Macquarie Infrastructure Investment Management Limited
ABN 67 072 609 271
AFS Licence No. 241405
A Member of the Macquarie Group of Companies

No. 1 Martin Place
Sydney NSW 2000
GPO Box 4294
Sydney NSW 1164
Australia

Telephone 1800 358 440
Facsimile 02 8232 4713
Internet www.macquarie.com.au/mig
DX 10287 SSE

16 September 2008

Dear security holder

Macquarie Infrastructure Group (MIG) 2008 annual report

I am pleased to enclose with this letter the MIG annual report for the year ended 30 June 2008.

In the last 12 months MIG has experienced solid traffic and revenue growth across the portfolio. During this period our focus has been on:

- Optimising cost control and toll collection automation across MIG's portfolio
- Maintaining active programs to manage capital and debt positions at MIG's assets and to regularly and clearly disclose that position to the market and security holders
- Ongoing disciplined application of MIG's investment criteria to acquisition opportunities
- Managing significant capital works projects, including reconfiguration of the toll plaza on Chicago Skyway, installation of electronic tolling along the entire length of Indiana Toll Road (ITR) and lane widening on 407 ETR
- Managing the implementation of new toll schedules across the portfolio
- Refining and extending the information disclosed in MIG's voluntary management information report (MIR) to further assist the market and security holders' assessment and understanding of MIG's performance.

The enclosed annual report provides further details of our activities during the year, an update on our portfolio, MIG's concise financial report, and an overview of key initiatives for FY2009.

Separately you will be sent the full 2008 financial reports for Macquarie Infrastructure Group and stapled entity.

The annual and financial reports are available on MIG's website www.macquarie.com/mig. We encourage you to provide us with your email address and to elect to access MIG's reports online, providing benefits to the environment and reducing costs to MIG security holders. Investors who elected to do so earlier this year will, in one year, have helped us to save eleven tonnes of paper, 327,000 litres of water and 24,000kg of greenhouse gas emissions. To assist us to further reduce the environmental impact of report production and printing, please visit www.investorcentre.com/au where you can provide your email address and elect to receive MIG's reports online.

This year, the AGM will be held in Sydney on Wednesday 22 October. We will be sending you further information shortly.

We hope you find the annual and financial reports informative. Thank you for your continuing support of MIG.

Yours sincerely

John Hughes
Chief Executive Officer
Macquarie Infrastructure Group

MACQUARIE INFRASTRUCTURE GROUP
ANNUAL REPORT 2008

MACQUARIE

Cover: Westlink M7's control room where traffic and road conditions, maintenance requirements, breakdowns and other incidents are monitored in real time, 24 hours per day.

About MIG*

MIG is

A developer
MIG is a world leader in successfully negotiating the complex tasks involved in progressing major road infrastructure through the approval, design and construction stages of greenfield and expansion projects.

An operator
MIG works closely with toll road management teams and boards to deliver best practice operational performance at all of its toll roads.

An investor
MIG leverages the Macquarie Group's infrastructure expertise and relationships by sourcing and acquiring selected toll road assets that will deliver long-term value for security holders.

A financial manager
MIG seeks to optimise returns to security holders by implementing efficient financial structures for its investments.

A responsible citizen
Through board participation MIG seeks to ensure that all assets in its investment portfolio comply with the regulatory frameworks under which the assets operate. By delivering a high standard of service and adopting a policy of active community involvement, MIG seeks to have a positive social, environmental and economic impact in the communities in which it operates.

A value creator
MIG applies a disciplined approach to reviewing acquisition and divestment opportunities with a view to continually enhancing long-term value for security holders.

*As at 30 June 2008.

Snapshot

A$5.6 billion

MARKET CAPITALISATION

Top 40

COMPANY LISTED ON THE ASX

44,700

SECURITY HOLDERS

Seven

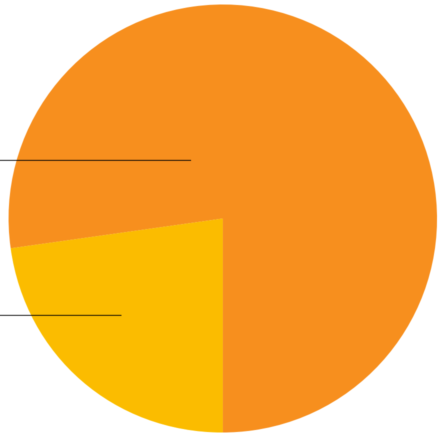
COUNTRY SPREAD OF TOLL ROADS

Eleven

TOLL ROADS IN PORTFOLIO

Concession term remaining

61 YEARS – WEIGHTED AVERAGE LENGTH OF CONCESSION REMAINING IN MIG'S PORTFOLIO

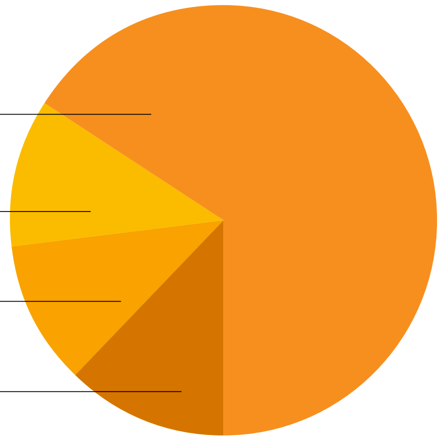


>40 years
76%

21–40 years
24%

Tolling mechanism

66% OF PORTFOLIO TOLLING MECHANISMS ARE MARKET-BASED



Market-based
66%

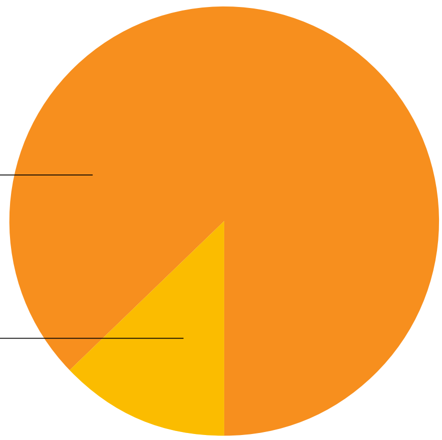
% of CPI
11%

CPI
11%

CPI+
12%

Stage of toll road life cycle

OVER 87% OF MIG'S ASSETS ARE IN THE RAMP-UP STAGE OF THE TOLL ROAD LIFE CYCLE, DEMONSTRATING MIG'S FUTURE GROWTH POTENTIAL



Ramp-up
87%

Growth
13%

MIG's strategy and investment criteria

MIG's strategy is to invest in, develop and manage quality assets that are accretive to its portfolio over the long term.

Future opportunities for investment should:

Generate a forecast return that:

- Is accretive to MIG's portfolio internal rate of return determined by its security price
- Implies an equity risk premium at or above the level required to compensate for asset and financing risks

Be consistent with the distribution policy of sustainability, with increasing coverage of distributions by earnings

Offer potential for increasing value through active management of operations and capital structure

Be located in OECD or OECD–like countries

Offer sustainable competitive advantage in a traffic corridor.

FY2008 highlights

August 2007


APRR

- MIG announced its full year FY2007 financial results with a 6.5% increase in traffic, 15.0% increase in revenue and 22.0% increase in EBITDA from assets in comparison to the previous corresponding period (pcp) on a pro forma proportionately consolidated basis.
- MIG received an extension to the relief granted by ASIC to continue its on-market buy-back of up to A$1 billion beyond 23 August 2007 until 10 August 2008.
- A €500 million seven-year facility was signed by APRR on better terms than existing debt facilities.

September 2007


Dulles Greenway

- 407 International Inc. announced the completion of its two-year project to add 100km of new lanes to the busiest highway section, ahead of schedule.
- Virginia's State Corporation Commission issued a final order approving the Dulles Greenway schedule of toll increases from 2009 to 2012, including approval for the introduction of congestion management pricing during peak periods.

October 2007

407 ETR

- At the AGM, MIG confirmed its FY2008 distribution guidance of 20 cents per stapled security, and provided preliminary distribution guidance of 20 cents per stapled security for FY2009.
- 407 International announced the issue of C$625 million in 4.90% senior notes, series 07-A2 expiring 4 October 2010, through its C$1.8 billion medium-term notes program.

November 2007


South Bay Expressway

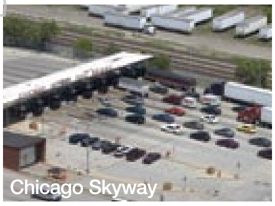
- John Hughes commenced as the new CEO of MIG.
- South Bay Expressway opened to traffic with a phased toll-free period until 14 January 2008.

December 2007


Westlink M7

- A distribution of 10 cents per MIG stapled security was declared for the six-month period to 31 December 2007.
- Westlink M7 obtained lender approval for early release of ramp-up reserve and other cash reserves accumulated following its strong performance since opening in December 2005.
- Westlink M7 was rated New South Wales' best highway, with a four-star safety rating from the Australian Road Assessment Program (AusRAP).

January 2008


Chicago Skyway

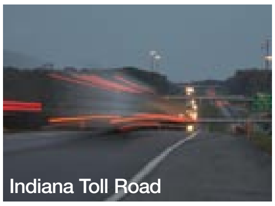
— MIG completed its A$1 billion on-market buy-back which commenced in October 2006, having bought back 292 million stapled securities.
— A revised tolling structure became effective for M6 Toll, with class 2 vehicle toll rates increasing by 12.5% to £4.50 at main toll plazas, and classes 3, 4 and 5 vehicle toll rates increasing by £1.00 each.
— 407 International announced the issue of C$550 million in 4.5% (senior) and 5.0% (subordinated) notes, through its C$1.8 billion medium-term notes program with no further debt maturing at the asset until July 2009.

February 2008


407 ETR

— MIG announced its interim FY2008 financial results with a 1.8% increase in traffic, 8.7% increase in revenue and 10.5% increase in EBITDA from assets in comparison to the pcp on a pro forma proportionately consolidated basis.
— A revised tolling schedule for all vehicle classes on 407 ETR became effective, as well as sectional tolling during peak hours.

April 2008


Indiana Toll Road

— Implementation of electronic tolling was completed on the full length of the Indiana Toll Road (ITR), ahead of schedule.
— A revised tolling schedule for light and heavy vehicles became effective for ITR following full ETC implementation. A toll freeze remains in place for all light vehicle drivers using a transponder until 2016, with the Indiana Finance Authority reimbursing the concession company for the toll differential.
— New legislative amendments established a new toll escalation formula on Dulles Greenway through to 2020, providing certainty of toll prices for both Dulles Greenway and its customers.

June 2008


M6 Toll

— A distribution of 10 cents per MIG stapled security was declared for the six-month period to 30 June 2008.

Chairman's and CEO's report

MIG is focused on generating security holder value through the continued disciplined development of its toll road portfolio

Introduction

We are pleased to present the Macquarie Infrastructure Group (MIG) annual report for the financial year ended 30 June 2008.

MIG is focused on generating security holder value through the continued disciplined development of its toll road portfolio. For nearly 12 years MIG has successfully identified, acquired and integrated large, complex toll road businesses. Through subsequent application of active financial and operational management, MIG has enhanced the value of each of its businesses, both as investments for security holders and as essential services to the communities in which they operate.

This has been particularly evident during the credit market volatility seen throughout the reporting period. MIG has continued to drive strong operational and financial performance from its toll road businesses through a focus on cost control and the implementation of service delivery improvements such as electronic tolling, discussed later in this report. Consequently, MIG continues to be underpinned by the solid performance of its portfolio.

Recognition of this performance is evident in the favourable refinancing terms that MIG has secured from the markets for debt facilities for Autoroutes-Paris-Rhin-Rhône (APRR) and 407 ETR, despite unfavourable market conditions at the time. The preparedness of the market to support high-quality assets, together with MIG's years of experience in managing debt and capital structures for toll roads assets, mean that MIG has a strong balance sheet and cash position, prudent gearing and a resilient, suitably spread debt profile. MIG recognises the importance of making this position clear to security holders and continues to voluntarily disclose to the market additional information to its statutory accounts regarding its earnings, balance sheet strength and debt position through its quarterly management information report (MIR).

A year of active management

The focus for FY2008 has been on optimising existing operations and the review of opportunities in North America, Europe and Australia in accordance with MIG's published investment criteria. Over the last 12 months MIG has focused on:

- Optimising cost control and toll collection automation across its portfolio
- Maintaining active programs to manage capital and debt positions at its assets and to regularly and clearly disclose that position to the market and security holders
- Ongoing disciplined application of its investment criteria to acquisition opportunities
- Managing significant capital works projects including reconfiguration of the toll plaza on Chicago Skyway, installation of electronic tolling along the entire length of Indiana Toll Road (ITR) and lane widening on 407 ETR
- Managing the implementation of new toll schedules across the portfolio
- Refining the information disclosed in MIG's voluntary MIR to further assist the market and security holders' assessment and understanding of MIG's performance.

MIG HAS CONTINUED TO DRIVE STRONG OPERATIONAL AND FINANCIAL PERFORMANCE FROM ITS TOLL ROAD BUSINESSES THROUGH A FOCUS ON COST CONTROL AND THE IMPLEMENTATION OF SERVICE DELIVERY IMPROVEMENTS

During the period MIG appointed John Hughes as CEO to replace Stephen Allen.

John has been with Macquarie since 1997. John has over 17 years of experience in the infrastructure and resources sectors including senior roles working with various Macquarie teams across a range of projects, such as the successful bid for Westlink M7.

The CEO transition was announced at the MIG AGM in November 2007. As we did then, MIG would like to thank Stephen Allen – who became MIG's CEO in April 2003 – for his contribution to MIG, which includes the opening of the first tolled motorway in the UK, the first lease of an existing toll road in the US and the first on-market security buy-back by a listed Australian trust.

Business performance review

We are pleased to report solid traffic and revenue growth across the portfolio during FY2008. An overview of MIG's financial results is provided in the CFO's report on page 8.

Highlights for the period include:

- Successful refinancings, in volatile credit markets, including:
  - August 2007: €500 million seven-year facility signed by APRR on better terms than existing debt facilities
  - October 2007: C$625 million in senior notes refinanced at 407 ETR
  - November 2007: Improved terms and conditions in renegotiation of MIG's A$500 million stand-by facility
  - December 2007: Westlink M7 obtained lender approval for early release of ramp-up reserve and other cash reserves accumulated following its strong performance since opening
  - January 2008: C$550 million refinanced at 407 ETR at a cost of 4.5% (senior) and 5.0% (subordinated), with no further debt maturing at the asset until July 2009
- Opening to traffic in November 2007 of the 14km South Bay Expressway (SBX)
- Completion of MIG's A$1 billion on-market buy-back program in January 2008
- Implementation of electronic tolling on the full length of ITR in April 2008
- Completion of the two-year project to add 100km of new lanes to 407 ETR in September 2007
- Approval by Virginia's State Corporation Commission of the tolling application for Dulles Greenway. New legislative amendments established a new toll escalation formula through to 2020, providing certainty of toll prices for both Dulles Greenway and its customers
- New tolling schedules for APRR, 407 ETR, M6 Toll, Chicago Skyway, ITR and Dulles Greenway.

The market

MIG continues to see opportunities for toll road investments in North America and Europe, with encouraging signs that attractive opportunities will also arise in Australia.

There is continued debate in the US concerning private investment in infrastructure, however the May 2008 bidding process for Pennsylvania Turnpike – the leasing of which remains subject to legislative approval – has had two positive effects. Firstly, the size of the winning US$12.8 billion bid has driven increased interest from state governments across the US in the ability of private investment to meet substantial demand for new road infrastructure, particularly when limited alternative funding solutions exist.

Additionally, in MIG's view, the winning bid also indicates significant support for the valuations of the assets MIG holds, particularly when a bid of that size was made in difficult market conditions. In comparison to Pennsylvania Turnpike, 407 ETR has superior asset qualities, a longer concession period and market-based tolling; Chicago Skyway has a longer concession period; APRR is a significantly larger asset; and M6 Toll has market-based tolling and significantly lower requirements for catch-up maintenance expenditure.

Distributions

In June 2008 MIG announced a distribution of 10 cents per stapled security for the half-year ending 30 June 2008, in line with guidance given at the AGM held in November 2007. This brought the total distribution for FY2008 to 20 cents per stapled security. MIG also offered investors the opportunity to participate in the distribution and dividend reinvestment plan for its distributions.

MIG CONTINUES TO SEE OPPORTUNITIES FOR TOLL ROAD INVESTMENTS IN NORTH AMERICA AND EUROPE, WITH ENCOURAGING SIGNS THAT ATTRACTIVE OPPORTUNITIES WILL ALSO ARISE IN AUSTRALIA

Outlook

Key initiatives for the year ahead include:

- Ongoing optimisation of existing assets, including capital improvements on 407 ETR, ITR and APRR
- Continued implementation of cost-control strategies to improve EBITDA margins and increase take-up of automated toll collection
- Ongoing management of MIG's asset portfolio debt and hedging profile
- Continued disciplined application of investment criteria to suitable investment opportunities
- Ongoing disclosure to the market of MIG's balance sheet, cash and debt positions.

Additionally, on 21 August 2008 MIG announced its intention to sell its interest in Westlink M7.

The boards and management of MIG are confident that MIG will perform solidly over the next 12 months with continued EBITDA growth forecast for FY2009. MIG has provided distribution guidance of 20 cents per stapled security for FY2009.

On behalf of the boards, we thank our security holders for their ongoing support of MIG.

Mark Johnson
Chairman
Macquarie Infrastructure Investment Management Limited

John Hughes
Chief Executive Officer
Macquarie Infrastructure Group

CFO's report

A snapshot of MIG's FY2008 financial performance is set out in the table below. In a year of significant market volatility, the operational performance of MIG's toll road businesses has underpinned a solid result.

MIG management views the proportionally consolidated results as key indicators of the operational performance of MIG's portfolio. On a pro forma[1] basis, traffic increased by 1.2%, revenue increased by 7.3% and EBITDA increased by 8.3% compared to the pcp. The pro forma basis reflects the period on period performance of MIG's current portfolio, which has continued to perform well from both revenue generation and cost control perspectives.

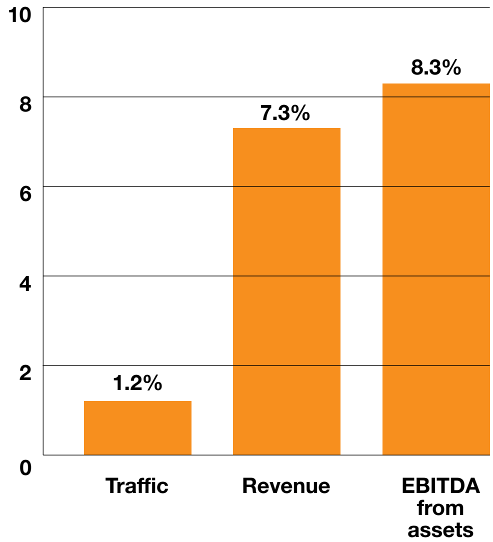
At 30 June 2008 MIG's portfolio of 11 assets was valued at A$8.6 billion compared to A$8.5 billion at 30 June 2007. This represents the impacts of both macroeconomic and operational factors. Over the year, real interest rates fell an average of 0.7%, resulting in an increase in portfolio valuation that was partially offset by the appreciation of the Australian dollar (which increased an average of 8.0% against MIG's portfolio currencies). Operationally, current market conditions have been reflected in traffic and other forecasts underpinning the valuations, as well as the risk premiums applied to derive the discount rates. Further details on MIG's valuation methodology are provided in the guide to valuations on page 44.

