Macquarie Airports Limited

ARBN 099 813 180

Comprising Macquarie Airports Limited and its controlled entities

Financial Report for the Year Ended 31 December 2007

Macquarie Airports comprises Macquarie Airports Trust (1) (ARSN 099 597 921), Macquarie Airports Trust (2) (ARSN 099 597 896) and Macquarie Airports Limited (ARBN 099 813 180).

Macquarie Airports Management Limited ACN 075 295 760 (AFSL 236875) ("MAML") is the responsible entity of Macquarie Airports Trust (1) and Macquarie Airports Trust (2). MAML is a wholly owned subsidiary of Macquarie Group Limited ABN 94 122 169 279.

Macquarie Capital Funds (Europe) Limited ("MCFEL") (registered number 3976881) is the adviser to Macquarie Airports Limited. MCFEL is a wholly owned subsidiary of Macquarie Group Limited.

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.

Table of Contents

Directors' Report

In respect of the year ended 31 December 2007, the directors of Macquarie Airports Limited ("MAL" or "the Company") submit the following report on the consolidated financial report of the Company and its controlled entities ("the Consolidated Entity").

Principal Activities

The principal activity of MAL is investment in airport assets. The investment policy of the Company is to invest funds in accordance with the provisions of the governing documents of the individual entities, which together comprise Macquarie Airports ('MAp").

There were no significant changes in the nature of the Company's activities during the year.

Directors

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

- Jeffrey Conyers (Chairman)
- Sharon Beesley
- Max Moore-Wilton
- Stephan Ward
- John Roberts (alternate for Max Moore-Wilton)

Interests in MAp held by the directors of the Company during the year are disclosed in Note 23 to the financial report.

Distributions

No dividends were paid or proposed on the ordinary shares during the year (2006: nil).

Review and Results of Operations

The performance of the Consolidated Entity for the year, as represented by the combined result of its operations, was as follows:

	Consolidated 2007 $'000	Consolidated 2006 $'000
Revenue from continuing operations	**706,727**	653,361
Other income	**1,894,988**	582,890
Total revenue and other income from continuing operations	**2,601,715**	1,236,251
Profit from continuing activities after income tax benefit	**1,585,490**	466,298
Profit attributable to MAL shareholders	**1,038,367**	282,561
Basic earnings per share	**60.55 cents**	16.99 cents
Diluted earnings per share	**53.20 cents**	15.32 cents

Significant Changes in State of Affairs

- **Sale of Birmingham Airport**

During the year MAL announced that Macquarie Airports Group Limited, a subsidiary of MAL and Dublin Airport Authority plc ("DAA"), which each indirectly held an interest of 24.125% in Birmingham Airport Holdings Limited ("BAHL"), had conditionally agreed to dispose of their joint 48.25% stake in BAHL to Airport Group Investments Limited, a consortium of Ontario Teachers' Pension Plan Board and Victorian Funds Management Corporation, for a combined consideration of £420.0 million ($981.9 million) The sale reached financial close on 19 September 2007.

- **Copenhagen Airports - divestment of associates**

Copenhagen Airports, a subsidiary of MAL, divested 6.1% of its 9.9% total interest in the listed Mexican airports operator Grupo Aeroportuario del Sureste, S.A.B. de C.V., during the year to 31 December 2007 for a total consideration of DKK520.0 million ($110.8 million)

On 5 June 2007 Copenhagen Airports divested its entire 20% interest in the listed Chinese airport operator Hainan Meilan Airports Company Limited for a total consideration of HK$544.0 million ($83.2 million)

- **Sale of Rome Airports**

MAL, through its subsidiary Macquarie Airports (Luxembourg) S.A. agreed on 18 June 2007, to dispose of its 44.74% stake in Aeroporti di Roma to Leonardo S.r.L., a wholly-owned subsidiary of Gemina S.p.A. for cash consideration of €1,237.0 million ($1,945.0 million) Completion of the transaction was subject to relevant competition authority clearance and reached financial close on 18 July 2007.

- **Japan Airport Terminal Co Ltd**

During the year a MAp-led consortium acquired an interest in Japan Airport Terminal Co Ltd ("JAT") of 19.9%. Map, through MAL, acquired a beneficial interest in JAT of 14.9% for a total consideration of JPY35.6 billion ($356.0 million). The acquisition was completed in various stages during 2007.

- **Brussels Airport**

On 22 October 2007 MAL increased its beneficial interest in Brussels Airport, when Macquarie Airports (Brussels) S.A. ('MABSA"), acquired a 5.0% interest from Federale Participatie-en Investeringsmaatschappij ("FPIM"), the investment vehicle of the Belgian State, for approximately €78.0 million ($122.0 million). MAL funded the acquisition through an increase of its interest in Brussels Airport from 53.9% to 58.9%.

MAL acquired a further beneficial interest in Brussels Airport of 3.2% from Macquarie International Infrastructure Fund Limited on 13 November 2007 for a total consideration of €50.9 million ($83.8 million), increasing MAL's beneficial interest in Brussels Airport to 62.1%.

On 31 December 2007, an amendment to the MABSA Shareholders Agreement resulted in MAL gaining control of MABSA and consequently of Brussels Airport. MAL is therefore required to consolidate the assets and liabilities of Brussels Airport from 31 December 2007.

Events Occurring After Balance Sheet Date

A final distribution of 13.00 cents (2006: 12.00 cents per stapled security) and a special distribution of 5.00 cents per stapled security (2006: 0.00 cents per stapled security) was paid by MAp to security holders on 19 February 2008. This payment was made by Macquarie Airports Trust (1) ("MAT1").

A portion of stapled security holders participated in MAp's Distribution and Dividend Reinvestment Plan for the final distribution paid on 19 February 2008. Of the total distribution, 36.8% ($114.0 million) was reinvested in MAp. No new MAp securities were issued as part of the DRP as securities allocated to participants in the DRP were purchased on-market.

Since the end of the year, the directors of the Company 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 Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in years subsequent to the year ended 31 December 2007.

Likely Developments and Expected Results of Operations

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

Fees Paid to the Adviser and Associates

Fees paid to the Adviser and its associates out of the Consolidated Entity's property during the year are disclosed in Note 23 to the financial statements.

No fees were paid out of the Consolidated Entity's property to the directors of the Adviser during the year.

Interests in the Consolidated Entity held by the Adviser and its associates during the year are disclosed in Note 23 to the financial statements.

Environmental Regulation

The operations of the underlying airport assets in which the Consolidated Entity invests are subject to environmental regulations particular to the countries in which they are located.

