6,421,269</b>	<b>6,316,204</b>
Minority interest in controlled entities		654,618	288,287
<b>Total equity</b>		<b>7,075,887</b>	<b>6,604,491</b>

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

\* Refer Note 1(c)

## Concise Financial Report

For the Year Ended 30 June 2007

### Statement of Changes in Equity

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
<b>Total equity at the beginning of the year</b>		<b>6,604,491</b>	4,892,374
Adjustment to equity upon adoption of AASB 132 and AASB 139, net of tax*		-	(390,495)
Restated total equity at the beginning of the financial year		<b>6,604,491</b>	4,501,879
Transfer of net assets attributable to security holders from liabilities to equity*		-	535,037
Changes in the fair value of cash flow hedges, net of tax		<b>180,062</b>	-
Exchange differences on translation of foreign operations		<b>(368,547)</b>	426,578
Profit for the year		<b>2,242,407</b>	343,073
Total recognised income and expense for the year		<b>2,053,922</b>	1,304,688
<b>Transactions with equity holders in their capacity as equity holders:</b>			
Contributions of equity, net of transaction costs paid		<b>665,532</b>	1,103,968
Securities cancelled pursuant to security buy-back, including transaction costs		<b>(637,212)</b>	-
Distributions provided for or paid to MIG security holders	3	<b>(513,274)</b>	(512,856)
In specie distribution		<b>(948,906)</b>	-
Distributions provided for or paid to minority interest		<b>(120,645)</b>	(6,607)
Acquisition of further stake in a controlled entity		-	8,535
Minority interest contribution of equity		-	204,885
Minority interest on demerger of subsidiary		<b>(28,021)</b>	-
		<b>(1,582,526)</b>	797,925
<b>Total equity at the end of the year</b>		<b>7,075,887</b>	6,604,491
Total recognised income and expenses for the year is attributable to:			
MIG security holders		<b>1,538,925</b>	1,264,937
Minority interest		<b>514,997</b>	39,751
		<b>2,053,922</b>	1,304,688

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

\* Refer Note 1(c)

# Concise Financial Report

For the Year Ended 30 June 2007

## Cash Flow Statement

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
<b>Cash flows from operating activities</b>			
Toll revenue received		219,694	359,358
Interest received		262,649	180,097
Interest paid		(74,593)	(68,560)
Net indirect taxes received/(paid)		(13,547)	(9,069)
Payments to suppliers and employees (inclusive of GST)		(85,470)	(109,672)
Responsible Entity and Adviser base fees paid		(92,961)	(112,027)
Responsible Entity and Adviser performance fees paid		-	(13,041)
Distributions and dividend income received		258,465	83,822
Income taxes (paid)/received		(4,869)	(18,619)
Other income received		9,194	14,630
<b>Net cash flows from operating activities</b>		<b>478,562</b>	<b>306,919</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of assets to MIP, net of cash disposed		661,261	-
Proceeds from demerger of SRG, net of cash disposed		27,913	-
Proceeds from sale of Transurban Group securities		-	151,043
Proceeds from return of capital from investments		10,658	221,775
Payment for purchase of controlled entity net of cash acquired		-	(606,977)
Payments for purchase of investments		(34,648)	(1,392,331)
Capital expenditure		(104,347)	(208,667)
Proceeds from sale of property, plant and equipment		339	19
Loans advanced to investments and controlled entities		(864)	(2,516)
Proceeds from repayment of loans advanced to investments/controlled entities		-	8,602
<b>Net cash flows from investing activities</b>		<b>560,312</b>	<b>(1,829,052)</b>
<b>Cash flows from financing activities</b>			
Repayment of bank borrowings		(2,036,820)	(463,606)
Proceeds from bank borrowings		2,884,131	1,315,594
Borrowing costs paid		(149,690)	(139,969)
Distributions paid to MIG security holders/MIT(II) unit holders		(533,899)	(538,222)
DRP proceeds received		147,785	306,469
Proceeds from issue of securities		-	784,307
Costs of raising capital		-	(8,112)
On market buyback		(637,212)	-
Contributed equity issued to minority interests		-	204,666
Distributions paid to minority interests		(105,762)	(20,742)
<b>Net cash flows from financing activities</b>		<b>(431,467)</b>	<b>1,440,385</b>
<b>Net increase/(decrease) in cash assets held</b>		<b>607,407</b>	<b>(81,748)</b>
Cash and cash equivalents at the beginning of the year		1,201,734	1,262,921
Effects of exchange rate movements on cash and cash equivalents		(136,019)	20,561
<b>Cash and equivalents assets at the end of the year</b>		<b>1,673,122</b>	<b>1,201,734</b>

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

## Concise Financial Report

For the Year Ended 30 June 2007

### Overview of Major Transactions

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

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

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

The impact of this transaction on MIG's balance sheet is summarised in the Discussion and Analysis of Financial Position.

