

MACQUARIE INFRASTRUCTURE TRUST (I)

ARSN 092 863 780

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).

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the adviser to MIGIL. MIM UK 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 MIM UK, 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 MIM UK as the adviser to MIGIL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIGIL may hold stapled securities in MIG from time to time.

The MIG consolidated 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 equivalents to International Financial

Reporting Standards in relation to stapled structures. The responsibility for preparation of the consolidated financial report and any financial information contained in this financial report rests solely with the directors of MIIML.

Financial Report

Year Ended 30 June 2007

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Macquarie Infrastructure Investment Management Limited

Directors' 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 (I) (MIT(I) or the Trust) and the entities it controlled at the end of and during the year (the Group or the consolidated entity).

Principal Activities

The principal activity of the consolidated entity is investment in 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

Distributions

No distribution was paid by MIT(I) for the year ended 30 June 2007 (2006: 7.3074 cents per stapled security).

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	97,116	222,828
Profit attributable to MIT(I) unitholders*	46,287	109,762

* Before finance costs attributable to MIT(I) unit holders. Refer to Note 1(c) of the financial report.

■ **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.

As a result of the demerger, MIT(I) has divested its interests in Airport Motorway Trust and the funding trust associated with the securitisation of its cashflows and has received A\$5.9 million in cash. Additionally SRG assumed debt of A\$150.0 million held in the funding trust.

■ **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, Chicago 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.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2007

Total MIT(I) proceeds were A\$44.6 million on financial close. As a result of the transaction, MIG Holdings (US) LLC and MIG Holdings 2 (US) LLC, in which MIT(I) owns B class shares, now own a 22.5% interest in Skyway and 6.7% limited partner interest in Dulles Greenway respectively.

■ **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%.

■ **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. Of this amount, A\$21.7 million relates to consideration for 179,261,530 units in MIT(I). In accordance with approval received from ASIC on 10 August 2007, the buy-back will conclude no later than 10 August 2008.

Significant Changes in State of Affairs

In the opinion of the directors there were no significant changes in the state of affairs of the consolidated entity 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 operation of the consolidated entity 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 consolidated entity.

Indemnification and Insurance of Officers and Auditors

No insurance premiums are paid for out of the assets of the Trust in regard to insurance cover provided to either the Responsible Entity or auditors of the Trust. So long as the officers of the Responsible Entity act in accordance with the Trust Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against any losses incurred while acting on behalf of the Trust. The auditors of the Group are in no way indemnified out of the assets of the Trust.

Macquarie Infrastructure Investment Management Limited

Directors' Report – Year Ended 30 June 2007

Fees Paid to the Responsible Entity and Adviser

Fees paid to the Responsible Entity out of Trust property during the year are disclosed in Note 20 to the financial statements.

No fees were paid out of Trust property to the directors of the Responsible Entity during the year.

Interests in the Trust held by the Responsible Entity and its associates during the year are disclosed in Note 20 to the financial statements.

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	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
	Number of units '000	Number of units '000	Number of units '000	Number of units '000
Units on issue at the beginning of the year	2,475,499	2,164,890	2,475,499	2,164,890
Units issued during the year (net)	220,554	310,609	220,554	310,609
Security buy-back: 3 October 2006 – 30 June 2007	(179,262)	-	(179,262)	-
Units on issue at the end of the year	2,516,791	2,475,499	2,516,791	2,475,499

For further details, refer to Note 16 to the financial statements. For further details on securities held by related parties, refer to Note 20.

Value of Assets

	Consolidated 2007	Consolidated 2006	Parent Entity 2007	Parent Entity 2006
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Value of Group assets at 30 June	899,906	1,803,735	401,942	700,556

Environmental Regulation

The Group is not subject to significant environmental regulation in respect of its controlled entities.

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 Trust 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

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Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Infrastructure Trust (I) 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 (I) and the entities it controlled during the year.



Mark Haberlin
Partner
PricewaterhouseCoopers

Sydney
22 August 2007

Financial Report

For the Year Ended 30 June 2007

Income Statements

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Revenue and other income from continuing activities					
Revenue from continuing activities		17,092	97,491	7,202	2,458
Other income from continuing activities		80,024	125,337	53,497	113,498
Total revenue and other income from continuing activities	2(i)	97,116	222,828	60,699	115,956
Operating expenses from continuing activities					
Financing costs excluding costs attributable to unitholders		(33,251)	(80,206)	(4,052)	(5,140)
Other operating expenses		(15,604)	(13,253)	(14,397)	(18,265)
Total operating expenses from continuing activities before finance costs attributable to unitholders*	2(ii)	(48,855)	(93,459)	(18,449)	(23,405)
Profit from continuing activities before finance costs attributable to unitholders*		48,261	129,369	42,250	92,551
Finance costs attributable to MIT(I) unitholders*		-	(107,356)	-	(47,964)
Finance costs attributable to AMT unitholders*		(1,974)	(19,607)	-	-
		(1,974)	(126,963)	-	(47,964)
Profit from continuing activities after finance costs attributable to unitholders*		46,287	2,406	42,250	44,587
Profit attributable to:					
MIT(I) unitholders		46,287	2,406	42,250	44,587
Earnings per unit for profit from continuing activities attributable to MIT(I) unitholders:		Cents	Cents		
Basic and diluted earnings per unit	18	1.81	0.10		

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

* Refer note 1(c).