- **Copenhagen Airports**

The location of Copenhagen Airports was laid down in the Copenhagen Airport Expansion Act, adopted by the Danish parliament in 1980 and amended in 1992.

The environmental impact of CPH's airports at Copenhagen and Roskilde is regulated by the environmental authorities through terms established in the environmental approval. The most important approvals are the framework approval from the Danish Environmental Protection Agency with respect to noise and air pollution in connection with air traffic and the Copenhagen County environmental approval of other activities. Waste water and waste are regulated by the Municipality of Taarnby. The approvals include requirements for operations and future expansion, and they were granted on the basis of a 1997 environmental impact assessment of the expansion of Copenhagen Airports. The Danish Environmental Protection Agency has commenced a review during the financial year to reassess the framework. This process is still in progress but preliminary feedback from the Danish Environmental Protection Agency suggests no material changes to the existing framework.

There have been no serious breaches by Copenhagen Airports of its obligations to these authorities.

- **Brussels Airport**

The licence for the operation of Brussels Airport (Royal Decree of 21/06/2004, Chapter IV) includes sections concerning environmental regulation. This foresees general environmental obligations, together with specific aviation related obligations such as the application of a noise quota system for night flights, differentiated charges, reduction of ground noise, and extensive reporting of flight paths and noise maps.

A 20 year Environmental Permit was delivered by the Flemish Region on 30/12/2004. It foresees a cap on night flights and noise limits during the night. Noise contours must be made using the indicators of European Union directives.

Several parties have asked for annulment of the Environmental Permit before the Council of State, because it was not based on a new Environmental Impact Assessment. Based on our understanding of the permit, annulment is not expected.

There have been no serious breaches by Brussels Airport in relation to the above regulations.

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

The Consolidated Entity 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.

This report is made in accordance with a resolution of the directors of Macquarie Airports Limited.

Jeffrey Conyers Bermuda 19 February 2008	Sharon Beesley Bermuda 19 February 2008

Income Statements

	Note	**Consolidated 1 Dec 2007 $'000**	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Revenue from continuing operations	2	**706,727**	653,361	**138,209**	135,399
Other income	2	**1,894,988**	582,890	**1,178,429**	904,635
Total revenue and other income from continuing operations		**2,601,715**	1,236,251	**1,316,638**	1,040,034
Finance costs	2	**(180,924)**	(195,382)	**(48,697)**	(86,138)
Administration expenses	2	**(256,122)**	(47,115)	**(39,468)**	(29,412)
Other operating expenses	2	**(664,441)**	(547,533)	**(101,624)**	(7,564)
Operating expenses from continuing operations		**(1,101,487)**	(790,030)	**(189,789)**	(123,114)
Profit from continuing operations before income tax expense		**1,500,228**	446,221	**1,126,849**	916,920
Income tax benefit	3	**85,262**	20,077	**-**	-
Profit from continuing operations after income tax expense		**1,585,490**	466,298	**1,126,849**	916,920
Attributable to:					
MAL shareholders		**1,038,367**	282,561	**1,126,849**	916,920
Minority interest		**547,123**	183,737	**-**	-
		1,585,490	466,298	**1,126,849**	916,920
Earnings per share for profit from continuing operations attributable to MAL shareholders					
Basic earnings per share *	21	**60.55 cents**	16.99 cents		
Diluted earnings per share *	21	**53.20 cents**	15.32 cents		

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

* Earnings used in the calculation of earnings per share includes unrealised income from revaluation of some of the Consolidated Entity's investments. Consequently the earnings per share reflects the impact of unrealised revaluation increments and decrements.

Balance Sheets

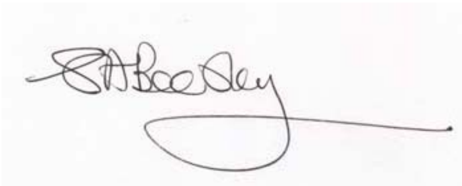
	Note	**Consolidated 31 Dec 2007 $'000**	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current assets					
Cash and cash equivalents	5	**1,819,583**	222,906	**970,644**	51,097
Receivables	6	**153,939**	65,317	**914**	428
Other assets		**15,829**	7,374	**55**	71
Derivative financial instruments	7	**265**	439	**-**	280
Total current assets		**1,989,616**	296,036	**971,613**	51,876
Non-current assets					
Receivables	6	**108,230**	-	**-**	-
Derivative financial instruments	7	**33,781**	34,916	**-**	-
Investments in financial assets	8	**1,244,748**	3,507,437	**3,793,260**	3,787,753
Property, plant and equipment	9	**6,158,048**	3,607,647	**-**	-
Investment property	9	**45,668**	45,850	**-**	-
Intangible assets	10	**2,526,060**	1,114,555	**-**	-
Other assets		**29,935**	-	**-**	-
Total non-current assets		**10,146,470**	8,310,405	**3,793,260**	3,787,753
Total assets		**12,136,086**	8,606,441	**4,764,873**	3,839,629
Current liabilities					
Payables	13	**285,053**	103,252	**9,536**	9,629
Deferred income		**50,272**	9,712	**-**	-
Prepayments from customers		**7,626**	13,929	**-**	-
Derivative financial instruments	7	**-**	435	**-**	390
Financial Liabilities	14	**420,767**	61,596	**-**	-
Interest bearing liabilities	15	**114,907**	7,948	**-**	-
Current tax liabilities	16	**37,674**	10,271	**-**	-
Total current liabilities		**916,299**	207,143	**9,536**	10,019
Non-current liabilities					
Payables	13	**141,569**	-	**-**	-
Derivative financial instruments	7	**85,622**	69,202	**-**	-
Interest bearing liabilities	15	**4,592,236**	2,706,121	**611,412**	859,834
Deferred tax liabilities	16	**1,369,320**	1,060,298	**-**	-
Total non-current liabilities		**6,188,747**	3,835,621	**611,412**	859,834
Total liabilities		**7,105,046**	4,042,764	**620,948**	869,853
Net assets		**5,031,040**	4,563,677	**4,143,925**	2,969,776

Balance Sheets (cont'd)

	Note	**Consolidated 31 Dec 2007**	Consolidated 31 Dec 2006	**Parent Entity 31 Dec 2007**	Parent Entity 31 Dec 2006
		$'000	$'000	**$'000**	$'000
Equity					
MAL shareholders' Interest					
Contributed equity	17	**1,155,867**	1,108,567	**1,155,867**	1,108,567
Retained profits	18	**1,258,343**	934,723	**2,998,306**	1,871,457
Reserves	19	**(22,840)**	(297,421)	**(10,248)**	(10,248)
Total shareholders' Interest		**2,391,370**	1,745,869	**4,143,925**	2,969,776
Minority interest in controlled entities	20	**2,639,670**	2,817,808	**-**	-
Total equity		**5,031,040**	4,563,677	**4,143,925**	2,969,776

