



Macquarie Infrastructure Group

Comprising Macquarie Infrastructure Trust (II) and its controlled entities

Macquarie Infrastructure Trust (I) and its controlled entities

Interim Financial Report

31 December 2008

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Group International Limited 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 Group Limited ACN 008 583 542 (MGL).

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

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

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

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

The MIG and MIT(I) consolidated interim financial reports have 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 interim financial reports and any financial information contained in these financial reports rests solely with the directors of MIIML.

Interim Report

For the Half Year Ended 31 December 2008

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Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 2008

Directors' Report

Macquarie Infrastructure Investment Management Limited (MIIML or the Responsible Entity) acts as the responsible entity for Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)). The directors of MIIML submit the following report on the consolidated interim financial report of Macquarie Infrastructure Group (MIG) for the half year ended 31 December 2008. UIG 1013 *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated financial report. 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 Macquarie Infrastructure Group International Limited (MIGIL) and its controlled entities together acting as Macquarie Infrastructure Group (MIG or the Group).

The directors of MIIML also submit the following report for the Macquarie Infrastructure Trust (I) Group (MIT(I) Group), comprising MIT(I) and its controlled entities, for the half year ended 31 December 2008.

Principal Activities

The principal activity of MIG and the MIT(I) Group (together the Groups) is the development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector. There were no significant changes in the nature of the Groups activities during the half year.

Directors

The following persons were directors of the Responsible Entity during the whole of the period and up to the date of this report (unless otherwise stated):

- Mark Roderick Granger Johnson (Chairman)
- Eric Paul McClintock
- David Allen Mortimer
- David Anthony Walsh
- Michael Carapiet (resigned 23 December 2008)
- John Stuart Hugh Roberts (alternate Director to Mark Roderick Granger Johnson and Michael Carapiet) (resigned 23 December 2008)

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

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

Distributions

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

No distribution was paid by MIT(I) for the period ended 31 December 2008 (2007: Nil).

Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 2008

Review and Results of Operations

The performance of MIG and the MIT(I) Group (together the Groups) for the half year, as represented by the results of their operations, was as follows:

	MIG		MIT(I) Group	
	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Revenue and other income from continuing activities	(1,607,673)	1,480,848	(55,536)	83,011
(Loss)/Profit attributable to MIG security holders/MIT(I) unit holders	(1,269,912)	1,028,670	(78,440)	59,581
	Cents	Cents	Cents	Cents
Basic earnings per stapled security/unit	(53.66)	41.61	(3.31)	2.41

› Valuation of investments in financial assets

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

› Security buy-back

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

As at 31 December 2008, MIG had bought back 89,062,213 MIG securities for total consideration of \$184.1 million (including transaction costs). Of this amount \$6.5 million related to consideration for 89,062,213 units in MIT(I) and \$26.7 million related to consideration for 89,062,213 units in MIT(II). Brokerage of \$300,286 was paid to Macquarie Capital Securities (Australia) Limited for securities bought back to 31 December 2008.

› Westlink M7

In August 2008, MIG exercised its pre-emptive rights under the Westlink Equity Participants Deed to acquire an additional 2.5% interest in Westlink M7 from Leighton Contractors Pty Ltd, for consideration of \$38.0 million. Financial close occurred on 28 August 2008, increasing MIG's stake in the Westlink M7 to 50%.

In December 2008, MIG accepted a binding offer for 100% of its interest in Westlink M7 from Western Sydney Road Group (WSRG) for \$805.0 million. WSRG is owned in equal parts by MIG and funds managed by QIC Private Capital Pty Limited (a wholly owned subsidiary of QIC) and the sale will generate net proceeds for MIG of approximately \$402.5 million. Completion of the sale is subject to certain conditions precedent. On 13 January 2009, Transurban announced it would not exercise its pre-emptive rights on the sale of MIG's 50% interest in Westlink M7. Completion of the sale to WSRG is anticipated by the end of the first quarter 2009.

› Lusoponte

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

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

Macquarie Infrastructure Investment Management Limited

Directors' Report – For the Half Year Ended 31 December 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 Groups other than those disclosed in the Review and Results of Operations that occurred during the half year under review.

Events Occurring after Balance Sheet Date

Since balance date, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the half year ended 31 December 2008.

Responsible Entity's Holdings of Stapled Securities

The number of stapled securities held by or on behalf of the Responsible Entity of MIT(II) and MIT(I) as at 31 December 2008 was 34,990,087 (30 June 2008: 33,695,119).

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.

Presentation of Interim Financial Report

The Directors' Report and Interim Financial Report for MIT(II) and MIT(I) have been presented in this single document, pursuant to ASIC Class Order 06/441.

Rounding of Amounts in the Directors' Report and Financial Report

The Groups are of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, issued by the Australian Securities & Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' Report and Interim Financial Report. Amounts in the Directors' Report and the Interim 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
18 February 2009



David Mortimer
Sydney
18 February 2009

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Auditor's Independence Declaration

As lead auditor for the reviews of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I) for the half year ended 31 December 2008, 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 reviews; and
- b) no contraventions of any applicable code of professional conduct in relation to the reviews.