Financial Report

As at 30 June 2007

Balance Sheets

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current assets					
Cash and cash equivalents	5	136,055	310,481	117,051	276,096
Receivables	6	312	281	312	43,064
Prepayments	7	123	2,511	123	69
Other assets	8	-	619	-	-
Total current assets		136,490	313,892	117,486	319,229
Non-current assets					
Receivables	6	-	789,349	-	33,667
Derivative financial instruments	9	-	4,729	-	-
Investments in financial assets	10	763,416	695,380	284,456	347,660
Other assets	8	-	385	-	-
Total non-current assets		763,416	1,489,843	284,456	381,327
Total assets		899,906	1,803,735	401,942	700,556
Current liabilities					
Distribution payable	13	-	180,895	-	180,895
Payables	14	36,800	46,383	36,465	2,071
Total current liabilities		36,800	227,278	36,465	182,966
Non-current liabilities					
Payables	14	414	434	413	145,310
Interest-bearing financial liabilities	15	504,141	1,162,194	-	31
Derivative financial instruments	9	-	5,193	-	5,152
Total non-current liabilities excluding AMT security holder interests classified as debt*		504,555	1,167,821	413	150,493
AMT units*		-	52,089	-	-
Total non-current liabilities		504,555	1,219,910	413	150,493
Total liabilities		541,355	1,447,188	36,878	333,459
Net assets		358,551	356,547	365,064	367,097
Equity					
MIT(l) unitholders' interest					
Contributed equity	16	280,727	325,010	280,727	325,010
Retained profits	17	77,824	31,537	84,337	42,087
Total equity		358,551	356,547	365,064	367,097

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

* Refer note 1(c).

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For the Year Ended 30 June 2007

Statements of Changes in Equity

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Total equity at the beginning of the financial year		356,547	409,930	367,097	382,153
Adjustment to equity upon adoption of AASB132 and AASB139*		-	(409,930)	-	(382,153)
Restated total equity at the beginning of the financial year		356,547	-	367,097	-
Transfer of net assets attributable to unitholders from liabilities to equity*		-	535,036	-	503,405
Profit for the year		46,287	2,406	42,250	44,587
Total recognised income and expense for the year		46,287	537,442	42,250	547,992
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity, net of transaction costs paid	16	5,417	-	5,417	-
Securities cancelled pursuant to security buy-back, including transaction costs	16	(21,680)	-	(21,680)	-
Conversion of ReCNs	15	16,580	-	16,580	-
Distributions provided for or paid to MIT(I) unitholders		-	(180,895)	-	(180,895)
In specie distribution	10(ii)	(44,600)	-	(44,600)	-
		(44,283)	(180,895)	(44,283)	(180,895)
Total equity at the end of the financial year		358,551	356,547	365,064	367,097
Total recognised income and expenses for the year is attributable to:					
MIT(I) unitholders		46,287	2,406	42,250	44,587

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

* Refer note 1(c).

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For the Year Ended 30 June 2007

Cash Flow Statements

	Note	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Cash flows from operating activities					
Interest received		8,429	20,266	7,175	4,075
Net indirect taxes received		646	2,042	646	2,042
Payments to suppliers and employees (inclusive of GST)		(2,679)	(6,809)	(2,455)	(1,986)
Responsible Entity and Adviser base fees paid		(8,708)	(12,150)	(8,708)	(12,150)
Responsible Entity and Adviser performance fees paid		-	(1,500)	-	(1,500)
Distributions and dividend income received		-	9,371	-	44,572
Net cash flows from operating activities	19	(2,312)	11,220	(3,342)	35,053
Cash flows from investing activities					
Repayment of borrowing by Airport Motorway Limited		20,563	80,309	-	-
Proceeds from demerger of Sydney Roads Group, net of cash disposed		(27,484)	-	5,875	-
Proceeds from sale of Transurban Group securities		-	151,043	-	151,043
Proceeds from return of capital from investments		44,590	214,559	44,590	214,559
Payments for purchase of investments		(34,300)	(96,968)	-	(49,618)
Net cash flows from investing activities		3,369	348,943	50,465	315,984
Cash flows from financing activities					
Financing costs paid		(772)	(33,167)	(772)	(716)
Loans advanced by MIT(II)		150,919	150,197	150,919	150,197
Loan from MIGIL		-	1,482	-	1,482
Loans advanced to Western Sydney Orbital Funding Trust		-	-	(34,300)	-
Payments to MIT(II) and MIGIL for issue of Distribution Reinvestment Plan Capital		-	(2,069)	-	(2,069)
Loan from ED Funding Trust		-	-	-	144,990
Repayment of borrowing from MIT(II)		(117,872)	(423,294)	(117,872)	(423,294)
External borrowings received		-	150,000	-	-
Distributions paid		(180,895)	(6,678)	(180,895)	(6,678)
Proceeds from issue of securities		5,420	55,699	5,420	55,699
Costs of raising capital		(3)	(411)	(3)	(411)
On market buy-back		(21,680)	-	(21,680)	-
Distributions paid to minority interests in controlled entities		(3,615)	(14,135)	-	-
Net cash flows from financing activities		(168,498)	(122,376)	(199,183)	(80,800)
Net increase/(decrease) in cash assets held		(167,441)	237,787	(152,060)	270,237
Cash and cash equivalents at the beginning of the year		310,481	72,685	276,096	5,850
Effects of exchange rate movements on cash and cash equivalents		(6,985)	9	(6,985)	9
Cash and cash equivalents at the end of the year	5	136,055	310,481	117,051	276,096
Non cash financing and investing activities	19				

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

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)

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with Australian Accounting Standards ensures that the consolidated financial statements and notes of Macquarie Infrastructure Trust (I) (MIT(I) or the Trust) comply with International Financial Reporting Standards (IFRSs). 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* (AASB 132).

— Stapled security

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

— 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

The preparation of financial statements in conformity with AIFRS 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 MIT(I)'s interests in unlisted securities in companies and trusts are as follows: Skyway 5.5% (2006: 6.0%), Westlink M7 5.0% (2006: 5.5%) and Dulles Greenway 7.0% (2006: 7.5%).