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

Jeffrey Conyers
Bermuda
19 February 2008



Sharon Beesley
Bermuda
19 February 2008

Statements of Changes in Equity

	Note	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	Parent Entity 31 Dec 2007 $'000	Parent Entity 31 Dec 2006 $'000
Total equity at the beginning of the year		**4,563,677**	4,059,550	**2,969,776**	1,953,976
Adjustment to retained profits on acquisition of subsidiary		**(714,747)**	-	**-**	-
Exchange differences on translation of foreign operations		**(47,717)**	164,987	**-**	-
Cash flow hedges, net of tax		**15,629**	23,239	**-**	-
Net income recognised directly in equity		**(746,835)**	188,226	**-**	-
Profit for the year		**1,585,490**	466,298	**1,126,849**	916,920
Total recognised income and expense for the year		**838,655**	654,524	**1,126,849**	916,920
Transactions with equity holders in their capacity as equity holders:					
Contributions of equity		**47,320**	98,961	**47,320**	98,961
Transaction costs paid in relation to contributions to equity		**(20)**	(81)	**(20)**	(81)
Contributions of equity by minority interest		**40,604**	69,970	**-**	-
Minority interest acquired in acquisition of subsidiary		**37,771**	-	**-**	-
Distributions, dividends and returns of capital provided for or paid to minority interest		**(564,713)**	(305,974)	**-**	-
Change in interest in subsidiaries during the year		**67,746**	(13,273)	**-**	-
		(371,292)	(150,397)	**47,300**	98,880
Total equity at the end of the year		**5,031,040**	4,563,677	**4,143,925**	2,969,776
Total recognised income and expenses for the year is attributable to:					
MAL shareholders		**316,444**	399,079	**1,126,849**	916,920
Minority interest		**522,211**	255,445	**-**	-
		838,655	654,524	**1,126,849**	916,920

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

Cash Flow Statements

	Note	**Consolidated 31 Dec 2007**	Consolidated 31 Dec 2006	**Parent Entity 31 Dec 2007**	Parent Entity 31 Dec 2006
		$'000	$'000	**$'000**	$'000
Cash flows from operating activities					
Sydney Airport - interest received on Southern Cross Airports Corporation Holdings Limited redeemable preference shares		**-**	17,767	**-**	-
Rome Airport – dividend received on ordinary shares		**36,399**	52,423	**-**	-
Birmingham Airport – dividend received on ordinary shares		**3,226**	6,605	**-**	-
Bristol Airport – interest received on loans		**11,626**	12,735	**-**	-
Brussels Airport – investment income received on convertible loans		**221,241**	76,458	**-**	-
Other interest received		**59,600**	9,482	**34,006**	3,006
Copenhagen Airports associates – distribution and dividend income received		**4,691**	207,510	**-**	-
Japan Airport Terminal – distribution and dividend received		**621**	-	**-**	-
Macquarie Airports (Europe) Limited – interest received on loans		**-**	-	**77,373**	139,017
Dividend received from MAG ordinary shares		**-**	-	**514,167**	26,743
Airport revenue received (inclusive of goods and services tax)		**639,166**	632,303	**-**	-
MALSA – investment income received on convertible loans		**-**	-	**17,274**	23,400
Responsible Entity and Adviser fees paid (inclusive of goods and services tax)		**(102,817)**	(36,900)	**(35,809)**	(22,061)
Operating expenses paid by airport operating entities (inclusive of goods and services tax)		**(308,529)**	(280,096)	**(1,728)**	(1,609)
Income taxes paid		**(51,728)**	(27,172)	**-**	-
Indirect taxes (net) paid		**-**	(159)	**-**	(52)
Other income received		**4,511**	5,616	**(4)**	16
Net cash flows from operating activities	22	**518,007**	676,572	**605,279**	168,460
Cash flows from investing activities					
Brussels Airport – repayment received of loan to Macquarie Airports (Brussels) S.A.		**70,032**	160,210	**-**	-
Payments for purchase of subsidiaries, net of cash acquired		**245,023**	-	**-**	-
Payments for purchase of investments		**(738,458)**	(64,586)	**(363,745)**	-
Investment transaction costs paid		**(56,967)**	(23,058)	**(2,276)**	(21,132)
Proceeds received upon sale of investments (net of transaction costs)		**2,688,130**	323,017	**50,601**	435,340
Return of capital received		**-**	-	**52,188**	-
Loans advanced to related parties		**(248,422)**	(116,000)	**-**	(116,000)
Payments for purchase of fixed assets		**(134,240)**	(154,668)	**-**	-
Net cash flows from investing activities		**1,825,098**	124,915	**(263,232)**	298,208

Cash Flow Statements (cont'd)

	Note	**Consolidated 31 Dec 2007**	Consolidated 31 Dec 2006	**Parent Entity 31 Dec 2007**	Parent Entity 31 Dec 2005
		$'000	$'000	**$'000**	$'000
Cash flows from financing activities					
Proceeds received from issue of shares		**47,321**	98,959	**47,321**	98,959
Proceeds received from issue of shares to and borrowings from minority interests		**97,881**	69,970	**-**	-
Capital raising costs paid		**(18)**	(80)	**(18)**	(80)
Proceeds received from borrowings		**139,951**	657,231	**1,176,167**	620,233
Repayment of borrowings made		**(272,691)**	(1,321,217)	**(601,868)**	(1,085,881)
Borrowing costs paid		**(130,468)**	(175,922)	**(48,673)**	(86,296)
Net proceeds on settlement of FX contracts		**-**	4,781	**-**	8,287
Distributions, dividends and returns of capital paid to minority interest		**(649,753)**	(91,429)	**-**	-
Net cash flows from financing activities		**(767,777)**	(757,707)	**572,929**	(444,778)
Net increase in cash and cash equivalents held		**1,575,328**	43,780	**914,976**	21,890
Cash and cash equivalents at the beginning of the year		**222,906**	171,030	**51,097**	28,442
Exchange rate movements on cash denominated in foreign currency		**21,349**	8,096	**4,571**	765
Cash and cash equivalents at the end of the year	22	**1,819,583**	222,906	**970,644**	51,097
Non-cash financing and investing activities	22	**-**	-	-	-

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

Notes to the Financial Statements

1 Summary of Significant Accounting Policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards.

This financial report consists of the parent entity and consolidated financial statements of Macquarie Airports Limited ("MAL") and the entities it controlled at the end of, and during, the year (collectively referred to as the Consolidated Entity)

The financial report was authorised for issue by the directors on 19 February 2008.