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



Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
18 February 2009

Interim Report

For the Half Year Ended 31 December 2008

Consolidated Income Statements

	Note	MIG		MIT(I) Group	
		6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Revenue and other income from continuing activities					
Revenue from continuing activities		91,674	112,427	611	3,251
Revaluation (loss)/gain and other income from continuing activities		(1,699,347)	1,368,421	(56,147)	79,760
Total revenue and other income from continuing activities	2(i)	(1,607,673)	1,480,848	(55,536)	83,011
Operating expenses from continuing activities					
Finance costs		(76,615)	(77,599)	(20,929)	(18,471)
Other operating expenses		(91,315)	(101,475)	(1,959)	(4,915)
Total operating expenses from continuing activities	2(ii)	(167,930)	(179,074)	(22,888)	(23,386)
(Loss)/Profit from continuing activities before income tax benefit/(expense)		(1,775,603)	1,301,774	(78,424)	59,625
Income tax benefit/(expense)		92,898	(111,447)	(16)	(44)
(Loss)/Profit from continuing activities after income tax benefit/(expense)		(1,682,705)	1,190,327	(78,440)	59,581
(Loss)/Profit attributable to:					
MIG security holders/MIT(I) unit holders		(1,269,912)	1,028,670	(78,440)	59,581
Minority interests		(412,793)	161,657	-	-
		(1,682,705)	1,190,327	(78,440)	59,581
Earnings per security/unit for (loss)/profit from continuing activities attributable to MIG security holders/MIT(I) unit holders					
		Cents	Cents	Cents	Cents
Basic earnings per stapled security/unit		(53.66)	41.61	(3.31)	2.41

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

Interim Report

As at 31 December 2008

Consolidated Balance Sheets

	Note	MIG		MIT(I) Group	
		As at	As at	As at	As at
		31 Dec 2008	30 Jun 2008	31 Dec 2008	30 Jun 2008
		\$'000	\$'000	\$'000	\$'000
Current assets					
Cash and cash equivalents		647,497	984,212	22,749	25,782
Receivables		238,170	2,474	70	282
Derivative financial instruments		-	3,957	-	-
Prepayments		2,843	2,335	105	122
Investments classified as held for sale	4	805,000	-	739,069	-
Total current assets		1,693,510	992,978	761,993	26,186
Non-current assets					
Receivables		-	3,230	-	-
Derivative financial instruments		-	110,838	-	-
Investments in financial assets	4	5,837,943	7,363,008	11,837	780,157
Property, plant and equipment		1,139,913	1,172,277	-	-
Tolling concessions		102,368	104,725	-	-
Total non-current assets		7,080,224	8,754,078	11,837	780,157
Total assets		8,773,734	9,747,056	773,830	806,343
Current liabilities					
Distribution payable	3	231,477	240,384	-	-
Payables		41,088	37,539	1,052	6,670
Derivative financial instruments		5,329	-	-	-
Current tax liabilities		580	321	13	-
Total current liabilities		278,474	278,244	1,065	6,670
Non-current liabilities					
Payables		171,317	150,969	-	-
Interest-bearing financial liabilities	5	2,483,146	2,428,289	498,846	442,464
Derivative financial instruments		366,264	-	-	-
Deferred tax liabilities		147,053	203,169	1,677	-
Total non-current liabilities		3,167,780	2,782,427	500,523	442,464
Total liabilities		3,446,254	3,060,671	501,588	449,134
Net assets		5,327,480	6,686,385	272,242	357,209
Equity					
MIG security holders'/MIT(I) unit holders' interest					
Contributed equity	6	3,407,501	3,591,566	261,020	267,547
Retained profits	7	1,040,855	2,542,244	11,222	89,662
Reserves	8	417,338	(183,629)	-	-
Total MIG security holders'/MIT(I) unit holders' interest		4,865,694	5,950,181	272,242	357,209
Minority interest in controlled entities		461,786	736,204	-	-
Total equity		5,327,480	6,686,385	272,242	357,209

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

Interim Report

For the Half Year Ended 31 December 2008

Consolidated Statements of Changes in Equity

	Note	MIG		MIT(I) Group	
		6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Total equity at the beginning of the half year		6,686,385	7,075,887	357,209	358,551
Exchange differences on translation of foreign operations		1,249,127	177,469	-	-
Changes in fair value of cashflow hedges (net of tax)		(486,484)	(108,639)	-	-
(Loss)/Profit for the half year		(1,682,705)	1,190,327	(78,440)	59,581
Total recognised income and expense for the half year		(920,062)	1,259,157	(78,440)	59,581
Transactions with equity holders in their capacity as equity holders:					
Securities cancelled pursuant to security buy-back (including transaction costs)	6	(184,065)	(328,671)	(6,527)	(11,843)
Distributions provided for or paid to MIG security holders	3	(231,477)	(241,528)	-	-
Distributions provided for or paid to minority interest		(23,301)	(40,543)	-	-
		(438,843)	(610,742)	(6,527)	(11,843)
Total equity at the end of the half year		5,327,480	7,724,302	272,242	406,289
Total recognised income and expenses for the half year is attributable to:					
MIG security holders/MIT(I) unit holders		(668,946)	1,071,501	(78,440)	59,581
Minority interest		(251,116)	187,656	-	-
		(920,062)	1,259,157	(78,440)	59,581

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

Interim Report

For the Half Year Ended 31 December 2008

Consolidated Cash Flow Statements

	MIG		MIT(I) Group	
	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Cash flows from operating activities				
Toll revenue received	77,566	81,504	-	-
Interest received	22,950	40,870	862	3,251
Net indirect taxes (paid)/received	(5,835)	(5,256)	569	1,348
Payments to suppliers and employees (inclusive of GST/VAT)	(29,177)	(15,475)	(5,720)	(920)
Responsible Entity and Adviser base fees paid	(30,315)	(41,757)	(4,117)	(4,404)
Distributions, dividends and interest income from investments	100,013	161,833	12,776	41,509
Income taxes paid	(145)	(9,608)	-	(44)
Other income received	2,482	5,797	-	-
Net cash flows from operating activities	137,539	217,908	4,370	40,740
Cash flows from investing activities				
Proceeds from returns of capital from investments	5,820	5,464	-	-
Payments for purchase of investments	(48,236)	(1,189)	(38,000)	-
Purchase of property, plant and equipment	(796)	(2,168)	-	-
Proceeds from sale of property, plant and equipment	56	-	-	-
Net cash flows from investing activities	(43,156)	2,107	(38,000)	-
Cash flows from financing activities				
Proceeds from bank borrowings	617	1,982	-	-
Borrowing costs paid	(38,937)	(37,417)	(1,460)	(125)
Net loans advanced to/(repayment of loans) from MIT(II)	-	-	38,582	(40,464)
Repayment of loans from MIGIL	-	-	-	(323)
Distributions paid to security holders/unit holders	(240,384)	(251,679)	-	-
Distributions paid to minority interests	(23,301)	(40,543)	-	-
On market buyback (including transaction costs)	(184,065)	(328,671)	(6,527)	(11,843)
Net cash flows from financing activities	(486,070)	(656,328)	30,595	(52,755)
Net decrease in cash assets held	(391,687)	(436,313)	(3,035)	(12,015)
Cash and cash equivalents at the beginning of the half year	984,212	1,673,122	25,782	136,055
Effects of exchange rate movements on cash and cash equivalents	54,972	(23,379)	2	-
Cash and cash equivalents at the end of the half year	647,497	1,213,430	22,749	124,040