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.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by MIT(I) at 30 June 2007 and the results of those controlled entities for the year then ended. MIT(I) and its controlled entities are referred to in this report as the Group or consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown

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For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(b) Principles of consolidation (cont'd)

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 MIT(I).

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

(c) Trust formation

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

The Trust Constitution of MIT(I) was amended on 30 June 2005 to remove the finite life clause. On 21 November 2005, unitholders voted at the Annual General Meeting to amend the constitution 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 Trust. On 20 April 2006, the ATO issued tax ruling CR2006/29 stating that the proposed amendment to the Constitution of the Trust would not result in the termination of the Trust. On 22 June 2006, these changes were made to the Trust Constitution of MIT(I). Accordingly, the units of MIT(I) are 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. In addition units issued during that period are recorded as issues of financial liabilities.

Units in Airport Motorway Trust (AMT) were also classified as debt on 1 July 2005. Any amounts payable to MIT(I) 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

MIT(I) 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.

Investments have been brought to account 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 the quoted market price at balance date. The quoted market price used for financial assets held by the Group is the current bid price. Dividends and other distributions are credited against the investment 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.

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For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(e) Investments in associates and subsidiaries

Investments in associates have been accounted for at fair value through the profit or loss as noted above in both the parent and consolidated entity accounts. Investments in subsidiaries have been accounted for at fair value through the profit or loss in the parent entity accounts only (refer Note 1(b)).

(f) Receivables

Receivables are initially recorded at their fair values and are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts on a review of all outstanding amounts at year end where there is objective evidence of impairment. Bad debts are written off in the period in which they are identified.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, except for financial assets that are measured at fair value through profit or loss.

(h) Prepayments

Prepayments recognised under assets comprise costs incurred relating to the following financial year.

(i) 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.

(j) Payables and Other liabilities

Liabilities are recognised at fair value when MIT(I) becomes obliged to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 30 days.

(k) Distributions

Provision for distribution is recognised for the amount of any distribution declared, determined, or publicly recommended by the directors on or before the end of the financial year, but not distributed at balance date.

(l) Revenue and other income recognition

Revaluation income represents changes in the fair value of investments in listed and unlisted securities and interest bearing debt securities and is brought to account as described in Note 1(d) above. Interest income is recognised as it accrues. Other revenue is recognised when the fee in respect of services provided is receivable.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of subsidies and goods and services tax (GST).

(m) Income tax

Neither MIT(I) nor its controlled trusts are liable for income tax under the Income Tax Assessment Acts, provided that their taxable income (including any assessable realised capital gains) is fully distributed to security holders each year. Accordingly income tax has not been brought to account.

(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 MIT(I)'s functional and presentation currency.

— *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except when they are deferred in equity as qualifying investment hedges or are attributable to part of the net investment in a foreign operation.

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For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(o) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges),
or
- hedges of highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(ii) Cash flow hedges

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

Amounts accumulated in equity are recycled 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 valuation techniques adopted by 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.

(p) Goods and Services Tax (GST)

The amount of GST incurred by the Trust that is not recoverable from the Australian Taxation Office (ATO) is recognised as an expense or as part of the cost of acquisition of an asset. Receivables and payables are stated at amounts inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Balance Sheet. Cash flows relating to GST are included in the Cash Flow Statement on a gross basis.

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For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(q) Significant terms and conditions of investments

MIT(I)'s investment in Westlink Motorway Group (Westlink M7) is held via an interest in Westlink Motorway Partnership, shares in Westlink Motorway Limited and shares in WSO Finance Pty Limited. The shares and partnership interest are combined with shares in WSO Co Pty Limited which are held by MIT(II), and issued as linked securities in Westlink M7. They cannot be traded separately and may only be traded as linked securities. MIT(I) also has an investment in Subordinated term Loan Notes issued by Westlink Motorway Partnership.

(r) 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.

(s) 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.

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 Group's share 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.

(t) 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.

(u) 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.

(v) Earnings per stapled security

— *Basic earnings per stapled security*

Basic earnings per stapled security is determined by dividing the profit attributable to security holders by the weighted average number of securities on issue during the year.

— *Diluted earnings per stapled security*

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary stapled securities and the weighted average number of stapled securities assumed to have been issued for no consideration in relation to dilutive potential ordinary stapled securities.

(w) Standard, 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 and the parent entity for accounting periods beginning on or after 1 July 2007 or later periods but which the Group and parent entity has not yet adopted. The significant ones are as follows:

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For the Year Ended 30 June 2007

1 Summary of Significant Accounting Policies (cont'd)

(w) Standard, interpretations and amendments to published standards that are not yet effective (cont'd)

(i) **AASB 7 Financial Instruments: Disclosures**

AASB 7 is applicable to annual reporting periods beginning on or after 1 January 2007. AASB 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit, liquidity and market risk, including sensitivity analysis to market risk. Application of the standard will not affect any of the amounts recognised in the financial statements.

(ii) **AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, & AASB 1038]**

AASB 2005-10 is applicable to annual reporting periods beginning on or after 1 January 2007. Application of the standard will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's and the parent entity's financial instruments.

(iii) **AASB 101: Presentation of Financial Statements**

The revised AASB 101 is applicable from 1 January 2007. The impact of the revised AASB 101 is to eliminate much of the Australian specific content, including the Australian illustrative formats of the income statement, balance sheet and statement of changes in equity which entities were previously "encouraged" to adopt in preparing their financial statements. In addition to this, the standard introduces disclosures about the level of an entity's capital and how it manages capital.

(iv) **AASB 8 Operating Segments**

Effective from 1 January 2009, this standard will require the entity to adopt the "management approach" to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the 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 statements and balance sheet, in which case reconciliations of certain items will be required.