— ***Compliance with IFRSs***
Compliance with Australian Accounting Standards ensures that the parent entity and consolidated financial statements and notes of MAL comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Consequently, this financial report has also been prepared in accordance with and complied with IFRS as issued by the IASB.

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

— ***Stapled Security***
The units of MAT(1) and Macquarie Airports Trust (2) ("MAT(2)") and the shares of Macquarie Airports Limited ("MAL" or "the Company") are combined and issued as stapled securities in Macquarie Airports ("MAp" or "the Group"). The units of MAT(1) and MAT(2) and the shares of MAL cannot be traded separately and can only be traded as stapled securities.

This financial report consists of the consolidated financial statements of MAL and its controlled entities,

(b) Consolidated accounts

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 MAT(1) has been identified as the parent of the consolidated group comprising MAT(1) and its controlled entities, MAT(2) and its controlled entities and MAL and its controlled entities.

The financial statements of MAL should be read in conjunction with the separate consolidated financial statements of MAp and MAT(2) for the year ended 31 December 2007.

(c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by MAL at 31 December 2007, 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 MAL.

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.

1 Summary of Significant Accounting Policies (cont'd)

(d) Investments in airport assets

MAL has designated its non-controlled investments in airport assets as financial assets at fair value through profit or loss. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in the fair values of investments in financial assets, both positive and negative, have been recognised in the Income Statement for the year.

Investments have been brought to account by the Consolidated Entity 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 airports and the basis upon which market participants have derived valuations for airport 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.

The risk premia applied to the discounted cash flow forecasts of the Consolidated Entity's interests in unlisted securities in companies and trusts are as follows:

	Brussels Airport %	Bristol Airport %	Newcastle Airport %	Rome Airports %	Birmingham Airport %
As at 31 December 2007					
Risk free rate	4.4	4.5	4.5	-	-
Risk premium	6.6	9.0	10.0	-	-
Total discount rate as at 31 December 2007	**11.0**	**13.5**	**14.5**	**-**	**-**
As at 31 December 2006					
Risk free rate	4.0	4.8	4.8	4.2	4.8
Risk premium	9.8	11.3	10.8	11.7	9.7
Total discount rate as at 31 December 2006	**13.8**	**16.1**	**15.6**	**15.9**	**14.5**

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the assets on a periodic basis, no longer than three years.

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

— ***Interests in listed securities in companies and trusts***
The fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price.

— ***Interests in other financial assets***
Interests in convertible loans and other debt securities are brought to account at fair value. Adjustments to the fair value of convertible loans and other debt securities are recognised in the Income Statement.

Investment transaction costs are expensed as incurred.

1 Summary of Significant Accounting Policies (cont'd)

(e) Investments in associates and subsidiaries

Investments in associates have been accounted for at fair value through profit or loss as noted above in both the parent and consolidated entity accounts.

Investments in subsidiaries have been accounted for at fair value through profit or loss as noted above in the parent entity accounts.

(f) Receivables

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

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Other deposits with original maturities of greater than three months are classified separately as other financial assets.

(h) Intangible assets

— ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Consolidated Entity's investment in each country of operation by each primary reporting segment.

— ***Computer software***

Major projects in which computer software is the principal element are recognised as assets if there is sufficient certainty that the capital value of future earnings can cover the related costs.

Computer software primarily comprises external costs and other directly attributable costs.

— ***Technical service agreements, concessions and rent contracts***

Technical service agreements, concessions and rent contracts have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their useful lives, which vary from to 7 to 16 years.

1 Summary of Significant Accounting Policies (cont'd)

(i) Property, plant and equipment

Property, plant and equipment is measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors. Borrowing costs are not included in the cost.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are ready for use. For certain assets, depreciation is charged on the basis of capacity utilisation during the year relative to the total estimated capacity of the assets in order to match depreciation to the directly related revenue.

Land is not depreciated.

The estimated useful lives of the major asset categories are as follows:

Asset category	Useful lives
Land and buildings	
Land improvements	40 years
Buildings	60-100 years
Leased buildings (including fit out)	5-40 years
Plant and machinery	
Runways, roads etc (foundation)	80 years
Surfaces of new runways, roads etc	10 years
Technical installations	15-25 years
Other fixtures and fittings, tools and equipment	3-23 years

(j) Investment property

Investment properties are measured at cost less accumulated depreciation. Residual values are stated separately for each investment property. Where investment property is property, plant and equipment, it is depreciated over its useful lives like other property, plant and equipment.

(k) Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is assessed periodically to determine whether there are indications of any impairment of the value beyond what is expressed in the amortisation or depreciation charges. If that is the case, an impairment charge is taken against the recoverable amount of the assets, if that is lower than the carrying amount.

The recoverable amount of the asset is determined as the higher of the net selling price and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets for which a reliable recoverable amount can be determined in an overall assessment.

(l) Prepayments and deferred income

Prepayments recognised under assets comprise payments made relating to goods and services to be rendered during the following financial year.

Deferred income recognised under liabilities comprises payments received relating to goods and services to be provided in subsequent financial years.

1 Summary of Significant Accounting Policies (cont'd)

(m) Borrowings

— ***Interest bearing liabilities***
Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

— ***Convertible loan***
The convertible loans issued by subsidiaries to minority interest shareholders are carried at fair value with changes in the fair value recognised as a finance cost in the Income Statement. The fair value of the convertible loans is determined using discounted cash flow analysis. Transaction costs are expensed as incurred.

— ***Preference shares***
The preference shares issued by International Infrastructure Holdings Limited ("IIHL"), a subsidiary of MAp, to minority interest shareholders are carried at fair value with changes in the fair value recognised as a finance cost in the Income Statement. The fair value of the preference shares is determined using discounted cash flow analysis. Transaction costs are expensed as incurred.

(n) Payables/other liabilities

Liabilities are recognised when the Consolidated Entity becomes obliged to make future payments as a result of a purchase of assets or services, whether or not billed.

(o) Revenue and other income recognition

— ***Investment income***
Investment income from investments recognised at fair value through profit or loss constitutes changes in the fair value of investments in listed and unlisted securities. Income relating to these investments is brought to account as described in Note 1(d). Interest income on cash balances is brought to account on an accruals basis.

The following categories of revenue have been included in the Consolidated Entity financial report relating to Copenhagen Airports.