#### ■ **Refinance of M6 Toll**

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

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

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

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

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

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

The impact of this transaction on MIG's balance sheet is summarised in the Discussion and Analysis of Financial Position.

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

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

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

## Concise Financial Report

For the Year Ended 30 June 2007

### Overview of Major Transactions (cont'd)

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

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

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

#### ■ **Security buy-back**

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

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

### Overview of Operating Performance

Net profit attributable to MIG security holders for the year ended 30 June 2007 was A\$1,702.3 million (2006: A\$424.7 million before finance costs attributable to MIT(I) unit holders) and reflects the impacts of the demerger of MIG's mature Australian toll road assets and sale of 50% of MIG's interests in its four US assets, as well as the revaluation of MIG's non-controlled toll road assets.

#### — **Revenue from continuing activities of A\$314.7 million (2006: A\$509.1 million)**

The primary contributor to the decrease from 2006 is the reduction in consolidated toll revenue to A\$184.9 million (2006: A\$320.5 million) following the demerger and divestment of four consolidated toll road assets during the period.

These transactions also reduce consolidated operational expenses recognised for the period.

#### — **Other income from continuing activities of A\$2,425.7 million (2006: A\$551.1 million)**

Revaluation gains in relation to the de-risking of assets and initial recognition of MIG's interests in South Bay Expressway and Dulles Greenway at fair value following cessation of control has resulted in a significant increase in revaluation income to A\$1,773.5 million (2006: A\$487.2 million). Of this amount, A\$1.08 billion relates to revaluation gains associated with APRR, of which 50% is attributable to the minority interest in this investment.

Additionally, a net gain on the sale of investments and deconsolidation/demerger of subsidiaries of A\$644.8 million was recognised in 2007, following the demerger of SRG and sale of 50% of MIG's interests in its four US assets.

#### — **Finance costs attributable to MIT(I) unit holders**

Finance costs attributable to MIT(I) unit holders represent the profits attributable to MIT(I) unit holders during the period when MIT(I)'s units were classified as financial liabilities rather than equity under Australian Accounting Standards. This treatment applied only to the period 1 July 2005 to 22 June 2006. The A\$107.4 million finance costs should be added back to the profit attributable to MIG security holders in order to derive a result that is comparable to 2007 and with future reporting periods.

#### — **Income tax benefit of A\$133.9 million (2006: A\$141.4 million)**

The release of deferred tax liabilities no longer required following the demerger of SRG, partially offset by an increase in deferred tax liabilities associated with asset revaluations, has resulted in the recognition of an income tax benefit of A\$133.9 million.

## Concise Financial Report

For the Year Ended 30 June 2007

### Discussion and Analysis of Financial Position

At 30 June 2007 MIG holds a controlling interest in the M6 Toll in the UK. At 30 June 2006 MIG held controlling interests in the M6 Toll, Dulles Greenway, Eastern Distributor, M4 Motorway and South Bay Expressway.

The table below presents the movement in the MIG balance sheet (to a net asset level) between 1 July 2006 and 30 June 2007. It illustrates the effect on individual balance sheet items of the SRG demerger (which includes Eastern Distributor and M4 Motorway) and the divestment of interests in US toll road assets to MIP (which includes Dulles Greenway and South Bay Expressway).

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

For previously consolidated road assets, the deconsolidation or demerger of these entities significantly reduces the level of fixed assets, tolling concessions and interest bearing liabilities recognised in the balance sheet. The divestment of non-controlled road assets is reflected as a reduction in investments in financial assets. Offsetting both these reductions is a net increase in cash, representing the proceeds from the above transactions (net of cash held in the relevant entities at the point of deconsolidation or demerger).

## **Concise Financial Report**

For the Year Ended 30 June 2007

### **Discussion and Analysis of Statement of Cash Flows**

Net cash flows from operating activities were A\$478.6 million (2006: A\$306.9 million), reflecting additional distributions from prior period acquisitions, higher levels of interest received and lower base management fees paid.

