



**Macquarie European  
Infrastructure Limited**  
(Formerly Macquarie European Infrastructure plc)  
Registered number 3724230

**Financial Statements  
30 June 2005**



Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) (MIT (I)) ARSN 092863780, Macquarie Infrastructure Trust (II) (MIT (II)) ARSN 092863548 and Macquarie Infrastructure Bermuda Limited Company (MIBL) ARBN 094 142 891.

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT (I) and MIT (II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542.

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the manager for Macquarie European infrastructure Limited (MEI). MIM UK is a wholly owned subsidiary of Macquarie Bank Limited.

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

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

MIIML, as responsible entity of the trusts comprised in MIG and MIM UK as the manager for MEI are entitled to fees for so acting. Macquarie Bank Limited and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MEI hold stapled securities in the MIG from time to time.

# Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

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## Directors' Report

The Directors of Macquarie European Infrastructure Limited (the Company) submit the following report, in respect of the year ended 30 June 2005.

### Principal activities and results

The principal activity of the Company and its subsidiaries (the Group) is to invest as a portfolio investor in companies that operate infrastructure assets. The Group forms part of Macquarie Infrastructure Group (MIG). MIG is a triple stapled security which comprises a unit in each of two Australian trusts, Macquarie Infrastructure Trust (I) (MIT(I)) and Macquarie Infrastructure Trust (II) (MIT(II)) and an ordinary share of Macquarie Infrastructure Bermuda Limited (MIBL), the parent entity of the Company. The consolidated results for the year are set out below and in more detail in the attached financial statements.

	Year to 30 June 2005 £'000	Year to 30 June 2004 £'000
Gross profit / (loss)	16,318	(2,414)
Operating loss including exceptional items	(32,167)	(41,988)
Loss on ordinary activities before taxation	(21,869)	(63,687)

### Review of the business

#### Group Restructure

In January 2005 MIG completed a corporate restructure. The objective was to create a MIG structure suitable for all investors which facilitates timely distributions from MIG's offshore assets and which provides a suitable holding company for future acquisitions. The implications to the Group were the following:

##### ■ **Insertion of new holding company**

On 11 January 2005, the High Court in London sanctioned a scheme of arrangement under the UK Companies Act to insert MIBL, a new mutual fund company incorporated in Bermuda, as the parent of the Company.

Prior to the restructure, MIG was a triple stapled security comprising a unit in each of two Australian trusts, MIT(I) and MIT(II) and a CHESS Unit of Foreign Securities (CUFS) over an ordinary share of the Company.

The scheme became effective on 12 January 2005 with MIG stapled security shareholders of CUFSs over the Company's ordinary shares receiving an interest in one ordinary share of MIBL in place of each CUFS held at the scheme record time, being 6pm on 12 January 2005.

Following the scheme becoming effective, each MIG stapled security now consists of one ordinary share in MIBL together with one unit in each of the two Australian trusts, MIT(I) and MIT(II). MIBL was admitted to the Australian Stock Exchange (ASX) at the start of trading on 13 January 2005 when the listing of the Company on the ASX was cancelled.

##### ■ **Capital reduction**

At the MIG Annual General Meeting held on 30 November 2004 the MIG stapled security holders approved and passed a special resolution to reduce the share capital of the Company by £340,000,000. On 18 January 2005, the High Court in London approved the capital reduction and effective 19 January 2005 the share premium account of the Company was reduced from £399,686,000 to £59,686,000.

##### ■ **Conversion to a private limited company**

On 9 March 2005, the Company was converted from a public limited company to a private limited company.

## **Directors' Report (continued)**

### **Investments**

During the year, the following developments occurred in relation to the Group's investments:

#### **■ Divestment of Cintra and additional investment in 407 International**

MIG sold its 40% interest in Cintra, a joint venture between Grupo Ferrovial and MIG. The holding company of MIG's investment in Cintra was 50% owned by the Company prior to the divestment. The divestment was transacted in two separate parts:

- the exchange of 11.99% (53.82 million shares) of Cintra for a 13.87% (107.49 million shares) equity interest in 407 International on 26 October 2004;
- the sale of the remaining 28.01% (125.73 million shares) through an IPO when Cintra listed on the Madrid Stock Exchange on 27 October 2004. MIG raised net funds of €1,019,000,000 through the IPO.

MIG's interest in Cintra was held through MILSA, which prior to the divestment was held 50% by the Company. On 2 November 2004, the Company acquired the remaining 50% interest of MILSA from MIT(I) and MIT(II) at fair value and MILSA was consolidated from this date.

At the beginning of the year, the Group owned, directly and indirectly, 21.57% of 407 International through its 50% holdings in MITRSA and MILSA.

407 International owns 100% of 407 ETR Concession Company Limited (the Concession Company). The Concession Company holds a 95 year concession to operate the 407 ETR, a 108 kilometre toll road serving the main growth corridor in the Greater Toronto Area, Ontario, Canada.

On 9 September 2004 MILSA established a 100% subsidiary, Macquarie Infrastructure Canada Inc. (MICI), a company incorporated in Canada, with an initial share capital of C\$2.

On 26 October 2004 MILSA sold 53.82 million shares in Cintra to MICI in exchange for C\$824,629,000 issued share capital of MICI.

On 26 October 2004 MICI exchanged 11.99% of Cintra (53.82 million shares) for a 13.87% (107.49 million shares) equity interest in 407 International on 26 October 2004.

On 2 November 2004, the Company acquired the remaining share capital of MITRSA, the holding company for MIG's initial investment in 407 International, from MIT(I) and MIT(II) at fair value and MITRSA was consolidated from this date.

On 22 March 2005, MITRSA sold its 16.13% holdings (125 million shares) in 407 International to MICI in consideration for 959 million MICI shares.

Following the exchange for Cintra shares, the Group directly owns 30% of 407 International through its Canadian subsidiary, MICI. This represents MIG's entire investment in 407 International. The indirect ownership held through Cintra was sold down through the IPO.

407 International Inc. owns 100% of 407 ETR Concession Company Limited (Concession Company). The Concession Company holds a 95 year concession to operate the 407 ETR, a 108 kilometre toll road serving the main growth corridor in the Greater Toronto Area, Ontario, Canada.

#### **■ 407 International**

In October 2003, a new government was elected in the Province of Ontario (Province), Canada, with an election campaign statement that it intended to "roll back" tolls on the 407ETR. In December 2003, the Concession Company gave notice of a one cent per kilometre (approximately 7.7%) increase in tolls effective 1 February 2004. In January 2004, the Government stated that it opposed the increase, on the basis that its consent was required prior to any toll increase, and that it intended to invoke the concession contract's dispute resolution process. The Government has also disputed the Concession Company's interpretation of the Province's obligations in respect of plate denial and the establishment of base year under the concession agreement.

## **Directors' Report (continued)**

The Concession Company and MIG have obtained legal advice in relation to the interpretation of the concession contract and believe that the Concession Company's position on each of these issues is strong.

Following an independent arbitrator's decision on 10 July 2004 in favour of the Concession Company on all issues put before him, the Province lodged an appeal. On 6 January 2005, the Ontario Superior Court of Justice ruled in favour of the Concession Company and dismissed the appeal. On 13 June 2005, the Ontario Court of Appeal granted the Province leave to appeal the decision of the Ontario Superior Court of Justice upholding the Concession Company's rights to set tolls. The Concession Company has taken action to expedite resolution of the other matters under dispute.

The Group's investment in 407 International is held at the fair value on first consolidation of the subsidiary holding companies on 2 November 2004. If the Government were to succeed in requiring that toll levels on 407ETR be reduced or that future toll increases be limited, the net realisable value of the investment would be materially reduced. The Directors of the Company do not believe that the current dispute with the Province has led to an impairment to the value of the Group's investment in 407 International.

### **■ Sale of investment in Connect M1-A1 Limited**

On 22 December 2004, the Company completed the sale of Macquarie Yorkshire Limited (MYL), the holder of a 50% equity interest in Connect M1-A1 Limited, to Macquarie Infrastructure Company Trust (MICT) for a cash consideration of £44,100,000. The increase from £43,300,000 as originally expected on entering into the conditional share purchase agreement on 7 June 2004 reflects an adjustment to compensate for the completion date occurring after 30 September 2004. The sale was confirmed by an independent third party to be on an arm's length basis at a value above the carrying value of the asset.

The profit on sale of £46,424,000 shown in the consolidated profit and loss account includes the profit made by the Company of £12,509,000 on the sale to MICT as described above together with the realisation of inter-group profit previously eliminated on consolidation.