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

Interim Report

For the Half Year Ended 31 December 2008

Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

This general purpose financial report for the interim reporting period ended 31 December 2008 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial reports of Macquarie Infrastructure Group (MIG or the Group) and Macquarie Infrastructure Trust (I) (MIT(I)) for the year ended 30 June 2008 and any public announcements made by MIG during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Basis of Preparation of Interim Financial Report

The accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim period unless otherwise stated. The principal accounting policies adopted in the preparation of the interim financial report are set out below.

— Compliance with International Accounting Standards (IAS)

Compliance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* ensures that the interim financial report complies with IAS 34: *Interim Financial Reporting* (IAS 34) as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34.

— Historical cost convention

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

— Stapled security

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

This interim financial report includes 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 and the consolidated financial statements of MIT(I) which comprises MIT(I) and its controlled entities.

(b) Consolidated Accounts and Stapling Arrangements

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(I) and its controlled entities, MIT(II) and its controlled entities and MIGIL and its controlled entities.

The financial statements of MIG should be read in conjunction with the separate consolidated financial statements of MIT(I), presented in this report, and the separate consolidated financial statements of MIGIL for the half year ended 31 December 2008.

(c) Principles of Consolidation

The consolidated financial statements of MIG incorporate the assets and liabilities of the entities controlled by MIT(II) at 31 December 2008, including those deemed to be controlled by MIT(II) by identifying it as the parent of MIG, and the results of those controlled entities for the half year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MIT(I), MIT(II) or MIGIL.

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

Interim Report

For the Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(d) 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 Securities Exchange (ASX) 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 Capital Funds (Europe) Limited is the Adviser of this company.

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

MIG has designated its non-controlled investments in toll road assets as financial assets at fair value through profit or loss. Investments in financial assets at fair value through profit or loss are revalued at each reporting date to their fair values in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in the fair values of these investments in financial assets at fair value through profit or loss, both positive and negative have been recognised in the Income Statement for the financial period.

Investments have been brought to account as follows:

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

Interests in partnerships, unlisted securities in companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing toll roads, bridges and tunnels and the basis upon which market participants have derived valuations for toll road transactions.

Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows and/or the return over the risk free rate which an investor would require on the asset.

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

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

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

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

— *Interests in interest bearing financial assets*

Interests in interest-bearing (public and other) financial assets are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework. Adjustments to the fair value of interest bearing financial assets are recognised in the Income Statement.

Interim Report

For the Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(f) 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.

(g) Intangible Assets - Tolling Concessions

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

Tolling concessions have a finite useful life by the terms of the concession arrangement and are carried at cost which represents fair value on acquisition less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over their estimated useful lives.

(h) Interest-bearing Financial Liabilities

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

(i) Foreign Currency Translation

— *Functional and presentation currency*

Items included in the financial statements of each of the Groups' 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 the functional and presentation currency of MIT(I) and MIT(II).

— *Transactions and balances*

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

— *Group companies*

The results and financial position of all the Groups' entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at exchange rates at the dates of transactions or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity. When a foreign operation is sold or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Income Statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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For the Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(j) Investments Classified as Held for Sale

Investments are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less cost to sell, except for certain assets which are specifically exempt from this requirement including investments in financial assets at fair value through profit or loss which continue to be measured at fair value. Investments classified as held for sale are presented separately from the other assets in the balance sheet.

(k) Critical Accounting Estimates and Judgement

The preparation of the interim financial report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. The directors believe the estimates used in preparation of the interim financial report are reasonable. Actual results in the future may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

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

Interests in partnerships and unlisted securities in companies and trusts are brought to account at fair value determined in accordance with the discounted cash flow analysis methodology adopted by the directors. Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The key assumptions used in calculating the fair value are therefore the future cash flows that are expected to be generated by an asset, the pricing of debt refinancing and the appropriate discount rate.

Further information on the valuation of investments in financial assets can be found in Note 1(e) and Note 4.

— **Derivative financial instruments**

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the directors with assumptions that are based on market conditions existing at each balance sheet date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

— **Income Tax**

The Groups are subject to income taxes in Australia and jurisdictions where they have foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Groups recognise liabilities for anticipated tax issues based on their current understanding of the tax law.

(l) Presentation of Financial Reports

The interim financial reports for MIT(II) and MIT(I) have been presented in this single document, pursuant to ASIC Class Order 06/441.

(m) Comparative Figures

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

(n) Rounding of Amounts

The Groups are of a kind referred to in Class Order 98/0100, as amended by ASIC Class Order 04/667, relating to the "rounding off" of amounts in the financial report.