— ***Aeronautical revenue***
Aeronautical revenue comprises passenger, take-off and parking charges and is recognised when the related services are provided.

— ***Retail revenue***
Retail revenue comprises sales related revenue from airport retail facilities and is recognised in line with the revenue generated from concessionaires.

— ***Car parking revenue***
Car parking revenue comprises sales related revenue from airport parking facilities and is recognised in line with the revenue generated from concessionaires.

— ***Property revenue***
Property revenue comprises rent for buildings and land, which is recognised over the terms of the contracts.

— ***Revenue from Rendering of Services***
Revenue from the sale of services comprises revenue from hotel operations which is recognised when delivery of services takes place and revenue from the operation of car parking services.

(p) Staff costs

Provision is made for employee benefits and related on-costs accumulated when it is probable that settlement will be required and they are capable of being measured reliably. The benefits include wages and salaries, incentives, annual leave and long service leave. Provisions made in respect of employee benefits due to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply

1 Summary of Significant Accounting Policies (cont'd)

(p) Staff Costs (cont'd)

at the time of settlement. Those not due to be settled within 12 months are measured at the present value of the estimated future cash outflows. In determining the present value of future cash outflows, the interest rates attached to government-guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Provision for employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably.

Regular pension contributions under defined contribution schemes are recognised in the Income Statement in the period in which they arise.

(q) Rent and lease costs

On initial recognition, lease contracts for property, plant and equipment under which MAL has substantially all risks and rewards of ownership (finance leases) are measured in the balance sheet at the lower of the fair value and the present value of the future lease payments. The present value is calculated using the interest rate implicit in the lease as the discount factor, or an approximate value. Assets held under finance leases are subsequently accounted for as MAL's other property, plant and equipment.

The capitalised lease obligation is recognised in the balance sheet as a liability, and the financial charge is recognised in the Income Statement over the term of the contract.

All lease contracts that are not considered finance leases are considered operating leases. Payments in connection with operating leases are recognised in the Income Statement over the term of the lease.

(r) Amortisation and depreciation

Amortisation and depreciation comprise the year's charges for this purpose on MAL's intangible assets with a finite life and property, plant and equipment.

(s) Income tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Under current Bermudian law, MAL will not be subject to any income, withholding or capital gains taxes in Bermuda.

1 Summary of Significant Accounting Policies (cont'd)

(s) Income tax (cont'd)

Copenhagen Airports
Copenhagen Airports and its wholly owned Danish subsidiaries, Macquarie Airports Copenhagen ApS and Macquarie Airports Copenhagen Holdings ApS have formed a tax consolidated group and is therefore taxed jointly with these companies and is jointly and severally liable with the jointly taxed companies for the payment of tax on the jointly taxed income.

(t) Foreign currency translation

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

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

– ***Consolidated Entity entities***
The results and financial position of all the Consolidated Entity entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each Income Statement are translated at average exchange rates; and
- All resulting exchange differences are recognised as a separate component of equity.

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

(u) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probably forecast transactions (cash flow hedge). The Consolidated Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 7. Movements in the hedging reserve in shareholders' equity are shown in Note 19.

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

1 Summary of Significant Accounting Policies (cont'd)

(u) Derivative financial instruments (cont'd)

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

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was protected in equity is immediately transferred to the Income Statement.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(v) Earnings per share

— ***Basic earnings per share***
Basic earnings per share is determined by dividing the profit attributable to shareholders by the weighted average number of shares on issue during the year.

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

(w) Goods and services tax ("GST") or Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of associated GST or VAT, unless the GST or VAT incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST or VAT receivable or payable. The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included with other receivables or payable in the balance sheet.

Cash flows are presented on a gross basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(x) Significant terms and conditions of investments

MAL's investment in Brussels Airport comprises ordinary shares and ordinary preferred shares issued by Macquarie Airports (Brussels) S.A. ("MABSA") and convertible loans advanced to MABSA under the Convertible Loan Agreements. Under the MABSA Shareholders' Agreement, ordinary shares and ordinary preferred shares in MABSA can only be transferred if the same proportion of rights and obligations under the Convertible Loan Agreements are transferred concurrently.

1 Summary of Significant Accounting Policies (cont'd)

(y) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments.

(z) Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1(h)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(aa) Accounting Standards and Interpretations issued but not effective as at 31 December 2007

AASB 8: Operating Segments (effective from 1 January 2009). This standard will require the entity to adopt the 'management approach' to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the Company for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statement and balance sheet, in which case reconciliations of certain items will be required.

AASB 8: Operating Segments and AASB 2007-3, *Amendments to Australian Accounting Standards arising from AASB 8* (effective from 1 January 2009). This standard will require the entity to adopt the 'management approach' to disclosing information about its reportable segments. Generally, the financial information will be reported on the same basis as it is used internally by the Company for evaluating operating segment performance and deciding how to allocate resources to operating segments. Such information may be prepared using different measures to that used in preparing the income statement and balance sheet, in which case reconciliations of certain items will be required.

AASB 101: *Presentation of Financial Statements* and amending standard AASB 2007-08 *Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009). AASB 101 introduces the notion of a 'complete set of financial statements', and changes the presentation of financial statements so owner changes in equity are disclosed separately from non-owner changes in equity. All non-owner changes in equity ('comprehensive income') will be presented either in one statement of comprehensive income or in two statements (an income statement and a statement of comprehensive income), instead of being presented in the statement of changes in equity. Additional disclosure will be made of the income tax relating to each component of other comprehensive income, and the titles of the financial statements will change although their use will not be mandatory ('balance sheet' becomes 'statement of financial position'; 'income statement' becomes part of the 'statement of comprehensive income', unless a separate income statement is provided; 'cash flow statement' becomes 'statement of cash flows'). AASB 2007-08 contains consequential amendments to disclosures required by other Australian Accounting Standards as a result of the revised AASB 101.

1 Summary of Significant Accounting Policies (cont'd)

(aa) Accounting Standards and Interpretations issued but not effective as at 31 December 2007 (cont'd)

AASB 2007-10: *Further Amendments to Australian Accounting Standards arising from AASB 101*(effective from 1 January 2009). This standard changes the term 'general purpose financial report' to 'general purpose financial statements' and the term 'financial report' to 'financial statements', where relevant, in Australian Accounting Standards (including Interpretations) to align with IFRS terminology.

(ab) Comparative figures

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

(ac) Company formation

MAL was incorporated in Bermuda on 4 February 2002.