(v) **AASB 2007-4 Amendments to Australian Accounting Standards Arising from ED 151 and Other Amendments**

AASB 2007-4 was made recently to introduce accounting policy choices allowable under IFRS that were not previously incorporated by the AASB, and to remove many Australian specific disclosures. The primary impacts are to reduce the disclosures relating to investments in associates. Application of the interpretation is expected to have no impact on the Group's or the parent entity's financial statements.

(vi) **AASB-I 10 Interim Financial Reporting and Impairment**

AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Group has not recognised an impairment loss in relation to goodwill, investments in equity instruments or financial assets carried at cost in an interim reporting period but subsequently reversed the impairment loss in the annual report. Application of the interpretation will therefore have no impact on the Group's or the parent entity's financial statements.

(x) **Comparative figures**

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

(y) **Rounding of amounts**

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 Financial Report. Amounts in the Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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For the Year Ended 30 June 2007

2 Profit for the Year

The profit from continuing activities 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	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Revenue from continuing activities				
Interest income:				
Related parties	8,925	92,411	226	323
Other persons and corporations	8,167	5,080	6,976	2,135
Total revenue from continuing activities	17,092	97,491	7,202	2,458
Revaluation income from continuing activities				
Revaluation of interests in listed securities in companies and trusts	-	(7,607)	-	(7,607)
Revaluation of interests in unlisted securities in companies and trusts	(39,008)	55,071	62,687	96,390
Revaluation of interest bearing financial assets and accrued interest	129,637	68,676	3,113	22,919
Foreign exchange effect of revaluations	(12,303)	1,796	(12,303)	1,796
Total revaluation income from continuing activities	78,326	117,936	53,497	113,498
Other income from continuing activities				
Gains on derivative financial assets and liabilities	1,698	7,401	-	-
Total other income from continuing activities	1,698	7,401	-	-
Total revaluation and other income from continuing activities	80,024	125,337	53,497	113,498
Total revenue and other income from continuing activities	97,116	222,828	60,699	115,956

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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	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Financing costs excluding those attributable to MIT(I) and AMT unitholders				
Related parties	4,886	4,436	-	4,436
Amortisation of capitalised borrowing costs	1,006	1,337	-	-
Other persons and corporations	27,359	74,433	4,052	704
	33,251	80,206	4,052	5,140
Other operating expenses				
Consulting & administration fees	1,016	-	811	-
Custodians' fees	48	116	43	51
Responsible Entity's base fees	8,643	9,642	8,643	9,642
Responsible Entity's performance fees	-	-	-	-
Revaluation decrement – Airport Motorway Trust	-	1,463	-	7,052
Net loss on sale of investments and deconsolidation/demerger of subsidiaries	2,781	-	1,799	-
Foreign exchange loss	1,812	24	1,812	24
Loss on derivative financial assets and liabilities	-	197	-	155
Demerger/deconsolidation transaction costs	478	-	478	-
Other expenses	826	1,811	811	1,341
Total other operating expenses	15,604	13,253	14,397	18,265
Total operating expenses from continuing activities before finance costs attributable to unitholders	48,855	93,459	18,449	23,405

3 Remuneration of Auditors

	Consolidated 30 June 2007 \$	Consolidated 30 June 2006 \$	Parent Entity 30 June 2007 \$	Parent Entity 30 June 2006 \$
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit services	206,629	127,937	204,796	105,287
Other services				
Taxation compliance services	514,196	158,067	449,157	140,717
Trust compliance services	7,260	10,198	7,260	5,198
	728,085	296,202	661,213	251,202

Financial Report

For the Year Ended 30 June 2007

4 Distributions Paid and Proposed

The distributions were paid/payable to MIT(l) security holders as follows:

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Final distribution proposed and subsequently payable for the year ended 30 June	-	180,895	-	180,895
In specie distribution*	44,600	-	44,600	-
	44,600	180,895	44,600	180,895
	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Final distribution proposed and subsequently payable for the year ended 30 June	-	7.3074	-	7.3074
In specie distribution*	1.8017	-	1.8017	-
	1.8017	7.3074	1.8017	7.3074

* Refer note 10(ii)

5 Cash and Cash Equivalents

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Cash at bank	40,796	17,669	39,565	988
Short term money market investments	95,259	292,812	77,486	275,108
	136,055	310,481	117,051	276,096

The short term money market investments outstanding at year end mature within 74 days (2006: 60 days) and pay interest between 6.43% - 6.54% (2006: 5.58% - 5.92%) per annum.

6 Receivables

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Dividends and distributions receivable	-	-	-	42,783
GST recoverable	312	281	312	281
	312	281	312	43,064
Non-current				
Loan to Airport Motorway Limited	-	789,182	-	-
Loan to Airport Motorway Trust	-	-	-	33,500
Other	-	167	-	167
	-	789,349	-	33,667

As at 30 June 2006, Airport Motorway Limited had borrowed \$789.2 million from Airport Motorway Trust. These funds were used to finance the construction of the Eastern Distributor (ED).

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For the Year Ended 30 June 2007

7 Prepayments

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Prepaid expenses	123	2,511	123	69

8 Other Assets

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Capitalised debt issuance costs	-	619	-	-
Non-current				
Capitalised debt issuance costs	-	385	-	-

9 Derivative Financial Instruments

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Non current assets				
Interest rate swap contract	-	4,729	-	-
Total current derivative financial instrument assets	-	4,729	-	-
Non current liabilities				
Interest rate swap contracts	-	41	-	-
Forward foreign currency contracts	-	5,152	-	5,152
Total non current derivative financial instrument liabilities	-	5,193	-	5,152

Instruments used by the Group

At 30 June 2006, the Group was party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 22).