Taking into account MIG's non-investment balances (primarily MIG corporate level cash balances) as well as its portfolio valuation, MIG's Net Asset Backing per security[2] (NAB) at 30 June 2008 was A$3.84, a small decrease from A$3.89 at 30 June 2007.

In terms of MIG's statutory results, which do not include the valuation of M6 Toll, the profit attributable to MIG security holders for the year ended 30 June 2008 was A$767 million, largely made up of revaluation gains recognised during the period. Total MIG security holders' interest at 30 June 2008 was A$6 billion. The discussion and analysis included on pages 56 to 57 provides a detailed commentary on MIG's FY2008 results.

TRAFFIC, REVENUE AND EBITDA GROWTH[1]

Proportionally consolidated pro forma asset performance for 12 months to 30 June 2008



FINANCIAL HIGHLIGHTS

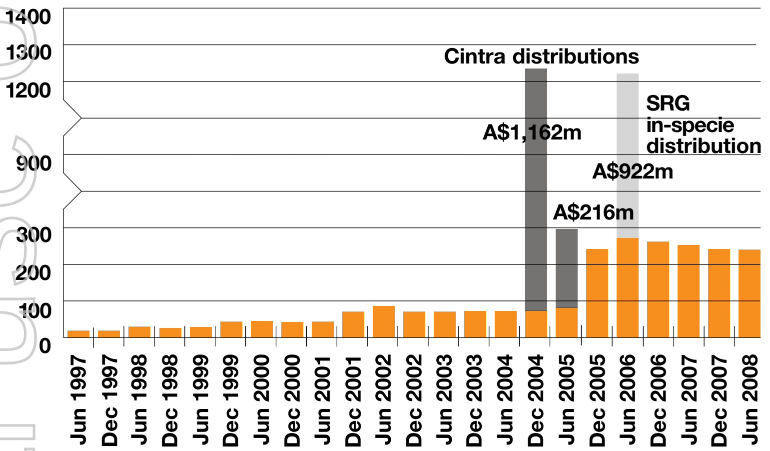
		12 months to 30 June 2008	12 months to 30 June 2007
Distributions	Distribution (cash)	A$0.20 per security	A$0.20 per security
	Distribution (SRG in-specie)	–	A$0.38 per security
Reported results	Net profit attributable to MIG security holders	A$767 million	A$1,702 million
Pro forma proportionally consolidated results[1]	MIG proportionate earnings (post corporate expenses)	A$262 million	A$163 million
		As at 30 June 2008	**As at 30 June 2007**
Balance sheet	Total assets	A$9,747 million	A$10,332 million
	Total MIG security holders' interest	A$5,950 million	A$6,421 million
Other	Asset portfolio valuation	A$8,569 million	A$8,454 million
	Net Asset Backing per security[2]	A$3.84	A$3.89

[1] Includes the earnings from individual assets for the current and prior period in the proportion of MIG's equity ownership in the current period prepared in accordance with the policies set out in MIG's 30 June 2008 MIR. This information has not been prepared in accordance with Australian Accounting Standards.

[2] Before deferred tax. The NAB incorporates valuations of all investments in the MIG portfolio. As Australian Accounting Standards only permit the revaluation of non-controlled assets, it is not referable to the MIG financial report.

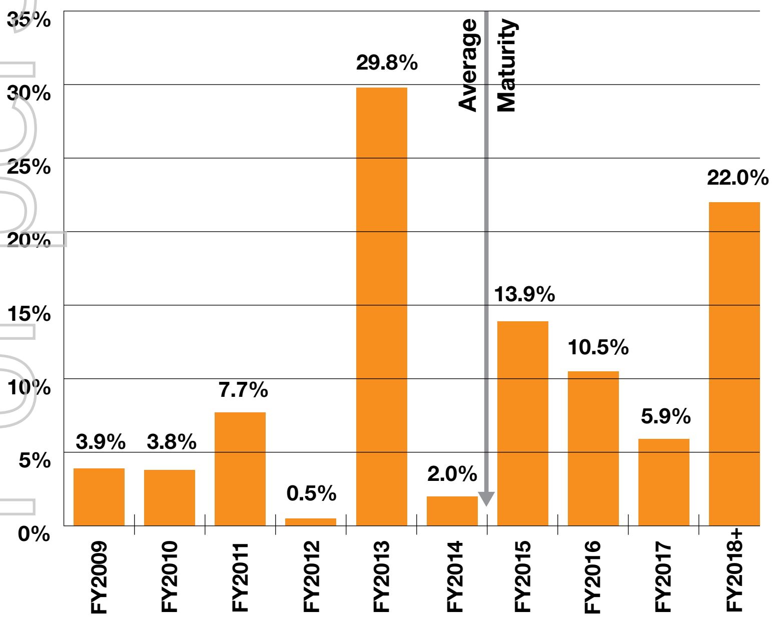
DISTRIBUTIONS PAID A$ MILLION

MIG has distributed A$4 billion to investors since January 2005, more than two thirds of MIG's current market capitalisation



MIG'S ASSET DEBT MATURITY PROFILE[3]

- **Average asset debt maturity of six to seven years**
- **MIG holds A$673 million in cash at corporate level[4]**
- **An additional A$1.6 billion is held by the assets (MIG proportionate share A$546 million), the majority of which is retained as part of debt security packages**



[3] Assuming all assets 100% consolidated as at 30 June 2008. Represents legal maturity of debt.
[4] As at 21 August 2008.
[5] On a proportionally consolidated basis.

MIG declared distributions totalling A$482 million for the year ended 30 June 2008. These distributions were 54% covered by MIG's proportionate earnings, which are post MIG level corporate expenses including management fees.

The graph to the left shows MIG's total distributions since listing. MIG has distributed A$4 billion, or A$1.77 per security, to investors since January 2005. These distributions, together with movements in the security price, contribute to a substantial total return to security holders over that period.

On 14 January 2008 MIG completed its A$1.0 billion on-market security buy-back. The buy-back was initiated because MIG assessed that it was the most efficient way of distributing surplus cash and generating value for security holders. A total of 292,218,706 stapled securities were bought back and cancelled, at a weighted average price of A$3.42. The buy-back improved MIG's NAB and has decreased the amount of cash required to fund future distributions.

In the current environment there is, rightly, increased focus on financing structures and balance sheet positioning. Post payment of the June 2008 distribution, MIG has a corporate level cash balance of A$673 million and no corporate level debt. The debt at MIG's assets, which is non-recourse to MIG, is 87%[5] hedged for the next two years. MIG's assets are also required to maintain substantial cash reserves. As shown in the graph to the left, less than 8% of total asset level debt matures within the next two years. Most of these maturities relate to APRR and 407 ETR debt, a number of tranches of which have successfully been refinanced over the past year. Management therefore believes that MIG is well positioned in the current market to withstand any further credit market volatility.

Mary Nicholson
Chief Financial Officer
Macquarie Infrastructure Group

Service delivery improvements


407 ETR gantry

MIG takes an active approach to both the financial and operational management of the toll roads within its portfolio in order to create long-term value for MIG security holders and improve service to toll road users.

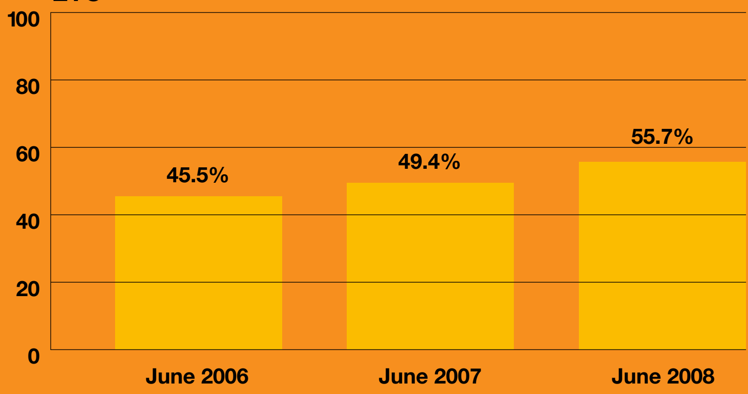
A key opportunity for MIG to add value is to implement automated toll collection along a toll road. This can mean making it possible to use credit cards as well as cash, or making a road fully electronic through the use of transponders, so there are no toll booths and no requirement for vehicles to stop. Since listing, automated toll collection (i.e. credit card and electronic toll collection) has increased from 0% to 83.4% across MIG's portfolio. Ongoing costs associated with toll collection are improved, the road becomes more efficient operationally and journey times to work, for holidaying and for visiting friends and family are reduced.

Electronic Toll Collection (ETC)
ETC usage alone across MIG's portfolio has increased from 0% to 55.7% since listing.

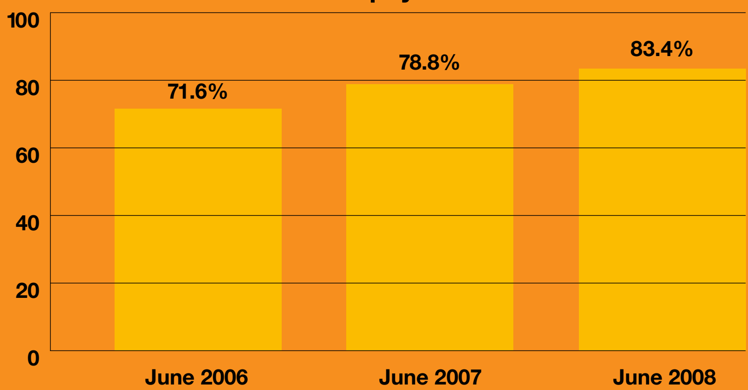
To achieve this, MIG has implemented the required ETC infrastructure and systems at its toll roads and conducted strategic marketing campaigns, driven by asset management teams, to highlight the benefits of ETC to road users and encourage the purchase and use of transponders, including discounted tolls to ETC transponder users across several of MIG's assets.

UPTAKE ACROSS MIG'S PORTFOLIO*

ETC



ETC and other non-cash payment methods



*By number of transactions, weighted by % of MIG's portfolio as at 30 June 2008.

WESTLINK M7
- The first fully electronic toll road in Australia to use a distance-based tolling system.

APRR
- Automated toll collection transactions exceed manual transactions by 16%
- 23% growth in number of Liber-t tags in circulation from 2006 to 2007.

ITR
- ETC implementation on full length of road in April 2008.

CHICAGO SKYWAY
After ETC implementation in 2005:
- 50% greater average hourly throughput per ETC lane compared to cash lanes
- Reduction in average transaction time per vehicle per lane by 2.5 seconds.

M6 Toll transponder

KEY BENEFITS OF ELECTRONIC TOLLING
- Reduced customer commute time
- Improved traffic flow and throughput
- Increased customer convenience and safety with no 'stop' payment
- Increased road capacity leading to potential for higher revenues
- Lower customer fuel use and emissions
- Reduced need for new roads
- Improved road productivity with reduced operating costs through use of non-staffed toll booths.

MIG has implemented a number of automation initiatives across its portfolio

Spanning greater Toronto, Canada's largest city, 407 ETR was the world's first open access, all electronic toll highway when it opened to traffic in October 1997.

The 108km highway attracts over 375,000 customers on average each workday and is widely recognised as the greater Toronto area's fastest, safest and most reliable route. Customers are billed after either their transponder is read or an image of their rear licence plate is taken on entry and exit of the highway.

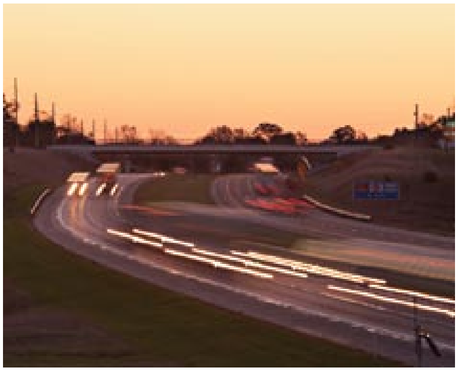
In recent years 407 ETR has implemented a number of initiatives to improve and upgrade its electronic tolling, billing and customer service systems, including:

— Upgrading its billing software during 2007, to increase efficiency and productivity for both customers and employees
— Introducing an automated workflow management system to improve processing time and efficiency of customer transactions
— Upgrading the video detection and classification laser tolling equipment and adding new closed circuit television cameras along the highway to monitor traffic
— Upgrading the tolling system's optical character recognition (OCR) system, improving the accuracy of its automated licence plate reads and reducing unbillables. Furthermore, technology to 'fingerprint' vehicles has been implemented, enabling the image of a vehicle to be associated with a plate even if the plate is not readable by the OCR system.

407 ETR

— 100% automated toll collection
— Over 885,000 transponders in circulation as at 30 June 2008
— 114 million trips taken and 2.28 billion vehicle kilometres travelled during FY2008
— 197 tolling equipment gantry sites and 41 interchanges, including six freeway-to-freeway interchanges.

Indiana Toll Road



- 72% toll saving for i-Zoom transponder users until 2016
- Improved transponder sales as a result of upgrades to ITR's website and sales system
- 52 automatic payment machines (ATPMs) across the network
- Operation of Dynamic Message Signs (DMS) and Variable Message Signs (VMS) systems for assistance with road safety and improved traffic flow.

ETC saves customers money, time and fuel, and helps the environment.

The i-Zoom transponder:

- Is the fastest, easiest way to pay tolls on ITR, allowing customers to travel without stopping at toll booths – calculated to be up to three times faster for customers through toll booths than cash payment
- Saves on fuel and decreases emissions for customers, with reduced idling and queuing
- Saves customers up to 72% on tolls at most toll plazas, compared to tolls for non-transponder customers.

ITR's traffic control devices enhance traffic control and improve traffic flow and are capable of displaying various messages

- 30 DMS placed along the 253km road communicate a variety of messages, including emergency or accident information, construction information and weather warnings
- VMS are located above the toll plazas and indicate i-Zoom-dedicated lanes and cash lanes to assist drivers and decrease back-up.

ATPMs provide flexibility and ease of toll payment

- ATPMs have been installed and configured in the majority of toll plazas
- ATPM lanes can accommodate ETC transactions as well as accepting notes, coins and credit cards, providing improved payment options and transaction speed.

Westlink M7

- One control room covering the full 40km of the road
- 85 cameras provide 100% coverage of the road
- 58 VMS and 240 Variable Speed Limit Signs (VSLS).

Westlink M7 is a 40km cashless, fully electronic toll road and an integral part of the overall Sydney orbital network, linking major employment, industrial and residential areas of western Sydney. Built to motorway standards, Westlink M7 provides for travel at variable speeds up to 100km/h.

Traffic is monitored and managed across the entire motorway from one central control room. There, incidents are quickly identified and responded to, enabling management to minimise congestion and improve safety along the road.

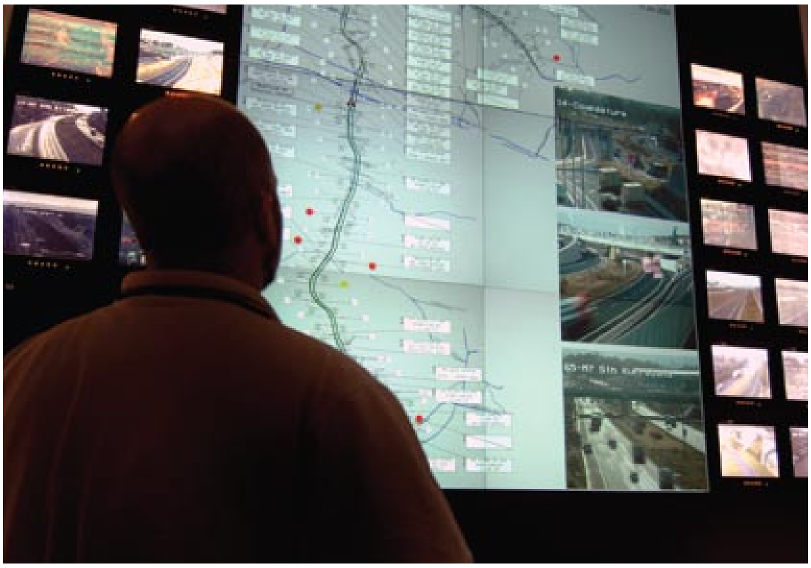
Wire traffic loops built into the road provide continuous, real time information to the control room regarding:

- Traffic volume
- Traffic flows
- Vehicle types using the road
- Queue lengths and times
- Incident reports.

These loops are set in a 'squared-off' figure-of-eight pattern in each lane and attached to a sensor unit. The loops detect and measure the time a metallic object takes to pass over them and, within set parameters, the data generated can differentiate between vehicle types.

If an incident occurs and traffic begins to queue, information is relayed immediately to the control room. Control room personnel use cameras to zoom in on the incident to determine the appropriate incident response, which may include:

- Varying the speed limits between 40km/h and 100km/h to assist in managing the incident and maximising safety. Drivers are alerted immediately via VMS on changes in traffic conditions
- Alerting the Incident Response Team (IRT) via radio if on-site help is required. The IRT is on standby 24 hours per day, seven days per week
- Calling for additional assistance via dedicated phone lines from the Roads and Traffic Authority (RTA), police and fire brigade.



The control room also receives constant feedback on equipment performance. Any equipment faults are instantaneously relayed to the operator who can quickly have the issue investigated.

Investment in technology has enhanced communication and enabled constant, real-time information to be available to Westlink M7. The result is a safer, more efficient motorway.

MIG's portfolio*

14%

US
DULLES GREENWAY 5%
CHICAGO SKYWAY 3%
INDIANA TOLL ROAD 4%
SOUTH BAY EXPRESSWAY 2%

38%

CANADA
407 ETR

*As at 30 June 2008. Asset and country split by value %. MIG's stakes in the assets range from 20.4% to 100% and are direct and indirect.

26%

UK
M6 TOLL

<1%

GERMANY
WARNOW TUNNEL

11%

FRANCE
AUTOROUTES PARIS–RHIN–RHÔNE

2%

PORTUGAL
25TH APRIL BRIDGE 1%
VASCO DA GAMA BRIDGE 1%

9%

AUSTRALIA
WESTLINK M7

Asset snapshots

Toronto, Canada

407 ETR

Asset description

— 108km open access, all electronic toll road spanning the greater Toronto area with 41 interchanges
— Opened: June 1997 (tolling began in October 1997) and leased to the private sector in 1999
— Concession period: 99 years, ends 2098
— MIG's interest: 30.0%
— Value: A$3,295.0 million.

Year in review

Results

— Traffic: 5.0% increase on pcp*
— Revenue: 13.2% increase on pcp

Other

— In September 2007 the two-year project to add 100km of new lanes between Highways 401 and 404 was completed, three months ahead of schedule
— Segmental tolling was implemented on 1 February 2008 during peak hours on the busiest section of the 407 ETR. Regular zone peak toll rates increased by 9.4%, while light zone peak toll rates increased by 8.0%. Off-peak toll rates across all sections of 407 ETR increased by 7.1%.

*Growth in total vehicle kilometres travelled.

Northern Virginia, US

Dulles Greenway

Asset description

—22km toll road in Loudoun County, northern Virginia, part of road corridor connecting Leesburg and other suburban communities with Washington DC
—Opened: September 1995, MIG invested in September 2005
—Concession period: 61 years, ends 2056
—MIG's interest: 50.0%
—Value: A$397.5 million.