Net cash flows from investing activities include A\$661.3 million proceeds from the sale of 50% of MIG's interests in its US assets, net of cash disposed. In the prior year, amounts of A\$607.0 million and A\$1,392.3 million were paid in relation to the purchase of a controlled entity and other investments respectively.

Net cash flows from financing activities reflect the net impact of refinancing of the M6 Toll, distributions paid to security holders and payments made in relation to the security buy-back.

### **Discussion and Analysis of Changes in Equity**

Overall contributed equity has fallen to A\$3,956.0 million (2006: A\$4,770.0 million). The movement represents the in specie distribution of SRG of A\$842.3 million and security buy back of A\$636.2 million being partially offset by the issue of new securities on conversion of the ReCNs and subscription for additional securities as part of the distribution and dividend reinvestment plan.

At 30 June 2007 other reserves comprises a foreign currency translation reserve of A\$28.3 million (2006: A\$371.7 million) and a cash flow hedging reserve of A\$180.1 million (2006: A\$Nil).

Where an investment in a toll road company is held by a group entity that has the same functional currency as the assets the effects of foreign exchange result from the translation of the group entity's assets and liabilities and are taken to the foreign currency translation reserve. This balance has fallen significantly during the period due to the divestment of MIG's US assets and movement in underlying foreign exchange rates impacting the translation of subsidiaries on consolidation.

The cash flow hedging reserve balance reflects the fair market value (net of tax) of interest rate swaps hedging non recourse debt at the M6 Toll. These swaps qualify for hedge accounting and have been taken to a separate reserve in accordance with Australian Accounting Standards.

# Concise Financial Report

For the Year Ended 30 June 2007

## Notes to the Consolidated Financial Statements

### 1 Summary of Significant Accounting Policies

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

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

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

#### — **Compliance with International Financial Reporting Standards (IFRS)**

Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of MIG comply with IFRS. The parent entity financial statements and notes also comply with IFRS except that it has elected to apply the relief provided to parent entities in respect of certain disclosure requirements contained in AASB 132: *Financial Instruments: Presentation and Disclosure* (AASB132).

#### — **Stapled security**

The units of Macquarie Infrastructure Trust (I) (MIT(I)), Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Group International Limited (MIGIL) are combined and issued as stapled securities in Macquarie Infrastructure Group (MIG or the Group). The units of MIT(I) and MIT(II) and the shares of MIGIL cannot be traded separately and can only be traded as stapled securities.

#### — **Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

#### — **Critical accounting estimates and judgements**

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

The area involving a higher degree of judgement or complexity is related to investments in financial assets, which are measured at directors' estimates of fair value. Discounted cash flow (DCF) analysis is the primary methodology applied in the valuation framework as it is the generally accepted methodology for valuing toll roads, bridges and tunnels and the basis upon which market participants have derived valuations for toll road, bridge and tunnel transactions.

DCF is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows.

The risk premiums applied to the DCF forecasts for MIG's interests in unlisted securities in companies and trusts are as follows: 407 ETR 3.5% (2006: 4.0%), Lusoponte 2.8% (2006: 2.8%), Rostock 5.0% (2006: 6.5%), Skyway 5.5% (2006: 6.0%), South Bay Expressway 7.0% (2006: 7.5%), Westlink M7 5.0% (2006: 5.5%), Dulles Greenway 7.0% (2006: 7.5%), Indiana Toll Road 7.0% (2006: 7.8%) and APRR 8.0% (2006: 18.0%).

The valuations derived from the DCF analyses are periodically benchmarked to other sources such as recent market transactions to ensure that the DCF valuation for each asset is providing a reliable measure.

# Concise Financial Report

For the Year Ended 30 June 2007

## 1 Summary of Significant Accounting Policies (cont'd)

### (b) Consolidated accounts and stapling arrangements

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* (UIG 1013) requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement MIT(II) has been identified as the parent of the consolidated group comprising MIT(I) and its controlled entities, MIT(II) and its controlled entities and MIGIL and its controlled entities.

This financial report consists of the consolidated financial statements of MIT(II), which comprises MIT(II) and its controlled entities, MIT(I) and its controlled entities and MIGIL and its controlled entities, together acting as MIG.