Connect M1-A1 Limited owns a 30 year concession to operate the M1-A1 Link shadow toll road. The M1-A1 Link road is a motorway link of almost thirty kilometres in length, which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby in the UK.

### **■ Midland Expressway Limited**

On 20 June 2005, the Group exercised the call option over the remaining 25% of Midland Expressway Limited (MEL) held by Autostrade Participations S.A (Autostrade) for a fixed price of £49,000,000. Following the exercise of the option, the Group owns 100% of the equity in MEL. The option had previously been accounted for as exercised for deferred consideration.

MEL has the concession to develop, operate and maintain the M6 Toll, which accounts for 100% of the Group's Tangible Assets and Tolling Concessions. The concession runs for 53 years from 26 January 2001 and MEL has the exclusive right to set tolls for the entire concession period.

## **Issuance of Share Capital**

The following issuances of share capital occurred during the year:

On 14 August 2004, the Company issued 4,549,794 15p ordinary shares under the MIG Distribution Reinvestment Plan (DRP). The net equity raised was £3,362,000. The DRP enables MIG security holders to reinvest distributions from MIG into MIG securities.

On 27 August 2004, the Company issued 1,862,630 15p ordinary shares in consideration of the third instalment of the June 2002 Performance Fee. The net equity issued was £1,301,000.

On 12 January 2005, the Company shares in existence were cancelled with an equal number of shares issued to MIBL and in consideration the MIG shareholders received shares in the MIBL in the ratio of one for one.

## **Directors' Report (continued)**

### **Dividends and transfers to reserves**

The directors do not propose to pay a dividend for the year (2004: £nil). The loss for the year of £22,101,000 (2004: £64,227,000 loss) was transferred to reserves.

### **Future developments**

Further information on likely developments in the operations of the Group and the expected results of those operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group. It is the intention of the Company to continue investing in infrastructure projects.

### **Creditor payment policy**

The Group seeks to treat all of its suppliers fairly. It is the Group's policy to agree the terms of payment at the start of business with that supplier, ensure that suppliers are aware of the terms of payment and to pay in accordance with its contractual and other legal obligations.

### **Environment policy**

The Group's only operational subsidiary, MEL, is a limited company set up exclusively to construct, operate and maintain the M6 Toll motorway over a 53 year concession period. MEL recognises that its activities impact on the environment to some degree, therefore it aims to secure the positive advantages and reduce the negative impacts through a system of active environmental management, which will in many cases contribute positively to the Company's future financial performance.

MEL aims to:

- comply with current and future legislative requirements, encourage best environmental practice and commit to continual improvement;
- fulfil applicable landscape and ecological commitments;
- prevent pollution from its activities;
- plan the contingency/ emergency response for major incidents, with other environmental stakeholders, to minimise environmental impact;
- engender within its staff, and as far as practicable its contractors, a culture of awareness and responsibility for relevant environmental issues by promoting its environmental policy internally;
- develop, implement and audit an Environmental Management System to support these aims;
- achieve certification to ISO 14001 'Environmental Management Systems';
- promote its environmental-friendly credentials as widely as possible.

### **Health and safety policy**

MEL is committed to complying with applicable health and safety legislation, and to continual improvement in achieving a high standard of health, safety and welfare for its operating environments and for all those in the organisation and others who may be affected by its activities.

MEL achieved certification to the Occupational Health and Safety Standard OHSAS 18001 in July 2005.

## **Directors' Report (continued)**

### **Directors and their interests**

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

— Sir Robin Biggam	(Chairman) Resigned 25 January 2005
— Jim Craig	
— Dr Peter Dyer	Resigned 25 January 2005
— John Poulter	Resigned 25 January 2005
— Stephen Allen	Appointed 25 January 2005
— David Harrison	Appointed 25 January 2005
— Peter Antolik	Appointed 25 January 2005

As at 30 June 2005, Peter Antolik and Stephen Allen owned 6,000 and 142,246 MIG Stapled Securities respectively. None of the other Directors had an interest in the share capital of the Company.

Stephen Allen, David Harrison, Peter Antolik and Jim Craig are employees of MBL, the parent company of Macquarie Investment Management (UK) Limited (MIMUK, the Manager).

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

### **Secretary**

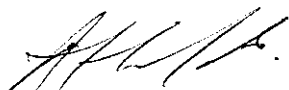
The following person held office as company secretary of the Company during the year and up to the date of this report:

— Annabelle Helps

### **Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution that they be reappointed will be proposed at the forthcoming annual general meeting.

By order of the Board



**A Helps**  
Secretary

23 August 2005

Level 30  
CityPoint  
1 Ropemaker Street  
London EC2Y 9HD

## **Statement of Directors' Responsibilities**

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group as at the end of the year and of the profit or loss for the year. In preparing those financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## **Independent Auditors' Report to the Members of Macquarie European Infrastructure Limited**

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of Group total recognised gains and losses, the consolidated balance sheet, the company balance sheet, the consolidated statement of cash flows and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

### **Respective responsibilities of Directors and auditors**

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any person whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30 June 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers LLP**  
Chartered Accountants and Registered Auditors  
London  
23 August 2005

## Consolidated Profit and Loss Account

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Turnover		42,647	14,492
Cost of sales		(26,329)	(16,906)
<b>Gross profit / (loss)</b>		<b>16,318</b>	<b>(2,414)</b>
Administrative expenses		(7,457)	(5,567)
Management fees	30	(20,737)	(15,400)
Performance fees	30	(23,141)	(1,254)
Other operating income		3,653	1,085
<b>Operating loss</b>		<b>(31,364)</b>	<b>(23,550)</b>
<b>Exceptional items</b>			
Write down of fixed asset investments	10	(803)	(18,438)
<b>Operating loss including exceptional items</b>		<b>(32,167)</b>	<b>(41,988)</b>
Profit on sale of subsidiary	10	46,424	-
Interest payable and similar expenses	5	(53,151)	(31,949)
Interest receivable and similar income	6	10,408	8,530
Dividends receivable		6,617	1,720
<b>Loss on ordinary activities before taxation</b>	2	<b>(21,869)</b>	<b>(63,687)</b>
Taxation on ordinary activities	3	(232)	(540)
<b>Loss for the year</b>	19	<b>(22,101)</b>	<b>(64,227)</b>

The above Consolidated Profit and Loss Account should be read in conjunction with the accompanying notes on pages 13 to 36.

The loss on ordinary activities before taxation relates wholly to continuing operations.

There is no material difference between the loss for the year as disclosed and that calculated on an historical cost basis.

**Statement of Group Total Recognised Gains and Losses**

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Loss for the financial year		(22,101)	(64,227)
Exchange adjustments offset in reserves	23	-	(1,023)
Transfer to profit and loss reserve	19	427,428	-
<b>Total recognised gains / (losses) for the year</b>		<b>405,327</b>	<b>(65,250)</b>

The above Statement of Group Total Recognised Gains and Losses should be read in conjunction with the accompanying notes on pages 13 to 36.

**Macquarie European Infrastructure Limited**

Financial Statements - Year Ended 30 June 2005

**Consolidated Balance Sheet**

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
<b>Fixed Assets</b>			
Intangible assets	8	21,338	21,777
Tangible assets	9	682,909	695,791
Investments	10	818,325	496,707
		<b>1,522,572</b>	<b>1,214,275</b>
<b>Current Assets</b>			
Stock	11	302	-
Debtors: amounts falling due within one year	12	3,174	3,914
Cash at bank and on deposit	13, 26	67,316	50,345
		<b>70,792</b>	<b>54,259</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	15	(38,942)	(63,799)
Provisions for liabilities and charges	16	(1,195)	-
		<b>30,655</b>	<b>(9,540)</b>
<b>Net current assets/ (liabilities)</b>			
		<b>1,553,227</b>	<b>1,204,735</b>
<b>Non-Current Liabilities</b>			
Creditors: amounts falling due after one year	17	(923,446)	(644,940)
Provisions for liabilities and charges	18	(93)	(97)
		<b>629,688</b>	<b>559,698</b>
<b>Net Assets</b>			
		<b>629,688</b>	<b>559,698</b>
<b>Capital and Reserves</b>			
Called up share capital	21	290,541	289,579
Share premium account	22	59,686	395,985
Profit and loss account	19	279,461	(125,866)
	20	<b>629,688</b>	<b>559,698</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes on pages 13 to 36.