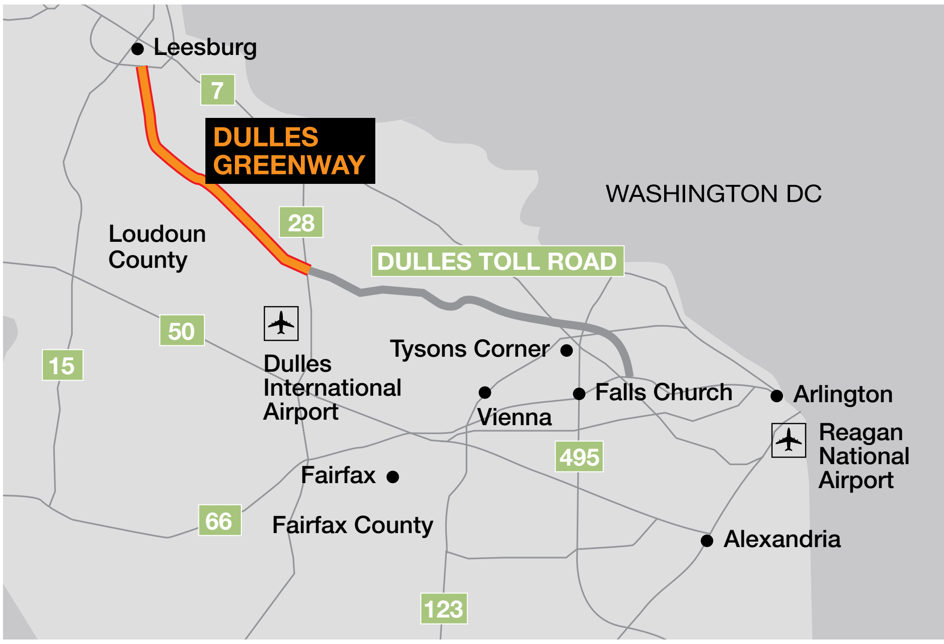
Year in review

Results

—Traffic: 5.2% decrease on pcp
—Revenue: 6.5% increase on pcp

Other

—A toll increase of approximately 11% was implemented on 1 July 2007
—In September 2007 toll increases through the end of 2012 were approved by the Virginia State Corporation Commission
—In October 2007 heavy vehicle (three or more axles) tolls were revised from double the two-axle vehicle toll regime to a per-axle toll regime
—In April 2008 legislative amendments permitted tolls to increase from 2013 through 2020 at the higher of (i) CPI + 1%, (ii) Real GDP, or (iii) 2.8% per annum, and included a mechanism to allow higher toll increases should property taxes increase at a faster rate than tolls.



Chicago, US

Chicago Skyway

Asset description

- 12.5km majority elevated toll road in Chicago, Illinois, connecting the Dan Ryan Expressway to the Indiana Toll Road and providing an important link to downtown Chicago and surrounding communities
- Opened: 1959 and leased to the private sector in January 2005
- Concession period: 99 years, ends 2104
- MIG's interest: 22.5%
- Value: A$235.7 million.

Year in review

Results

- Traffic: 7.1% decrease on pcp
- Revenue: 3.3% increase on pcp

Other

- Capital improvement works were completed in October 2007. The works program consisted of nine bridge upgrades, four miles of roadway repavement and the reconfiguration of toll plaza lanes to improve traffic flow
- Light vehicle tolls increased from US$2.50 to US$3.00 per trip and heavy vehicle tolls increased approximately 50% in January 2008
- ETC was implemented on all toll plaza lanes in May 2008.

Indiana, US

Indiana Toll Road

Asset description

- 253km limited access, divided toll road spanning northern Indiana, connecting to Chicago Skyway in the west and Ohio Turnpike in the east. The westernmost 37km operates on a barrier tolling system and acts primarily as a commuter link to Chicago and the surrounding area. The eastern section operates on a ticket tolling system and is primarily an interurban road
- Opened: 1956 and leased to the private sector in June 2006
- Concession period: 75 years, ends 2081
- MIG's interest: 25.0%
- Value: A$344.4 million.

Year in review

Results

- Traffic: 8.3% decrease on pcp*
- Revenue: 6.6% increase on pcp

Other

- ETC was implemented on the full length of the road in April 2008
- ITR light and heavy tolls increased in April 2008. Light vehicle tolls for the full length of the toll road rose to US$8.00 from US$4.65. However, this increase is only paid by cash users, as light vehicles with registered transponders will continue to pay the existing rate of US$4.65 in nominal terms until 2016, with the Indiana Finance Authority reimbursing ITR for the toll differential.

*Change in total traffic transactions.

San Diego, US

South Bay Expressway

Asset description

- 14km fully electronic toll road in the southern region of San Diego, California, providing an important link in San Diego's freeway network. SBX extends from SR54 in Spring Valley to Otay Mesa Road/SR905 near the international border with Mexico
- Opened: November 2007
- Concession period: 35 years, ends 2042
- MIG's interest: 50.0%
- Value: A$132.9 million.

Year in review

Results

- Traffic: 26,118 average daily traffic for the 5.5 months since commencement of full tolling
- Revenue: US$58,536 average daily revenue over the same period

Other

- SBX opened to traffic on 19 November with a phased toll-free period until 13 January 2008
- SBX was MIG's first investment in the US in 2002, the first public-private transportation partnership in California since 1995 and the first private toll road to receive a loan from the US Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) program.

Sydney, Australia

Westlink M7

Asset description

- 40km fully electronic toll road in the west of Sydney linking the M5 at Prestons in the south, the M4 at Eastern Creek in the west and the M2 at Baulkham Hills in the north. It forms a major part of Sydney's 110km orbital network
- Opened: December 2005
- Concession period: 34 years, ends 2037
- MIG's interest: 47.5%*
- Value: A$802.1 million.

Year in review

Results

- Traffic: 12.2% increase on pcp
- Revenue: 16.4% increase on pcp

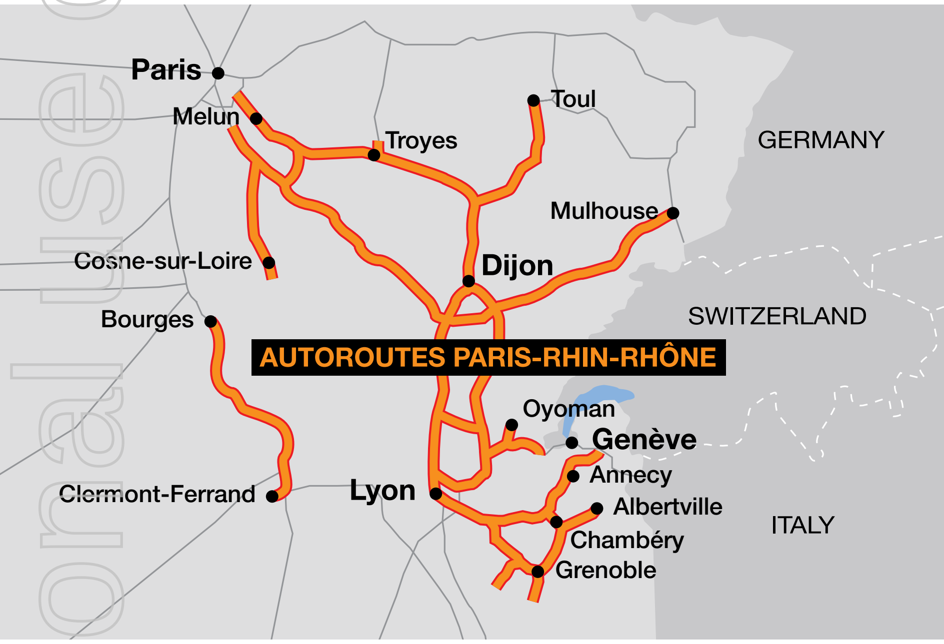
Other

- In December 2007 the credit rating of Westlink M7's senior debt facility was upgraded from BBB- to BBB by Fitch
- Westlink M7's ramp-up reserve was released six months ahead of schedule in December 2007, resulting in a A$41.5 million distribution to MIG
- On 28 August 2008 MIG completed the acquisition of a further 2.5% interest in Westlink M7, announced on 14 August 2008
- On 21 August 2008 MIG announced its intention to sell its interest in Westlink M7.

*As at 30 June 2008. MIG increased its stake to 50.0% on 28 August 2008.

Eastern France

Autoroutes Paris-Rhin-Rhône (APRR)



Asset description

- APRR is the concessionaire of a 2,215km motorway network located in the east of France
- APRR is a listed company on the Euronext and consists of three separate concessions: APRR, Autoroutes Rhône-Alpes (AREA) and the Maurice Lemaire Tunnel – together, the APRR Group
- APRR is the second largest motorway network in France and the fourth largest in Europe
- The concession has a further 44km of motorways to be constructed and opened by 2011
- Concession period: 27 years from privatisation, ends December 2032
- MIG's interest: 20.4%*
- Value: A$982.2 million.

Year in review

Results

- Traffic: 2.1% increase on pcp
- Revenue: 5.9% increase on pcp

Other

- APRR raised €500 million of bank debt in August 2007 to assist with its capital expenditure and debt refinancing needs
- The annual toll increase was applied in October 2007, with tolls, linked to CPI, rising by an average of 0.92% on the APRR network and 0.75% on the AREA network.

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

Lisbon, Portugal

25th April Bridge
Vasco da Gama Bridge

Asset description

- Two toll bridges over the Tagus River in Lisbon, Portugal. The concession required the building of the Vasco da Gama Bridge and allowed collection of tolls on this and the existing 25th April Bridge
- Opened: Vasco da Gama Bridge opened in March 1998, 25th April Bridge opened in 1966
- Concession period: 35 years, ends 2030
- MIG's interest: 30.6%
- Value: A$187.6 million.

Year in review

Results

- Traffic: 0.2% increase on pcp
- Revenue: 6.0% increase on pcp

Other

- Location of the new Lisbon airport was confirmed in January 2008 to be south of the Tagus River, in Alcochete. The new airport is planned to open in 2017. According to several expert opinions, the new airport could generate more than 20,000 new crossings over the two toll bridges in its opening year
- Location of a third crossing was confirmed in January 2008 to be Chelas-Barreiro. The crossing will serve the high speed rail link between Lisbon and Madrid. The potential introduction of a road component is to be negotiated between the Portuguese Government and Lusoponte.

Birmingham, UK

M6 Toll

Asset description

- 42km motorway which bypasses Birmingham and connects to the existing M6 at both ends
- Opened: December 2003
- Concession period: 53 years, ends 2054
- MIG's interest: 100.0%
- Value: A$2,188.3 million.

Year in review

Results

- Traffic: 11.7% decrease on pcp
- Revenue: 0.2% decrease on pcp

Other

- A revised tolling structure became effective on 1 January 2008. The car toll at the mainline plaza was increased by 12.5% from £4.00 to £4.50. Truck tolls were also increased by 12.5% to £9.00
- The M42 improvement works were completed on 30 June 2008. The project was delivered under budget and has successfully relieved congestion at the point where the M6 Toll merges with the M42.

Rostock, Germany

Warnow Tunnel

Asset description

— 4km toll road and tunnel under the Warnow River in the northern German city of Rostock
— Opened: September 2003
— Concession period: 50 years, ends 2053
— MIG's interest: 70.0%
— Value: A$1.7 million.

Year in review

Results

— Traffic: 1.4% increase on pcp
— Revenue: 6.5% increase on pcp

Other

— New tolls were implemented in March 2008, with an approximately 10% toll increase in a number of key categories
— A customer satisfaction survey was carried out from November 2007 to January 2008 and findings show that the satisfaction level is above 80%
— The asset company was awarded the 'Employer 2008' – one of the 100 best employers for small and medium sized businesses in Germany.

Environmental and social responsibility (ESR) management

MIG BELIEVES THAT MANY SOCIAL, ENVIRONMENTAL AND ECONOMIC BENEFITS ARISE FROM RESPONSIBLE PRIVATE-SECTOR DEVELOPMENT AND OPERATION OF INFRASTRUCTURE

The Macquarie Group (Macquarie) manages a range of investment vehicles within Macquarie Capital. MIG is one of these vehicles. Macquarie has made a public statement on corporate citizenship which is available on its website. The commitment is based on Macquarie taking a long-term view of its business activities and acknowledging the importance of good custodianship to the communities in which it operates.

As set out on Macquarie's website, this commitment is underpinned by:

— A clear expectation of ethical behaviour from all Macquarie staff, which has been adopted by MIG and which is set out in http://www.macquarie.com.au/mig_codeofconduct
— A robust framework of policies including those relevant to environmental, social and governance (ESG) responsibilities.

Responsibility
All Macquarie staff, including those working for MIG, have a collective responsibility to ensure that Macquarie continues to be a good corporate citizen. MIG management is supported in this by Macquarie's integrity, equal employment and sustainability and environment officers, and the risk management group.

Macquarie staff may also contribute their time, expertise or finances to community organisations through the Macquarie Group Foundation.

MIG
MIG believes that many social, environmental and economic benefits arise from responsible private-sector development and operation of infrastructure. MIG is also aware that with these benefits lies the potential for risks, including ESG risks.

MIG's approach to managing risk, including ESG risk, falls under the Macquarie Capital framework which is consistent with Macquarie's framework. However, the Macquarie Capital framework also incorporates policies and practices that reflect the risks specifically associated with management of and investment in infrastructure funds. Key policies, procedures and accountabilities are set out in Macquarie Capital Funds' corporate governance and risk management available on MIG's website.

The framework is applied throughout MIG's investment process as follows:

- Asset selection – environmental and social responsibilities are reviewed as part of the acquisition due diligence process
- Ongoing asset management – regular asset board reporting enables compliance with environmental requirements to be monitored and environmental and social responsibility issues to be identified
- Stakeholder reporting – policies, social and environmental initiatives and compliance performance are reported internally and, where appropriate, externally.

In addition to Macquarie's own processes and policies, many new infrastructure projects undergo extensive social and environmental impact reviews before being given approval to proceed. The process is typically run by governments, which will have balanced the costs and benefits of the project. Accordingly, a government-run process will usually require new infrastructure to produce more efficient environmental outcomes than existing alternative infrastructure; or, where an investment is made in existing infrastructure, for that investment to produce improved environmental outcomes over those that existed prior to the investment being approved.

ESR-related regulatory requirements
MIG is not aware of any material breaches of relevant ESR-related regulatory standards by its assets during the year ended 30 June 2008.

ESR-related initiatives at MIG assets during FY2008
During FY2008 a change in the legislation covering reporting requirements removed MIG's obligation to send hard copies of MIG's annual and interim reports to security holders unless specifically requested.

A large number of MIG security holders chose to receive electronic copies of these reports. In conjunction with Planet Ark, MIG has assessed the reduction in the manufacture, printing and shipment of the reports as a result of elections made by MIG security holders as saving, in one year, more than 11 tonnes of paper, 327,000 litres of water, 2,100kg of waste from production to landfill and 24,000kg of greenhouse gas (GHG) emissions.

INVESTORS WHO CHOSE NOT TO RECEIVE A HARD COPY OF OUR ANNUAL AND INTERIM REPORTS HAVE, IN ONE YEAR, HELPED US SAVE:

>Eleven

TONNES OF PAPER

327,000

LITRES OF WATER

2,100kg

WASTE FROM PRODUCTION TO LANDFILL

24,000kg

GREENHOUSE GAS (GHG) EMISSIONS

ESR management
continued

Examples of notable ESR-related initiatives undertaken during the past financial year at assets in which MIG invests include:

Carbon disclosure project
MIG is a participant in the carbon disclosure project (CDP), an annual international survey intended to guide the investment decisions of institutional investors, by providing them with information about how companies approach climate change. In 2008 MIG outlined its approach to assessing and managing environmental risks, which include climate change. From 2009 MIG will provide more information about its energy consumption and the greenhouse gas emissions arising from its activities.

Drive for Charity
Drive for Charity is an initiative where, each year on certain roads, a day's toll proceeds are collected and distributed to charitable and not-for-profit organisations that provide assistance and services to the communities in which the roads operate. A strong sense of goodwill has developed around the initiative, with drivers often donating more money than the normal toll, and the motorways' staff joining in to raise money for the worthy causes.

This year MIG was proud to support Drive for Charity on M6 Toll in the UK and on Dulles Greenway in the US.

M6 Toll – 10 May 2008
Drive for Charity was held for the third time on M6 Toll. To date, more than £510,000 has been raised and distributed to worthy causes, including an annual £30,000 donation to the local County Air Ambulance. The organisations to benefit in 2008 were:

- Royal National Institute of Blind, the UK's leading charity, offering information, support and advice to over two million people with sight loss
- Leonard Cheshire, the largest charity provider to disabled people in the UK
- M6 Toll Hospices, a joint venture involving the four hospices along the M6 Toll.

Dulles Greenway – 19 May 2008
This is the third year that Dulles Greenway has participated in the annual Drive for Charity event. In 2008 more than US$198,000 was donated to six local organisations through tolls and the assistance of Greenway sponsors within the local business community, bringing the total amount raised through the event to over US$570,000.

Drive for Charity is built around three-year funding relationships and in 2009 Greenway management will be selecting new recipients for Drive for Charity proceeds. The organisations which have benefited from the event to 2008 are:

- The March of Dimes, whose mission is to improve the health of babies by preventing birth defects
- Special Olympics, Loudoun Chapter, which provides local athletes with intellectual disabilities with opportunities to participate in weekly practices and tournaments
- Loudoun Abused Women's Shelter, which provides emergency accommodation, food and emotional support to women and their children escaping domestic violence and abuse
- Fresh Air/Full Care, which provides funding for summer camps for at-risk youth
- Loudoun Wildlife Conservancy, which promotes the preservation and proliferation of healthy wildlife habitats.

New South Wales' safest road
In December 2007 Westlink M7 was rated New South Wales' best highway, with a four-star safety rating from the Australian Road Assessment Program (AusRAP). AusRAP is an initiative of the Australian Automobile Association.

The program has developed a star rating for all highways, based on their safety performance. The ratings system highlights the most dangerous and the safest sections on national highways and helps motorists understand the potential risks when driving on different roads.

AusRAP's star ratings involve an inspection of a number of design elements such as lane and shoulder width and the presence of safety barriers, known to have an impact on the likelihood of a crash and its severity. Between one and five stars are awarded to road links depending on the level of safety 'built-in' to the road.

The AusRAP audit found that Westlink M7 motorists are better protected from head-on crashes by 100% of the motorway being divided. In addition the report states that 100% of the motorway features good horizontal alignment providing for safe driving at a uniform speed.

M6 Toll Drive for Charity

ITR employees raising money for charity at a bowling event for the Hope Ministries

Supporting local students

In August 2007 407 ETR management announced the creation of a C$125,000 scholarship fund that will support students at York University in graduate studies for years to come.

The scholarship recognises that thousands of York students, staff and faculty use 407 ETR daily. The C$125,000 endowment fund will generate C$5,000 annually. That C$5,000 will then be matched two-to-one by the Ontario Graduate Scholarship Program, providing a total of C$15,000 to each year's scholarship recipient.

In 2000 Dulles Greenway established their Citizenship Award and Scholarship, awarding its first funds in the spring of 2001. The program awards scholarships to public high school students in London's County. Since inception more than 45 students have received scholarships for college. In 2008 the program awarded US$1,000 scholarships to 12 local students.

Understanding climate change impacts

During FY2008 M6 Toll's management worked with scientists from the Institute for Environmental, Sustainability and Regeneration at Staffordshire University, to understand the road's climate 'footprint'. When completed, the work, which assesses the energy consumption and greenhouse gases emitted by various aspects relating to M6 Toll's construction and operation, will be reviewed and verified by the UK Government-funded Carbon Trust.

Management will then be able to use the findings to drive energy efficiency to help M6 Toll reduce its climate impact.

Supporting the homeless

In April 2008 about 70 employees and guests of ITR held a charity bowling event to raise money for the Hope Ministries, which helps to meet the needs of people without resources to provide for their own physical, mental and emotional needs. The event raised US$3,500 for the cause and ITR employees additionally donated simple but much-needed items including medicine and food.