### (c) Group formation

On 9 June 2000, MIT(I) and MIT(II) (both trusts constituted in Australia) became registered schemes under the Managed Investments Act (1998). On that date, Macquarie Infrastructure Investment Management Limited (MIIML) became the Responsible Entity of each Trust, replacing the Manager and the Trustee (also MIIML).

On 20 September 2000, the investment of MIT(II) in Macquarie European Infrastructure plc (MEI) was distributed to MIG security holders through an in specie distribution of the MEI shares. The MEI shares were then stapled to MIT(I) and MIT(II) and listed on the Australian Stock Exchange as a triple stapled security comprising MIG.

On 12 January 2005, a restructure inserted a new mutual fund company (incorporated in Bermuda), Macquarie Infrastructure Bermuda Limited (MIBL), above MEI, replacing MEI as the stapled company in the MIG stapled structure. On 8 December 2005, MIBL changed its name to MIGIL. Macquarie Investment Management (UK) Limited is the Adviser of this company.

The Trust Constitutions of MIT(I) and MIT(II) were amended on 30 June 2005 to remove their finite life clauses. On 21 November 2005, unitholders voted at the MIG Annual General Meeting to amend the Constitutions further to allow the Responsible Entity discretion to vary the distribution of net income to unitholders, subject to receipt of a private binding income tax ruling from the Australian Taxation Office (ATO) that such amendment would not result in the termination of the trusts. On 20 April 2006 the ATO issued tax ruling CR2006/29 stating that the proposed amendment to the Constitutions of the trusts would not result in the termination of the trusts. On 22 June 2006 these changes were made to the Trust Constitutions of MIT(I) and MIT(II). Accordingly, the units of MIT(I) were classified as equity at 30 June 2006. However, as the units of MIT(I) were classified as a financial liability for the period 1 July 2005 to 22 June 2006, the income which accrued to the units in MIT(I) during this period has been accounted for as an expense and presented in the Income Statement as a finance cost, for the year ended 30 June 2006.

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

### (d) Investments in financial assets

MIG has designated its investments in financial assets as financial assets at fair value through profit or loss. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139. Changes in the fair values of investments in financial assets, both positive and negative have been recognised in the Income Statement.

# Concise Financial Report

For the Year Ended 30 June 2007

## 1 Summary of Significant Accounting Policies (cont'd)

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

Investments have been brought to account by the Group as follows:

— ***Interests in unlisted securities in companies and trusts***

Interests in unlisted companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Refer Note 1(a).

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

— ***Interests in listed securities in companies and trusts***

The fair value of financial assets traded in active markets is based on quoted market price at balance date. The quoted market price used for financial assets held by the Group is the closing bid price. Dividends and other distributions are credited against the investments when received.

— ***Interests in interest bearing debt securities***

Interest in interest-bearing (public and other) debt securities are brought to account at fair value. Adjustments to the fair values of public and other debt securities are recognised in the Income Statement.

— ***Loans and receivables***

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 2 Profit for the Year

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

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

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000
<b>Revenue from continuing activities</b>		
Interest income:		
Related parties	2,269	1,043
Other persons and corporations	116,313	175,521
Toll revenue	184,855	320,466
Construction contract revenue	-	223
Rental income	363	4,078
Other revenue	10,865	7,797
<b>Total revenue from continuing activities</b>	<b>314,665</b>	<b>509,128</b>
<b>Revaluation income from continuing activities</b>		
Revaluation of interests in listed securities in companies and trusts	-	(7,608)
Revaluation of interests in unlisted securities in companies and trusts	1,616,477	424,643
Revaluation of interest bearing financial assets	175,866	68,675
Foreign exchange effect of revaluations	(18,798)	1,475
<b>Total revaluation income from continuing activities</b>	<b>1,773,545</b>	<b>487,185</b>
<b>Other income from continuing activities</b>		
Net gain on sale of investments and deconsolidation/demerger of subsidiaries	644,799	-
Gains on derivative financial instruments	7,356	63,896
<b>Total other income from continuing activities</b>	<b>652,155</b>	<b>63,896</b>
<b>Total revaluation and other income from continuing activities</b>	<b>2,425,700</b>	<b>551,081</b>
<b>Total revenue and revaluation and other income from continuing activities</b>	<b>2,740,365</b>	<b>1,060,209</b>

## Concise Financial Report

For the Year Ended 30 June 2007

### 2 Profit for the Year (cont'd)

#### (ii) Operating Expenses from Continuing Activities

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 3 Distributions Paid and Proposed

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

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

\* Refer note 5(ii)

## Concise Financial Report

For the Year Ended 30 June 2007

### 4 Derivative Financial Instruments

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

#### Instruments used by the Group

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

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

Macquarie Motorways Group Limited (MMG) has entered into a 30 year interest rate hedge, such that all floating rate payments due on the new £1.00 billion term loan (refer to note 6) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from period to period. The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term. The swap contracts are currently being settled on a six monthly basis.