Forward foreign currency exchange contracts

At 30 June 2006 MIT(I) had entered into forward foreign exchange contracts to hedge its USD25.0 million future equity contribution in relation to the South Bay Expressway. MIT(I) did not seek hedge accounting treatment in respect of these contracts. The contract rate was A\$1 = US\$0.6423.

At 30 June 2006, details of the outstanding contracts were:

	Buy US Dollars US\$'000	Sell Australian Dollars \$'000
2006		
Maturity profile		
1 – 5 years	25,000	38,923

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For the Year Ended 30 June 2007

10 Investments in Financial Assets

The tables below summarise the movements in MIT(I)'s investment portfolio during the year ended 30 June 2007.

(a) Consolidated

	Balance at 30 June 2006	Investments Note(iii)	Returns from investment Note (i)	Divestments Note (ii)	FX effects Note (v)	Revaluations	Balance at 30 June 2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies and trusts							
B Class shares in MIG Holdings (US) LLC (Skyway) Note (ii)	36,995	-	-	-	(3,736)	(11,967)	21,292
B Class shares in MIG Holdings 2 (US) LLC (Dulles Greenway) Note (ii)	96,210	-	(44,590)	-	(8,567)	(27,041)	16,012
	133,205	-	(44,590)	-	(12,303)	(39,008)	37,304
Interest bearing financial assets							
Investment in Westlink M7 Subordinated term Loan Notes Note (iii)	562,175	34,300	-	-	-	129,637	726,112
	562,175	34,300	-	-	-	129,637	726,112
Total investments	695,380	34,300	(44,590)	-	(12,303)	90,629	763,416

(b) Parent

	Balance at 30 June 2006	Investments	Returns from investment	Divestments Note (ii)	FX effects Note (v)	Revaluations	Balance at 30 June 2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies and trusts							
Units in Airport Motorway Trust Note(ii)	124,194	-	-	(124,194)	-	-	-
Units in Western Sydney Orbital Funding Trust	90,262	17,783	-	-	-	101,694	209,739
Units in ED Funding Trust Note (ii)	-	-	-	-	-	-	-
Units in Sydney Roads Trust Note (ii)	-	-	-	-	-	-	-
B Class Shares in MIG Holdings (US) LLC (Skyway)	36,995	-	-	-	(3,736)	(11,967)	21,292
B Class Shares in MIG Holdings (US) LLC (Dulles Greenway)	96,209	-	(44,590)	-	(8,567)	(27,040)	16,012
	347,660	17,783	(44,590)	(124,194)	(12,303)	62,687	247,043
Interest bearing financial assets							
Investment in Abigroup Westlink Partner Holding No 3 Pty Ltd Redeemable Preferences Shares	-	34,300	-	-	-	3,113	37,413
	-	34,300	-	-	-	3,113	37,413
Total investments	347,660	52,083	(44,590)	(124,194)	(12,303)	65,800	284,456

Investments with a value of less than \$1,000 have been excluded from the lists above. These are included on the full list of investments in associates (refer Note 12).

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For the Year Ended 30 June 2007

10 Investments in financial assets (cont'd)

Notes

(i) Distributions received

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

(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 MIT(I) proceeds were A\$44.6 million on financial close. As a result of the transaction, MIG Holdings (US) LLC and MIG Holdings 2 (US) LLC, in which MIT(I) owns B shares, now own a 22.5% interest in Skyway and 6.7% limited partner interest in Dulles Greenway respectively.

— *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.

As a result of the demerger, MIT(I) has divested its interests in Airport Motorway Trust and the funding trust associated with the securitisation of its cashflows and has received A\$5.8 million in cash. Additionally SRG assumed debt of A\$150.0 million held in the funding trust.

(iii) Westlink M7

On 28 September 2007, 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 earn interest at 11.93% per annum.

(iv) Foreign Exchange (FX) effects

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 accounts of the group entity are taken through the Income Statement.

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For the Year Ended 30 June 2007

11 Subsidiaries

Name of controlled entity	Country of incorporation	2007 ownership %	2006 ownership %
Abigroup Westlink Partner Holding No 1 Pty Ltd	Australia	100.0	-
Abigroup Westlink Partner No 1 Pty Ltd	Australia	100.0	-
Abigroup Westlink Partner Holding No 3 Pty Ltd	Australia	100.0	100.0
Abigroup Westlink Partner No 3 Pty Ltd	Australia	100.0	100.0
Airport Motorway Trust	Australia	-	71.4
ED Funding Trust	Australia	-	100.0
LMI Westlink Partner Holding No 3 Pty Ltd	Australia	100.0	100.0
LMI Westlink Partner No 3 Pty Ltd	Australia	100.0	100.0
Sydney Roads Trust	Australia	-	100.0
Western Sydney Orbital Funding (Options) Trust	Australia	100.0	100.0
Western Sydney Orbital Funding Trust	Australia	100.0	100.0
Western Sydney Orbital Holding Trust	Australia	100.0	100.0

12 Investments in Associates

Name of associate	Principal activity	Balance date	2007 ownership %	2006 ownership %
Westlink Motorway Limited	Nominee for partnership	30 June	47.5	45.0
Westlink Motorway Partnership	Investment in toll road	30 June	47.5	45.0
WSO Finance Pty Limited	Finance company	30 June	47.5	45.0

MIT(I)'s interests in the Skyway and Dulles Greenway holding companies are non voting and as such have not been included in the table above.

The voting power held in the other associates disclosed above is in proportion to the ownership interest held.

The above associates are measured at fair value in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*, accordingly the changes in fair value are recognised in the Income Statement in the financial year in which the changes occur. Refer also to Note 10.