These financial statements were approved by the Board of Directors on 23 August 2005 and were signed on its behalf by:



**D Harrison**  
Director

**Macquarie European Infrastructure Limited**

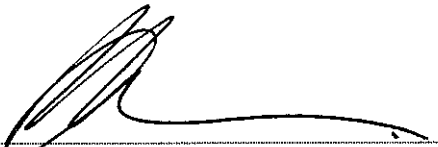
Financial Statements - Year Ended 30 June 2005

**Company Balance Sheet**

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
<b>Fixed Assets</b>			
Investments	10	872,247	763,861
<b>Current Assets</b>			
Debtors: amounts falling due within one year	12	970	2,273
Cash at bank and on deposit	13	5,537	5,853
Other assets	14	-	200,000
		6,507	208,126
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	15	(254,502)	(237,806)
<b>Net current liabilities</b>		(247,995)	(29,680)
<b>Total assets less current liabilities</b>		624,252	734,181
<b>Non-Current Liabilities</b>			
Creditors: amounts falling due after one year	17	(250,000)	-
Provisions for liabilities and charges	18	(93)	(97)
<b>Net Assets</b>		374,159	734,084
<b>Capital and Reserves</b>			
Called up share capital	21	290,541	289,579
Share premium account	22	59,686	395,985
Profit and loss account	19	23,932	48,520
	20	374,159	734,084

The above Company Balance Sheet should be read in conjunction with the accompanying notes on pages 13 to 36.

These financial statements were approved by the Board of Directors on 23 August 2005 and were signed on its behalf by:

  
**D Harrison**  
 Director

## Consolidated Statement of Cash Flows

	Note	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
<b>Net cash inflow /(outflow) from operating activities</b>	25	11,080	(44,868)
<b>Returns on investments and servicing of finance</b>			
Dividends received		6,617	1,720
Interest received		5,773	8,029
Interest paid		(43,498)	(47,014)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(31,108)</b>	<b>(37,265)</b>
<b>Taxation</b>		<b>(532)</b>	-
<b>Capital expenditure and financial investment</b>			
Purchase of investments		(48,310)	(891)
Sale of investments		81,364	-
Sale of subsidiary		42,289	13,210
Purchase of tangible fixed assets		(546)	(77,372)
Repayment of loans from associates		1,637	1,276
<b>Net cash inflow /(outflow) from capital expenditure and financial investment</b>		<b>76,434</b>	<b>(63,777)</b>
<b>Cash inflow /(outflow) before financing</b>		<b>55,874</b>	<b>(145,910)</b>
<b>Financing</b>			
Issue of ordinary share capital	20	4,679	23,691
Expense of share issue		-	(7)
Return of share premium	22	(340,000)	
Receipt of bank debt		46,418	123,238
Repayment of loans		-	(54,591)
Receipt of other loans	17	250,000	36,749
<b>Net (outflow)/ inflow from financing</b>		<b>(38,903)</b>	<b>129,080</b>
<b>Increase / (decrease) in cash in the year</b>		<b>16,971</b>	<b>(16,830)</b>

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 13 to 36.

## **Notes to the Financial Statements**

### **1 Principal accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's and Company's financial statements:

**(a) Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. The Company is exempt under s.230(4) Companies Act 1985 from the requirement to present its own profit and loss account. The Company made a loss for the year of £24,588,000 (2004: £107,318,000 profit).

**(b) Basis of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Company as at 30 June 2005 and the results of all controlled entities for the year then ended. The effects of all transactions between entities in the Group are eliminated in full.

**(c) Going concern**

The Company continues to adopt the going concern basis in preparing its accounts based on future profit and cashflow forecasts which lead the Directors of the Company to have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

**(d) Associated undertakings not equity accounted**

In accordance with the exemption available under Financial Reporting Standard (FRS) 9 "Associates and Joint Ventures", those infrastructure investments that are associated undertakings, and their intermediate holding companies, are carried at cost in line with the Company's normal policy and are not equity accounted as otherwise required by the Companies Act 1985. The Directors consider that as these investments are held as part of the Company's portfolio with a view to the ultimate realisation of capital gains, equity accounting would not give a true and fair view of the Company's interest in these investments. The carrying value of these investments is assessed by the Directors annually to determine whether there has been any permanent impairment to their value.

The effect of not equity accounting for these associates is that a profit of £4,168,000 before taxation is not shown in the profit and loss account (2004: £18,346,000 profit) and fixed asset investments would be decreased by £3,919,000 (2004: £8,087,000 decrease).

**(e) Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Cost represents purchase cost and in the case of the construction of the M6 Toll all expenses that are directly attributable to bringing the road into final condition. These expenses include finance costs up to Permit to Use which have been capitalised in accordance with FRS 15 "Tangible Fixed Assets".

Depreciation rates are selected based on expected economic lives of the assets, taking into account the expected rate of technological developments, market requirements and expected use of the assets. The selected rates are regularly reviewed to ensure they remain appropriate to the Company and Group's circumstances. Depreciation of tangible fixed assets commenced at Permit to Use for the M6 Toll or the date of acquisition if later on the following bases over their respective estimated useful lives:

**Principal accounting policies (continued)**

Asset Description	Asset Classification	Estimated Useful Life	Depreciation basis
Road Infrastructure	M6 Toll Road	50 years	Vehicle usage basis
Roadbase	M6 Toll Road	15 years	Vehicle usage basis
Wearing Course	M6 Toll Road	8 years	Vehicle usage basis
Road Buildings Infrastructure	M6 Toll Road	50 years	Straight line basis
Non Road Buildings including Motorway Service Area	Short Leasehold Land and Buildings	50 years	Straight line basis
Land Fund	Short Leasehold Land and Buildings	50 years	Straight line basis
Masts and Columns	Plant and Machinery	12 years	Straight line basis
Office Furniture and Fittings	Plant and Machinery	10 years	Straight line basis
Signage	Plant and Machinery	6 years	Straight line basis
Vehicles and Maintenance Equipment	Plant and Machinery	5 years	Straight line basis
IT Equipment	Plant and Machinery	3 years	Straight line basis
Toll Collection System	Plant and Machinery	3 years	Straight line basis

**(f) Road development and construction expenditure**

Road development and construction expenditure is capitalised and depreciated from the commencement of operations, Permit to Use, over the useful economic life of the asset. The carrying value of these tangible assets is assessed by the Directors annually to determine whether there has been any permanent impairment to their value.

**(g) Capitalisation of finance / acquisition costs**

The Group capitalises costs associated with the acquisition of investments together with finance costs related to assets under construction in accordance with the provisions contained in FRS 15 "Tangible Fixed Assets".

**(h) Intangible fixed assets and amortisation**

Intangible assets comprise tolling concessions, which represent the right to derive future distributions from controlled tolling concessions. Tolling concessions are recorded at historical cost or the fair value attributed by the Directors at the date of acquisition. The Directors' valuation at the date of acquisition is based on discounted cash flow modelling of future distributions for each tolling concession. The book values are reviewed each reporting year end to ensure that they are not greater than the Directors estimate of the fair value as at year end. Amortisation is provided so as to write off these assets on a straight line basis over the operating period of the concession.

**(i) Fixed asset investments**

Fixed asset investments are stated at cost less provisions for impairment.

**(j) Foreign currencies****Foreign currency transactions**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction or, where forward contracts have been arranged, at the contractual rate. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date or at a contractual rate if applicable and any exchange differences arising are taken to the profit and loss account.

**Translation of self-sustaining foreign subsidiaries**

For consolidation purposes, where foreign subsidiaries of the Group are self sustaining, the assets and liabilities of such overseas undertakings are translated at the closing exchange rates. The profit and loss accounts of such undertakings are consolidated at the average rates of exchange during the year. Exchange differences on the net investment of self-sustaining subsidiaries are taken to reserves.



# Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

## Principal accounting policies (continued)

### Translation of foreign intermediate holding companies

For consolidation purposes where foreign subsidiaries are intermediate holding companies for investments in foreign assets, the temporal method is used in order to accurately reflect the investment risk to the Group. Non monetary assets such as investments are measured at historical costs or Directors' valuation, monetary items are translated at the exchange rates ruling at the balance sheet date and all profit and loss items are translated at the historical rate. Exchange gains and losses including those on the translation of operating monetary items are taken to the profit and loss account for the year.

### (k) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Assets held under finance lease are capitalised at the fair value of the asset at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within and after more than one year. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

### (l) Taxation and deferred taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred due to timing differences between the treatment of certain items for taxation and accounting purposes. Deferred taxation is provided fully in respect of all timing differences between the accounting and tax treatment of income and expenses at the reporting date, the anticipated reversal of which will result in a change in future liability to tax. The provision is calculated using the rates expected to be applicable when the asset or liability crystallises based on current tax rates and law measured on a non-discounted basis. A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of timing differences can be deducted.