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

Interim Report

For the Half Year Ended 31 December 2008

2 (Loss)/Profit for the Half Year

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

(i) Revenue and other income from continuing activities

	MIG		MIT(I) Group	
	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Revenue from continuing activities				
Interest income from related parties	552	1,390	122	145
Interest income from other persons and corporations	22,228	39,424	489	3,106
Toll revenue	65,250	68,624	-	-
Other revenue	3,644	2,989	-	-
Total revenue from continuing activities	91,674	112,427	611	3,251
Revaluation (loss)/gain from continuing activities				
Net revaluation of interests in unlisted securities in companies and trusts designated as fair value through the profit or loss	(1,708,421)	1,277,567	(54,402)	31,399
Net revaluation of interest bearing financial assets designated as fair value through the profit or loss	(109,211)	87,065	(18,417)	48,516
Net foreign exchange gain/(loss)	96,646	14,270	16,666	(1,217)
Total revaluation (loss)/gain from continuing activities	(1,720,986)	1,378,902	(56,153)	78,698
Other income from continuing activities				
Foreign exchange gain/(loss)	37,881	(13,259)	6	19
(Loss)/gain on derivative financial instruments	(16,242)	2,778	-	1,043
Total other income from continuing activities	21,639	(10,481)	6	1,062
Total revaluation (loss)/gain and other income from continuing activities	(1,699,347)	1,368,421	(56,147)	79,760
Total revenue and other income from continuing activities	(1,607,673)	1,480,848	(55,536)	83,011

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For the Half Year Ended 31 December 2008

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

(ii) Operating expenses from continuing activities

	MIG		MIT(I) Group	
	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000	6 months to 31 Dec 2008 \$'000	6 months to 31 Dec 2007 \$'000
Finance costs				
Interest paid to related parties	-	-	19,313	18,169
Interest paid to other persons and corporations	76,615	77,599	1,616	302
	76,615	77,599	20,929	18,471
Other operating expenses				
Amortisation of tolling concessions	1,313	1,313	-	-
Depreciation:				
Plant and equipment	3,063	3,325	-	-
Buildings	514	538	-	-
Leasehold improvements	19,254	19,568	-	-
	22,831	23,431	-	-
Cost of operations:				
Employment costs	5,547	5,672	-	-
Operating expenses	3,798	3,685	-	-
Operating lease rentals	22,454	22,542	-	-
	31,799	31,899	-	-
Other operating expenses:				
Consulting and administration fees	3,119	2,720	522	565
Custodians' fees	131	83	54	21
Responsible Entity's and Adviser's base fees	23,227	36,601	753	3,984
Other expenses	8,895	5,428	630	345
	35,372	44,832	1,959	4,915
Total other operating expenses	91,315	101,475	1,959	4,915
Total operating expenses from continuing activities	167,930	179,074	22,888	23,386

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For the Half Year Ended 31 December 2008

3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	MIG		MIT(I) Group	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Final distribution paid for the year ended 30 June	240,384	251,679	-	-
Interim distribution proposed and payable for the half year ended 31 December (*)	231,477	241,528	-	-
	471,861	493,207	-	-
	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
Final distribution paid for the year ended 30 June (100% unfranked)	10.0000	10.0000	-	-
Interim distribution proposed and subsequently payable for the half year ended 31 December (100% unfranked) (*)	10.0000	10.0000	-	-
	20.0000	20.0000	-	-

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

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For the Half Year Ended 31 December 2008

4 Investments in Financial Assets and Investments Classified as Held for Sale

	MIG		MIT(I) Group	
	As at 31 Dec 2008 \$'000	As at 30 Jun 2008 \$'000	As at 31 Dec 2008 \$'000	As at 30 Jun 2008 \$'000
Investments in financial assets and investments classified as held for sale				
Total investments in financial assets	5,837,943	7,363,008	11,837	780,157
Total investments classified as held for sale	805,000	-	739,069	-
	6,642,943	7,363,008	750,906	780,157

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, unless stated otherwise. Refer to Note 1(e).

(a) MIG Consolidated

Investments in Financial Assets

The table below summarises the movements in MIG's investments in financial assets during the half year ended 31 December 2008. It excludes investments that met the held for sale criteria at 31 December 2008 under Australian Accounting Standards which are disclosed separately.

	Balance at 1 July 2008 \$'000	Investments \$'000	Returns from Investments Note (i) \$'000	FX Effects Note (ii) \$'000	Revaluations \$'000	Divestments \$'000	Balance at 31 Dec 2008 \$'000
Interests in partnerships, unlisted securities in companies and trusts							
407 International Inc.	3,295,005	-	(22,667)	490,228	(191,160)	-	3,571,406
Lusoponte Concessionária para a Travessia do Tejo SA - Note (v)	187,608	-	(3,428)	42,805	(3,818)	(223,167)	-
Chicago Skyway Partnership	235,727	-	(680)	89,033	(137,897)	-	186,183
Financière Eiffarie SAS (APRR) - Note (iii)	1,471,391	-	(40,638)	317,339	(806,885)	-	941,207
Indiana Toll Road Partnership	344,356	-	(4,102)	133,271	(284,804)	-	188,721
South Bay Expressway LP	132,851	8,670	-	55,060	(184,994)	-	11,587
Dulles Greenway Partnership	94,532	580	-	37,573	(90,193)	-	42,492
Warnowquerung GmbH & Co. KG Partnership (Warnow Tunnel) - Note (vii)	1,681	-	-	351	(184)	-	1,848
Transtoll Pty Limited	1,701	1,190	-	-	(2,891)	-	-
	5,764,852	10,440	(71,515)	1,165,660	(1,702,826)	(223,167)	4,943,444
Interests in interest bearing financial assets							
Financière Eiffarie SAS (APRR) Bonds - Note (iii)	493,072	-	(21,447)	98,673	22,170	-	592,468
Dulles Greenway Subordinated Loans	302,973	-	-	112,022	(112,964)	-	302,031
	796,045	-	(21,447)	210,695	(90,794)	-	894,499
Total investments in financial assets	6,560,897	10,440	(92,962)	1,376,355	(1,793,620)	(223,167)	5,837,943

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For the Half Year Ended 31 December 2008

4 Investments in Financial Assets and Investments Classified as Held for Sale (cont'd)

(a) MIG Consolidated (cont'd)

The investment valuation sensitivity to movements in the discount rates, revenue forecasts and project level interest rates is disclosed in the tables below. The valuation sensitivities below exclude investments classified as held for sale.