Bringing libraries online

The City of Chicago has put Chicago Public Library online, with US$10 million of the US$11 million cost of the project coming from the proceeds of the US$1.82 billion paid for the 99-year lease of Chicago Skyway. The ability to reserve and renew books from home means more Chicagoans can get help with their homework, download music and use the internet through the library's services. Since the improvements were implemented in March 2008 the number of hits on the library website has grown to 105 million a month, up from 28 million at the same time in 2007.

Corporate governance statement

MIG is a Macquarie Group (Macquarie) branded externally managed stapled group comprising two Australian trusts and a Bermudan mutual fund company.

Macquarie's expertise in managing funds and their businesses and sourcing new value-adding opportunities is a key attraction for investors in its managed vehicles. Investors are principally seeking to harness Macquarie's expertise in sourcing, investing in and managing businesses (made available through the management arrangements), as well as the expertise of appropriately qualified external directors.

A variety of investment vehicles can be used, through which funds are pooled to be invested in underlying assets. Stapled groups have developed due to differing regulatory regimes for different vehicles and the broad objective of managed funds to maximise distributions from underlying businesses to investors. For example, an appropriate structure for holding Australian investments may not be appropriate for the purposes of holding foreign investments.

In the case of Australian trusts, a responsible entity/manager owned by the sponsor with sponsor-appointed directors has been a common structural feature since the inception of these types of investment vehicle.

Bermudan mutual fund companies, whilst subject to the common law based regulatory regime in Bermuda, provide for relative flexibility in regards to earnings repatriation.

MIG's management arrangements are designed to promote consistency of management across all the entities in MIG.

MIG's management arrangements and corporate governance framework are outlined below.

The manager/adviser are two Macquarie companies, Macquarie Infrastructure Investment Management Limited (MIIML) for the trusts and Macquarie Capital Funds (Europe) Limited (MCFEL) for the company.

The two trusts are ASIC-registered managed investment schemes and their combined trustee/manager, MIIML, is known as the responsible entity. Its management role is defined by the trust constitutions, the Corporations Act and the general law. There is no separate management agreement.

The Bermudan company has a different board and decision making process to MIIML and has a separate advisory deed with MCFEL.

There is also a stapling agreement in place between all entities and MIIML and MCFEL setting out cooperation arrangements for the operation of the stapled structure.

The management arrangements are broadly consistent across the three entities and the key terms are described below.

Investment mandate

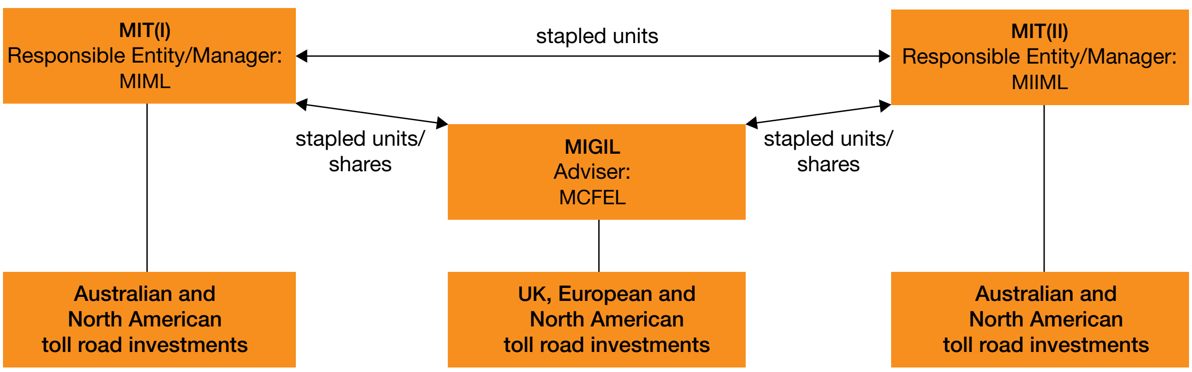
MIG's principal investment policy is widely defined and includes investments in:

— Infrastructure assets in OECD and OECD equivalent countries, and
— Non-infrastructure assets where ancillary to a major infrastructure investment or acquisition.

MIG has a stated focus on toll road investments, both greenfield and operating.

Management arrangements

The securities of the three entities are listed on the ASX and must trade together.



Services (adviser to the company)
- Investment and divestment evaluation and recommendations
- Asset management
- Capital management
- Financial reporting
- Investor communications and meetings
- General fund administration (subject to outsourcing of registry and trust custodial services to Computershare Investor Services Pty Limited (ABN 48 078 279 277) and Trust Company Limited (ABN 59 004 027 749) respectively, and company secretarial services in Bermuda to Butterfield Fund Services (Bermuda) Limited)
- Monitoring of fund operational risk and compliance.

Term

In perpetuity for both trusts and company or until the manager/adviser is removed or retires.

Termination

Both trusts and company, without cause, by security holder vote. The manager of the company can only be removed on a vote if the responsible entity of the trusts is also removed on a vote.

For both trusts and company the resolution must be passed by at least 50% of votes cast at a meeting by security holders entitled to vote. Managers and associates may vote their securities on the resolution.

No termination fees are payable other than accrued base fees and outstanding performance fee instalments.

Fees

Refer to principle 8 on page 41 and the remuneration report on page 73 for details.

Expenses

Refer to principle 8 on page 41 for details.

Discretions

MIT(I) and MIT(II)

The board of the responsible entity of the trusts makes all investment, divestment and operational decisions.

MIGIL

The manager mandate for the company is non-discretionary. All investment, divestment and operational decisions are made by the board of the company. The manager only makes recommendations.

Related party protocols

The trusts and company have adopted a detailed related party protocol covering transactions with and services provided by Macquarie companies and other managed funds/vehicles.

All related party transactions or services are on arm's length terms and approved by the MIG independent directors only. Macquarie executive directors do not vote or, unless invited to do so by the independent directors, participate in discussion on related party matters.

Asset acquisition or sale transactions with related parties for 5% or greater of fund value are supported by an independent valuation.

Mandates for the provision of services to MIG stapled entities or their controlled businesses are subject to third party independent review unless the independent directors determine otherwise on the basis of appropriate market information or practice.

Third party independent review is mostly carried out by the corporate advisory divisions of large accounting firms. In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Macquarie.

For asset sales or acquisitions, the reviewer carries out its own valuation if required. MIG independent directors have put in place a panel of reviewers (which does not include the MIG auditor) and the reviewer for a particular service or transaction is usually chosen by them on a rotational basis.

Swap and foreign exchange transactions with Macquarie companies solely for hedging purposes are subject to pre-approvals if certain conditions are met.

Significant volume securities transactions with a Macquarie broker require independent director approval.

Change of control

MIG co-invests from time to time with other Macquarie companies or managed vehicles. Co-investment arrangements may include pre-emption, tag-along and drag-along rights in favour of each other, typical of those agreed with third party co-investors. They may also include pre-emptive rights which are triggered on removal of the Macquarie managers. Refer to the asset description in relation to APRR on page 22 for details.

In addition, loan facilities for MIG stapled entities (which are currently undrawn) or MIG businesses may provide for acceleration of loan payments if MIG is no longer managed by a Macquarie company.

Removal of manager trigger events are typically put in place because counterparties (both equity and debt providers) require ongoing Macquarie involvement in the management of the fund or particular businesses.

The MIG independent directors obtain separate legal advice as necessary and the arrangements are approved by the independent directors and disclosed to security holders.

Variation to management arrangements

Any variations adverse to security holders' rights or in respect of changes to fee structures to increase fees would involve trust constitution amendments and therefore effectively require approval by 75% by value of votes cast at a meeting by security holders entitled to vote.

Director appointment rights

The combined managers have director appointment rights for 75% of the board of the company.

Macquarie appoints the board of the manager of the trusts, as it is a Macquarie subsidiary.

Refer to principle 2 on page 34 for more detail.

What you can find on our website:

- MIT(I) constitution
- MIT(II) constitution
- MIGIL constitution.

MIG's approach to corporate governance

The MIG boards are committed to MIG's achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines MIG's main corporate governance practices as at 30 June 2008. Unless otherwise stated, they reflect the practices in place throughout the financial year ending on that date.

The boards determine the corporate governance arrangements for MIG. As with all its business activities, MIG is proactive in respect of corporate governance and puts in place those arrangements which it considers are in the best interests of MIG and its investors, and consistent with its responsibilities to other stakeholders. It actively reviews Australian and international developments in corporate governance.

MIG is part of the stable of Macquarie managed vehicles. Accordingly, in setting the corporate governance framework the MIG boards have also undertaken to comply with the Macquarie Funds Management Policy (Macquarie Fund Policy). This policy has been devised by Macquarie to safeguard the interests of investors in the managed vehicles, which at times may conflict with those of Macquarie as managers of the vehicles.

The key elements of the Macquarie Fund Policy are:

- Conflicts of interest arising between Macquarie managed vehicles and its related parties should be managed appropriately and, in particular:
  - Related party transactions should be identified clearly and conducted on arm's length terms
  - Related party transactions should be tested by reference to whether they meet market standards
  - Decisions about transactions between Macquarie managed vehicles and Macquarie or its affiliates should be made by parties independent of Macquarie.
- The boards of both the corporate vehicles and the management company/responsible entity of the trusts of listed Macquarie managed vehicles which are stapled groups will comprise at least 50% independent directors and at least one of the boards in each stapled group will have a majority of independents.
- The funds management business should be resourced appropriately. In particular:
  - There is a separate Macquarie Capital Funds (MacCap Funds) division and staff in this area should be dedicated to the funds management business
  - All recommendations to the boards of Macquarie managed vehicles should be reviewed or prepared by MacCap Funds staff
  - Each listed Macquarie managed vehicle that invests in operating businesses should have its own managing director or chief executive officer, and
  - Chinese walls operate to separate Macquarie's investment advisory and equity capital markets businesses from MacCap Funds.

ASX Corporate Governance Principles

The ASX Corporate Governance Council (the Council) has Corporate Governance Principles and Recommendations (the Principles) which are designed to maximise corporate performance and accountability in the interests of shareholders and the broader economy. The Principles encompass matters such as board composition, committees and compliance procedures.

The Principles can be viewed at www.asx.com.au. The Principles are not prescriptive; however listed entities (including MIG) are required to disclose the extent of their compliance with the Principles, and to explain why they have not adopted a Principle if they consider it inappropriate in their particular circumstances.

On 2 August 2007 the Council issued revised Principles. While the revised Principles take effect for financial years commencing after 1 January 2008, MIG has elected to report early against the revised Principles.

MIG's corporate governance statement is in the form of a report against the Principles. MIG's corporate governance policies largely conform to the Principles. Any deviation is because of MIG's externally managed structure and the requirements of the Macquarie Fund Policy. We have noted the differences in our reporting.

Principle 1

Lay solid foundations for management and oversight

Responsibility for corporate governance and the internal working of each MIG entity rests with the board of MIIML or MIGIL, as the case may be. The board of each company has adopted a formal charter of directors' functions and matters to be delegated to management, having regard to the recommendations in the Principles.

An outline of the boards' responsibilities as set out in each company's charter is set out below:

— Setting objectives, goals and strategic direction for management, with a view to maximising investor wealth
— Monitoring the implementation of MIG's investment policy
— Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestures
— Adopting an annual budget for the managed vehicle and monitoring its financial performance
— Consulting with Macquarie on the appointment or, where appropriate, removal of the CEO or CFO or their equivalents
— Participating in the review of the performance of the CEO and CFO or their equivalents and, where appropriate, replacing those officers
— Appointing and removing the company secretary
— Monitoring senior management's, or in the case of MIGIL, MCFEL's performance, implementation of strategy, and resources
— Reviewing, ratifying and monitoring systems of risk management, compliance and codes of conduct
— Approving and monitoring financial and other reporting
— Setting the highest business standards and codes for ethical behaviour.

Full board meetings are held at least bimonthly for MIIML and MIGIL, and other meetings are called as required. Directors are provided with board reports in advance of board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Each independent/non-executive director of MIIML and MIGIL has received a letter of appointment which details the key terms of their appointment. This letter has been enhanced for the more recent board appointments to include all of the recommended matters in the Principles.

The CEO and CFO, being MIG's senior executives, have formalised job descriptions and, as Macquarie Capital employees, letters of appointment.

To ensure that the MIG senior executives properly perform their duties, the following procedures are in place:

— The CEO and CFO are Macquarie Capital employees seconded to MIIML or MCFEL as required. Their performance is assessed by Macquarie in March each year as part of Macquarie's formal employee performance evaluation process. The relevant boards provide annual feedback on the performance of the CEO and CFO
— A review of the performance of MCFEL as adviser against its contractual obligations by the MIGIL independent directors, with external assistance if required
— A formal induction program to allow senior executives to participate fully and actively in management decision making
— Access by executives to continuing education to update and enhance their skills and knowledge.

The above process was followed for the year ended 30 June 2008.

What you can find on our website:

— A summary of the MIIML and MIGIL board charters.

Principle 2
Structure the board to add value

1. Composition

MIIML

Board of directors

The MIIML board of directors is comprised as follows:

Mark Johnson, Chairman
Non-executive
Director for 12 years (including 10 years as chairman)

Michael Carapiet, Director
Executive
Director for less than 1 year

David Mortimer AO, Director
Independent
Director for 8 years

Paul McClintock, Director
Independent
Director for 5 years

David Walsh, Director
Independent
Director for 4 years

John Roberts, Alternate Director to Mark Johnson and Michael Carapiet
Executive
Director for 5 years

Profiles of these directors can be found later in this report.

MIGIL

Board of directors

The MIGIL board of directors is comprised as follows:

Robert Mulderig, Chairman
Independent
(MCFEL appointment)
Director for 4 years

Dr Peter Dyer, Director
Non-executive
(MCFEL appointment)
Director for 4 years

Mark Johnson, Director
Non-executive
(MIT(II) appointment)
Director for 4 years

Jeffrey Conyers, Deputy Chairman
Independent
Director for 4 years

2. Appointment to the boards

ASX has granted listing rule waivers to facilitate Macquarie appointed directors for the Bermudan company in the same way as they are appointed for the responsible entity of the trusts. In the context of an externally managed vehicle, Macquarie believes these arrangements promote consistency of management and are for the benefit of investors. Macquarie considers the selection of appropriately experienced independent directors as an important contribution to MIG's performance. From an investor protection viewpoint, MIG has a majority of independent directors on the combined MIG boards. Though Macquarie appointees, these directors are reputable, appropriately qualified and experienced businessmen who satisfy market-standard independence criteria. These directors have a duty at law to prefer the interests of MIG investors to those of Macquarie.

Details of the appointment arrangements are set out below.

MIIML

MIIML is a wholly owned subsidiary of Macquarie Group Limited (MGL) and directors are appointed to MIIML in consultation with the MGL board. The following board composition and membership criteria have been adopted by the board in consultation with MGL:

- The board is to comprise at least four directors. Additional directors may be appointed if the board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified
- New appointments to the board require full MIIML board approval
- Independent directors are to comprise a majority of the board
- The board is to comprise directors with an appropriate range of qualifications and expertise
- Directors can be removed by MIIML's sole shareholder, MGL, in its absolute discretion and at any time
- The chairman of the board is to be a Macquarie executive or closely connected ex-Macquarie executive. Note, Mark Johnson ceased to be a Macquarie executive effective 31 March 2007
- The chairman must be nominated by the MGL board and requires full MIIML board approval
- A lead independent director is to be appointed each financial year using an alphabetical 12-month rotation system
- To ensure that the board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, independent directors will retire after 12 years.

Independence of directors determined by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance of the fund and returns to investors.

In determining the status of a director, both MGL and the board have adopted the standards of independence required by the Macquarie Fund Policy. Details are as follows.

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management (a non-executive director) and who (to the satisfaction of the MGL board corporate governance committee) meets the following criteria:

- Is not a substantial shareholder of:
  - MGL or MIG, or
  - A company holding more than 5% of the voting securities of MGL or MIG
- Is not an officer, or otherwise associated directly or indirectly with a shareholder holding more than 5% of the voting securities, of MGL or MIG
- Has not, within the last three years, been:
  - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another Macquarie entity, or
  - A director of any such entity after ceasing to hold any such employment
- Is not and has not within the last three years been a principal or employee of a professional adviser to MIG, Macquarie or other Macquarie managed vehicles whose billings to MIG, Macquarie or other Macquarie managed vehicles over the previous full year, in aggregate, exceed 5% of the adviser's total revenues over that period. A director who is or within the last three years has been a principal or employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and will not participate in the provision of any service to MIG, Macquarie or another Macquarie managed vehicle
- Is not a significant supplier or customer of MIG, Macquarie or other Macquarie managed vehicles, or an officer of or otherwise associated directly or indirectly with a significant supplier or customer. A significant supplier is defined as one whose revenues from MIG, Macquarie and other Macquarie managed vehicles exceed 5% of the supplier's total revenue. A significant customer is one whose amounts payable to MIG, Macquarie and other Macquarie managed vehicles exceed 5% of the customer's total operating costs

— Has no material contractual relationship with Macquarie other than as a director of a responsible entity and/or special purpose vehicle
— Is not a director of more than two Macquarie related responsible entities or special purpose vehicle boards
— Has no other interest or relationship that could interfere with the director's ability to act in the best interests of the Macquarie managed vehicle and independently of management of Macquarie.

Where an individual may not meet one or more of the above criteria but the MGL board corporate governance committee makes a specific determination that, in the particular overall circumstances of that individual, the fact that these criteria have not been met would not prevent the individual from exercising independent judgment on the relevant board(s).

The standards of independence which have been applied are substantively similar to but are not the same as those suggested in the Principles.

The main area of difference is that the Macquarie Fund Policy is designed to ensure that independent directors are independent from both MIG management and Macquarie. The directors believe that the adoption of the Macquarie Fund Policy definition of independence better reflects the true nature of independence in the present circumstances and does not materially prejudice security holders.

The ability of independent directors to serve on up to two separate managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

MIG considers that the independence of its directors, each of whom is a highly qualified and reputable business person and professional who satisfies the above criteria, does not depend on who appoints them but on their independence of mind, including an ability to constructively challenge and independently contribute to the boards. Independent directors are asked to confirm their independence status on appointment, and on an annual basis, and to notify the board if they cease to satisfy the criteria.

The following guidelines apply to director selection and nomination by Macquarie:

— Integrity
— Particular expertise (sector and functional) and the degree to which they complement the skill set of the existing board members
— Reputation and standing in the market
— In the case of prospective independent directors, actual (as prescribed by the above definition) and perceived independence from Macquarie.

The board has not appointed a nomination committee. The board does not consider such a committee appropriate in circumstances where there is only one shareholder and it has adopted the Macquarie Fund Policy set out above. It is considered that this process is sufficiently transparent to justify not appointing a nomination committee.

MIGIL

Under the MIGIL bye-laws, MCFEL has been issued with an A Special Share (and has rights under the advisory deed) which entitles it to appoint the managing director and other director(s) constituting up to 50% of the MIGIL board. MIIML, as responsible entity of MIT(II), has been issued with a B Special Share which entitles it to appoint director(s) constituting up to 25% of the MIGIL board while the entities are stapled. Neither the A nor B Special Share has any economic interest, which means that the holders of those shares are not entitled to any dividends and are only entitled to the par value of those shares on a winding up of MIGIL.

The balance of the directors is elected by MIG investors. Of the present board, Jeffrey Conyers is subject to rotation and security holder approval.

The MIGIL board has 50% independent directors rather than a majority of independent directors. This reflects the requirement of the Macquarie Fund Policy for the boards of the responsible entity of the stapled trusts and the stapled company to have at least 50% independent directors and at least one of the boards in each stapled structure to have a majority of independent directors.