13 Distribution Payable

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Provision for distribution				
Balance at the beginning of the year	180,895	6,678	180,895	6,678
Provided for during the year	-	180,895	-	180,895
Paid during the year	(180,895)	(6,678)	(180,895)	(6,678)
Balance at the end of the year	-	180,895	-	180,895

No distribution was payable by MIT(I) as at 30 June 2007.

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For the Year Ended 30 June 2007

14 Payables

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Current				
Distributions payable to minority interests	-	36,280	-	-
Interest payable	-	7,810	-	-
Responsible Entity's base fees payable	2,210	1,642	2,210	1,642
Responsible Entity's performance fees payable	-	-	-	-
Sundry creditors and accruals	147	651	133	429
Loan from related entities	34,443	-	34,122	-
	36,800	46,383	36,465	2,071
Non current				
Loan from ED Funding Trust	-	-	-	144,876
Loans from related entities	414	434	413	434
	414	434	413	145,310

15 Interest-Bearing Financial Liabilities

	Notes	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Non-current					
Loan from MIT(II)	(a)	504,141	31	-	31
Non-recourse loans	(b)	-	665,500	-	-
Reset convertible notes (ReCNS)	(c)	-	496,663	-	-
		504,141	1,162,194	-	31

(a) Loan from MIT(II)

The loan from MIT(II) accrues interest at BBSW plus a margin of 0.45% per annum.

(b) Non-recourse loans

At 30 June 2006, the consolidated financial statements incorporated interest-bearing financial liabilities raised by controlled project entities to finance the construction of infrastructure assets. These project-related liabilities were non-recourse to the Group. These non-recourse loans formed part of the demerger of Sydney Roads Group on 1 August 2006.

(c) Reset convertible notes (ReCNS)

The ReCNS were issued by Western Sydney Orbital Funding Trust, 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.

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). The facility can be utilised to invest in infrastructure assets and if utilised, would attract interest at market rates plus a margin of 0.40% per annum. The facility terminates on 1 November 2007.

Line fees and establishment fees of \$0.8 million (2006: \$0.7 million) were incurred by MIT(I) in relation to the facilities during the year.

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For the Year Ended 30 June 2007

16 Contributed Equity

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
On issue at the beginning of the year	325,010	254,720	325,010	254,720
Adjustment to equity on adoption of AASB 132 and AASB 139*	-	(254,720)	-	(254,720)
Transfer of net assets attributable to unit holders from liabilities to equity*	-	325,010	-	325,010
Issued pursuant to:				
DRP on 12 August 2005	-	-	-	-
Institutional placement on 1 September 2005	-	-	-	-
Reinvestment of performance fees in securities on 12 September 2005	-	-	-	-
Security purchase plan dated 12 October 2005	-	-	-	-
DRP on 14 February 2006	-	-	-	-
DRP on 15 August 2006	5,417	-	5,417	-
Conversion of ReCNs on 15 November 2006**	16,580	-	16,580	-
In specie distribution of Sydney Roads Group	(44,600)	-	(44,600)	-
Cancelled pursuant to:				
Security buy-back: 3 October 2006 – 30 June 2007***	(21,680)	-	(21,680)	-
On issue at the end of the period	280,727	325,010	280,727	325,010
	Number of units '000	Number of units '000	Number of units '000	Number of units '000
On issue at the beginning of the year				
Issued pursuant to:	2,475,499	2,164,890	2,475,499	2,164,890
DRP on 12 August 2005	-	17,594	-	17,594
Institutional placement on 1 September 2005	-	174,419	-	174,419
Reinvestment of performance fees in securities on 12 September 2005	-	21,862	-	21,862
Security purchase plan dated 12 October 2005	-	26,732	-	26,732
DRP on 14 February 2006	-	70,002	-	70,002
DRP on 15 August 2006	55,505	-	55,505	-
Conversion of ReCNs on 15 November 2006**	165,049	-	165,049	-
Cancelled pursuant to:				
Security buy-back: 3 October 2006 – 30 June 2007***	(179,262)	-	(179,262)	-
On issue at the end of the year	2,516,791	2,475,499	2,516,791	2,475,499

* Refer note 1(c).

** 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.

*** 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. Of this amount A\$21.7 million relates to consideration for 179,261,530 units in MIT(I). In accordance with approval received from ASIC on 10 August 2007, the buy back will conclude no later than 10 August 2008.

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For the Year Ended 30 June 2007

16 Contributed Equity (cont'd)

Ordinary units in MIT(I)

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the *Corporations Act 2001*, Companies Act and the Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in MIT(I) and MIT(II) and one vote for each fully paid share in respect of MIGIL.

Unless the Responsible Entity determines otherwise, a unit on issue in MIT(I) at the end of an income period entitles its holder to a pro-rata proportion of the net income of the Trust in respect of that income period. The Responsible Entity determines the net income of the Trust as at the end of each financial year. The entitlement to income of each unit is, at the Responsible Entity's discretion, distributed to the investor within two months of the last day of the income period.

Upon the winding up of the Trust, the Responsible Entity is required to realise the assets of the Trust and after meeting liabilities of the Trust, to distribute the net proceeds to the security holders pro-rata according to the number of stapled securities held on the date upon which the Trust commenced to be wound up.

17 Retained Profits

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Balance at the beginning of the period	31,537	104,754	42,087	127,433
Adjustment to retained profits on adoption of AASB 132 and 139*	-	(104,754)	-	(127,433)
Transfer of net assets attributable to security holders from liability to equity*	-	210,026	-	178,395
Profit attributable to MIT(I) security holders	46,287	2,406	42,250	44,587
Distributions paid and proposed	-	(180,895)	-	(180,895)
Balance at the end of the period	77,824	31,537	84,337	42,087

* Refer note 1(c).