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	1 July 2008 50 bps lower \$ million	1 July 2008 50 bps higher \$ million
Change in valuation of investments in financial assets due to movement in discount rates	556.1	(484.5)	614.7	(521.3)

	31 December 2008 5% lower \$ million	31 December 2008 5% higher \$ million	1 July 2008 5% lower \$ million	1 July 2008 5% higher \$ million
Change in the valuation of investments in financial assets due to movement in revenue forecasts	(543.1)	516.4	(563.5)	557.4

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	1 July 2008 50 bps lower \$ million	1 July 2008 50 bps higher \$ million
Change in the valuation of investments in financial assets due to movement in interest rates	93.0	(88.9)	108.7	(107.1)

Investments Classified as Held for Sale

The table below summarises the movements in MIG's investments classified as held for sale during the half year ended 31 December 2008.

	Balance at 1 July 2008 \$'000	Investments \$'000	Returns from Investments Note (i) \$'000	FX Effects Note (ii) \$'000	Revaluations \$'000	Balance at 31 Dec 2008 \$'000
Interests in partnerships, unlisted securities in companies and trusts						
WSO Co Pty Limited (Westlink M7) - Note (vi)	84,531	5,591	-	-	(5,595)	84,527
	84,531	5,591	-	-	(5,595)	84,527
Interests in interest bearing financial assets						
Westlink M7 Subordinated term Loan Notes - Note (vi)	717,580	34,086	(12,776)	-	(18,417)	720,473
	717,580	34,086	(12,776)	-	(18,417)	720,473
Total investments classified as held for sale	802,111	39,677	(12,776)	-	(24,012)	805,000

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4 Investments in Financial Assets and Investments Classified as Held for Sale (cont'd)

(b) MIT(I) Group

Investments in Financial Assets

The table below summarises the movements in MIT(I) Group's investments in financial assets during the half year ended 31 December 2008. It excludes investments that met the held for sale criteria at 31 December 2008 under Australian Accounting Standards which are disclosed separately.

	Balance at 1 July 2008	Investments	Returns from Investments Note (i)	FX Effects Note (ii)	Revaluations	Balance at 31 Dec 2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies						
B Class shares in MIG Holdings (US) LLC (Chicago Skyway)	15,298	-	-	5,269	(9,584)	10,983
B Class shares in MIG Holdings 2 (US) LLC (Dulles Greenway)	32,152	-	-	11,397	(42,695)	854
Total investment in financial assets	47,450	-	-	16,666	(52,279)	11,837

The investment valuation sensitivity to movements in the discount rates, revenue forecasts and project level interest rates is disclosed in the tables below. The valuation sensitivities below exclude investments classified as held for sale.

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	1 July 2008 50 bps lower \$ million	1 July 2008 50 bps higher \$ million
Change in valuation of investments in financial assets due to movement in discount rates	1.2	(1.08)	4.0	(3.6)

	31 December 2008 5% lower \$ million	31 December 2008 5% higher \$ million	1 July 2008 5% lower \$ million	1 July 2008 5% higher \$ million
Change in the valuation of investments in financial assets due to movement in revenue forecasts	(2.93)	4.93	(3.9)	3.9

	31 December 2008 50 bps lower \$ million	31 December 2008 50 bps higher \$ million	1 July 2008 50 bps lower \$ million	1 July 2008 50 bps higher \$ million
Change in the valuation of investments in financial assets due to movement in interest rates	0.8	(1.0)	2.8	(2.7)

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For the Half Year Ended 31 December 2008

4 Investments in Financial Assets and Investments Classified as Held for Sale (cont'd)

(b) MIT(I) Group (cont'd)

Investments Classified as Held for Sale

The table below summarises the movements in MIT(I) Group's investments classified as held for sale during the half year ended 31 December 2008.

	Balance at 1 July 2008	Investments	Returns from Investments Note (i)	FX Effects Note (ii)	Revaluations	Balance at 31 Dec 2008
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interests in unlisted securities in companies						
WSO Co Pty Limited (Westlink M7) - Note (vi)	15,127	5,592	-	-	(2,123)	18,596
	15,127	5,592	-	-	(2,123)	18,596
Interests in interest bearing financial assets						
Investment in Westlink M7 Subordinated term Loan Notes - Note (vi)	717,580	34,086	(12,776)	-	(18,417)	720,473
	717,580	34,086	(12,776)	-	(18,417)	720,473
Total investments classified as held for sale	732,707	39,678	(12,776)	-	(20,540)	739,069

(c) Notes to Investments in Financial Assets and Investments Classified as Held for Sale

(i) Returns from Investments

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

(ii) Foreign Exchange (FX) Effects

Where an investment in a toll road company is held by a group entity that has the same functional currency as the asset, but a different functional currency to MIT(I) and MIT(II), FX effects resulting from translation of the group entity's assets and liabilities are taken to the Foreign Currency Translation Reserve. Where an investment in a toll road company is held by a group entity that has a functional currency different from that of the asset, FX effects resulting from translation of the investment in the books of the group entity are taken through the Income Statement. Of the \$1,376.4 million foreign exchange gain relating to MIG's investments in financial assets and investments classified as held for sale, \$96.6 million was credited to the Income Statement and \$1,279.8 million was taken to the Foreign Currency Translation Reserve and Minority Interest.

The total amount of the foreign exchange loss relating to MIT(I) Group's investments in financial assets, being \$16.7 million, was debited to the Income Statement.