The rationale for this approach is that under the stapling arrangements, the practical operation of the MIIML and MIGIL boards is such that no significant decision (in particular strategy, capital raisings, borrowings, and investments) can be made by one board without the consultation and consideration of the other board, and the MIGIL board has a sufficient quorum of independent directors to vote on transactions with Macquarie companies.

The MIGIL board charter also provides that there must not be half or more of the board located in any jurisdiction other than Bermuda. Robert Mulderig and Jeffrey Conyers are Bermuda-based. Mark Johnson is based in Australia and Dr Peter Dyer in the UK.

In determining the status of directors, the MIGIL board has adopted the standards of independence required by the Macquarie Fund Policy.

The candidates for the board are selected by MCFEL or MIIML, as the case may be, using the same selection and MGL nomination approval process as for MIIML directors. In the case of candidates to be elected by security holders, the nominee is then recommended by MCFEL to the MIGIL board for approval.

The MIGIL board has not constituted a nomination committee because, as a consequence of the management arrangements established for MIGIL and its participation in the stapling arrangements with MIT(I) and MIT(II), its directors are nominated by the relevant Macquarie companies having regard to the board charter criteria and Macquarie Fund Policy requirements.

3. Chairman
Mark Johnson, being the former deputy chairman of Macquarie Bank until his retirement on 19 July 2007, is a non-executive chairman of MIIML and does not satisfy the independence recommendation of the Principles. The Macquarie Fund Policy requires the chairman to be a current or closely connected ex-Macquarie executive because MIIML is a Macquarie company and MIG is externally managed and Macquarie branded.

The MIIML board has resolved to appoint a lead independent director. David Walsh was the lead independent director from July 2007 to June 2008 and Paul McClintock is lead independent director until 30 June 2009. A different lead independent director is to be appointed each financial year using an alphabetical rotation system.

It is MIGIL's policy to have an independent chairman and Robert Mulderig, chairman of MIGIL, is independent even though he is appointed by MCFEL. Mr Mulderig satisfies the independence test in the Macquarie Fund Policy.

In both cases, the chairman does not exercise the role of CEO. That role is performed by John Hughes, who was appointed as CEO in November 2007.

Both the MIIML and MIGIL board charters provide that all independent directors will meet at least once per year in the absence of management and at other times as they determine. The convenor of the meetings will be the lead independent director in the case of MIIML, and the chairman in the case of MIGIL. This requirement was met for the year ended 30 June 2008.

4. Independent professional advice
The directors of MIIML and MIGIL are entitled to obtain independent professional advice at the cost of the relevant trust or company subject to the estimated costs being first approved by the chairman as reasonable.

5. Board performance
To ensure that the directors of MIIML and MIGIL are properly performing their duties, the following procedures are in place:

— A formal annual performance self-assessment of the board, the audit and risk committees and individual directors
— A formal induction program for directors
— Access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the boards' performance is:

— Directors are given the opportunity to discuss individual performance and feedback on performance with the chairman, and in the case of MIGIL, the most senior Macquarie executive director, and the chairman meets with each non-executive and independent director to discuss the effectiveness of the board and board committees as a whole
— The board as a whole discusses and analyses board and committee performance during the year, including suggestions for change or improvement, based on the chairman's feedback from conducting separate meetings with the non-executive and independent directors.

The above process was followed for the year ended 30 June 2008.

Principle 3

Promote ethical and responsible decision making

MIG's code of conduct sets out principles and standards for the directors and executives in respect of practices necessary to maintain confidence in MIG's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The code includes whistleblower, anti-corruption and dealing with governments and anti-money laundering policies.

The code also encompasses principles for compliance with legal and other obligations to MIG's stakeholders, including security holders, employees, customers, and the broader financial and other communities in which MIG operates.

The code is periodically reviewed and endorsed by the MIIML, MIGIL and MCFEL boards. The code is distributed to all directors and staff and reinforced at induction and other training programs.

A policy on securities dealings is in place under which directors and staff involved in the management of MIG are restricted in their ability to deal in MIG stapled securities. Security trading by MIG directors, officers and staff is permitted only during four-week special trading windows following the release of MIG's half-yearly and yearly financial results, and following the annual general meeting or lodgement with ASIC and ASX of a disclosure document for a capital raising or a cleansing statement for a rights issue.

When the trading window is not opened following results announcements, pending disclosure of significant transactional activity being undertaken by MIG, a special four-week trading window may apply following an ASX release in respect of the transaction.

Special arrangements apply for the trading by MIIML, MCFEL and associates of MIG securities issued in connection with base fees and performance fees. Standing instructions must be given to a Macquarie broker during a designated directors and staff trading window to sell at above a designated price with the trade to take place at any time in accordance with the instructions. Any instructions given will be on the basis that Chinese walls are operating with the broker at all times during the currency of the instruction. Alternatively, the securities will be placed in a blind trust with an external broker during a trading window, with irrevocable instructions to sell at above a designated price with the trade to take place at any time in accordance with instructions.

MIG's approach to environmental and social responsibility management is set out on pages 26 to 29 of this report.

What you can find on our website:

— A summary of the code of conduct
— A summary of the main provisions of the securities (windows) trading policy
— A description of MIG's environmental and social responsibility management policy.

Principle 4

Safeguard integrity in financial reporting

1. Audit and risk committees

Each of MIIML and MIGIL has appointed an audit and risk committee.

MIIML

The audit and risk committee, which complies with the requirements of the Principles, is currently comprised as follows:

David Mortimer AO, Chairman
Independent 5*

David Walsh
Independent 4*

Paul McClintock
Independent 5*

*Meetings attended (5 held). David Walsh replaced Michael Easson as a member of the audit and risk committee on 23 August 2007. Michael Easson attended the audit and risk committee meeting held on 20 August 2007.

MIGIL

The audit and risk committee does not comply with the principles and is currently comprised as follows:

Jeffrey Conyers, Chairman
Independent 4*

Robert Mulderig
Independent 4*

*Meetings attended (4 held).

Given the size and composition of the MIGIL board, the audit and risk committee does not comply with the ASX three-member recommendation. However the members of both the MIIML and MIGIL committees are all independent directors.

As the MIIML board alone is responsible for signing the MIG consolidated financial statements, the ASX has advised that only the MIIML audit committee must comply with the ASX listing rule requirements in respect of size and composition.

The qualifications of the members of both audit and risk committees can be found on our website and later in this report.

2. Audit and risk committee charters
In establishing its audit and risk committee, each of MIIML and MIGIL has established a charter under which the committee is to operate. The charter is materially the same for both companies.

The responsibilities of the audit and risk committee under each charter in relation to financial reporting are to:

— Review and report to the board on the financial statements and related notes, and on the external auditor's audit of the financial statements and the report thereon
— Recommend to the board the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
— Monitor auditor independence. The audit and risk committee meets with the external auditor at least twice a year and more frequently if required.

Details of the risk monitoring duties of the audit and risk committee are set out in the Principle 7 commentary.

3. Auditor independence
The audit and risk committees have adopted a policy which includes the following to ensure the independence of the external auditor:

— The external auditor must remain independent from Macquarie and MIG at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships
— The external auditor must monitor its independence and report to the board every six months that it has remained independent
— Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the audit and risk committees (or their chairmen between meetings)
— All non-audit assignments are to be reported to the audit and risk committees every six months
— The MIG audit engagement partner and review partner must be rotated every five years.

The MIIML and MIGIL boards and audit and risk committees are of the view that, at the present time, PwC is best placed to provide MIG's audit services. PwC is a top tier professional services firm and has provided audit services to MIG since its establishment and is familiar with its structure and businesses. The auditor is required to be independent from MIG and Macquarie. PwC meets this requirement.

The auditor attends MIG's annual general meetings and is available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

What you can find on our website:

— The audit and risk committee charters for MIIML and MIGIL
— Procedures for selection and appointment of the external auditor and for rotation of external audit engagement partners.

Principle 5
Make timely and balanced disclosure
It is MIG's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. Under the terms of the stapling deed, MIIML, MIGIL and MCFEL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

MIG has an external communications policy which includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules.

The procedures include dealing with potentially price-sensitive information which includes referral to the CEO and company secretary/general counsel for a determination as to disclosure required. The ASX liaison person is the MIIML company secretary.

What you can find on our website:

— External communications policy summary.

Principle 6
Respect the rights of shareholders
MIG has developed a security holder communications policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Investors are provided with an annual report and financial statements, either by accessing MIG's website or in hard copy if specifically requested, which keep them informed of MIG's performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.

MIG's policy is to lodge market-sensitive information with the ASX and place it on its website, including annual and interim result announcements and analyst presentations, as soon as practically possible. MIG's website (www.macquarie.com/mig) contains recent announcements, presentations, past and current reports to security holders, answers to frequently asked questions and at least a three-year summary of key financial data. Investors may also register here to receive email copies of MIG's significant ASX announcements.

Domestic investor roadshows are held regularly throughout Australia. International roadshows are also held for institutional investors. Where they contain new information, analyst and roadshow presentations are released to the ASX and included on the MIG website.

MIG also produces an analyst package which is updated annually. This comprehensive guide aims to provide transparency of MIG's investments and structure. The analyst package is released to the ASX and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

Meetings of the three MIG entities are convened at least once a year, usually in October or November. MIGIL is required to hold an annual general meeting (AGM) each year.

In the case of the trusts, which are not required under the Corporations Act to hold an AGM, these are usually informal annual meetings unless there is formal business to be considered. An AGM is held for MIGIL at the same time. Presentations by the chairman and CEO at the AGM are webcast.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that security holders cannot attend formal meetings they are able to lodge a proxy in accordance with the Corporations Act or Bermudan Companies Act as applicable. Proxy forms can be mailed or lodged by facsimile or electronically.

What you can find on our website:

- External communications policy summary
- The latest annual report and full financial statements.

Principle 7

Recognise and manage risk

Both MIIML and MIGIL have formalised risk management policies. Compliance with these policies is monitored by their respective audit and risk committees.

Risks are managed through the risk management framework in place and include:

- Investment risks
- Regulatory and reporting risks
- Financial risks (such as liquidity, interest rate, currency, investment, credit)
- Legal risks (such as contract enforceability, covenants, litigation)
- Compliance risks
- Operational risks (such as people, processes, infrastructure, technology, systems, outsourcing and geographic coverage)
- Environmental and social risks
- Occupational health and safety risks
- Project risks
- Business performance risks
- Reputation risks (such as investor relations, media management)
- Strategic risks.

As part of its risk monitoring duties each audit and risk committee is required to:

(i) Enquire of management and the external auditor about significant risks or exposures and assess the steps management (MIIML) or the adviser (MCFEL) has taken to minimise such risk to the trusts or company as applicable

(ii) Consider and review with the external auditor:
  - The adequacy of the trusts'/company's internal controls including computerised information system controls and security
  - Any related significant findings and recommendations of the external auditor on the matter of internal controls together with management's responses thereto

(iii) Monitor and review (at least annually) the effectiveness of the trusts'/company's operational risk management framework and compliance with key risk management policies

(iv) Review the scope of any internal audit to be conducted and the independence of any internal audit team.

As required by the Corporations Act, a compliance committee and designated compliance staff assist the MIIML board in overseeing the trusts' risk management framework by monitoring compliance plans and ensuring that there is an underlying compliance framework including detailed policies and procedures, staff training and supervision and appropriate compliance reporting.

The compliance committee is currently comprised as follows:

— Brendan Riordan, Chairman, External
— Ray Kellerman, External
— John Hughes, Macquarie
— Andrew Sims/Stuart Green/Mary Nicholson (alternates for John Hughes), Macquarie

The external compliance committee members must satisfy the independence criteria set out in s601JB (2) of the Corporations Act. External members are required to certify their compliance with these requirements on an annual basis and otherwise notify MIIML if they cease to satisfy the criteria.

Both MIIML and MCFEL, as part of Macquarie, are subject to periodic review conducted by Macquarie's internal audit division.

Each of MIG's businesses maintains its own risk management framework and supporting infrastructure to manage its own risk. MIG's ability to control or influence this framework and infrastructure differs based on MIG's level of ownership and control. It is MIG's policy to confirm that each business has an appropriate risk management framework in place to assist the business to effectively manage its risks.

During the year management has reported to the audit and risk committees as to the effectiveness of MIG's management of its material risks. In addition, the MIIML board has received assurance from the CEO and CFO that their declaration under s295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.

What you can find on our website:

— A description of MIG's risk management policies and framework
— A description of MIG's environmental and social responsibility management policy
— A description of MIG's occupational health and safety risk management policy
— The compliance plan for MIT(I) and MIT(II)
— Details of the qualifications of the MIT(I) and MIT(II) compliance committee members.

Principle 8

Remunerate fairly and responsibly

Below is a brief description of management and performance fee arrangements for MIIML as responsible entity and MCFEL as adviser, remuneration arrangements in relation to MIG staff (whose remuneration is paid by Macquarie Capital, not MIG) and also the fees paid to MIG external directors. Full details and a discussion of MIG remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report on pages 73 to 75. Responsible entity and adviser expenses reimbursed by MIG are set out on page 73.

1. Responsible entity and adviser fees

MIIML, as responsible entity of MIT(I) and MIT(II), and MCFEL as adviser of MIGIL, are entitled to be paid base management fees and also performance fees for discharging their management/advisory functions.

These fees are calculated in accordance with a defined formula under the trust constitutions and the advisory deed. The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and continue to be disclosed on the MIG website and in annual reports so that investors originally invested and continue to invest on this basis. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

Any changes to the fee provisions which would have the effect of increasing the fees would need to be approved by investors.

2. Reimbursement of responsible entity and adviser expenses
MCFEL and MIIML are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of MIG. This includes routine ongoing expenses such as the third party costs of acquiring businesses and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and advisory deed.

3. Staff remuneration
MIIML and MCFEL make available employees, including senior executives, to discharge their obligations to the relevant MIG entity. These staff are employed by entities in Macquarie and made available through formalised resourcing arrangements with MIIML and MCFEL. Their remuneration is not a MIG expense. It is paid by Macquarie Capital. Instead MIG pays management fees to Macquarie for providing management and advisory services. These fees are MIG expenses and are disclosed on page 73. MIGIL does not have employees and relies on the MCFEL management staff under the advisory deed arrangements to implement operational decisions and carry out administrative functions.

MIG holds its toll road businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where MIIML or MCFEL staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to MIG.

Senior MIIML and MCFEL executives may have some of or their entire performance bonus retentions notionally invested by Macquarie in MIG securities so that the amount varies as if they were actually invested in the securities. Executives may also receive MGL options as part of their remuneration package.

4. Director remuneration
MIIML independent and non-executive director fees are paid by MIIML in its personal corporate capacity. They are not paid by the trusts.

In the case of the Macquarie Capital executive directors, remuneration earned in connection with their roles as MIIML or MIGIL directors, as the case may be, is paid by Macquarie Capital and not by MIIML or MIGIL.

MIGIL non-executive director fees are paid by MIGIL. None of the MIIML or MIGIL directors is entitled to MIG options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie Capital executives who are MIG directors may have some of or all of their performance bonus retentions notionally invested by Macquarie in MIG securities so that the amount varies as if they were actually invested in the securities, and may also receive MGL options as part of their remuneration package.

5. Remuneration committee
The boards of each of MIIML, as responsible entity of MIT(I) and MIT(II), and MIGIL do not consider it necessary or appropriate to constitute a remuneration committee. Given the payment of the management fee (and the fact that any change to the determination of that fee would require security holder approval) and MIIML's and MIGIL's lack of exposure to remuneration expenses, a remuneration committee is not justified.

What you can find on our website:

— The MIG remuneration report.

Guide to the MIG accounts

MIG is a triple stapled security. The units of Macquarie Infrastructure Trust (I) (MIT(I)), Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Group International Limited are combined and trade as one stapled security on the ASX. Under Australian Accounting Standards stapled groups must identify one of the stapled entities as the accounting parent. MIG has identified MIT(II) for this purpose.

Stapled securities are efficient structures for entities that invest in long life physical assets like toll roads and property. The three entities that make up MIG are effectively investment vehicles (two Australian trusts and a Bermudan mutual fund company). The vehicles are managed or advised by Macquarie Group companies.

The following comments may be useful when considering the concise financial report.

Accounting for toll road interests

At 30 June 2008 MIG holds a controlling interest in the M6 Toll in the UK and non-controlling interests in toll roads in Australia, Canada, Portugal, Germany, France and the US. There have been no changes in the asset portfolio during the year.

In the accounts that follow, all non-controlled MIG toll road investments are recorded at fair value in accordance with Australian Accounting Standard AASB 139. Fair value accounting is used by most traditional unit trusts, life companies, general insurers and super funds because it is the best way to show changes in the value of their investments in any period.

The use of fair value accounting sometimes produces large positive results in the income statement because the increases in asset values are recorded as profits. Conversely, there may be occasions where MIG reports losses as a result of asset write downs.

Where MIG has a controlling interest (where MIG is able to dominate the major decisions made by an entity) in a toll road, it is required to consolidate the assets and liabilities and results of that toll road into the results of MIG. Aside from derivative instruments these assets and liabilities are recorded at historical cost (less any associated depreciation and amortisation), in accordance with the requirements of accounting standards, and are not revalued. Consequently, the accounts do not reflect the directors' estimates of the fair value of these assets.

This combination of fair value and historical cost accounting means that care is needed when interpreting MIG's financial statements. Certainly, most commentators believe that investors should place less weight on the magnitude of MIG's accounting profit than they would for a typical industrial company. Instead, more emphasis is given to the change in Net Asset Backing (NAB) per security and to MIG's operating cash flows.

MIG's quarterly management information report (MIR) provides information on the NAB per security together with the proportionally consolidated results of MIG's operations and other relevant information. The MIR is available from the MIG website at http://www.macquarie.com/mig-financials

Net Asset Backing per security

The change in MIG's NAB per security before deferred tax shows the increase (or decrease) in the directors' valuation of each MIG security listed on the ASX.

It is a reflection of how much additional wealth has been created (or potentially lost) for security holders during the period. It is an indication of how successful the manager has been at acquiring, managing and, in some cases, disposing of MIG's assets. It also reflects changes in macroeconomic variables.

Indebtedness

Each of the toll roads in which MIG has an interest is set up as a separate legal entity in which MIG is simply a shareholder. The debt borrowed by these separate legal entities is limited-recourse debt, i.e. project finance, where MIG provides no guarantees to the lenders other than, in some cases, guarantees in relation to its equity contributions. The lenders only have recourse to the cash flows of that project.

Under Australian Accounting Standards MIG consolidates only the debt liabilities of interests which it controls, so the balance sheet at 30 June 2008 includes only the debt at the M6 Toll. MIG discloses the levels of debt at all its assets on a proportionally consolidated basis in the MIR.

Guide to valuations

The performance of MIG's toll road investments is best illustrated by the cash flows generated by the assets. MIG revalues the assets it has invested in every six months and publishes these valuations together with an associated NAB.

Why MIG revalues its assets

Under Australian Accounting Standards the valuations of MIG's non-controlled assets are reflected in the MIG accounts, while MIG's controlled assets, aside from derivative instruments, are carried at historical cost (less any associated depreciation and amortisation).

How MIG revalues its assets

As toll roads are cash-generating assets, the usual way to determine the value of a road is to express in today's terms the cash the toll road is expected to generate over the life of the concession (the period over which the right to levy tolls is given). This is called the 'present value' of the cash flows. A dollar today is worth more than a dollar in the future, for a number of reasons including:

- A dollar today can be invested and earn interest
- The purchasing power of a dollar in the future may be less than a dollar today because of price increases due to inflation
- A dollar today is certain whereas there may be a risk that a dollar expected in the future will not be received.