### (m) Post retirement benefits

A subsidiary of the Company, Macquarie Infrastructure UK Limited (MIUK) operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over eligible employees' working lives with the Group. In accordance with the transitional arrangements under FRS 17 "Retirement Benefits" disclosures are provided in the notes to the financial statement, refer to notes 31. No adjustments to the financial statements were necessary.

### (n) Turnover

Toll revenue, directors, technical service and secondment fees received by the Company and its subsidiary undertakings are accounted for within turnover. Turnover is stated net of value added tax.

### (o) Cost of sales

Costs considered to be directly related to turnover are accounted for as cost of sales.

### (p) Borrowings

Borrowings are carried at their issue proceeds, net of issue costs, less amounts repaid. Issue costs are amortised over the years of the borrowing to achieve a constant rate on the carrying amount. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan.

### (q) Interest

Interest income and expense are brought to account on an accruals basis and comprise amounts receivable and payable on bank deposits and bank borrowings respectively.

### (r) Cash at bank and on deposit

Cash at bank, call deposits and other short-term highly liquid investments are disclosed within cash at bank and on deposit.

**Principal accounting policies (continued)****(s) Financial instruments**

The Group uses derivative financial instruments with off-balance sheet risk to hedge its exposures to fluctuations in interest and foreign exchange rates. Instruments accounted for as hedges are designated as a hedge at the inception of contracts.

Receipts and payments on interest rate instruments are recognised on an accruals basis, over the life of the instrument. These are principally swap agreements used to manage the balance between fixed and floating interest rates on long-term debt and deposits. Interest differentials on derivative instruments are recognised by adjusting the net interest charge/income over the period of the contracts. Changes in the fair value of such derivatives are not recognised.

Gains and losses on foreign currency hedges are recognised on maturity of the underlying transaction, other than translational hedges of foreign currency investments, which are taken to reserves. Gains and losses arising from retiming of foreign exchange transactional cover are deferred to match the maturity of the underlying exposure. Gains or losses arising on hedging instruments, which are cancelled due to the termination of the underlying exposure, are taken to the profit and loss account immediately. Finance costs associated with debt issuances are charged to the profit and loss account over the life of the instruments.

**(t) Share issue costs**

In accordance with the provision contained in FRS 4 "Capital Instruments", all issue costs (as defined within the meaning of FRS 4) are accounted for as a deduction from the proceeds of the relevant capital instruments.

**(t) Stock**

Stocks are valued at the lower of cost and net realisable value.

**(u) Increase in investment holdings from fixed asset investments to subsidiary undertakings**

Where the percentage holding of an investment is increased and it becomes a subsidiary undertaking, in order to more closely reflect the substance of the transaction and therefore for the financial statements to show a true and fair view, the Directors may determine it necessary to calculate goodwill on each purchase as the difference between the cost of that purchase and the fair value at the date of that purchase, as allowed by FRS 2 "Accounting for Subsidiaries".

**(v) Value added tax (VAT)**

All income and expense items are presented in the financial statements net of VAT.

**2 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging / (crediting):

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Audit services: - PricewaterhouseCoopers LLP	205	347
Other fees paid to auditors: - PricewaterhouseCoopers LLP	162	225
Depreciation of tangible fixed assets: - owned assets	15,585	6,282
- leased assets	1,014	546
Amortisation of redemption premium	67	139
Amortisation of tolling concessions	439	247
Amortisation of finance costs	398	199
Hire costs including operating lease payments	59	37
Impairment of fixed asset investments	803	18,438
Exchange (gains) / losses	(1,751)	215

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## 3 Tax on ordinary activities

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
<b>Analysis of tax charge for the year</b>		
<b>Current tax</b>		
UK corporation tax at 30% (2004: 30%)	-	-
Overseas tax	143	7
<b>Total current tax</b>	<b>143</b>	<b>7</b>
<b>Adjustments to tax charge in respect of prior years:</b>		
Corporation tax charge	-	533
Overseas tax	89	-
<b>Total adjustments to tax charges in respect of prior years</b>	<b>89</b>	<b>533</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Tax on loss on ordinary activities</b>	<b>232</b>	<b>540</b>

Factors affecting the tax charge for the year are as follows:

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Loss on ordinary activities before taxation	(21,869)	(63,687)
Loss on ordinary activities before taxation multiplied by standard rates of corporation tax in the United Kingdom of 30% (2004: 30%)	(6,561)	(19,106)
Expenses not deductible for tax purposes	4,475	5,793
Non-deductible write down of investment	241	5,532
Net income subject to substantial shareholders exemption	(13,927)	-
Accelerated capital allowances	(6,215)	-
Deductible pension prepayments	-	(51)
Overseas tax	143	7
Non-taxable income	(354)	(2)
Non-taxable UK dividends	(375)	(516)
Losses not utilised during the year	22,716	8,350
	<b>143</b>	<b>7</b>

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## 4 Employees and Directors

### ■ Remuneration of directors

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Aggregate Emoluments	72	458
<b>Highest Paid Director</b>		
Total amount of emoluments	30	383

### ■ Employees

The Company had no employees during the year (2004: nil). The average number of persons employed by the Group during the year was as follows:

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
M6 Toll Construction	2	10
M6 Toll Operations	116	86
Other	40	5
	158	101

The aggregate payroll costs of these persons were as follows:

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Wages and salaries	3,902	3,136
Social security costs	487	350
Other pension costs	614	732
	5,003	4,218

## 5 Interest payable and similar expenses

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Interest payable on MEL bank debt	(40,253)	(23,732)
Interest payable on MEL land fund lease	(4,792)	(2,622)
Preference share dividend on MIUK preference shares	(7,851)	(5,370)
Other interest payable and similar expenses	(255)	(225)
	(53,151)	(31,949)

## Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

### 6 Interest receivable and similar income

	Group Year ended 30 June 2005 £'000	Group Year ended 30 June 2004 £'000
Interest received from associated undertakings	486	1,068
Other interest receivable	9,922	7,462
	<b>10,408</b>	<b>8,530</b>

### 7 Segmental reporting

#### Business Segments

The principal activity of the Group during the year was investment in infrastructure projects.

#### Geographical segments

	United Kingdom £'000	Continental Europe £'000	North America £'000	Rest of World £'000	Total £'000
<b>For the year ended 30 June 2005</b>					
Turnover	42,647	-	-	-	42,647
Profit on ordinary activities before taxation	(26,497)	(751)	5,379	-	(21,869)
Net assets	(188,712)	22,978	795,422	-	629,688
<b>For the year ended 30 June 2004</b>					
Turnover	14,492	-	-	-	14,492
Loss on ordinary activities before taxation	(45,444)	(18,243)	-	-	(63,687)
Net assets	84,024	161,928	313,746	-	559,698

Following the divestment of Cintra and additional investment in 407 International (note 10), the Cintra investment reported under Continental Europe was reduced by £135,954,000 to £nil, and the 407 International investment reported under North America was increased by £481,676,000.

# Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

## 8 Intangible assets

### Tolling Concessions

	Year ended 30 June 2005 £'000
<b>Cost</b>	
As at the beginning of the year	21,777
Additions	-
As at the end of the year	21,777
<b>Amortisation</b>	
As at the beginning of the year	-
Charge for the year	(439)
As at the end of the year	(439)
<b>Net Book value</b>	
As at the end of the year	21,338
<b>Net Book value</b>	
As at the beginning of the year	21,777

## 9 Tangible assets

	Plant and machinery £'000	Short leasehold land and buildings £'000	M6 Toll Road £'000	Total £'000
<b>Cost</b>				
As at the beginning of the year	36,984	60,704	604,931	702,619
Additions	440	2,368	909	3,717
As at the end of the year	37,424	63,072	605,840	706,336
<b>Depreciation</b>				
As at the beginning of the year	(3,241)	(682)	(2,905)	(6,828)
Charge for the year	(5,801)	(1,262)	(9,536)	(16,599)
As at the end of the year	(9,042)	(1,944)	(12,441)	(23,427)
<b>Net Book value</b>				
As at the end of the year	28,382	61,128	593,399	682,909
<b>Net Book value</b>				
As at the beginning of the year	33,743	60,022	602,026	695,791

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Included in short leasehold land and buildings above is the value of land leased by MEL from the Highways Agency. As at 30 June 2005, it had a net book value of £49,343,000 (2004: £48,083,000). 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 until 2054 by MEL. Interest accruing in respect of the lease of the land after Permit to Use is charged to the profit and loss account. Refer to note 17.