(ad) Rounding of amounts

The Consolidated Entity 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 financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Profit for the Year

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

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Revenue from continuing operations				
Interest income – related parties	**35,337**	3,743	**138,209**	132,522
Interest income – other persons and corporations	**29,631**	5,360	**-**	2,877
Aeronautical revenue	**331,899**	324,888	**-**	-
Retail revenue	**173,009**	196,922	**-**	-
Property revenue	**50,279**	47,700	**-**	-
Revenue from rendering of services	**86,572**	74,748	**-**	-
Total revenue from continuing operations	**706,727**	653,361	**138,209**	135,399
Other income – revaluation of investments				
Revaluation of Brussels Airport	**364,067**	271,326	**-**	-
Revaluation of Bristol Airport	**313,845**	26,557	**-**	-
Revaluation of Sydney Airport	**-**	79,928	**-**	-
Revaluation of Rome Airports	**956,892**	33,004	**391,653**	-
Revaluation of Other Airports	**43,936**	163,131	**-**	-
Revaluation of Birmingham Airport	**194,958**	4,965	**-**	-
Revaluation of MAG	**-**	-	**421,484**	114,634
Revaluation of MALSA	**-**	-	**-**	31,007
Revaluation of MAEL	**-**	-	**365,182**	726,982
Total income from revaluation of investments	**1,873,698**	578,911	**1,178,319**	872,623
Other income – other				
Other income	**78**	55	**-**	4
Net gain from sale of property, plant and equipment	**21,102**	-	**-**	-
Foreign exchange gains	**-**	3,924	**-**	32,008
Fair value movement on derivative contracts	**110**	-	**110**	-
Total other income-other	**21,290**	3,979	**110**	32,012
Total other income	**1,894,988**	582,890	**1,178,429**	904,635
Total revenue and other income from continuing operations	**2,601,715**	1,236,251	**1,316,638**	1,040,034

2 Profit for the Year (cont'd)

	Note	**Consolidated 31 Dec 2007 $'000**	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Operating expenses from continuing operations					
Finance costs					
Interest expense on loans from MAT(1)		**48,697**	86,138	**48,697**	86,138
Fair value movement on MALSA convertible loans		**43,829**	1,553	**-**	-
Interest expense (MACH debt facility)		**63,726**	61,400	**-**	-
Interest expense (Copenhagen)		**24,672**	46,291	**-**	-
Total finance costs from continuing operations		**180,924**	195,382	**48,697**	86,138
Administration expenses					
Auditor's remuneration	4	**1,318**	1,562	**379**	317
Adviser's base fees		**44,382**	39,207	**36,964**	24,475
Adviser's performance fees		**147,422**	-	**-**	-
Directors' fees		**403**	387	**137**	133
Investment transaction expenses		**55,817**	3,172	**456**	3,172
Investor communication expenses		**243**	231	**243**	231
Legal fees		**504**	240	**86**	67
Registry fees		**260**	273	**260**	273
Other administration expenses		**5,773**	2,043	**943**	744
Total administration expenses		**256,122**	47,115	**39,468**	29,412
Other operating expenses					
Fair value movement on derivative contracts		**-**	7,564	**-**	7,564
Revaluation of JAT		**77,656**	-	**72,107**	-
Staff costs		**194,866**	186,315	**-**	-
Amortisation and depreciation		**246,690**	244,813	**-**	-
Operating and maintenance		**57,613**	58,192	**-**	-
Energy and utilities		**13,977**	11,888	**-**	-
Technology		**133**	11,446	**-**	-
Foreign exchange losses		**45,042**	-	**29,517**	-
Other external costs		**28,464**	27,315	**-**	-
Total other operating expenses		**664,441**	547,533	**101,624**	7,564
Total operating expenses from continuing operations		**1,101,487**	790,030	**189,789**	123,114

3 Income Tax Expense

The income tax for the financial year differs from the amount calculated on the net result from continuing operations. The differences are reconciled as follows:

	Note	**Consolidated 31 Dec 2007 $'000**	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
(a) Profit from continuing operations before income tax expense		**1,500,228**	446,221	**1,126,849**	916,920
Income tax expense calculated @ 28%		**420,064**	124,942	**315,518**	256,738
Tax effect of permanent differences:					
Under provision in previous year		**30**	872	**-**	-
Tax effect of operating result of Bermudian entities (refer Note 1(s))		**(505,356)**	(145,891)	**(315,518)**	(256,738)
Income tax benefit		**(85,262)**	(20,077)	**-**	-
(b) Income tax expense					
Income tax benefit comprises:					
Under provision in previous year		**30**	872	**-**	-
Current taxation provision		**42,433**	28,477	**-**	-
Withholding tax on distributions		**-**	1,876	**-**	-
Deferred income tax liability		**(127,725)**	(51,302)	**-**	-
		(85,262)	(20,077)	**-**	-
Income tax benefit is attributable to:					
Profit from continuing operations		**(85,262)**	(20,077)	**-**	-
Aggregate income tax benefit		**(85,262)**	(20,077)	**-**	-
Deferred income benefit included in income tax expense comprises:					
Decrease in deferred tax liabilities	16	**(127,725)**	(51,302)	**-**	-
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity:					
Current tax – credited directly to equity		**5,685**	9,534	**-**	-
Net deferred tax – debited directly to equity	16	**-**	(8,470)	**-**	-
		5,685	1,064	**-**	-

4 Remuneration of Auditors

	Consolidated 31 Dec 2007 $	Consolidated 31 Dec 2006 $	**Parent Entity 31 Dec 2007 $**	Parent Entity 31 Dec 2006 $
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:				
Audit and assurance services	**364,138**	342,883	**379,338**	316,683
	364,138	342,883	**379,338**	316,683
Amounts paid or payable to related practices of PricewaterhouseCoopers Australian firm for:				
Audit services	**780,576**	1,014,879	**-**	-
Other assurance services	**143,297**	293,556	**-**	-
Other services				
Taxation compliance services	**29,914**	77,953	**-**	-
	953,787	1,386,388	**-**	-
	1,317,925	1,729,271	**379,388**	316,683

Of the total remuneration paid or payable to PricewaterhouseCoopers for the year ended 31 December 2006, a total of $1,561,716 was expensed (refer Note 2) and $167,555 incurred in relation to the acquisition of Copenhagen Airports was capitalised.

5 Cash and Cash Equivalents

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Cash at bank	**975,504**	222,906	**127,169**	51,097
Commercial Papers	**844,079**	-	**843,475**	-
	1,819,583	222,906	**970,644**	51,097

(a) Commercial Papers

The commercial papers held by MAL outstanding at the end of the year matured within 53 days and paid interest at an average rate of 6.97% per annum.