The process used to express expected dollar receipts in the future into a present value equivalent is called 'discounting' and the models used to perform this calculation are called discounted cash flow (DCF) models. These models apply a 'discount rate' to the expected cash flows: this rate determines how much less a future dollar is worth than a dollar today, in other words how many cents in today's terms each future dollar is worth. The higher the discount rate, the lower the present value of a dollar receivable in the future. MIG generally uses DCF analyses to value its unlisted and illiquid listed investments. This approach is consistent with other market participants.

MIG's valuation models estimate the future cash flows that are expected to be generated by an asset and made available to MIG (through dividends, loan repayments, etc.), and discount these cash flows back to their present value at balance date. The valuation derived from the DCF analysis is periodically benchmarked to other sources such as recent market transactions, to ensure that the DCF valuation is providing a reliable estimate.

Valuation model inputs

There are a large number of variables which are used as inputs into the valuation models for MIG's toll road assets in Australian dollars. These include:

- Revenue and expenses

The value of a toll road asset is sensitive to the expectations of future traffic and toll levels, as well as operating and capital expenditure associated with those traffic levels.

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

Operating and capital expenditure estimates are dependent on forecast traffic levels and long-term plans for the asset. For example, traffic on a toll road may be so congested that extra lanes may need to be built. The operating and capital expenditure estimates are developed by the management of each toll road in consultation with appropriate third party experts.

— Cost of debt
Debt service (interest and principal payments) is another important input into MIG's toll road asset valuations, and depends on both existing financing arrangements and any assumed future arrangements.

— Risk free interest rate
MIG uses the 10-year government bond rate, or its equivalent, as a proxy for the risk free interest rate in the country in which the toll road is located. A risk premium is then added to this risk free rate in order to derive the final discount rate, which becomes the basis for discounting future cash flows. All other factors being unchanged, if bond rates increase, a corresponding decrease is likely to be seen in the valuations of MIG's assets.

The risk premiums applied to the DCF forecasts for MIG's non-controlled assets are disclosed on page 65.

— Inflation rates
Many of the toll regimes at MIG's assets are varied having regard to local inflation rates. Higher levels of forecast inflation will lead to higher forecasts of toll revenue, and conversely for lower inflation levels. Given that expenditure on MIG's assets is generally less sensitive than revenue to changes in inflation, changes in inflation assumptions will change the valuation of an asset. In general, higher inflation assumptions result in a higher valuation for an asset.

Often, increases in long-term interest rates are associated with increasing inflation. In this scenario, the higher interest rates will tend to reduce an asset's valuation while the increase in inflation will act to increase the value.

— Exchange rates
Currently, 91% of MIG's portfolio is represented by toll road assets outside Australia. MIG's policy is not to hedge the translation of the valuations of these toll roads back to Australian dollars, however forward commitments in foreign currencies are hedged. Increases in the value of the Australian dollar relative to currencies of the countries where MIG assets are located will lead to a reduction in valuation and the converse will be true for decreases in the Australian dollar.

To ensure the objectivity of the valuation process, MIG uses independent sources where possible in projecting these cash flow components. These forecasts are updated at regular intervals and whenever there are significant changes to an asset (e.g. the opening of a new adjoining motorway). Macroeconomic assumptions are adjusted every six months in order to reflect current values.

Sensitivity of MIG's valuations

As outlined above, MIG's valuations are sensitive to movements in a number of variable inputs. Details of the impact of movements in various inputs on MIG's portfolio of non-controlled assets are included on page 65.

Concise Financial Report

For the year ended 30 June 2008

Macquarie Infrastructure Trust (II)
ARSN 092 863 548

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

Macquarie Capital Funds (Europe) Limited (MCFEL) (registered number 3976881) is the adviser to 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). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited (ABN 46 008 583 542) (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

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

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

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

This concise financial report has been derived from the full financial report for the year ended 30 June 2008. The full financial report and the auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

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

Directors' report

In respect of the year ended 30 June 2008, the directors of Macquarie Infrastructure Investment Management Limited (MIIML or the Responsible Entity) submit the following report on the consolidated financial report of Macquarie Infrastructure Trust (II) (MIT(II)). UIG 1013: Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, MIT(II) has been identified as the parent of the consolidated group comprising MIT(II) and its controlled entities, Macquarie Infrastructure Trust (I) (MIT(I)) and its controlled entities and Macquarie Infrastructure Group International Limited (MIGIL) and its controlled entities, together acting as Macquarie Infrastructure Group (MIG or the Group).

Principal activities

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

Distributions

The total distribution for MIG for the year ended 30 June 2008 was 20.0000 cents per stapled security (2007: 20.0000 cents per stapled security and an in specie distribution of 38.3333 cents per stapled security). An interim distribution of 10.0000 cents per stapled security (2007: 10.0000 cents per stapled security) was paid by MIGIL on 14 February 2008. A final distribution of 10.0000 cents per stapled security (2007: 10.0000 cents per stapled security) was paid by MIGIL on 14 August 2008.

Directors

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

- Mark Roderick Granger Johnson (Chairman)
- Michael Bernard Easson (Resigned 28/08/2007)
- Eric Paul McClintock
- Nicholas William Moore (Resigned 11/04/2008)
- David Allen Mortimer
- David Anthony Walsh
- Michael Carapiet (Appointed 11/04/2008)
- John Stuart Hugh Roberts (Resigned 28/08/2007, appointed alternate Director for Mark Roderick Granger Johnson and Nicholas William Moore 28/08/2007, appointed alternate Director for Michael Carapiet 11/04/2008)

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

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

Interests in the Group held by the directors of the Responsible Entity and MIGIL during the year are disclosed in note 26 to the MIG full financial statements.

Review and results of operations

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

	Consolidated 30 June 2008 $'000	Consolidated 30 June 2007 $'000
Revenue and other income from continuing activities	**1,400,841**	2,740,365
Profit attributable to MIG security holders	**767,269**	1,702,253
	Cents	Cents
Basic earnings per stapled security	**31.46**	66.57

Security buy-back

On 14 January 2008 MIG completed its A$1.00 billion on market buy-back, resulting in the total buy-back and cancellation of 292,218,706 MIG securities.

Establishment of the MIG Westlink Funding Trust

On 1 April 2008, the MIG Westlink Funding Trust was established as a wholly owned subsidiary of MIT(I). A A$200 million facility, being a securitisation of part of the future distributions from Westlink M7, has been extended to the MIG Westlink Funding Trust. This facility remains undrawn at 30 June 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 Group other than those disclosed in the Review and Results of Operations that occurred during the year under review.

Events occurring after balance sheet date

Distribution and Dividend Reinvestment Plan (DRP)

A final distribution of 10.0000 cents per stapled security (2007: 10.0000 cents per stapled security) was paid on 14 August 2008. The distribution consisted of 10.0000 cents paid by MIGIL.

A portion of stapled security holders participated in MIG's DRP for the final distribution paid on 14 August 2008. Of the distribution declared, $79.2 million was reinvested in MIG. MIG sourced the securities allocated to the participants under the DRP from on-market purchases of existing securities.

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

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

Fees paid to the Responsible Entity and Adviser
Fees paid to the Responsible Entity and Macquarie Capital Funds (Europe) Limited (MCFEL or the Adviser) out of the Group's property during the year are disclosed in note 26 to the MIG full financial statements.

No fees were paid out of the Group's property to the directors of either the Responsible Entity or the Adviser during the year.

Interests in the Group held by the Responsible Entity and its associates during the year are disclosed in note 26 to the MIG full financial statements.

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

MIG	**Consolidated 30 June 2008 '000**	Consolidated 30 June 2007 '000
Securities on issue at the beginning of the year	**2,516,791**	2,475,499
Securities issued during the year	**–**	220,554
Securities cancelled during the year	**(112,957)**	(179,262)
Securities on issue at the end of the year	**2,403,834**	2,516,791

For further details please refer note 20 to the MIG full financial statements. For further details on securities held by related parties, refer to note 26 to the MIG full financial statements.

Value of assets

MIG	**Consolidated 30 June 2008 $'000**	Consolidated 30 June 2007 $'000
Value of Group assets at 30 June	**9,747,056**	10,331,517

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

Environmental regulation

The operations of the underlying assets in which the Group invest are subject to environmental regulations particular to the countries in which they are located.

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

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 51.

Rounding of amounts in the directors' report and the financial report

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

Mark Johnson
Sydney
20 August 2008

John Roberts
Sydney
20 August 2008

Auditor's independence declaration

As lead auditor for the audit of Macquarie Infrastructure Trust (II) for the year ended 30 June 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 audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Wayne Andrews

Wayne Andrews
Partner
PricewaterhouseCoopers
Sydney
20 August 2008

Consolidated income statement
For the year ended 30 June 2008

	Note	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Revenue and other income from continuing activities			
Revenue from continuing activities		**203,692**	314,665
Revaluation and other income from continuing activities		**1,197,149**	2,425,700
Total revenue and other income from continuing activities	2	**1,400,841**	2,740,365
Operating expenses from continuing activities			
Finance costs		**(150,984)**	(254,172)
Other operating expenses		**(253,380)**	(375,720)
Total operating expenses from continuing activities	2	**(404,364)**	(629,892)
Profit from continuing activities before income tax (expense)/benefit		**996,477**	2,110,473
Income tax (expense)/benefit		**(82,286)**	133,908
Profit from continuing activities after income tax (expense)/benefit		**914,191**	2,244,381
Finance costs attributable to AMT unit holders		**–**	(1,974)
Profit from continuing activities after income tax (expense)/benefit and after finance costs attributable to AMT unit holders		**914,191**	2,242,407
Profit attributable to:			
MIG security holders		**767,269**	1,702,253
Minority interests		**146,922**	540,154
		914,191	2,242,407
Earnings per security for profit from continuing activities attributable to MIG security holders		**Cents**	Cents
Basic earnings per stapled security		**31.46**	66.57

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated balance sheet
As at 30 June 2008

	Note	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Current assets			
Cash and cash equivalents		**984,212**	1,673,122
Receivables		**2,474**	13,471
Derivative financial instruments	4	**3,957**	–
Prepayments		**2,335**	2,958
Total current assets		**992,978**	1,689,551
Non-current assets			
Receivables		**3,230**	2,525
Derivative financial instruments	4	**110,838**	254,791
Investments in financial assets at fair value through profit or loss	5	**7,363,008**	6,894,680
Property, plant and equipment		**1,172,277**	1,367,769
Tolling concessions		**104,725**	122,201
Total non-current assets		**8,754,078**	8,641,966
Total assets		**9,747,056**	10,331,517
Current liabilities			
Distribution payable		**240,384**	251,679
Payables		**37,539**	55,136
Current tax liabilities		**321**	6,326
Total current liabilities		**278,244**	313,141
Non-current liabilities			
Payables		**150,969**	111,747
Interest-bearing financial liabilities	6	**2,428,289**	2,638,396
Deferred tax liabilities		**203,169**	190,007
Provisions		**–**	2,339
Total non-current liabilities		**2,782,427**	2,942,489
Total liabilities		**3,060,671**	3,255,630
Net assets		**6,686,385**	7,075,887
Equity			
MIG security holders' interest			
Contributed equity		**3,591,566**	3,956,004
Retained profits		**2,542,244**	2,256,887
Reserves		**(183,629)**	208,378
Total MIG security holders' interest		**5,950,181**	6,421,269
Minority interests in controlled entities		**736,204**	654,618
Total equity		**6,686,385**	7,075,887

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity
For the year ended 30 June 2008

	Note	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Total equity at the beginning of the year		**7,075,887**	6,604,491
Exchange differences on translation of foreign operations		**(287,013)**	(368,547)
Changes in fair value of cash flow hedges (net of tax)		**(88,440)**	180,062
Profit for the year		**914,191**	2,242,407
Total recognised income and expense for the year		**538,738**	2,053,922
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity (net of transaction costs paid)		**–**	665,532
Securities cancelled pursuant to security buy-back (including transaction costs)		**(364,438)**	(637,212)
Distributions provided for or paid to MIG security holders	3	**(481,912)**	(513,274)
In specie distribution of Sydney Roads Group	3	**–**	(948,906)
Distributions provided for or paid to minority interest		**(81,890)**	(120,645)
Minority interest on demerger of subsidiary		**–**	(28,021)
		(928,240)	(1,582,526)
Total equity at the end of the year		**6,686,385**	7,075,887
Total recognised income and expenses for the year is attributable to:			
MIG security holders		**375,262**	1,538,925
Minority interests		**163,476**	514,997
		538,738	2,053,922

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement
For the year ended 30 June 2008

	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Cash flows from operating activities		
Toll revenue received	**151,761**	219,694
Interest received	**69,347**	262,649
Interest paid	**–**	(74,593)
Net indirect taxes received/(paid)	**(11,454)**	(13,547)
Payments to suppliers and employees (inclusive of GST)	**(36,590)**	(85,470)
Responsible Entity and Adviser base fees paid	**(78,264)**	(92,961)
Distributions and dividend income received	**347,490**	258,465
Income taxes paid	**(9,497)**	(4,869)
Other income received	**7,812**	9,194
Net cash flows from operating activities	**440,605**	478,562
Cash flows from investing activities		
Proceeds from sale of assets to MIP, net of cash disposed	**–**	661,261
Proceeds from demerger of SRG, net of cash disposed	**–**	27,913
Proceeds from return of capital from investments	**10,411**	10,658
Payments for the purchase of investments	**(27,485)**	(34,648)
Capital expenditure	**(14,487)**	(104,347)
Proceeds from sale of property, plant and equipment	**–**	339
Loans (advanced to)/repaid by investments and controlled entities	**–**	(864)
Net cash flows from investing activities	**(31,561)**	560,312
Cash flows from financing activities		
Repayment of bank borrowings	**–**	(2,036,820)
Proceeds from bank borrowings	**15,497**	2,884,131
Borrowing cost paid	**(85,620)**	(149,690)
Distributions paid to MIG security holders	**(493,207)**	(533,899)
DRP proceeds received	**–**	147,785
On market buy-back	**(364,438)**	(637,212)
Distributions paid to minority interests	**(98,705)**	(105,762)
Net cash flows from financing activities	**(1,026,473)**	(431,467)
Net (decrease)/increase in cash assets held	**(617,429)**	607,407
Cash and cash equivalents at the beginning of the year	**1,673,122**	1,201,734
Effect of exchange rate movements on cash and cash equivalents	**(71,481)**	(136,019)
Cash and cash equivalent assets at the end of the year	**984,212**	1,673,122

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

Discussion and analysis

In addition to the discussion below, an outline of the major transactions and events is provided in the directors' report.

Overview of operating performance

Profit attributable to MIG security holders for the year ended 30 June 2008 was A$767.3 million (2007: A$1,702.3 million). The decrease reflects lower revaluation income on MIG's non-controlled toll road assets and the prior year impact of the demerger of MIG's mature Australian toll road assets, through the in-specie distribution of Sydney Roads Group (SRG), and the sale of 50% of MIG's interests in its four US assets.

— Revenue from continuing activities of A$203.7 million (2007: A$314.7 million)
The primary contributors to the decrease compared to 2007 are the reduction in consolidated toll revenue to A$127.8 million (2007: A$184.9 million) following the demerger and divestment of four consolidated toll road assets during the prior period and the reduction in interest income to A$70.4 million (2007: A$118.6 million) following the completion of the A$1.00 billion on-market security buy-back.

The demerger and divestment transactions also reduce consolidated operational expenses recognised for the period.

— Other income from continuing activities of A$1,197.1 million (2007: A$2,425.7 million)
Revaluation income of A$1,184.1 million (2007: A$1,773.5 million) relates to MIG's non-controlled assets only. It includes distributions received from the assets but excludes the majority of foreign exchange impacts which are reflected directly in reserves. These factors account for the majority of the difference between revaluation income for the year and the much smaller increase in overall portfolio valuation. The prior period included A$1.08 billion of revaluation gains associated with APRR. In the case of APRR approximately 50% of the gains are attributable to the minority interests in this investment.

In addition, the prior period included a net gain on the sale of investments and deconsolidation/demerger of subsidiaries of A$644.8 million, following the demerger of SRG and sale of 50% of MIG's interests in its four US assets.

— Finance costs A$151.0 million (2007: A$254.2 million)
The reduction in finance costs reflects the impact of the prior year demerger of MIG's mature Australian toll road assets and the sale of 50% of MIG's interests in its four US assets.

— Income tax expense of A$82.3 million (2007: income tax benefit A$133.9 million)
The recognition of deferred tax liabilities on revaluation of MIT(II)'s toll road assets has resulted in the recognition of an income tax expense of A$82.3 million.

Discussion and analysis of financial position

Net assets have decreased by A$389.5 million for the year ended 30 June 2008. This has been driven primarily by the impact of a strengthening Australian dollar (against most of the portfolio currencies) on foreign denominated balances and the reduction in cash and cash equivalents as a result of the on market security buy-back, distributions paid to security holders and interest and distributions received, partially offset by a net increase in investments in financial assets.

Discussion and analysis of statement of cash flows

Net cash flows from operating activities were A$440.6 million (2007: A$478.6 million). The decrease reflects lower toll revenue and interest received, being partially offset by additional distributions received from MIG's investments, lower management fees paid and reduced payments to suppliers and employees. These lower receipts and payments in relation to toll road operations are due to the impact of the sale of investments and subsidiaries following the demerger of SRG and divestment of 50% of MIG's interests in its US assets.

Net cash outflows from investing activities of A$31.6 million (2007: A$560.3 million inflow) primarily comprise further investments in Transtoll and South Bay Expressway during the period. In the prior year, A$661.3 million was received as proceeds from the sale of 50% of MIG's interests in the US assets, net of cash disposed, and there was significant capital expenditure in relation to consolidated assets and an additional investment in Westlink M7.

Net cash flows from financing activities primarily reflect distributions paid to MIG security holders and payments made in relation to the on-market security buy-back. The prior year reflects the net impact of refinancing of the M6 Toll, distributions paid to security holders and payments made in relation to the security buy-back.

Discussion and analysis of changes in equity

Overall contributed equity has fallen to A$3,591.6 million (2007: A$3,956.0 million), reflecting A$364.4 million of buy-back completed during the year. On 14 January 2008 the A$1.00 billion on market buy-back was completed, resulting in the total buy-back and cancellation of 292,218,706 securities.

At 30 June 2008 reserves comprised a negative foreign currency translation reserve of A$275.3 million (2007: $28.3 million) and a cash flow hedging reserve of A$91.6 million (2007: A$180.1 million).

Where an investment in a toll road company is held by a group entity having a non Australian dollar functional currency, but the same functional currency as the assets the effects of foreign exchange that result from the translation of that group entity's assets and liabilities are taken to the foreign currency translation reserve. Foreign exchange movements arose during the period due to the strengthening Australian dollar against all major currencies, with the exception of the Euro dollar.

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

Note 1

Summary of significant accounting policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of this concise financial report. These policies have been consistently applied to all periods presented, unless otherwise stated.

(a) Basis of preparation

This concise financial report has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB 1039: Concise Financial Reports.

The financial report was authorised for issue by the directors of the Responsible Entity on 20 August 2008. The Responsible Entity has the power to amend and reissue the concise financial report.

— Historical cost convention

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

— Stapled security

The units of MIT(I) and MIT(II) and the shares of Macquarie Infrastructure Group International Limited (MIGIL or the Company) 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 concise financial report consists of the consolidated financial statements of MIT(II), which comprises MIT(II) and its controlled entities, MIT(I) and its controlled entities and MIGIL and its controlled entities, together acting as MIG.

— Presentation currency

The presentation currency used in this concise financial report is Australian dollars.

(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 statements. In accordance with this requirement MIT(II) has been identified as the parent of MIG comprising MIT(I) and its controlled entities, MIT(II) and its controlled entities and MIGIL and its controlled entities.