18 Earnings Per Unit

	Consolidated 30 June 2007	Consolidated 30 June 2006
Basic and diluted earnings per unit after finance costs to unit holders	1.81c	0.10c
	\$'000	\$'000
Earnings used in calculation of basic and diluted earnings per unit after finance costs attributable to unit holders*	46,287	2,406
	Number '000	Number '000
Weighted average number of units used in calculation of basic and diluted earnings per unit after finance costs attributable to unit holders*	2,557,265	2,373,725

* There is no difference in the earnings and weighted average number of units used in the calculation of basic earnings per unit and diluted earnings per unit.

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For the Year Ended 30 June 2007

19 Cash Flow Information

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
(i) Reconciliation of profit from continuing activities before finance costs attributable to unitholders to net cash flows from operating activities				
Profit from continuing activities before finance costs attributable to unitholders	48,261	129,369	42,250	92,551
Revaluation of investments	(90,629)	(96,079)	(62,687)	(56,465)
Expenses relating to financing activities	1,180	25,382	228	549
Interest capitalised to loans/(capitalised interest received)	5,606	(49,351)	(3,121)	6,045
Net foreign exchange differences	14,111	(1,772)	14,111	(1,772)
Loss on sale of investments	2,781	-	1,799	-
Changes in assets and liabilities				
Decrease/(increase) in receivables	(1,350)	7,562	(3,518)	(1,874)
(Decrease)/increase in payables	17,728	(3,891)	7,596	(3,981)
Net cash (outflow)/inflow from operating activities	(2,312)	11,220	(3,342)	35,053
(ii) Reconciliation of cash and cash equivalents				
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statements is reconciled to the related items in the Balance Sheets as follows:				
Cash at bank	40,796	17,669	39,565	988
Short term money market investments	95,259	292,812	77,486	275,108
Cash and cash equivalents	136,055	310,481	117,051	276,096

(iii) Non-cash financing and investing activities

— Consolidated and parent entity

Responsible Entity and Adviser performance fees of \$Nil (2006: \$91.6 million) were elected to be reinvested in Nil (2006: 21.9 million) new MIG stapled securities at an issue price of \$Nil (2006: \$4.1897). Of this amount \$Nil (2006: \$15.0 million) related to the issue of stapled securities by MIT(I).

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For the Year Ended 30 June 2007

20 Related Party Disclosures

■ **Responsible Entity**

The Responsible Entity of the Trust is Macquarie Infrastructure Investment Management Limited, a wholly owned subsidiary of Macquarie Bank Limited (MBL). The registered office of the Responsible Entity is No.1 Martin Place, Sydney NSW 2000.

■ **Directors**

The following persons held office as directors of the Responsible Entity during the whole of the year and up to the date of this report, unless otherwise stated:

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

No fees were paid out of Group property to the directors of the Responsible Entity during the year.

The number of MIG stapled securities held directly, indirectly or beneficially by the directors or their related entities at 30 June 2007 is set out below:

	Stapled Securities	
	Balance at start of the year 1 July 2006	Balance at the end of the year 30 June 2007
Mark Roderick Granger Johnson	811,619	811,731
Michael Bernard Easson	368	394
Eric Paul McClintock	85,438	89,604
Nicholas William Moore	840,247	881,355
David Allen Mortimer	514,521	550,385
John Stuart Hugh Roberts	208,587	208,587
David Anthony Walsh	25,000	25,000
	2,485,780	2,567,056

During the year, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by MIT(I) with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the Trust Constitution.

■ **Key Management Personnel**

The following are key management personnel of the Group:

- The Responsible Entity

Key Management Personnel are defined in AASB 124: *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Responsible Entity of the Trust meets the definition of Key Management Personnel as it has authority in relation to the activities of MIG. These powers have not been delegated by the Responsible Entity to any person, including the CEO of MIG. Accordingly, there are no other Key Management Personnel of MIT(I).

No payment was made by the Group to the CEO or to any director of the Responsible Entity during the year ended 30 June 2007 (2006: \$Nil).

Base management fees of \$82.0 million (2006: \$98.0 million) and performance fees of \$Nil (2006: \$Nil) were paid to the Responsible Entity as compensation, of which MIT(I)'s portion was \$8.6 million (2006: \$9.6 million) and \$Nil (2006: \$Nil) respectively.

The Responsible Entity holds 31,657,944 (2006: 30,820,428) stapled securities. Distributions totalling \$Nil (2006: \$6,472,290) were payable by MIT(I) to the Responsible Entity for the year ended 30 June 2007.

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For the Year Ended 30 June 2007

20 Related Party Disclosures (cont'd)

■ *Responsible Entity's and advisor's fees*

Under the terms of the Trust Constitution, fees paid or payable (inclusive of non-recoverable GST) to the Responsible Entity of the Trust were:

	Consolidated 30 June 2007 \$'000	Consolidated 30 June 2006 \$'000	Parent Entity 30 June 2007 \$'000	Parent Entity 30 June 2006 \$'000
Base fee	8,643	9,642	8,643	9,642
Performance fee	-	-	-	-
	8,643	9,642	8,643	9,642

The base fee is calculated as 1.25% per annum of the first \$3.0 billion of the adjusted market capitalisation of MIG at the end of each quarter. For adjusted market capitalisation in excess of \$3.0 billion, the fee is calculated at 1% per annum.

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 year ended 30 June 2007, and 30 June 2006, no new performance fee was calculated for MIG and no instalments of performance fees relating to previous periods became payable.

Fees are apportioned between MIT(I), MIT(II) and MIGIL 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 net market values of the assets are used in the calculation of this apportionment.