The value of the land has been estimated by the Highways Agency as at 30 June 2005 at £58,300,000 (2004: £51,200,000).

Included in additions to tangible fixed assets are £nil (2004: £18,841,000) of finance costs that have been capitalised during the year. Aggregate finance costs included in tangible fixed assets are £74,892,000 (2004: £76,458,000).

## 10 Investments

### Investments in controlled entities

Subsidiary undertakings	Country of Corporation	Principal activities	Year end	Class and percentage of shares held
Macquarie Infrastructure (UK) Limited	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie (UK) Projects Limited <sup>(1)</sup>	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie Midland Holdings Limited	United Kingdom	Infrastructure investment	30 June	100% ordinary
European Transport Investments (UK) Limited	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure (Club) Limited <sup>(2)</sup>	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure TR Limited <sup>(2)</sup>	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure TR2 Limited <sup>(2)</sup>	United Kingdom	Infrastructure investment	30 June	100% ordinary
Midland Expressway Limited <sup>(3)</sup>	United Kingdom	Toll road operator	30 June	100% ordinary
Tipperhurst Limited <sup>(1)</sup>	United Kingdom	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure (Luxembourg) S.A. <sup>(2)</sup>	Luxembourg	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure (Toll Route) SA <sup>(2)</sup>	Luxembourg	Infrastructure investment	30 June	100% ordinary
Macquarie Infrastructure Canada Inc.	Canada	Infrastructure investment	30 June	100% ordinary

<sup>(1)</sup> Dormant

<sup>(2)</sup> In liquidation

<sup>(3)</sup> On 20 June 2005, the Group exercised the call option over the remaining 25% of MEL held by Autostrade for a fixed price of £49,000,000. Following the exercise of the option, the Group owns 100% of the equity in MEL.

### Investments in associated undertakings and non consolidated subsidiary

Associated undertakings and non consolidated subsidiary	Country of Corporation	Principal activities	Year end	Class of shares held	Ownership % as at 30 June 2005	Ownership % as at 30 June 2004
Lusoponte Concessionaria Para a Travessia Do Tejo SA	Portugal	Holding company	31 Dec	Ordinary	30.61%	30.61%
Gestiponte-Operação e Manutenção das Travessias do Tejo S.A.	Portugal	Investment in toll bridges	31 Dec	Ordinary	30.61%	30.61%
Warnowquerung GmbH & Co.KG (limited partnership)	Germany	Investment in toll tunnel	31 Dec	Partnership interest	70%	70%
Warnowquerung Verwaltungsgesellschaft GmbH	Germany	General partner of partnership	31 Dec	Ordinary	70%	70%
407 International Inc.	Canada	Toll road operator	31 Dec	Ordinary	30%	8.07%
407 ETR Concession Company Limited	Canada	Toll road operator	31 Dec	Ordinary	30%	8.07%
Cintra Concesiones de Infraestructuras de Transporte, S.A.	Spain	Infrastructure investment	31 Dec	Ordinary	-	20%
Connect M1-A1 Holdings Limited	United Kingdom	Holding company	31 Dec	Ordinary	-	50%
Connect M1-A1 Limited	United Kingdom	Investment in shadow toll road	31 Dec	Ordinary	-	50%

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**Summary of movement of investments****(a) Group**

	Investments in Associate Undertakings £'000	Loans to Associate Undertakings £'000	Total £'000
As at 1 July 2004	483,624	13,083	496,707
Additions	458,135	552	458,687
Disposals	(329,479)	(10,783)	(340,262)
Loan repayment	-	(2,852)	(2,852)
Fair value adjustments	206,848	-	206,848
Provision for impairment	(803)	-	(803)
Amortisation	-	(65)	(65)
Exchange differences	-	65	65
As at 30 June 2005	818,325	-	818,325

**(b) Company**

	Investments in Subsidiary Undertakings £'000	Loans to Subsidiary Undertakings £'000	Loans to Associate Undertakings £'000	Total £'000
As at 1 July 2004	609,323	152,770	1,768	763,861
Additions	527,611	-	40	527,651
Disposals	(415,359)	-	-	(415,359)
Loan repayment	-	(2,098)	(1,858)	(3,956)
Exchange differences	-	-	50	50
As at 30 June 2005	721,575	150,672	-	872,247



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## Detailed investment analysis

	Balance at 30 June 2004	Investments	Divestments /Repayments/ Amortisation	Provision for impairment	FX Effects	Fair value adjustments	Balance at 30 June 2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Investments in Associated Undertakings</b>							
Lusoponte Concessionaria Para a Travessia Do Tejo SA <b>Note (i)</b>	23,603	-	(690)	-	-	-	22,913
Warnowquerung GmbH & Co.KG <b>Note (ii)</b>	-	803	-	(803)	-	-	-
407 International Inc. <b>Note (iii)</b>	131,232	457,332				206,848	795,412
Cintra Concesiones de Infraestructuras de Transporte S.A. (Cintra) <b>Note (iii)</b>	318,469	-	(318,469)	-	-	-	-
Connect M1-A1 Limited <b>Note (iv)</b>	10,320	-	(10,320)	-	-	-	-
	483,624	458,135	(329,479)	(803)	-	206,848	818,325
<b>Loans to Associated undertakings</b>							
Loans to Connect M1-A1 Limited <b>Note (v)</b>	10,778	500	(11,278)	-	-	-	-
Loans to Lusoponte Concessionaria Para a Travessia Do Tejo SA <b>Note (v)</b>	2,305	52	(2,422)	-	65	-	-
	13,083	552	(13,700)	-	65	-	-
<b>Total Investments</b>	<b>496,707</b>	<b>458,687</b>	<b>(343,179)</b>	<b>(803)</b>	<b>65</b>	<b>206,848</b>	<b>818,325</b>

### Notes:

#### (i) Lusoponte

On 24 June 2005, the Company received a £690,000 (€1,041,000) return of supplementary capital from Lusoponte.

#### (ii) Warnowquerung GmbH & Co.KG (Warnowquerung)

A 100% subsidiary of the Group, European Transport Investments (UK) Ltd (ETI) has a 70% shareholding in Warnowquerung GmbH & Co.KG (Warnowquerung), the owner of the Rostock Fixed Crossing concession. During the year, ETI has provided for a commitment to make a capital contribution to Warnowquerung of up to £803,000 (€1,190,000) in the event of a senior debt payment event of default by Warnowquerung (after exhaustion of all other accounts). A provision for impairment has been taken against the equity contribution to retain the value of £nil (2004: £nil) in the consolidated accounts.

Under the exclusion principles set out in FRS 2 "Accounting for Subsidiaries", Warnowquerung, a 70% owned investment is not consolidated due to severe long term restrictions over control in the project Partnership Deed. The agreement is structured such that any decision made in regard to the financial and operational policies of Warnowquerung requires 75% of the voting members to proceed.

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The results and net assets of Warnowquerung were as follows:

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Turnover	7,212	9,090
Loss for the financial year	(8,935)	(8,121)
Taxation	(4)	-
Minority interest	(2,682)	(2,436)
Loss attributable to shareholders	(6,257)	(5,685)
Net assets	23,120	29,972

### (iii) Divestment of Cintra and additional investment in 407 International

MIG sold its 40% interest in Cintra, a joint venture between Grupo Ferrovial and MIG. The holding company of MIG's investment in Cintra was 50% owned by the Company prior to the divestment. The divestment was transacted in two separate parts:

- the exchange of 11.99% (53.82 million shares) of Cintra for a 13.87% (107.49 million shares) equity interest in 407 International on 26 October 2004;
- the sale of the remaining 28.01% (125.73 million shares) through an IPO when Cintra listed on the Madrid Stock Exchange on 27 October 2004. MIG raised net funds of €1,019,000,000 through the IPO.

The increased investment in 407 International arises from the exchange off 11.99% of Cintra for 13.87% representing £368,283,000 of the increase and also the take up of the remaining 8.07% of the MIG share previously held by MIT(I) and MIT(II) representing £89,049,000.

The fair value adjustment arose on first consolidation of MITRSA and was derived from the market price given by the exchange with Cintra.

### (iv) Sale of Investment in Connect M1-A1 Limited

On 22 December 2004, the Group completed the sale of MYL, the holder of a 50% equity interest in Connect M1-A1 Limited, to MICT for a cash consideration of £44,100,000. The increase from £43,300,000 as originally expected on entering into the conditional share purchase agreement on 7 June 2004 reflects an adjustment to compensate for the completion date occurring after 30 September 2004. The sale was confirmed by an independent third party to be on an arm's length basis at a value above the carrying value of the asset.