(iii) Financière Eiffarie (APRR)

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

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

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For the Half Year Ended 31 December 2008

4 Investments in Financial Assets and Investments Classified as Held for Sale (cont'd)

(c) Notes to Investments in Financial Assets and Investments Classified as Held for Sale (cont'd)

(iv) Discount Rates

The discount rates applied to the discounted cash flow forecasts of the Groups interests in partnerships, unlisted securities in companies and trusts are as follows:

MIG	31 December 2008	30 June 2008
407 ETR	9.50	8.02
Chicago Skyway	12.50	10.01
APRR	12.50	10.81
Indiana Toll Road	12.50	10.01
South Bay Expressway	13.50	13.51
Dulles Greenway	12.50	12.51
Warnow Tunnel	12.50	11.62
Westlink M7	12.08	11.55

MIT(I) Group	31 December 2008	30 June 2008
Chicago Skyway	12.50	10.01
Dulles Greenway	12.50	12.51
Westlink M7	12.08	11.55

(v) Divestments

— Lusoponte

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

Financial close occurred on 5 January 2009.

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

(vi) Investments Classified as Held for Sale

— Westlink M7

In December 2008, MIG accepted a binding offer for 100% of its interest in Westlink M7 from Western Sydney Road Group (WSRG) for \$805.0 million. WSRG is owned in equal parts by MIG and funds managed by QIC Private Capital Pty Limited (a wholly owned subsidiary of QIC) and the sale will generate net proceeds for MIG of approximately \$402.5 million. Completion of the sale is subject to certain conditions precedent. On 13 January 2009, Transurban announced it would not exercise its pre-emptive rights on the sale of MIG's 50% interest in Westlink M7. Completion of the sale to WSRG is anticipated by the end of the first quarter 2009.

The Westlink M7 is included in the Australian geographical segment in Note 9 below.

(vii) Warnowquerung GmbH

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

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5 Interest Bearing Financial Liabilities

	Note	MIG		MIT(I) Group	
		As at	As at	As at	As at
		31 Dec 2008	30 Jun 2008	31 Dec 2008	30 Jun 2008
		\$'000	\$'000	\$'000	\$'000
Non-current					
Loan from MIT(II)	(i)	-	-	498,846	442,464
Non-recourse loans	(ii)	2,057,693	2,076,573	-	-
Accrued interest rate swap liability	(iii)	129,220	105,181	-	-
Loan from minority interest	(iv)	296,233	246,535	-	-
		2,483,146	2,428,289	498,846	442,464
The maturity profile of the above interest bearing financial liabilities is:					
Due within one year		-	-	-	-
Due between one and five years		134,970	137,923	-	-
Due after five years		2,348,176	2,290,366	498,846	442,464
		2,483,146	2,428,289	498,846	442,464

Notes

(i) Loan from MIT(II)

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

(ii) Non-Recourse Loans

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

The non-recourse loan represents Macquarie Motorway Group Limited's (MMG), a subsidiary of the Group, debt facilities of £1.03 billion (\$2.12 billion). Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR). The facilities are due for repayment in 2015, with a cash sweep commencing in 2012, and comprise a £1.00 billion (\$2.06 billion) term loan and a £30.0 million (\$61.8 million) capital expenditure facility.

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

(iii) Accrued Interest Rate Swap Liability

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

(iv) Loan from Minority Interest

The loan from MEIF Luxembourg Holdings S.A has a nominal value of €150.0 million (\$296.2 million) and interest is charged at a floating rate at a margin over the Euro Inter Bank Offer Rate (EURIBOR). The loan is due for repayment in 2033.

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6 Contributed Equity

	MIG		MIT(I) Group	
	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)
On issue at the beginning of the half year	3,591,566	3,956,004	267,547	280,727
Cancelled pursuant to:				
Security buy-back (including transaction costs)	(184,065)	(364,438)	(6,527)	(13,180)
On issue at the end of the half year	3,407,501	3,591,566	261,020	267,547
	Number of stapled securities '000	Number of stapled securities '000	Number of units '000	Number of units '000
On issue at the beginning of the half year	2,403,834	2,516,791	2,403,834	2,516,791
Cancelled pursuant to:				
Security buy-back	(89,062)	(112,957)	(89,062)	(112,957)
On issue at the end of the half year	2,314,772	2,403,834	2,314,772	2,403,834

7 Retained Profits

	MIG		MIT(I) Group	
	31 Dec 2008 \$'000 (Half year)	30 Jun 2008 \$'000 (Full year)	31 Dec 2008 \$'000 (Half year)	30 Jun 2008 \$'000 (Full year)
Balance at the beginning of the half year	2,542,244	2,256,887	89,662	77,824
(Loss)/Profit attributable to security/unit holders	(1,269,912)	767,269	(78,440)	11,838
Distributions paid and proposed	(231,477)	(481,912)	-	-
Balance at the end of the half year	1,040,855	2,542,244	11,222	89,662

8 Reserves

	MIG		MIT(I) Group	
	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)
Balance of reserves				
Hedging reserve - cash flow hedges	(394,862)	91,622	-	-
Foreign currency translation reserve	812,200	(275,251)	-	-
	417,338	(183,629)	-	-
Movements of reserves				
Hedging reserve – cash flow hedges				
Balance at the beginning of the half year	91,622	180,062	-	-
Revaluation (gross) on interest rate swap contracts	(523,058)	(128,302)	-	-
Movement in deferred tax liability recognised on interest rate swap contracts	36,574	39,862	-	-
Balance at the end of the half year	(394,862)	91,622	-	-
Foreign currency translation reserve				
Balance at the beginning of the half year	(275,251)	28,316	-	-
Net exchange differences on translation of foreign controlled entities	1,087,451	(303,567)	-	-
Balance at the end of the half year	812,200	(275,251)	-	-

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9 Segment Reporting

The principal activity of the MIG and MIT(I) Groups during the half year was the development and operation of toll roads, tunnels and bridges and investment in entities in the same industry sector. The primary basis of segment reporting is geographical.