(c) Principles of consolidation

The consolidated financial statements of MIG incorporate the assets and liabilities of the entities controlled by MIT(II) at 30 June 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 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.

(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 (previously known as Macquarie Investment Management (UK) Limited) is the Adviser of this company.

Units in Airport Motorway Trust (AMT) were classified as debt on 1 July 2005 until the demerger of AMT as part of the Sydney Roads Group on 1 August 2006 (refer to note 3). As the units of AMT were classified as debt, the income which accrued to the units during the period 1 July 2006 to 1 August 2006 has been accounted for as an expense and presented in the Income Statement as a finance cost.

(e) Investments in financial assets at fair value through profit or loss

MIG has designated its non-controlling 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, or when there is a change in the nature of the investment, 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 year.

Investments have been brought to account as follows:

— Interests in unlisted securities in companies and trusts

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

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

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

The risk premiums applied to the discounted cash flow forecasts of the Groups' interests in securities in companies and trusts can be found in note 5.

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 debt securities

Interests in interest-bearing (public and other) debt securities 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 debt securities are recognised in the Income Statement.

— Loans and receivables

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

Note 2

Profit for the year

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

Consolidated	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Revenue from continuing activities		
Interest income from related parties	**1,295**	2,269
Interest income from other persons and corporations	**69,132**	116,313
Toll revenue	**127,847**	184,855
Rental income	**–**	363
Other revenue	**5,418**	10,865
Total revenue from continuing activities	**203,692**	314,665
Revaluation income from continuing activities		
Revaluation of interests in unlisted securities in companies and trusts designated at fair value through profit or loss	**1,063,110**	1,616,477
Revaluation of interest bearing financial assets designated at fair value through profit or loss	**108,482**	175,866
Foreign exchange effect of investment revaluations	**12,520**	(18,798)
Total revaluation income from continuing activities	**1,184,112**	1,773,545
Other income from continuing activities		
Net gain on sale of investments and deconsolidation/demerger of subsidiaries	**–**	644,799
Gains on derivative financial instruments	**10,260**	7,356
Refund of goods and services tax paid in prior periods	**2,777**	–
Total other income from continuing activities	**13,037**	652,155
Total revaluation and other income from continuing activities	**1,197,149**	2,425,700
Total revenue and other income from continuing activities	**1,400,841**	2,740,365

Consolidated	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Operating expenses from continuing activities		
Financing costs		
Interest paid to other persons and corporations	**150,984**	250,669
Amortisation of capitalised borrowing costs	**–**	3,503
	150,984	254,172
Other operating expenses		
Loss on derivative financial instruments	**–**	75
Amortisation of tolling concessions	**2,613**	18,253
Depreciation:		
Plant and equipment	**6,074**	15,921
Buildings	**1,029**	1,131
Leasehold improvements	**35,962**	43,724
Motor vehicles	**350**	400
	43,415	61,176
Cost of operations:		
Concession notes	**–**	1,274
Employment costs	**12,290**	15,054
Operating expenses	**6,726**	19,847
Operating lease rentals	**55,425**	33,055
	74,441	69,230
Other operating expenses:		
Auditors remuneration	**2,535**	2,853
Consulting and administration fees	**7,389**	22,278
Custodians' fees	**182**	196
Responsible entity's and adviser's base fees	**67,029**	81,963
Demerger transaction costs	**–**	7,607
Foreign exchange loss	**44,496**	102,957
Other expenses	**11,280**	9,132
	132,911	226,986
Total other operating expenses	**253,380**	375,720
Total operating expenses from continuing activities	**404,364**	629,892

Note 3

Distributions paid and proposed

The distributions were paid/payable as follows:

Consolidated	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
In specie distribution*	–	948,906
Interim distribution paid for period ended 31 December	**241,528**	261,595
Final distribution proposed and subsequently paid for the year ended 30 June	**240,384**	251,679
	481,912	1,462,180

	Cents per stapled security	Cents per stapled security
In specie distribution*	–	38.3333
Interim distribution paid for the period ended 31 December (100% unfranked)	**10.0000**	10.0000
Final distribution proposed and subsequently paid for the year ended 30 June (100% unfranked)	**10.0000**	10.0000
	20.0000	58.3333

The final distribution was paid on 14 August 2008.

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

Note 4

Derivative financial instruments

Consolidated	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Current		
Interest rate swap contracts	**3,957**	–
Total current derivative financial instrument assets	**3,957**	–
Non-current assets		
Interest rate swap contracts	**110,838**	254,791
Total non-current derivative financial instrument assets	**110,838**	254,791

Instruments used by the Group

At 30 June 2008, the Group is party to derivative financial instruments entered into in the normal course of business, in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer note 29 to the MIG full financial statements).

Interest rate swap contracts – cash flow hedges

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

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

At the balance sheet date these contracts were assets with a fair value of £53.3 million (2007: £107.6 million) ($110.8 million, 2007: $254.8 million) and have been disclosed as derivative financial instrument assets in the balance sheet. The fair value movement of the swaps in the year was a loss of £54.3 million (2007: £107.6 million) ($125.5 million, 2007: $254.8 million). Of this movement a loss of £55.7 million (2007: £107.6 million) ($128.3 million, 2007: $254.8 million) has been recognised in the statement of changes in equity in the cash flow hedging reserve and a gain of £1.4 million (2007: £Nil) ($2.8 million, 2007: $Nil) has been recognised in the income statement.

A liability of £50.6 million (2007: £22.6 million) ($105.2 million, 2007: $53.6 million) has been recognised in interest bearing financial liabilities (refer note 6) to reflect the low rates of fixed payments currently being paid under the swap contracts.

Interest rate swap contracts – other

During the year MMG entered into a 1 year basis swap agreement for a notional amount of £1.00 billion. Under the terms of the swap agreement MMG will pay 6 month LIBOR and receive 1 month LIBOR plus a premium from 30 June 2008 to 30 June 2009. At the balance sheet date these contracts were assets with a fair value of £1.9 million ($4.0 million) and have been disclosed as current derivative instrument financial assets in the balance sheet. The fair value movement of these swaps in the year was a gain of £1.9 million ($4.0 million) which has been recognised in the income statement.

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

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

Note 5

Investments in financial assets at fair value through profit or loss

The table below summarises the movements in MIG's investment portfolio during the year ended 30 June 2008.

MIG Consolidated	Balance at 30 June 2007 $'000	Investments $'000	Returns from investments Note (i) $'000	FX effects Note (ii) $'000	Revalu-ations $'000	**Balance at 30 June 2008 $'000**
Interests in unlisted securities in companies, partnerships and trusts						
Transtoll Pty Limited	1,101	2,975	–	–	(2,375)	**1,701**
WSO Co. Pty Limited (Westlink M7)	34,449	–	–	–	50,082	**84,531**
407 International Inc.	3,039,266	–	(42,913)	(296,101)	594,753	**3,295,005**
Lusoponte Concessionária para a Travessia do Tejo S.A.	216,967	–	(5,003)	6,262	(30,618)	**187,608**
Chicago Skyway Partnership	242,984	–	(2,473)	(33,984)	29,200	**235,727**
Investment in Financière Eiffarie SAS (APRR) Note (iv)	1,340,606	–	(204,575)	41,756	293,604	**1,471,391**
Indiana Toll Road Partnership	255,010	–	(7,938)	(38,429)	135,713	**344,356**
Macquarie 125 Holdings Inc (South Bay Expressway)	161,843	32,741	–	(23,537)	(38,196)	**132,851**
Dulles Greenway Partnership	76,640	–	–	(13,870)	31,762	**94,532**
Warnowquerung GmbH & Co. KG Partnership (Warnow tunnel)	2,431	–	–	65	(815)	**1,681**
	5,371,297	35,716	(262,902)	(357,838)	1,063,110	**5,849,383**
Interests in interest bearing financial assets						
Westlink M7 Subordinated term Loan Notes	726,112	–	(49,578)	–	41,046	**717,580**
Financierè Eiffarie SAS Bonds (APRR) Note (iv)	478,934	–	(45,421)	15,669	43,890	**493,072**
Dulles Greenway Subordinated Loans	318,337	–	–	(38,910)	23,546	**302,973**
	1,523,383	–	(94,999)	(23,241)	108,482	**1,513,625**
Total investments	6,894,680	35,716	(357,901)	(381,079)	1,171,592	**7,363,008**

At 30 June 2008, the total value of MIG's investments in financial assets is $7,363.0 million (2007: $6,894.7 million) (including minority interests). The values of these investments, which are unlisted, have been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors. Refer to note 1(e).

Investments in financial assets at fair value through profit or loss continued

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

MIG Consolidated	**2008 50 bps lower $ million**	**2008 50 bps higher $ million**	2007 50 bps lower $ million	2007 50 bps higher $ million
Change in valuation of investments due to movement in the discount rates	**734.3**	**(631.9)**	650.3	(560.1)

MIG Consolidated	**2008 5% lower $ million**	**2008 5% higher $ million**	2007 5% lower $ million	2007 5% higher $ million
Change in the valuation of investments due to movement in revenue forecasts	**(847.4)**	**837.2**	(756.8)	745.2

Notes

(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(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 $381.1 million foreign exchange loss relating to MIG's investments in financial assets, $12.5 million was debited to the income statement and $368.6 million was taken to the Foreign Currency Translation Reserve.

(iii) Risk premiums

The risk premiums applied to the discounted cash flow forecasts of the Group's interests in securities in companies, partnerships and trusts are as follows:

MIG	**2008 %**	2007 %
407 ETR	**4.3**	3.5
Lusoponte	**4.0**	2.8
Warnow Tunnel	**7.0**	5.0
South Bay Expressway	**9.5**	7.0
Westlink M7	**5.0**	5.0
Dulles Greenway	**8.5**	7.0
Indiana Toll Road	**6.0**	7.0
APRR	**6.0**	8.0

(iv) 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.

Note 6

Interest bearing financial liabilities

Consolidated	Note	MIG 30 June 2008 $'000	MIG 30 June 2007 $'000
Non-current			
Non-recourse loans	a	**2,076,573**	2,345,327
Accrued interest rate swap liability	b	**105,181**	53,602
Loan from minority interest	c	**246,535**	239,467
		2,428,289	2,638,396
The maturity profile of the above interest bearing financial liabilities is:			
Due within one year		**–**	–
Due between one and five years		**137,923**	80,374
Due after five years		**2,290,366**	2,558,022
		2,428,289	2,638,396

The fair values of interest bearing financial liabilities (and their associated derivative financial instruments) approximate their carrying values.

(a) Non-recourse loans

The consolidated financial statements incorporate interest-bearing financial liabilities raised by controlled project entities to finance the construction of infrastructure assets. The debt borrowed by these project entities is on a non-recourse basis.

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

At 30 June 2008 the term loan was fully drawn down and £7.4m ($15.4 million) of the capital expenditure facility had been utilised. The facilities have certain covenants attached and are secured by way of debentures over MEL's assets. Interest rate hedging has been put in place in relation to 100% of the face value of the term loan for the next 30 years. Details of these derivative contracts can be found in note 4 and details of the risk management for the Group can be found in note 29 to the MIG full financial statements.

(b) Accrued interest rate swap liability

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

(c) Loan from Minority Interest

The loan from MEIF Luxembourg Holdings S.A has a nominal value of €150.0 million ($246.5 million) and interest is charged at a floating rate at a margin over the Euro Inter Bank Offer Rate (EURIBOR). The loan is due for repayment in 2033.

At 30 June 2008 the interest rate was 8.81% (2007: 8.56%).

Interest bearing financial liabilities continued

MIG Consolidated	Note	**Undrawn balance MIG 30 June 2008 $'000**	Undrawn balance MIG 30 June 2007 $'000
Financing facilities			
At balance date access to the following financing facilities were available:			
Multi-Option facility	d	**500,000**	500,000
Syndicated facility	e	**200,000**	–
		700,000	500,000

(d) Multi-option facility

At 30 June 2008 MIG had a multi-option debt facility with Westpac Banking Corporation (WBC) and the Commonwealth Bank of Australia for a total amount of $500.0 million (2007: $500.0 million). At 30 June 2008, $Nil (2007: $Nil) was drawn under the facility. The facility attracts interest at BBSW plus a margin of 0.40% per annum.

Line fees and establishment fees of $1.6 million (2007: $2.2 million) were incurred in relation to the facility and expensed during the year.

Subsequent to 30 June 2008 MIG terminated this facility and entered into a new multi-option facility with WBC for an amount of $300.0 million. The facility attracts interest at BBSW plus a margin of 0.75% per annum.

(e) Syndicated facility

On 28 April 2008, MIG successfully negotiated an additional syndicated debt facility for a total amount of $200.0 million. The facility was awarded to MIG Westlink Funding Trust, a subsidiary of MIT(I), and is a securitisation of a portion of the cash flows from Westlink M7. The facility is provided by WBC, National Australia Bank and Australia and New Zealand Banking Group Limited, has a term of 3 years and attracts interest at BBSY plus a margin of 1.55% per annum. At 30 June 2008, no amount was drawn under the facility. The facility is secured by way of a mortgage over the Group's interests in subsidiaries holding the investment in Westlink M7.

Line fees and establishment fees of $2.2 million were incurred in relation to the facility and expensed during the year.

Note 7

Segment reporting
The principal activity of MIG during the 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	Australia $'000	Europe $'000	North America $'000	Total $'000
Consolidated				
30 June 2008				
Revenue and other income from continuing activities	**107,529**	**540,055**	**753,257**	**1,400,841**
Segment profit from continuing activities before income tax	**89,687**	**202,416**	**709,555**	**1,001,658**
Unallocated expenses				**(5,181)**
Profit from continuing activities before income tax				**996,477**
Total assets	**1,037,833**	**4,302,662**	**4,406,561**	**9,747,056**
Total liabilities	**269,353**	**2,639,458**	**151,860**	**3,060,671**
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	**2,975**	**14,487**	**32,741**	**50,203**
Depreciation and amortisation expense	**–**	**46,028**	**–**	**46,028**
Consolidated				
30 June 2007				
Revenue and other income from continuing activities	713,830	1,359,630	666,905	2,740,365
Segment profit from continuing activities before income tax	607,030	981,848	526,433	2,115,311
Unallocated expenses				(4,838)
Profit from continuing activities before income tax				2,110,473
Total assets	991,623	5,230,488	4,109,406	10,331,517
Total liabilities	309,745	2,823,835	122,050	3,255,630
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	34,648	1,346	465,294	501,288
Depreciation and amortisation expense	5,860	55,924	17,645	79,429

Note 8

Commitments for expenditure

Consolidated	**MIG 30 June 2008 $'000**	MIG 30 June 2007 $'000
Operating leases commitments		
Commitments in relation to land leased by MEL from the Highways Agency in the UK and other non cancellable operating leases are payable as follows:		
Within one year	**52,940**	33,525
Later than one year but not later than five years	**211,584**	117,196
Later than five years	**2,141,459**	1,406,065
	2,405,983	1,556,786

The Group leases land from the Highways Agency in respect of the M6 Toll. The lease payments are established via a formula set out by the Highways Agency, which settles all costs associated with the purchase by the Highways Agency of that land, and interest on those costs at 6% real per annum. Lease payments will be made from 2010 to 2054.

Other commitments

As part of the debt refinancing of the M6 Toll in August 2006, MEI, a subsidiary of MIGIL has made a commitment to contribute up to a maximum of £70 million ($145.5 million) (indexed) towards a road enhancement project which would provide a link to the M6 Toll. As this contribution is conditional upon the project being undertaken at a future date, the Group believes that no provisions are necessary in the financial statements at 30 June 2008.

Note 9

Contingent liabilities

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

(i) Warnow Tunnel

European Transport Investments (UK) Limited (ETI), a subsidiary of MIGIL, has made two separate guarantees, totalling €1.19 million ($2.33 million), in the event of a senior debt payment event 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 30 June 2008.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million ($2.33 million) has been deposited. These funds are restricted and are not accessible.

(ii) South Bay Expressway

— The construction contractor at South Bay Expressway (SBX) is in the process of submitting claims against South Bay Expressway Limited Partnership (SBXLP), an associate of MIG. These claims are the subject of ongoing discussion and adjudication.

The consideration payable 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 contractor costs are higher than forecast or if the debt levels are different to forecast. Any adjustment shall not exceed US$27.5 million.

MIG does not believe that any provision is required against its investment in SBX in the financial statements at 30 June 2008, 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 ($3.8 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 30 June 2008.

The letters of credit are backed by an on-demand guarantee, provided through a secured cash deposit of US$3.6 million ($3.8 million).

(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, OTPP lodged a summons in the Supreme Court of New South Wales on 7 March 2008 alleging breach of the ReCNs Deed Poll. MIG made an ASX announcement on 10 March 2008 noting the above and indicating it intends to contest the claim. The litigation process is currently ongoing.

Note 10

Events occurring after balance sheet date

A final distribution of 10.0000 cents (2007: 10.0000 cents per stapled security) was paid by MIG on 14 August 2008. The distributions consisted of 10.0000 cents paid by MIGIL.

A portion of stapled security holders participated in MIG's Distribution and Dividend Reinvestment Plan (DRP) for the final distribution paid on 14 August 2008. Of the total distribution, 32.9% ($79.2 million) was reinvested in MIG. MIG sourced the securities allocated to the participants under the DRP from on-market purchases of existing securities.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the 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 years subsequent to the year ended 30 June 2008.

Statement by the directors of the responsible entity of MIT(II)

In the opinion of the directors of Macquarie Infrastructure Investment Management Limited (MIIML) (the "Responsible Entity"), the consolidated concise financial report of MIT(II) for the year ended 30 June 2008, as set out on pages 52 to 70, complies with Accounting Standard 1039: Concise Financial Reports.

The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the year ended 30 June 2008.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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

Mark Johnson	John Roberts
Sydney	Sydney
20 August 2008	20 August 2008

Independent audit report to the unitholders of Macquarie Infrastructure Trust (II)

Report on the concise financial report
The accompanying concise financial report of Macquarie Infrastructure Trust (II) comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Macquarie Infrastructure Trust (II) for the year ended 30 June 2008. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report
The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Macquarie Infrastructure Trust (II) for the year ended 30 June 2008. Our audit report on the financial report for the year was signed on 20 August and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

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

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

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

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

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

Auditor's opinion on the financial report
In our opinion, the concise financial report of Macquarie Infrastructure Trust (II) for the year ended 30 June 2008 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner
PricewaterhouseCoopers
Sydney
20 August 2008

As noted in the Corporate Governance Statement, MIG is an externally managed vehicle comprising two Australian trusts and a Bermudan exempted mutual fund company:

- MIT(I)
- MIT(II)
- MIGIL.

The combined trustee/manager, known as a responsible entity, for each of the trusts is Macquarie Infrastructure Investment Management Limited (MIIML), a wholly owned subsidiary of Macquarie Group Limited (Macquarie). MIGIL is advised by a UK-based wholly owned subsidiary of Macquarie, Macquarie Capital Funds (Europe) Limited (MCFEL).

MIIML and MCFEL make available employees (including senior executives) to discharge their obligations to the relevant MIG entity. These staff are employed by entities in the Macquarie Group and made available to MIG through formalised resourcing arrangements with MIIML and MCFEL. Their remuneration is not a MIG expense. It is paid by the Macquarie Group. Instead MIG pays management fees to the Macquarie Group for providing management services. These fees are a MIG expense and are therefore disclosed below.

Under the Corporations Act, it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, MIG is not required to provide a remuneration report, or to have security holders participate on a non-binding advisory vote in respect of it.

However, in order to provide appropriate remuneration disclosure for MIG, we have set out below details of the management fees and non-executive director fees paid by the MIG entities, together with qualitative disclosure detailing how MCFEL and MIIML staff working on MIG are incentivised and their interests aligned with MIG.