The profit on sale of £46,424,000 shown in the consolidated profit and loss account includes the profit made by the Company of £12,509,000 on the sale to MICT as described above together with the realisation of inter-group profit previously eliminated on consolidation.

Connect M1-A1 Limited owns a 30 year concession to operate the M1-A1 Link shadow toll road. The M1-A1 Link road is a motorway link of almost thirty kilometres in length, which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby in the UK.

### (v) Loans to Associate undertakings

Interest accrues on loans of £nil (2004: £2,305,000) made to Lusoponte at a 3% margin over the Euro Inter Bank Offer Rate compounded every 6 months and is payable when cash is available.

During the year, the Group received repayments of capitalised interest and principal amounting to £2,422,000 from Lusoponte in respect of contractor loans held by the Group.

Interest accrues on the original sponsors' loan of £nil (2004: £2,854,000) to Connect M1-A1 Limited at 15% per annum compounded every 6 months and is payable when cash is available. As at the year end, the balance on the loan includes £nil (2004: £107,000) of accrued interest.

Interest accrues on the commercial loan of £nil (2004: £5,000,000) made to Connect M1-A1 Limited at a 4% margin over the London Inter Bank Offer Rate (LIBOR) compounded every 6 months and is due under the terms of a periodic repayment schedule between 2005 and 2016. As at the year end, the balance on the loan includes accrued interest of

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£nil (2004: £106,000), accrued supplemental interest of £nil (2004: £1,015,000) and unamortised premium from the acquisition of the loan of £nil (2004: £1,695,000).

The loans to Connect M1-A1 Limited were held by MYL and so were sold to MICT on 22 December 2004.

### 11 Stock

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Raw materials and consumables	302	-	-	-
	302	-	-	-

### 12 Debtors: amounts falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Interest receivable	-	-	1,123	1,123
Other debtors	935	7	509	174
Prepayments and accrued income	1,427	80	1,646	267
VAT	812	883	636	709
	3,174	970	3,914	2,273

### 13 Cash at bank and on deposit

Cash at bank and on deposit includes bank balances of £56,560,000 (2004: £11,215,000) that have restrictions on their use: £40,118,000 (2004: £nil) is restricted for the use of meeting approved costs of construction at MEL, £14,069,000 (2004: £11,215,000) is restricted for the use of the meeting MEL's debt service obligations, £817,000 (2004: £nil) is held on blocked deposit in respect of the commitment made by ETI to Warnowquerung (Note 16) and £1,557,000 (2004: £nil) related to other blocked deposits following the capital reduction of the Company.

### 14 Other assets

Other assets at 30 June 2004 comprised £200,000,000 on deposit with a third party bank. This arose as part of the following transaction:

On 21 November 2003 a subsidiary of the Company, MIUK, issued 20,000,000 £10 Series A redeemable preference shares (RPS) for consideration of £200,200,000 to Macquarie Investments UK Limited (MACI). The RPS issue proceeds were lent by MIUK to the Company. The Company placed the funds on deposit (the Deposit) with a third party bank.

On 23 May 2005, the 20,000,000 £10 Series A RPS issued to MACI were redeemed by MIUK and the Company subscribed for 20,000,000 £10 Series B RPS for the consideration of £200,000,000. The subscription was funded by the Deposit.

## 15 Creditors: amounts falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Trade creditors	29,296	29,296	7,217	18
Corporation Tax	39	-	533	-
VAT	1,746	-	154	-
Other tax and social security	150	2	399	-
Accruals and deferred income	6,957	265	6,249	5,192
Amount owed to related MIG entity	754	811	247	-
Amount owed to subsidiary undertaking	-	224,128	-	232,596
Deferred consideration on acquisition of MEL	-	-	49,000	-
	<b>38,942</b>	<b>254,502</b>	<b>63,799</b>	<b>237,806</b>

Macquarie Midland Holdings Limited (MMH) had issued a put option to Autostrade, and Autostrade had issued a call option to MMH in respect of the purchase of the remaining 25% of MEL owned by Autostrade. The options were exercisable any time within a 3 month period, commencing 18 months from the date the M6 Toll opened on 9 December 2003.

On 20 June 2005, MMH exercised the call option over the remaining 25% of MEL held by Autostrade for a fixed price of £49,000,000. With effect from that day, MMH owns 100% of the issued equity of MEL.

## 16 Provisions for liabilities and charges falling due within one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
<b>Provisions for liabilities and charges</b>				
As at the beginning of the year	-	-	-	-
Provided during the year	1,195	-	-	-
Utilised during the year	-	-	-	-
As at the end of the year	<b>1,195</b>	<b>-</b>	<b>-</b>	<b>-</b>

The provisions comprise the following:

### ■ **Warnowquerung**

During the year, ETI has provided for a commitment to make an equity contribution to Warnowquerung of up to £803,000 (€1,190,000) in the event of a senior debt payment event of default by Warnowquerung (after exhaustion of all other accounts). The commitment is further backed by an on-demand guarantee, provided through a blocked account into which £803,000 (€1,190,000) has been deposited (see note 13).

### ■ **Pension Contribution**

A provision of £392,000 (2004: £173,000 prepayment) relates to anticipated pension contributions as at 30 June 2005.

## Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

### 17 Creditors: amounts falling due after one year

	Note	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
MEL bank debt		619,909	-	573,490	-
Less issue costs		(4,785)	-	(5,184)	-
Loan from Connect M1-A1 Limited		-	-	25,384	-
Loan from MIBL Finance Luxembourg Sarl		250,000	250,000	-	-
MEL land fund finance lease obligations	9	58,322	-	51,250	-
		923,446	250,000	644,940	-

All the creditors due after more than one year fall due after more than five years.

The loan from MIBL Finance (Luxembourg) Sarl is interest bearing loan at a fixed rate of 7.50% per annum.

Refer to Note 5, for a breakdown of interest paid on the MEL land fund and the MEL bank debt.

MEL bank debt represents amounts borrowed by MEL under a Facility Agreement with Banc of America Securities Limited and Abbey National Treasury Services plc, as arrangers, for £685,000,000 dated 26 September 2000 as amended and restated on 24 May 2001. The facility agency was transferred to Lloyds TSB Bank plc on 10 September 2004.

The bank facility now comprises:

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Term loan	619,909	-	619,909	-
Working capital facility (undrawn)	2,500	-	2,500	-
	622,409	-	622,409	-

The bank loans have certain covenants attached and are secured by way of debenture over MEL's assets. The loans are repayable on 30 June 2017.

Interest on the bank loans is charged on a floating rate at a margin over the LIBOR.

MEL has entered into a number of interest rate swap agreements whereby it has agreed to exchange with its bankers a monthly sum reflecting the difference between LIBOR, being 4.673% on £439,200,000 at 30 June 2005 and a fixed rate of 5.475% (2004 : floating rate of 4.625% on £581,100,000 swapped for a fixed rate of 6.425%).

### 18 Provisions for liabilities and charges falling due after one year

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
<b>Provision for liabilities and charges</b>				
As at the beginning of the year	97	97	100	100
Provided during the year	-	-	-	-
Utilised during the year	(4)	(4)	(3)	(3)
As at the end of the year	93	93	97	97

The provision relates to anticipated legal costs to defend a claim from Atlantic Pacific Infrastructure Limited (see note 24).

## Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

### Deferred Tax

As at the year end, the Company and Group have no potential liability to deferred taxation. Potential deferred tax assets of £24,402,000 (2004: £14,200,000 asset) and £42,789,000 (2004: £22,900,000 asset) respectively have not been recognised.

A deferred tax asset should only be recognised where it can be regarded as more likely than not that there will be suitable taxable profits from which a future reversal of the underlying timing differences can be deducted. In the opinion of the Directors this is currently not the case and therefore no asset is recognised in the financial statements.

The assets consists of:

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Losses	92,807	24,402	54,471	14,200
Accelerated capital allowances	(10,685)	-	1,410	-
Capital interest	(39,350)	-	(32,981)	-
Short term timing differences	17	-	-	-
As at the end of the year	42,789	24,402	22,900	14,200

### 19 Profit and loss account

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
<b>Profit and loss account</b>				
As at the beginning of the year	(125,866)	48,520	(62,037)	(58,798)
Retained (loss) / profit for the year	(22,101)	(24,588)	(64,227)	107,318
Transfer to profit and loss reserve	427,428	-	-	-
Transfer from revaluation reserve	-	-	398	-
As at the end of the year	279,461	23,932	(125,866)	48,520

The transfer to the profit and loss reserve of £427,428,000 is in respect of the first consolidation of MILSA and MITRSA.