MIG Geographical Segments

6 months to 31 December 2008	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	(20,031)	(636,535)	(951,107)	(1,607,673)
Segment loss from continuing activities before income tax	(27,605)	(785,771)	(956,891)	(1,770,267)
Unallocated expenses				(5,336)
Loss from continuing activities before income tax				(1,775,603)

6 months to 31 December 2007	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	65,778	479,722	935,348	1,480,848
Segment profit from continuing activities before income tax	60,681	336,441	909,788	1,306,910
Unallocated expenses				(5,136)
Profit from continuing activities before income tax				1,301,774

MIT(I) Group Geographical Segments

6 months to 31 December 2008	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	(19,929)	-	(35,607)	(55,536)
Segment loss from continuing activities before income tax	(42,101)	-	(35,620)	(77,721)
Unallocated expenses				(703)
Loss from continuing activities before income tax				(78,424)

6 months to 31 December 2007	Australia \$'000	Europe \$'000	North America \$'000	Total \$'000
Revenue and other income from continuing activities	52,792	-	30,219	83,011
Segment profit from continuing activities before income tax	30,664	-	29,846	60,510
Unallocated expenses				(885)
Profit from continuing activities before income tax				59,625

Interim Report

For the Half Year Ended 31 December 2008

10 Contingencies

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.

(i) Warnow Tunnel

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

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

(ii) South Bay Expressway

- › The construction contractor at South Bay Expressway (SBX) has submitted claims against South Bay Expressway Limited Partnership (SBXLP), an associate of MIG. These claims are the subject of ongoing discussion and adjudication.

The consideration paid by Macquarie Infrastructure Partners, Inc (MIP) to MIG in respect of MIP's acquisition of 50% of MIG's interest in SBX on 15 December 2006 is subject to adjustment if certain costs are higher than forecast or if the debt levels are different to forecast. Any adjustment shall not exceed US\$27.5 million (\$38.87 million).

MIG does not believe that any provision is required against its investment in SBX in the financial statements at 31 December 2008 in connection with this adjustment, on the basis SBXLP is expected to defend the claims successfully.

- › Macquarie Infrastructure Trust (II) has provided letters of credit totalling US\$3.6 million (\$5.09 million) to several agencies which have granted environmental permits for the construction of the SBX. The Group believes it unlikely that there has been or will be any violation of the relevant environmental laws which would require the letters of credit to be drawn and therefore no provisions are necessary in the financial statements as at 31 December 2008.

The letters of credit are backed by an on-demand guarantee, provided through a secured cash deposit of US\$3.6 million (\$5.09 million). These funds are restricted and are not accessible.

(iii) Conversion of Reset Convertible Notes

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

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

11 Events Occurring After Balance Sheet Date

Since balance date, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the half year ended 31 December 2008.

Interim Report

For the Half Year Ended 31 December 2008

Statement by the Directors of the Responsible Entity of Macquarie Infrastructure Trust (II) and 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 24 are in accordance with the Trust constitutions of MIT(II) and MIT(I) and the *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 the Macquarie Infrastructure Group's (as defined in note 1(b)) and Macquarie Infrastructure Trust (I) Group's financial positions as at 31 December 2008 and of their performance for the financial period ended on that date; and
- c) there are reasonable grounds to believe that MIT(II) and MIT(I) will be able to pay their debts as and when they become due and payable.

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



Mark Johnson
Sydney
18 February 2009



David Mortimer
Sydney
18 February 2009

Independent Auditor's Review Report to the security holders of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I)

Report on the Half-Year Financial Reports

We have reviewed the accompanying half-year financial reports of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I), which comprise the balance sheets as at 31 December 2008, and the income statements, statements of changes in equity and cash flow statements for the half-year ended on that date, other selected explanatory notes and the directors' declarations for the Macquarie Infrastructure Group (MIG) and the Macquarie Infrastructure Trust (I) Group (MIT(I) Group). MIG comprises Macquarie Infrastructure Trust (II) (MIT(II)) and the entities it controlled during that half-year, Macquarie Infrastructure Trust (I) (MIT(I)) and the entities it controlled during that half-year, and Macquarie Infrastructure Group International Limited and the entities it controlled during that half-year. MIT(I) Group comprises both MIT(I) and the entities it controlled during that half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Macquarie Infrastructure Investment Management Limited (the responsible entity) are responsible for the preparation and fair presentation of the half-year financial reports in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial reports that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of MIG's and MIT(I) Group's financial positions as at 31 December 2008 and their performances for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MIT(II) and MIT(I), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of half-year financial reports consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial reports to determine whether it contains any material inconsistencies with the financial reports. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of Macquarie Infrastructure Trust (II) and Macquarie Infrastructure Trust (I) are not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Macquarie Infrastructure Group's and Macquarie Infrastructure Trust (I) Group's financial positions as at 31 December 2008 and of their performances for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Wayne Andrews
Partner

Sydney
18 February 2009



Macquarie Infrastructure Group International Limited

Registered number **EC35715**

Interim Financial Report 31 December 2008

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

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

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

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

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

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

Interim Financial Report

Half Year Ended 31 December 2008

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Directors' Report

Half Year Ended 31 December 2008

Directors' Report

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

Principal Activities and Results

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

The principal activity of the Company and its subsidiaries (together the Group) is the development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector.

The interim financial report is presented in Australian dollars.