Management fees

Under the terms of the trust constitutions and the advisory deed, MIIML and MCFEL are entitled to base and performance fees for acting as responsible entity and adviser respectively to the stapled entities that comprise MIG.

Base management and performance fees are calculated in accordance with a defined formula under the constitutions of MIT(I) and MIT(II) and the advisory agreement with MIGIL. The management fee structure is linked to market performance and, in the case of performance fees, ongoing outperformance against an external benchmark. The management fees paid or payable by MIG to MIIML and MCFEL for the financial year ending 30 June 2008 were:

Base fee	A$67 million*
Performance fee	Nil

*Including non-recoverable GST.

The fee arrangements were fully disclosed to investors on fund inception and subsequent restructure and continue to be disclosed on the MIG website and in annual reports. Investors originally invested and continue to invest with this knowledge. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review. Any changes to the structure of the fee provisions which would have the effect of increasing the fees would need to be approved by MIG stapled security holders.

Base fees

Base fees are calculated quarterly, with reference to the average market capitalisation of MIG over the last 10 trading days of the quarter. The base fee is calculated as 1.25% per annum of the market value of MIG at the end of each quarter up to a market value of A$3 billion. For the market value in excess of A$3 billion, the base fee is calculated as 1% per annum of the market value in excess of A$3 billion at the end of the quarter. For the purposes of calculating the base fee, the market value of MIG is determined as follows:

- The volume weighted average market capitalisation over the last 10 ASX trading days of each quarter (based on closing price), plus
- MIG corporate debt, plus
- Firm commitments for future investment, less
- Cash or cash equivalents.

The quantum of the base management fee can increase or decrease as a result of both the movement in the number of MIG securities on issue and any movement in the security price. Investors can effectively control the growth of securities on issue and therefore any base fee increases by factors such as deciding whether or not to support a capital raising involving the issue of new MIG securities.

As capital raisings are predominantly undertaken to fund new acquisitions or retire bridging debt for new acquisitions, MIIML and MCFEL are incentivised to ensure that each new investment is seen as disciplined and value accretive by the market in order to attract investor support for the raising and general ongoing support for the security price.

Performance fees

A performance fee is payable by MIG at 30 June each year in the event that the MIG accumulation index outperforms the S&P/ASX 300 Industrials Accumulation Index in any financial year, having made up for any underperformance in previous years.

The performance fee is 15% of the dollar amount of the net outperformance and is paid in three equal annual instalments. The second and third year instalments are only paid if MIG continues to outperform the relevant index on a cumulative basis over the relevant two- or three-year period.

Where MIG underperforms the benchmark a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated, ensuring that any performance fees are paid as a result of sustained benchmark outperformance. This requirement for sustained outperformance creates a strong alignment of interest between MIIML, MCFEL and MIG security holders. Fees are apportioned between MIT(I), MIT(II) and MIGIL based on each entity's share of the net assets of MIG. The net market values of the assets are used in the calculation of this apportionment.

Reinvestment of fees

Under MIG's constituent documents, independent directors of MIIML acting in the interests of stapled security holders have the discretion as to whether or not the base fee and performance fee is applied for a subscription in new MIG stapled securities.

Under ASX Listing Rule waiver requirements, the ability to reinvest base fees and performance fees is subject to MIG security holder approval every three years and is seen by MIG as creating further alignment between MIG management and MIG security holders. These approvals will be tabled to MIG security holders for renewal at the forthcoming MIG 2008 AGM.

The issue price for the new MIG stapled securities is the volume weighted average trading price of all MIG stapled securities traded on the ASX during the last 10 business days of the relevant quarter in respect of base fee securities, or the last 10 business days of the financial year when the instalment is paid in respect of performance fee securities.

Expense reimbursement

MCFEL and MIIML are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of MIG. This includes routine ongoing expenses such as the third party costs of acquiring assets and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trust constitutions and Advisory Deed.

Directors

No director of MIIML is remunerated by MIG. The independent and non-executive directors of MIIML each receive fees of A$125,000 per annum from MIIML, a wholly owned subsidiary of Macquarie, for acting as directors. In addition, Mark Johnson as Chairman of MIIML receives an additional A$25,000 per annum from MIIML for acting as such. MIIML's executive directors are employed and remunerated by the Macquarie Group.

Peter Dyer receives £40,000 per annum and Mark Johnson receives A$50,000 per annum for acting as directors of MIGIL. The independent directors each receive fees of US$40,000 per annum for acting as directors of MIGIL.

The fees paid to the independent and non-executive directors of MIIML and MIGIL are determined by reference to current market rates for directorships. The level of fees is not related to the performance of MIG. The boards of MIIML and MIGIL will consider remuneration payable to their independent and non-executive directors from time to time. Remuneration for the independent and non-executive directors is approved by the boards and any increases are benchmarked to market based on external advice.

None of the MIIML or MIGIL independent and non-executive directors are entitled to MIG options or securities or to retirement benefits as part of their remuneration package.

The directors of MCFEL are employees of the Macquarie Group and are remunerated by the Macquarie Group.

Executives
MIG management is employed by the Macquarie Group. Their remuneration is paid by Macquarie Group and is not re-charged to MIG. The remuneration of Macquarie executives that are involved in the management of MIG is not disclosed because the executives are not employed by MIG and their employment costs are borne by Macquarie Group.

While MIG management are Macquarie Group employees there is a strong alignment of interest between those employees and MIG investors. This is evidenced by Macquarie's remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance. The remuneration package of all Macquarie Group executives consists of a base salary and an annual profit share allocation. The base salary is reviewed annually and the profit share allocation, which is not guaranteed, is based on performance.

Performance assessment of Macquarie Group employees takes place half-yearly. The MIIML and MIGIL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the MIG CEO's and CFO's performance and can request that they be replaced if not performing satisfactorily.

The levels of base salary for senior executives take into consideration the role of the individual and market conditions. However, the levels of base salary can be low compared to similar roles in non-investment banking companies.

The profit share allocations to executives provide substantial incentives for superior performance but low or no participation for less satisfactory outcomes. Profit share allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. The level of profit share received by members of the MIG management team is driven predominantly by their individual contribution to the performance of MIG, taking into account the following elements:

- Operational performance of MIG's underlying assets
- Management and leadership of MIG and the assets controlled by MIG
- Acquisitions and subsequent management of the assets purchased to ensure performance is in line with the acquisition business plans
- Effective capital management
- Maintenance of Macquarie's reputation and track record in respect of its branded funds.

There is no formulaic approach to determining MIG management's profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the MIIML and MIGIL boards in the case of the MIG CEO and CFO. MIG management may also receive Macquarie options as part of their remuneration package.

Alignment of interests
Further to the remuneration matters discussed above, alignment between MIG security holders and John Hughes, the CEO of MIG, and any other senior members of the MIG management team at Macquarie executive director level, is reflected in their profit share arrangements. In accordance with the profit share arrangements applicable to Macquarie executive directors, 20% of the profit share amounts each year for these staff is withheld and subject to restrictions. These retained profit share amounts vest after between five and 10 years.

In order to better align the interests of management with security holders, the retained profit share amounts of Mr Hughes and any other Macquarie executive directors in the MIG management team are notionally invested by Macquarie in MIG securities so that returns on these amounts are based on the MIG security price performance. The investment is described as 'notional' because these staff do not directly hold securities in relation to this investment. However, the value of the retained amounts will vary as if these amounts were directly invested in actual MIG securities.

Alignment between Macquarie and MIG security holders is also demonstrated through the interest the Macquarie Group holds in MIG. At 30 July 2008 the Macquarie Group held approximately A$1.083 billion* in MIG securities, including those securities that have been acquired as part of the issue of MIG securities for the reinvestment of base fees and performance fees (discussed above).

MIG senior staff and directors of the MIG entities also hold over A$11.8 million in MIG securities as at 30 July 2008.

*Includes both principal and fiduciary holdings.

Stapled security holder information
at 21 August 2008

Distribution of stapled securities

Investor ranges	Holders	Total stapled securities	% of issued stapled securities
1 – 1,000	7,892	3,283,417	0.14
1,001 – 5,000	19,628	56,131,305	2.34
5,001 – 10,000	9,210	66,777,025	2.78
10,001 – 100,000	7,363	158,113,439	6.58
10,0001 and over	309	2,119,528,909	88.17
Total	44,402	2,403,834,095	100.00
Investors with less than the minimum marketable parcel:			204

Twenty largest investors

	Investor	Number of stapled securities	% of issued stapled securities
1	HSBC Custody Nominees (Australia) Limited	658,428,264	27.39
2	JPMorgan Nominees Australia Limited	363,931,228	15.14
3	National Nominees Limited	299,806,226	12.47
4	Macquarie Capital Group Ltd	282,463,780	11.75
5	Citicorp Nominees Pty Limited	86,864,906	3.61
6	ANZ Nominees Limited	73,207,420	3.05
7	Macquarie Infrastructure Investment Management Ltd	34,990,087	1.46
8	Cogent Nominees Pty Ltd	29,186,470	1.21
9	Queensland Investment Corporation	24,060,108	1.00
10	AMP Life Ltd	19,191,522	0.80
11	UBS Nominees Pty Ltd	14,948,539	0.62
12	Warnford Nominees Pty Ltd	14,338,577	0.60
13	Citicorp Nominees Pty Ltd	11,486,097	0.48
14	HSBC Custody Nominees (Australia) Ltd	9,613,691	0.40
15	HSBC Custody Nominees (Australia) Ltd	9,111,557	0.38
16	RBC Dexia Investor Services Australia Nominees Pty Ltd	9,106,279	0.38
17	Macquarie Investment Management Ltd	8,588,314	0.36
18	Macquarie Investment Management Ltd	8,554,271	0.36
19	RBC Dexia Investor Services Australia Nominees Pty Ltd	8,276,733	0.34
20	Argo Investments Ltd	7,372,491	0.31
Total		1,973,526,560	82.10

Details of substantial stapled security holders

Holder	Date of most recent substantial holder notice	Number of stapled securities	% of issued stapled securities
Macquarie Group Limited	31 July 2008	415,203,218	17.27
Ontario Teachers' Pension Plan Board	30 November 2007	285,478,130	11.70
The AXA Group	2 June 2008	199,113,956	8.31
Lazard Asset Management	14 February 2008	172,662,789	7.21
The Capital Group	26 March 2008	146,568,021	6.12

Directors' profiles

The trusts comprised in MIG are managed by Macquarie Infrastructure Investment Management Limited (MIIML), a wholly owned subsidiary of Macquarie Group Limited (MGL). The sole purpose of MIIML is to manage the trusts comprised in MIG. A wholly owned subsidiary of MGL, Macquarie Capital Funds (Europe) Limited (MCFEL) is the adviser to Macquarie Infrastructure Group International Limited (MIGIL).

Mark Johnson
Non-executive chairman, MIIML
Mark Johnson recently retired as deputy chairman of Macquarie. Mark has more than 40 years of experience in corporate finance and banking. He is a qualified lawyer, and has a Masters of Business Administration degree from Harvard University. He is chairman of AGL Energy and the Australian Security Policy Institute.

Robert Mulderig
Independent chairman, MIGIL
Robert Mulderig is chairman of the board of financial services company Woodmont Trust Company Ltd, and is also a director of the Bermudan Bank of N.T. Butterfield and Son Ltd. He is a former member of the board of governors of the Bermuda Stock Exchange, and was chairman and chief executive officer of Mutual Risk Management Ltd for 20 years until 2002. He attended Columbia University and the Fordham University School of Law.

MIIML
MIIML's board comprises five* directors with a diverse range of backgrounds and experience. The directors take an active role in the management of MIG, meeting on a regular basis to review MIG's affairs and to carry out their statutory and fiduciary duties as the responsible entity of MIT(I) and MIT(II). Where required, the MIIML board convenes at short notice to consider matters as they arise.

Mark Johnson
Non-executive chairman
See previous entry.

*Seven up to 28 August 2007

Paul McClintock
Independent director
Paul McClintock is a principal of the private investment banking firm McClintock Associates. He is chairman of Medibank Private Limited, Thales Australia and the COAG Reform Council. From July 2000 to March 2003, he was secretary to the cabinet and head of the Cabinet Policy Unit for the Australian Government. Paul graduated from Sydney University with a Bachelor of Arts and a Bachelor of Law.

David Mortimer AO
Independent director
David is chairman of Australia Post, Crescent Capital Partners and Leighton Holdings Limited, a director of Petsec Energy Limited and a governor of the Australia Israel Chamber of Commerce. David was formerly a director of the Australian Graduate School of Management and the former CEO of TNT. David graduated from Sydney University with first class honours in Economics.

David Walsh
Independent director
David Walsh is an experienced corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jacques from 1962 to 2004. Currently, he is the chairman of Templeton Global Growth Fund, and a non-executive director of Dyno Nobel Ltd.

Michael Carapiet
Executive director, Macquarie
Michael Carapiet is the head of Macquarie Capital. Macquarie Capital is Australia's largest investment advisory services business and has developed a global leadership position in a number of businesses, including infrastructure advisory and asset management. Michael is also a director of Macquarie Airports Management Limited, Macquarie Capital Alliance Management Limited, Macquarie Media Management Limited, Macquarie Communications Infrastructure Management Limited and a director of the Export Finance Insurance Corporation.

John Roberts*
Executive director, Macquarie
John Roberts joined Macquarie in 1991. He is based in Sydney and is both joint head of the Macquarie Capital Advisers division and directly responsible for the Macquarie Capital Funds group. John is either a board director (or an alternate director) or on the investment committee of the Macquarie infrastructure roads, airports, communications, utilities, media, retirement and private equity funds, as well as the international Singaporean, Korean, Canadian, US and European entities. John has a Bachelor of Laws from the University of Canterbury, New Zealand.

*John Roberts resigned from the MIIML board on 28 August 2007 and was appointed as an alternate director to Mark Johnson and Michael Carapiet.

MIGIL
The MIGIL board has four directors with broad industry experience. The board meets regularly and takes an active role in the management of MIGIL.

Robert Mulderig
Chairman
Independent director
See previous entry.

Jeffrey Conyers
Deputy chairman
Independent director
Jeffrey Conyers began his professional career as a stockbroker in Toronto and returned to Bermuda in 1985 to join the Bank of Bermuda where his focus was investments and trusts. A founding executive council member and deputy chairman of the Bermuda Stock Exchange, Jeffrey is also a director of numerous other companies in Bermuda, including Macquarie Airports (Holdings) Bermuda Limited, and is the chief executive officer of First Bermuda Group Limited. The First Bermuda Group provides an advisory and execution service on worldwide offshore mutual funds to individuals and local companies based in Bermuda.

Dr Peter Dyer
Non-executive director
Peter Dyer was previously executive director of Kværner Corporate Development Limited (now Macquarie Infrastructure (UK) Limited). Peter gained extensive experience in the development of Kværner's UK-based PFI projects, including the Birmingham Northern Relief Road (now M6 Toll) and the A1-M1 Road in Yorkshire. Peter was employed by the Kværner Group from 1981 and became a director of Macquarie European Infrastructure plc (now replaced by MIGIL), following the acquisition of Kværner Corporate Development Limited.

Mark Johnson
Non-executive director
See previous entry.

Special notice

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 (MIGIL). Macquarie Infrastructure Investment Management Limited ABN 67 072 609 271 (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Group Limited ACN 122 169 279. Macquarie Capital Funds (Europe) Limited (MCFEL) registered number 3976881 is the adviser to MIGIL. MCFEL is a wholly owned subsidiary of Macquarie Group Limited.

Stapling
In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove any or all of MIT(I), MIT(II) and MIGIL from the official list of ASX if, while the stapling arrangements apply, the securities in one of the entities cease to be stapled to the securities in the other entities or one of the entities issues securities which are not then stapled to the relevant securities in the other entities.

Takeover provisions
Unlike MIT(I) and MIT(II), MIGIL is not subject to takeover provisions of Chapters 6, 6A, 6B and 6C of the Corporations Act. However, as the takeover provisions of the Corporations Act apply to MIT(I) and MIT(II), and the holders of units in those trusts by virtue of the stapling arrangements, the takeover provisions will apply to the holders of MIG stapled securities. This applies notwithstanding that MIGIL and its shareholders are not subject to the takeover provisions of the Corporations Act.

Disclaimer
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). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities. Investments in MIG are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MIGIL nor any member of the Macquarie Group, including MIIML and MCFEL, guarantees the performance of MIG, the repayment of capital or the payment of a particular rate of return on MIG stapled securities.

Advice warning
This annual 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.

Manager fees
MIIML, as responsible entity of the trusts comprised by MIG, and MCFEL, as the adviser to MIGIL, are entitled to fees for so acting. Macquarie Group Limited 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.

Special notice
continued

Financial report

The MIG consolidated financial report has been prepared to enable MIIML, as responsible entity, to comply with its obligations under the Corporations Act 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 consolidated financial report and any financial information contained in this annual report rests solely with the directors of MIIML.

This concise financial report has been derived from the full financial report for the year ended 30 June 2008. The full financial report and auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

Complaints handling

A formal complaints handling procedure is in place for MIG. MIIML (the responsible entity) is a member of the Financial Ombudsman Service (FOS). Complaints should in the first instance be directed to the responsible entity. If you have any enquiries or complaints please contact:

The Manager – Investor Relations
Macquarie Infrastructure Investment
Management Limited

GPO Box 4294 Sydney NSW 1164
Telephone (Australia): 1800 358 440
Telephone (International): 612 8232 7248
Email: mig@macquarie.com

If, after giving us the opportunity to resolve your complaint, you do not feel that it has been resolved satisfactorily, you can lodge a complaint with the FOS:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Telephone: 1300 780 808
Website: www.fos.org.au

MIG's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. MIG has adopted the Macquarie Group Limited privacy policy.

For further information visit the MIG website at
www.macquarie.com/mig
or contact our investor relations team on
1800 358 440.

Corporate directory

Macquarie Infrastructure Group
No.1 Martin Place Sydney NSW 2000
Telephone (Australia): 1800 358 440
Telephone (International): 612 8232 7248
Facsimile: 612 8232 4713
Email: mig@macquarie.com
Website: www.macquarie.com/mig

For MIG video links go to:
www.macquariedigital.com.au

Responsible Entity for Macquarie Infrastructure Trust (I) and Macquarie Infrastructure Trust (II)
Macquarie Infrastructure Investment Management Limited ABN 67 072 609 271 (MIIML)

Directors
Mark Johnson (Chairman)
Paul McClintock
David Mortimer AO
David Walsh
Michael Carapiet
John Roberts (alternate director to Mark Johnson and Michael Carapiet)

Secretaries
Christine Williams
Dennis Leong

Macquarie Infrastructure Group International Limited
Directors
Robert Mulderig (Chairman)
Jeffrey Conyers
Dr Peter Dyer
Mark Johnson

Secretary
Donna Phillips

Adviser to Macquarie Infrastructure Group International Limited
Macquarie Capital Funds (Europe) Limited
Registered No. 3976881

Registrar
Computershare Investor Services Pty Ltd
GPO Box 2975 Melbourne VIC 3001
Telephone: 1800 000 982 or 613 9415 4073
Facsimile: 613 9473 2500
Email: web.queries@computershare.com.au
Website: www.computershare.com

Designed by Frost*Design, Sydney Print Management by Octopus Solutions Printed by BlueStar Printing

ECF ELEMENTAL CHLORINE FREE
FOREST MANAGEMENT

The Macquarie Infrastructure Group 2008 annual report is printed on a PEFC certified paper which is made from elemental chlorine free pulp, derived from well-managed forests and manufactured by an ISO 14001 certified mill.

www.macquarie.com/mig