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

A liability of £22.6 million (\$53.6 million) has been recognised in interest bearing financial liabilities (refer to note 6) to reflect the low rates of fixed payments currently being paid under the swap contracts.

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

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 5 Investments in Financial Assets

#### (a) Consolidated

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

	Balance at 30 June 2006 \$'000	Investments Note (iii) \$'000	Returns from investments Note (i) \$'000	Divestments Note (ii) \$'000	FX effects Note (v) \$'000	Revaluations \$'000	Balance at 30 June 2007 \$'000
<b>Interests in unlisted securities in companies and trusts</b>							
Shares in Interlink Roads Pty Limited <b>Note (ii)</b> (M5 South-West Motorway)	560,064	-	-	(560,064)	-	-	-
Shares in Transtoll Pty Limited	1,515	348	-	(446)	-	(316)	1,101
Investment in WSO Co Pty Limited <b>Note (iii)</b> (Westlink M7)	103,793	-	-	-	-	(69,344)	34,449
Investment in 407 International Inc.	2,960,061	-	(35,245)	-	(236,586)	351,036	3,039,266
Shares in Lusoponte Concessionária para a Travessia do Tejo S.A.	234,696	-	(5,985)	-	(17,691)	5,947	216,967
Shares in Chicago Skyway Partnership <b>Note (ii)</b>	456,333	-	(5,012)	(228,403)	(43,966)	64,032	242,984
Investment in Financière Eiffarie SAS <b>Note (iv)</b> (APRR)	534,786	-	(217,235)	-	(56,976)	1,080,031	1,340,606
Shares in Indiana Toll Road Partnership <b>Note (ii)</b>	503,226	-	(4,602)	(253,183)	(43,168)	52,737	255,010
Shares in Macquarie 125 Holdings Inc <b>Note (ii)</b> (South Bay Expressway)	-	109,474	-	-	(12,886)	65,255	161,843
Shares in Dulles Greenway Partnership <b>Note (ii)</b>	-	20,516	-	-	(8,544)	64,668	76,640
Partnership interest in Warnowquerung GmbH & Co. KG	-	-	-	-	-	2,431	2,431
	5,354,474	130,338	(268,079)	(1,042,096)	(419,817)	1,616,477	5,371,297
<b>Interest bearing financial assets</b>							
Investment in Westlink Subordinated term Loan Notes <b>Note (iii)</b>	562,174	34,300	-	-	-	129,638	726,112
Investment in Financière Eiffarie SAS Bonds <b>Note (iv)</b> (APRR)	513,578	-	(40,933)	-	(36,755)	43,044	478,934
Investment in Dulles Greenway Subordinated Loans <b>Note (ii)</b>	-	335,281	-	-	(20,128)	3,184	318,337
	1,075,752	369,581	(40,933)	-	(56,883)	175,866	1,523,383
<b>Total investments</b>	6,430,226	499,919	(309,012)	(1,042,096)	(476,698)	1,792,343	6,894,680

At 30 June 2007, the total value of MIG's investments in financial assets is \$6,894.7 million. The values of these investments, which are unlisted, have been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specific risk premiums as outlined in Note 1(a). If all risk premiums were 0.5% lower/higher, the value of MIG's investments in financial assets would increase/decrease by \$605.7 million and \$518.7 million respectively. If all revenue forecasts were 5% higher/lower, the value of MIG's investments in financial assets would increase/decrease by \$562.9 million and \$578.5 million respectively.