(b) Cash not available for use

Included within the consolidated cash at bank is DKK 113.2 million ($25.3 million) (2006: $55.0 million) in a separate bank account that can only be used for paying interest on the MACH external debt (refer Note 15). While Copenhagen Airports' dividend policy is such that dividends are payable to shareholders on an annual basis, the Consolidated Entity must maintain a Debt Service Reserve Account ("DSRA") with a balance at least equal to 100% of the Financing Costs (including commitment, agency fees and interest) payable during the following twelve months, determined as at the most recent Calculation Date that follows the receipt of a dividend from Copenhagen Airports

Included in consolidated cash at bank and commercial papers is $748.7 million of proceeds from the sale of Rome Airports. The proceeds are reserved as security in relation to the TICkETS and can only be used for specific purposes, including the acquisition of new investments.

6 Receivables

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current				
Interest receivable	**707**	170	**503**	172
Income tax receivable	**698**	-	**-**	-
Accrued revenue	**13,083**	-	**-**	-
Receivables from related parties	**-**	-	**386**	204
Withholding tax receivable	**4,868**	4,889	**-**	-
VAT receivable	**1,479**	-	**-**	-
Other receivables	**53**	6,043	**25**	52
	20,888	11,102	**914**	428
Trade receivables	**139,606**	55,819	**-**	-
Provision for doubtful receivables	**(6,555)**	(1,604)	**-**	-
	133,051	54,215	**-**	-
Total current receivables	**153,939**	65,317	**914**	428
Non current				
Lease receivable	**108,230**	-	**-**	-
Total non current receivables	**108,230**	-	**-**	-

7 Derivative Financial Instruments

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current assets				
Forward FX contracts	**265**	439	**-**	280
Total current derivative financial instrument assets	**265**	439	**-**	280
Non-current assets				
Interest rate swap contracts	**33,781**	34,916	**-**	-
Total non-current derivative financial instrument assets	**33,781**	34,916	**-**	-
Current liabilities				
Forward FX contracts	**-**	435	**-**	390
Total current derivative financial instrument liabilities	**-**	435	**-**	390
Non- Current liabilities				
Interest rate swap contracts	**2,209**	-	**-**	-
Cross currency swap contracts	**83,413**	69,202	**-**	-
Total non-current derivative financial instrument liabilities	**85,622**	69,202	**-**	-

7 Derivative Financial Instruments (cont'd)

Instruments used by the Consolidated Entity

At 31 December 2007, the Consolidated Entity is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Consolidated Entity's financial risk management policies (refer to Note 26).

(i) Interest rate swap contracts – cash flow hedges
Floating interest bearing liabilities of the Consolidated Entity currently bear an average variable interest rate of 6.48% (2006: 6.48%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Consolidated Entity has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Macquarie Airports Copenhagen Holdings A/S ("MACH")
Swaps currently in place cover 100.0**%** of the Danish Krone denominated floating rate loan principal outstanding in MACH. The weighted average fixed interest rate at balance date 3.537% and the variable rate at balance date was 4.925% which was above the CIBOR rate which at balance date was 4.745%.

At 31 December 2007, the notional principal amounts and periods of expiry of the interest rate swap contracts related to the MACH senior debt are as follows:

MACH	**2007 DKK '000**	2006 DKK '000
Less than 1 year	**-**	-
1-2 years	**-**	466,900
2-3 years	**-**	475,900
3-4 years	**-**	475,900
4-5 years	**1,275,000**	475,900
Greater than 5 years	**3,825,000**	2,855,400
	5,100,000	4,750,000

The contracts require settlement of net interest receivable or payable six monthly each 30 June and 31 December.

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. The ineffective portion is recognised in income immediately. In the year ended 31 December 2007, $nil was transferred to the income statement.

At balance date these contracts were assets with fair value of $33.8 million, presented as a non-current asset.

Copenhagen Airports
Copenhagen Airports had entered into interest rates swaps to hedge their floating bank facilities. Copenhagen Airports repaid all floating rate loan principal outstanding other than working capital facilities and unwound all interest rates swap during the financial year. At 31 December 2006 the fixed rates ranged between 3.85% and 5.51% and the floating rates ranged between 3.9% and 4.0%. At 31 December the maturity of the swaps and their notional amounts were as follows:

Copenhagen Airports	**2007 DKK '000**	2006 DKK '000
Less than 1 year	**-**	-
2-3 years	**-**	150,000
3-4 years	**-**	-
4-5 years	**-**	500,000
	-	650,000

At 31 December 2006, these contracts were assets with a fair value of $0.7 million and were presented as a non-current asset.

7 Derivative Financial Instruments (cont'd)

Brussels Airport
Brussels Airport has entered into interest rate swaps to hedge their floating rate interest gearing liabilities. Swaps currently cover 96% of their floating rate loan principal outstanding at balance date. At 31 December 2007 the maturity, the notional amounts and the weighted average fixed interest rate on the swaps were as follows:

Brussels Airports	2007 €'000	Weighted average fixed interest rate
Greater than 5 years	**1,250,000**	**4.53%**
	1,250,000	**4.53%**

(ii) Forward foreign exchange contracts – non hedging derivatives
In order to protect against exchange rate movements, MAL has entered into forward exchange contracts to sell Danish Krone and sell Euros. These contracts are hedging anticipated receipts of distributions from MAL's underlying investments and expected payments.

At the balance date, the details of the outstanding contracts held by MAL are:

Sell Euros	Buy Australian dollars		Average Exchange Rate	
	2007 $'000	2006 $'000	**2007**	2006
Maturity				
0-6 months	**-**	35,733	-	0.5878
6-12 months	**-**	8,672	-	0.5766

Sell DKK	Sell Australian dollars		Average Exchange Rate	
	2007 $'000	2006 $'000	**2007**	2006
Maturity				
0-6 months	**-**	19,759	-	4.4536

Copenhagen Airport has also entered into forward exchange contracts to purchase Danish Krone and sell United States Dollars, Hong Kong Dollars, Great Britain Pounds and Mexican Peso. These contracts are hedging the budgeted net cash flows from the associates of Copenhagen Airports. The maturity of these contracts at balance dated was less than 1 month. The notional amounts of these contracts are below:

	2007 '000	2006 '000
Sell Mexican Peso	**MXN 17,000**	MXN 30,000
Sell United States Dollars	**USD 1,500**	USD 350
Sell Great Britain Pounds	**GBP 2,100**	GBP 2,100
Sell Hong Kong Dollar	**HKD 1,800**	HKD 22,000

7 Derivative Financial Instruments (cont'd)

(iii) Cross Currency swap contracts – cash flow hedge
Copenhagen Airport has entered into 3 cross currency swaps. These swaps are used to hedge the USD denominated Bullet Bonds that have been issued by Copenhagen Airports.