Directors

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

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

Secretary

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

- Donna Phillips

Distributions

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

Review and Results of Operations

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

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

Directors' Report

Half Year Ended 31 December 2008

Review and Results of Operations (cont'd)

› *Valuation of investments in financial assets*

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

› *Security buy-back*

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

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

› *Lusoponte*

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

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

By order of the Board



Robert Mulderig
Chairman
18 February 2009

Rosebank Centre
11 Bermudiana Road
Pembroke HM08
Bermuda

Interim Financial Report

Half Year Ended 31 December 2008

Independent Review Report to Macquarie Infrastructure Group International Limited

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

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

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

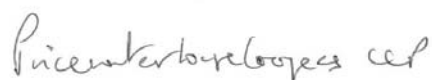
The maintenance and integrity of the Macquarie Infrastructure Group website, which includes the financial statements of Macquarie Infrastructure Group International Limited, is the responsibility of the directors; the work carried out by us does not involve consideration of these matters and, accordingly,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

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

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

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

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



PricewaterhouseCoopers LLP
Chartered Accountants
London
18 February 2009

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Income Statement

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

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

Interim Financial Report


As at 31 December 2008

Consolidated Balance Sheet

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

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

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


R Mulderig
Director


P Dyer
Director

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Statement of Changes in Equity

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

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

Interim Financial Report

Half Year Ended 31 December 2008

Consolidated Cash Flow Statement

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

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

Notes to the Interim Financial Report

1 Summary of Significant Accounting Policies

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

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

(a) Basis of Preparation of Interim Financial Report

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

— **Historical cost convention**

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

— **Stapled security**

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

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by MIGIL at 31 December 2008 and the results of all controlled entities for the period then ended. The effects of all transactions between entities in the consolidated Group are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries, which are not held directly or indirectly by MIGIL.

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

(c) Revenue and Other Income Recognition

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

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

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

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

MIGIL has designated its non-controlled investments in toll road assets as financial assets at fair value through profit or loss. Investments in financial assets are revalued at each reporting date to their fair values in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*. Changes in the fair values of investments in financial assets, both positive and negative have been recognised in the Income Statement for the half year.

Interim Financial Report

Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

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

Investments have been brought to account as follows:

— *Interests in partnerships and unlisted securities in companies*

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

Interests in unlisted securities in companies and partnerships are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing toll roads, bridges and tunnels and the basis upon which market participants have derived valuations for toll road transactions.

Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows and/or the return over the risk free rate which an investor would require on the asset.

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

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

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

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

— *Interests in interest bearing financial assets*

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

(e) Loans and Receivables

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

(f) Intangible Assets - Tolling Concessions

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

Tolling concessions have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over the concession term.

Interim Financial Report

Half Year Ended 31 December 2008

1 Summary of Significant Accounting Policies (cont'd)

(g) Interest-bearing Financial Liabilities

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

(h) Foreign Currency Translation

— *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Australian dollars, which is MIGIL's functional and presentation currency.

— *Transactions and balances*

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

— *Group companies*

The results and financial position of all of the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at exchange rates at the dates of transactions or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investments in foreign entities are recognised initially in a separate component of equity. When a foreign operation is sold or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Income Statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(i) Critical Accounting Estimates and Judgement

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

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

Interests in partnerships and unlisted securities in companies are brought to account at fair value determined in accordance with the discounted cash flow analysis methodology adopted by the directors. Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The key assumptions used in calculating the fair value are therefore the future cash flows that are expected to be generated by an asset, the pricing of debt refinancing and the appropriate discount rate.

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

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1 Summary of Significant Accounting Policies (cont'd)

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

— *Derivative financial instruments*

The fair values of over-the-counter derivatives are determined using valuations techniques adopted by the directors with assumptions that are based on market conditions existing at each balance sheet date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

— *Income Tax*

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

(j) Comparative Figures

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

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2 (Loss)/Profit for the Half Year

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

(i) Revenue and other income from continuing activities

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

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

(ii) Operating expenses from continuing activities

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

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3 Distributions Paid and Proposed

The distributions were paid/payable as follows:

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

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

4 Investments in Financial Assets

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

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

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

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Half Year Ended 31 December 2008

4 Investments in Financial Assets (cont'd)

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

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

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

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

Notes to Investments in Financial Assets

(i) Returns from Investments

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

(ii) Foreign Exchange (FX) Effects

Where an investment in a toll road company is held by a Group entity that has the same functional currency as the asset but a different functional currency to MIGIL, FX effects resulting from translation of the entity's assets and liabilities are taken to the Foreign Currency Translation Reserve. Where an investment in a toll road company is held by a Group entity that has a functional currency different from that of the asset, FX effects resulting from translation of the investment in the books of the group entity are taken through the Income Statement. Of the \$1,061.4 million foreign exchange gain on investments in financial assets, \$41.6 million was credited to the Income Statement and \$1,019.8 million was taken to the Foreign Currency Translation Reserve.

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4 Investments in Financial Assets (cont'd)

Notes to Investments in Financial Assets (cont'd)

(iii) Financière Eiffarie (APRR)

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

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

(iv) Discount Rates

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

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

(v) Warnowquerung GmbH

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

(vi) Divestments

— Lusoponte

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

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

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5 Interest Bearing Financial Liabilities

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

Notes

(i) Non-recourse loans

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

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

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

(ii) Accrued interest rate swap liability

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

(iii) Loan from Minority Interest

The loan from MEIF Luxembourg Holdings S.A has a nominal value of €150.0 million (\$296.2 million) and interest is charged at a floating rate at a margin over the Euro Inter Bank Offer Rate (EURIBOR). The loan is due for repayment in 2033.

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6 Contributed Equity

	31 Dec 2008 \$'000 (Half year)	30 June 2008 \$'000 (Full year)
On issue at the beginning of the half year	5,721,318	6,024,212
Cancelled pursuant to:		
Security buy-back (including transaction costs)	(150,779)	(302,894)
On issue at the end of the half year	5,570,539	5,721,318

	Number of ordinary shares '000	Number of ordinary shares '000
On issue at the beginning of the half year	2,403,834	2,516,791
Cancelled pursuant to:		
Security buy-back	(89,062)	(112,957)
On issue at the end of the half year	2,314,772	2,403,834

7 Retained Profits

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

8 Reserves

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

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9 Segment Reporting

The principal activity of MIGIL during the half year was the development and operation of toll roads, tunnels and bridges and investment in entities in the same industry sector. The primary basis of segment reporting is geographical.

Geographical segments

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

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

10 Contingencies

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

> **Warnow Tunnel**

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

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

> **Conversion of Reset Convertible Notes**

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

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

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11 Events Occurring After Balance Sheet Date

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