#### Notes

##### (i) Returns from investments

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 5 Investments in financial assets (cont'd)

#### (ii) Divestments

##### — *Transaction with Macquarie Infrastructure Partners (MIP)*

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

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

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

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

##### — *Sydney Roads Group (SRG) Demerger*

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

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

#### (iii) Westlink M7

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

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

#### (iv) Financière Eiffarie (APRR)

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

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

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

#### (v) Foreign Exchange (FX) effects

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 6 Interest-Bearing Financial Liabilities

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

#### (a) Credit facilities available to the Group

MIG has a multi-option debt facility with Westpac Banking Corporation and the Commonwealth Bank of Australia for a total amount of \$500.0 million (2006: \$500.0 million). At 30 June 2007, \$Nil (2006: \$230.0 million) was drawn under the facility. The facility attracts interest at BBSW plus a margin of 0.40% per annum. The facility terminates on 1 November 2007, and negotiations for an extension are on-going.

Line fees and establishment fees of \$2.2 million (2006: \$4.8 million) were incurred in relation to the facility during the year.

#### (b) Non-recourse loans

The consolidated financial statements incorporate interest-bearing financial liabilities raised by controlled project entities to finance the construction of infrastructure assets. These project-related liabilities are non-recourse to the Group.

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

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

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

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

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

## Concise Financial Report

For the Year Ended 30 June 2007

### 6 Interest-Bearing Financial Liabilities (cont'd)

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

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

#### (d) Reset Convertible Notes (ReCNs)

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

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

#### (e) Loan from Minority Interest

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

## 7 Segment Reporting

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

MIG's toll road business includes the development and operation of toll roads, tunnels and bridges and investment in entities in the same industry sector.

### Geographical segments

	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
<b>Consolidated</b>				
<b>30 June 2007</b>				
Revenue from continuing activities	713,830	1,359,630	666,905	2,740,365
Profit from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	594,462	940,918	575,093	2,110,473
Total Assets	1,520,209	5,228,478	3,582,830	10,331,517
Total Liabilities	321,739	2,883,623	50,268	3,255,630
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	34,648	1,346	465,294	501,288
Depreciation and amortisation expense	5,860	55,924	17,845	79,429
<hr/>				
	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
<b>Consolidated</b>				
<b>30 June 2006</b>				
Revenue from continuing activities	517,677	246,111	296,421	1,060,209
Profit/(loss) from continuing activities before income tax (expense)/benefit and before finance costs attributable to security holders	191,388	(48,401)	185,666	328,653
Total Assets	3,259,366	3,125,880	6,330,726	12,715,972
Total Liabilities	2,424,245	2,005,227	1,682,009	6,111,481
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	1,671	4,856	1,896,218	1,902,745
Depreciation and amortisation expense	67,882	57,550	30,043	155,475

## Concise Financial Report

For the Year Ended 30 June 2007

### 8 Commitments for Expenditure

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

### 9 Contingent Liabilities

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

#### ■ *Warnow Tunnel*

European Transport Investment (UK) Limited, a subsidiary of MIGIL, has made two separate guarantees, totalling €1.19 million (\$1.77 million), in the event of a senior debt payment event or default by Warnowquerung GmbH & Co.KG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions and that no provisions are necessary in the financial statements as at 30 June 2007.

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

### 10 Events Occurring After Balance Sheet Date

#### ■ *Distribution and Dividend Reinvestment Plan (DRP)*

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

#### ■ *Security buy-back*

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

## Concise Financial Report

For the Year Ended 30 June 2007

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

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

The financial statements and notes set out on pages 5 to 24 are in accordance with the Trust constitution of MIT(II) and *Corporations Act 2001*, including:

- a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- b) giving a true and fair view of Macquarie Infrastructure Group's (as defined in note 1(b)) financial position as at 30 June 2007 and of its performance, for the financial year ended on that date; and
- c) there are reasonable grounds to believe that MIT(II) will be able to its debts as and when they become due and payable.

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

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



---

**Mark Johnson**

Sydney  
22 August 2007



---

**John Roberts**

Sydney  
22 August 2007

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

### Report on the Concise Financial Report

The accompanying concise financial report of Macquarie Infrastructure Trust (II) (MIT (II)) comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Macquarie Infrastructure Trust (II) (MIT (II)) for the year ended 30 June 2007. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

#### *Directors' responsibility for the concise financial report*

The directors of Macquarie Infrastructure Investment Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the concise financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Macquarie Infrastructure Trust (II) for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on the 22 August 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Auditor's opinion*

In our opinion, the concise financial report of Macquarie Infrastructure Trust (II) for the year ended 30 June 2007 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

  
PricewaterhouseCoopers



Mark Haberlin  
Partner

Sydney  
22 August 2007