The UK Companies Act 1985 normally requires goodwill arising on the acquisition of a subsidiary undertaking to be calculated as the difference between the total acquisition cost of the undertaking and the fair value of the Group's share of identifiable assets and liabilities at the date it became a subsidiary undertaking.

FRS 2 "Accounting for Subsidiaries" recognises that, where the percentage holding of an investment is increased and it becomes a subsidiary undertaking, in order to show a true and fair view, goodwill can be calculated on each purchase as the difference between the cost of that purchase and the fair value at the date of that purchase.

On consolidation of MILSA and MITRSA, this true and fair override has been used in order more to closely reflect the substance of the transaction being the sale of the underlying asset, Cintra, resulting in a transfer to the profit and loss reserve of £427,428,000.

If goodwill had been calculated in accordance with the basis set out in the UK Companies Act 1985 on the consolidation of MILSA and MITRSA, £427,428,000 of the Group's share of the retained earnings would have been reclassified as negative goodwill.

The Company's profit and loss account of £23,932,000 includes a non distributable gains of £121,575,000 (2004: £nil) arising from inter-company transactions.

# Macquarie European Infrastructure Limited

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## 20 Shareholders' funds

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Shareholders' funds at the beginning of the year	559,698	734,084	601,264	603,082
Ordinary share capital issued during the year	4,663	4,663	23,691	23,691
Capital reduction	(340,000)	(340,000)	-	-
Transfers from revaluation reserve	-	-	(1,023)	-
Less costs incurred in raising of capital	-	-	(7)	(7)
Retained (loss) / profit for the year	(22,101)	(24,588)	(64,227)	107,318
Transfer to profit and loss reserve	427,428	-	-	-
Shareholders' funds at the end of the year	629,688	374,159	559,698	734,084

At the MIG Annual General Meeting held on 30 November 2004 the MIG stapled security holders approved and passed a special resolution to reduce the share capital of the Company by £340,000,000. On 18 January 2005 the High Court in London approved the capital reduction and effective 19 January 2005 the share premium account of the Company was reduced from £399,686,000 to £59,686,000.

## 21 Called up share capital

### Authorised Ordinary shares of 15p each

	Number '000	£'000
30 June 2005	5,194,392	779,159
30 June 2004	7,131,333	1,069,700

In January 2005, MIG completed a corporate restructure. Prior to the restructure, MIG was a triple stapled security comprising a unit in each of two Australian trusts, MIT(I) and MIT(II) and a CUFS over an ordinary share of the Company. On 11 January 2005, the High Court in London sanctioned a scheme of arrangement under the UK Companies Act to insert MIBL, a new mutual fund company incorporated in Bermuda, as the parent of the Company. Following the scheme becoming effective on 12 January 2005, the Company's authorised ordinary shares were reduced by 1,936,941,000.

### Allotted, called up and fully paid

Ordinary shares of 15p each

	Number '000	£'000
30 June 2005	1,936,941	290,541
30 June 2004	1,930,528	289,579

### Share Issues and cancellations

Date	Issue '000	Proceeds £'000	Cumulative Share Total '000	Book Value £'000
13 August 2004	4,550	3,362	1,935,078	702,157
27 August 2004	1,863	1,301	1,936,941	703,458
12 January 2005	(1,936,941)	(690,227)	-	-
12 January 2005	1,936,941	690,271	1,936,941	703,458

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All shares issued during the year rank equally with the existing shares. All shares are equity shares.

On 12 January 2005 the Company shares in existence were cancelled with an equal number of shares issued to MIBL and in consideration the MIG shareholders received shares in the MIBL in the ratio of one for one.

### 22 Share premium account

Note	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
As at the beginning of the year	395,985	395,985	376,687	376,687
Premium on shares issued during the year	3,701	3,701	19,305	19,305
Capital reduction	20 (340,000)	(340,000)	-	-
Less: costs incurred in raising of capital	-	-	(7)	(7)
As at the end of the year	59,686	59,686	395,985	395,985

### 23 Revaluation reserve

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
As at the beginning of the year	-	-	1,421	-
Exchange adjustments	-	-	(1,023)	-
Transfer to profit and loss reserve	-	-	(398)	-
As at the end of the year	-	-	-	-

### 24 Contingent liabilities

#### ■ Midland Expressway Limited

There are outstanding claims against MEL for construction liabilities amounting to £27,700,000 (2004: £56,200,000), which are subject to ongoing discussion and adjudication. The Group believes it will defend these claims successfully and that no provisions are necessary in the financial statements as at 30 June 2005.

#### ■ San Diego Expressway Limited Partnership (SDELP)

Macquarie 125 Holdings Inc., a 100% subsidiary of MIT(II); owns 100% of SDELP and California Transportation Ventures Inc..

SDELP is the owner of the concession to develop the State Route 125 South (SR125) toll road, recently rebranded the South Bay Expressway, in the San Diego region of Southern California, USA. The SR125 concession runs for a 35 year period from the date of the opening and has no practical restrictions on the setting of tolls.

MIG is committed to make further equity contributions to SDELP of US\$134,200,000 due on or before October 2006.

MIT(I) is the primary party to the SR125 acquisition agreement, with its obligations under the documents guaranteed by MIT(II), the Company and MIBL. MIT(II) will contribute US\$109,200,000 of the funding and MIT(I) will invest the remaining US\$25,000,000.



## Macquarie European Infrastructure Limited

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### ■ *Atlantic Pacific Infrastructure Limited (APIL)*

APIL has notified a claim against the Company in connection with the acquisition in 1999 of assets from Kvaerner plc. The claim is considered to be without merit and will be vigorously defended. A provision has been made for the anticipated legal costs to defend this action and it is considered that no other provision is necessary in respect of this claim (see note 18).

### ■ *Performance fees*

As referred to in note 30, pursuant to the provisions of the Trust Constitutions of MIT(I) and MIT(II) and the Management Agreement between the Company and its Manager, the Company may become liable for the payment of the second and third instalment of the performance fee in respect of the year ended 30 June 2005 due to the Manager. The payment of this instalment is dependent upon meeting certain conditions with respect to the market performance of the stapled security.

The following table represents the Group's contingent liabilities in respect of performance fees:

	As at 30 June 2005 £'000	As at 30 June 2004 £'000
Third instalment fee 30 June 2003	-	14,181
Second instalment fee 30 June 2005	7,488	-
Third instalment fee 30 June 2005	7,488	-
	<b>14,976</b>	<b>14,181</b>

## 25 Reconciliation of operating loss to operating cash flows

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Operating loss	(31,364)	(23,550)
Depreciation and amortisation	17,503	7,273
Increase / (decrease) in debtors	1,712	(70)
Increase / (decrease) in creditors	24,697	(28,521)
Other non-cash movements	(1,468)	-
Net cash inflow /(outflow) from operating activities	<b>11,080</b>	<b>(44,868)</b>

## 26 Analysis of net funds

	At beginning of year £'000	Cash flow £'000	Exchange differences £'000	At end of year £'000
Cash at bank	49,345	15,260	351	64,956
Secured deposits	1,000	1,354	6	2,360
	<b>50,345</b>	<b>16,614</b>	<b>357</b>	<b>67,316</b>

## Macquarie European Infrastructure Limited

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### 27 Reconciliation of net debt

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Increase/ (decrease) in cash in the year	16,614	(16,957)
Cash outflow from change in debt financing	(271,036)	(68,647)
Change in net debt resulting from cash flows	(254,422)	(85,604)
Exchange differences	357	127
New finance leases	(7,072)	(51,250)
Amortisation of issue costs	(398)	(398)
Reallocation of debt taken for non cash consideration	-	(7,142)
Movement in net debt in the year	(261,535)	(144,267)
Net debt at the beginning of the year	(594,595)	(450,328)
Net debt at the end of the year	(856,130)	(594,595)

### 28 Analysis of net debt

	As at 30 Jun 2004 £'000	Cash flow £'000	Exchange differences £'000	Other non cash movements £'000s	As at 30 Jun 2005 £'000
Cash at bank and on deposit	49,345	15,260	351	-	64,956
Short term deposits and collateralised borrowing	1,000	1,354	6	-	2,360
Debt due after one year	(593,690)	(271,036)	-	(398)	(865,124)
Finance leases due after one year	(51,250)	-	-	(7,072)	(58,322)
<b>Total</b>	<b>(594,595)</b>	<b>(254,422)</b>	<b>357</b>	<b>(7,470)</b>	<b>(856,130)</b>

### 29 Commitments

#### Operating Leases

Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:

	Group 2005 £'000	Company 2005 £'000	Group 2004 £'000	Company 2004 £'000
Within one year	39	-	43	-
Later than one year but not later than five years	25	-	46	-
	<b>64</b>	<b>-</b>	<b>89</b>	<b>-</b>

### 30 Related party disclosures

On a consolidated basis transactions and balance between group entities have been eliminated in full and are therefore not disclosed in accordance with FRS 8 "Related Party Transactions".