■ *Other transactions*

MBL and companies within the MBL Group have undertaken various transactions with, and performed various services for MIT(I) and its controlled entities. Fees paid to MBL are approved solely by the independent directors on the boards of the Responsible Entity and where appropriate, external advice is sought by the directors to ensure that the fees and terms of engagement are representative of arm's length transactions.

During the financial year, MIT(I) reimbursed MBL \$185,672 (2006: \$89,852), representing out-of-pocket expenses incurred by the Responsible Entity and Adviser in the performance of their duties.

As at 30 June 2007, the Trust held funds totalling \$40,796,347 (2006: \$1,474,370) on deposit with MBL. The Trust earns interest on deposits at commercial rates. Interest income from MBL deposits totalling \$271,585 (2006: \$366,023) was included in the determination of profit from continuing activities for the Trust for the year ended 30 June 2007.

During the year, MBL earned advisory fees from MIG of \$5,807,106 for work performed on the sale of 50% of MIG's interest in its four US assets.

An advisory fee of \$4.5 million was paid by MIG to MBL and underwriting fees of \$1.1 million were paid to both Macquarie Equity Capital Markets Limited (a subsidiary of MBL) and UBS in relation to the demerger of SRG.

At 30 June 2007, MIT(I) had a nil balance with MIT(II) (2006: \$30,847) under the \$300.0 million facility agreement dated 20 December 2001. Interest on the loan is calculated at BBSW plus a margin of 0.45% per annum and is payable quarterly in arrears. The loan is repayable on 15 January 2027, unless otherwise determined by the parties of loan. During the year ended 30 June 2007, MIT(I) borrowed \$432,486,474 from, and repaid \$398,397,652 to, MIT(II).

At 30 June 2007, Western Sydney Orbital Funding Trust had a payable balance of \$504,141,348 with MIT(II). Interest on the loan is calculated at BBSW plus a margin of 0.45% per annum and is payable quarterly in arrears.

MIG paid brokerage of \$1,049,668 to Macquarie Securities (Australia) Limited during the year in connection with the security buy-back.

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

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

Financial Report

For the Year Ended 30 June 2007

21 Segment Reporting

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

MIT(I)'s toll road business includes the development and operation of toll roads and investment in entities in the same industry sector.

Geographical segments

	Australia \$'000	North America \$'000	Total \$'000
Consolidated			
30 June 2007			
Revenue and other income from continuing activities	150,239	(53,123)	97,116
Profit from continuing activities before finance costs attributable to unitholders	101,384	(53,123)	48,261
Total assets	862,602	37,304	899,906
Total liabilities	540,942	413	541,355
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	34,300	-	34,300
Amortisation expense	1,006	-	1,006
	Australia \$'000	North America \$'000	Total \$'000
Consolidated			
30 June 2006			
Revenue and other income from continuing activities	165,984	56,844	222,828
Profit from continuing activities before finance costs attributable to unitholders	72,525	56,844	129,369
Total assets	1,670,530	133,205	1,803,735
Total liabilities	1,446,754	434	1,447,188
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	47,350	49,618	96,968
Amortisation expense	1,337	-	1,337

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For the Year Ended 30 June 2007

22 Financial Risk Management

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

Risk management is carried out by the Responsible Entity under policies approved by the Directors of the Responsible Entity. The Directors of the Responsible Entity identifies, evaluates and hedges financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

■ **Market risk**

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates internationally and is exposed to foreign exchange risk arising from currency exposures to the United States Dollar.

The Group does not hedge the foreign exchange exposure on overseas investments due to their long-term horizon. However, commitments to make equity commitments which are denominated in foreign currencies are hedged, by way of forward contracts, as close as possible to the time of making the commitment or raising the required capital.

(b) Price risk

The Group is not exposed to equity securities price risk or commodity price risk.

(c) Fair value interest rate risk

Refer below.

■ **Credit risk**

The Group has no significant concentration of credit risk. Derivative counterparties and cash transactions are limited to high quality financial institutions.

■ **Liquidity risk**

The Group has a prudent liquidity policy to ensure that it maintains sufficient cash and cash equivalents to meet its obligations.

■ **Cash flow and fair value interest rate risk**

The Group has no significant interest-bearing assets other than cash and cash equivalents and the investment in Westlink M7 through Subordinated Term Loan Notes (SLNs). See Note 5 for significant terms and conditions attaching to cash and cash equivalents.

The Group's interest-rate risk arises from long-term borrowings. The Group has long term borrowings issued at floating interest rates. For floating rate exposures, the Group partially hedges the exposure by entering into interest rate swaps, whereby the Group agrees with its 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.

23 Events Occurring After Balance Sheet Date

■ **Distribution Reinvestment Plan**

A portion of stapled security holders participated in MIG's Distribution Reinvestment Plan 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 Distribution Reinvestment Plan 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.

Financial Report

For the Year Ended 30 June 2007

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

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 29 are in accordance with the Trust constitution 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 Trust (I) and the consolidated entity's 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 Macquarie Infrastructure Trust (I) will be able to pay 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 unitholders of Macquarie Infrastructure Trust (I) (MIT (I))

Report on the financial report

We have audited the accompanying financial report of Macquarie Infrastructure Trust (I) (MIT (I)), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for both MIT (I) and the Macquarie Infrastructure Trust (I) Group (the consolidated entity). The consolidated entity comprises Macquarie Infrastructure Trust (I) and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Macquarie Infrastructure Investment Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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 on the financial report

In our opinion:

- (a) the financial report of Macquarie Infrastructure Trust (I) is in accordance with the *Corporation Act 2001*, including:
 - (i) giving a true and fair view of Macquarie Infrastructure Trust (I) and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with the Trust Constitution, Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).



PricewaterhouseCoopers



Mark Haberlin
Partner

Sydney
22 August 2007