On a company basis, the Company has taken advantage of the exemptions available under FRS 8 for disclosure of transactions with entities that are part of the group as related parties in these financial statements.

## Macquarie European Infrastructure Limited

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### ■ **Associated undertakings**

During the year ended 30 June 2005 fees to the value of £nil (2004: £311,132) and loan interest to the value of £552,000 (2004: £1,068,481) were charged by the Company and its subsidiaries to associated companies in the normal course of business. Details of associated companies are set out in note 9 to the financial statements.

### ■ **Fees paid to MIMUK**

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

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Base Fee	20,737	15,400
Performance Fee	23,141	1,254
	<b>43,878</b>	<b>16,654</b>

The base fee is calculated as 1.25% per annum of the first A\$3billion of MIG market capitalisation and at 1.00% per annum on MIG market capitalisation over A\$3billion at the end of each quarter. The performance fee is calculated with reference to the performance of the accumulated security price of MIG compared with the performance of the Australian All Industrials Accumulation Index. Fees are apportioned between MIT(I), MIT(II) and the Company based on each entity's share of the net assets of MIG. The fair values of the assets are used in the calculation of this apportionment. Fees are calculated in Australian Dollars and invoiced in British Sterling based on the exchange rate prevailing on the invoice date.

For the year ended 30 June 2005, a total performance fee in relation to the Group of £22,462,000 has been calculated. The 2005 performance fee is payable in three equal instalments, the first instalment fell due and payable on 30 June 2005 and the second and third instalments are payable on 30 June 2006 and 30 June 2007 respectively, conditional upon the meeting of certain future performance criteria. An amount of £7,488,000 has been accrued in the financial statements as due and payable as at 30 June 2005 in respect of the first instalment. The second and third instalments have been included in Note 24 as a contingent liability.

For the year ended 30 June 2004, no performance fee was earned by MIMUK.

For the year ended 30 June 2003, a total performance fee in relation to the Group of £45,075,000 was calculated. This fee is payable in three equal instalments, with the first instalment having become due and payable on 30 June 2003. The performance criteria for the second instalment were not met during the 30 June 2004 financial year. The third instalment of the 2003 fee was due and payable on 30 June 2005. An amount of £15,653,000 has been accrued in the financial statements as due and payable as at 30 June 2005 in respect of the third instalment.

Additionally, technical services fees of £200,000 (2004: £200,000) were paid by MEL to MIMUK during the year.

### ■ **Macquarie Infrastructure Trust (I)/(II)**

During the year the Company reimbursed expenses to MIT (I) and MIT (II) of £5,212,217 (2004: £634,655).

### ■ **Macquarie Bank Limited (MBL)**

During the year, MBL, the ultimate parent company of the Manager, earned £1,262,777 (2004: £nil) Cintra IPO advisory fees from the Company.

All transactions were made on an arm's length basis.

### ■ **Funding facility**

On 23 May 2005 the £200,000,000 Series A preference shares issued to Macquarie Investments UK Limited (MACI), a subsidiary of MBL, were redeemed by MIUK.

## Macquarie European Infrastructure Limited

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During the year, MIUK paid MACI preference dividends of £7,851,000 (2004: £4,383,000) and at 30 June 2005 accrued preference dividends payable were £nil (2004: £987,000). All transactions were made on an arm's length basis.

### 31 Pension scheme

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

As explained in the accounting policies set out in note 1(m) on page 15, the Group operates the Plan providing benefits based on final pensionable pay, with contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The most recent actuarial update was at an effective date of 30 June 2003. The valuation showed that the value of the Plan's assets was £3,559,000 and the relative funding percentage was 66%. The valuation indicated that the Plan has a deficit of £1,820,000.

The assumptions which have the most significant effect of the results of the valuation are those relating to the following factors:

- (i) Investment return of 6.5% per annum compound pre retirement and an investment return of 3.9% per annum compound post retirement;
- (ii) Increase in pensionable salary at a rate of 4.6% per annum compound;
- (iii) Pension increases at a rate of 2.6% per annum compound;
- (iv) Mortality in accordance with standard tables (PA92 series post retirement)

The total pension costs for the Group for the financial year were £614,000 (2004: £732,000). This takes account of the deficit in the Plan, which has been amortised on a straight-line basis over the expected average remaining service lives of the active members of the Plan.

The actual contributions paid were £50,000 (2004: £906,000) and this resulted a pension provision of £392,000 (2004: prepayment of £173,000).

An actuarial review of the scheme as at 30 June 2005 was carried out by a qualified actuary, using a set of assumptions consistent with those required under FRS 17 "Retirement Benefits".

The major assumptions used by the actuary were:

	Year ended 30 June 2005	Year ended 30 June 2004	Year ended 30 June 2003
Rate of increase in pensionable salaries	4.70%	5.10%	4.75%
Rate of increase of pensions in payment	2.70%	3.10%	2.75%
Discount rate	5.25%	5.80%	5.60%
Inflation assumption	2.70%	3.10%	2.75%

The assets in the scheme and the expected rate of return on assets were:

	Rate of return %	30 June 2005 Value £	Rate of return %	30 June 2004 Value £	Rate of return %	30 June 2003 Value £
Equities	6.25	1,644,241	7.00	1,697,393	6.40	1,909,308
Bonds	4.75	814,350	5.50	363,717	5.00	1,537,124
Other	4.75	113,281	5.50	121,475	5.00	168,742
Total market value of assets		2,571,872		2,182,585		3,615,174
Present Value of scheme liabilities		3,830,778		3,366,308		4,709,992
Deficit in scheme		(1,258,906)		(1,183,723)		(1,094,818)
Net pension liability		(1,258,906)		(1,183,723)		(1,094,818)

# Macquarie European Infrastructure Limited

Financial Statements - Year Ended 30 June 2005

## Net assets

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Net assets excluding pension liability	629,688	559,698
Pension liability	(1,259)	(1,184)
Net assets including pension liability	628,429	558,514

## Reserves

	Year ended 30 June 2005 £'000	Year ended 30 June 2004 £'000
Profit and loss reserve excluding pension liability	279,461	(125,866)
Pension liability	(1,259)	(1,184)
Profit and loss reserve including pension liability	278,202	(127,050)

## Analysis of the amount charged to the operating profit

	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Current service cost	67,445	131,099
Past service cost	-	-
Total operating charge	67,445	131,099

## Analysis of the amount credited to other finance income

	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Interest cost	(199,158)	(200,498)
Return on assets	147,461	161,167
Other finance income	(51,697)	(39,331)

## Analysis of the amount recognisable in the statement of group total recognised gains and losses

	30 June 2005 £	30 June 2004 £	30 June 2003 £
Actual less expected return	182,137	43,264	(424,956)
<b>As % of assets</b>	7.1%	2.0%	(11.8%)
Experience gain / (losses)	6,812	(852,170)	100,402
<b>As % of liabilities</b>	0.2%	(25.3%)	2.1%
Change in basis	(194,943)	(15,161)	(254,973)
<b>As % of liabilities</b>	(5.1%)	(0.5%)	(5.4%)
Actuarial losses	(5,994)	(824,067)	(579,527)
<b>As % of liabilities</b>	(0.2%)	24.5%	(12.3%)

## Macquarie European Infrastructure Limited

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### Movement in deficit during the year

	Year ended 30 June 2005 £	Year ended 30 June 2004 £
Deficit as at the beginning of the year	(1,183,723)	(1,094,818)
Movement		
Current service cost	(67,445)	(131,099)
Contributions	49,953	905,592
Other finance income	(51,697)	(39,331)
Actuarial loss	(5,994)	(824,067)
Deficit as at the end of the year	(1,258,906)	(1,183,723)

### 32 Ultimate and immediate parent company

The ultimate and immediate parent company is MIBL, whose consolidated financial statements which include the results of the Company can be obtained from Rosebank Centre, 11 Bermudiana Road, Pembroke, HM08, Bermuda.

### 33 Principal place of business

The Company's principal place of business is Level 30, CityPoint, 1 Ropemaker Street, London EC2Y 9HD.