Copenhagen Airports 2007	DKK '000	Average DKK fixed interest rate	Average USD fixed interest rate
Greater than 5 years	1,968,000	5.08%	5.81%

Copenhagen Airports 2006	DKK '000	Average DKK fixed interest rate	Average USD fixed interest rate
Greater than 5 years	1,968,000	5.08%	5.81%

At balance date these contracts had a fair value of $83.4 million (2006: $69.2 million) and were presented as non-current liabilities.

8 Investments in Financial Assets

The table below summarises the movements in the Consolidated Entity's significant investments during the year ended 31 December 2007.

Consolidated	Brussels Airport $'000 8(i)	Bristol Airport $'000 8(ii)	Japan Airport Terminal $'000 8(iii)	Rome Airport $'000 8(iv)	Birmingham Airport $'000 8(v)
Balance at 1 January 2007	1,431,904	275,536	-	1,103,891	320,120
Acquisitions	208,789	-	447,071	-	-
Income received from investments	(291,273)	(11,626)	(621)	(36,399)	(3,226)
Revaluation increment/(decrement) to 31 December 2007	364,067	313,845	(77,656)	956,891	194,958
Disposals	-	-	-	(1,945,015)	(490,985)
Consolidation adjustment	(1,713,487)	-	-	-	
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2007	-	(31,874)	19,843	(79,368)	(20,867)
Balance at 31 December 2007	**-**	**545,881**	**388,637**	**-**	**-**

At 31 December 2007, the value of the Consolidated Entity's investments in financial assets is $1,244.7 million (including minority interests). The value of these investments which are unlisted has been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specified risk premia as outlined in Note 1(d). The investment valuation sensitivity to movements in the risk premia and revenue forecasts are disclosed in the table below.

8 Investments in Financial Assets (cont'd)

MAL Consolidated	2007 1% lower $ million	2007 1% higher $ million	2006 1% lower $ million	2006 1% higher $ million
Change in valuation of investments due to movement in the risk premia				
Brussels Airport	-	-	100.7	(87.0)
Bristol Airport	65.5	(55.6)	34.7	(29.2)
Newcastle Airport	20.2	(17.0)	9.1	(7.9)
Rome Airport	-	-	120.0	(102.1)
Birmingham Airport	-	-	37.6	(32.0)
	85.7	(72.6)	302.1	(258.2)
Change in the valuation of investments due to movement in revenue forecasts				
Brussels Airport	-	-	(25.4)	25.5
Bristol Airport	(13.8)	14.2	(6.3)	6.3
Newcastle Airport	(4.5)	4.4	(1.2)	1.3
Rome Airport	-	-	(22.0)	22.0
Birmingham Airport	-	-	(6.5)	6.5
	(18.3)	18.6	(61.4)	61.6

MAL Parent	2007 1% lower $ million	2007 1% higher $ million	2006 1% lower $ million	2006 1% higher $ million
Change in valuation of investments due to movement in the risk premia				
Brussels Airport	-	-	69.3	(59.8)
Bristol Airport	6.8	(5.8)	20.1	(16.6)
Newcastle Airport	1.5	(1.3)	6.3	(5.4)
Rome Airport	-	-	87.8	(74.8)
Copenhagen Airport	-	-	107.1	(89.6)
Birmingham Airport	-	-	21.7	(18.6)
	8.3	(7.1)	312.3	(264.8)
Change in the valuation of investments due to movement in revenue forecasts				
Brussels Airport	-	-	(17.5)	17.5
Bristol Airport	(7.4)	7.7	(3.7)	3.7
Newcastle Airport	(1.8)	1.7	(0.8)	0.9
Rome Airport	-	-	(16.2)	16.1
Copenhagen Airport	-	-	(31.8)	31.2
Birmingham Airport	-	-	(3.7)	3.7
	(9.2)	9.4	(73.7)	73.1

8 Investments in Financial Assets (cont'd)

MAL Consolidated	MAL Consolidated 31 Dec 2007 $'000	MAL Consolidated 31 Dec 2006 $'000	MAL Parent Entity 31 Dec 2007 $'000	MAL Parent Entity 31 Dec 2006 $'000
Macquarie Airports Group				
Interests in unlisted securities in companies and trusts				
Ordinary shares in Macquarie Airports Group	**-**	-	**494,192**	665,280
Brussels Airport (i)				
Interests in unlisted securities in companies and trusts				
Investment in Macquarie Airports (Brussels) S.A.	**-**	1,431,904	**-**	-
Bristol Airport (ii)				
Interests in unlisted securities in companies and trusts				
Investment in South West Airports Limited	**545,881**	275,536	**-**	-
Japan Airport Terminal (iii)				
Interests in listed securities in companies and trusts				
Investment in Japan Airport Terminal Co Ltd	**388,637**	-		
Interests in unlisted securities in companies and trusts				
International Infrastructure Holdings Limited	**-**	-	**281,240**	-
Rome Airports (iv)				
Interests in unlisted securities in companies and trusts				
Investment in Aeroporti di Roma S.p.A	**-**	1,103,891	**-**	61,982
Interests in Non-Interest bearing financial assets				
Convertible loans to Macquarie Airports (Luxembourg) S.A.	**-**	-	**-**	427,263
Birmingham Airport (v)				
Interests in unlisted securities in companies and trusts				
Investment in Birmingham Airports Holdings Limited	**-**	320,120	**-**	-
Macquarie Airports (Europe) Limited				
Interests in unlisted securities in companies and trusts				
Ordinary shares in Macquarie Airports (Europe) Limtied	**-**	-	**2,088,827**	1,397,399
Investment in Macquarie Airports (Europe) Limited			**-**	-
Interests in interest bearing liabilities				
Loans to Macquarie Airports (Europe) Limted	**-**	-	**892,525**	1,235,829
	934,518	3,131,451	**3,756,784**	3,787,753
Other Investments (vi)				
Other airport investments	**306,100**	375,045	**-**	-
Other investments	**4,130**	941	**36,476**	-
	310,230	375,986	**36,476**	-
Total investments	**1,244,748**	3,507,437	**3,793,260**	3,787,753

8 Investments in Financial Assets (cont'd)

(i) Brussels Airport

MAL's investment in Brussels Airport is held through Macquarie Airports (Brussels) S.A. ("MABSA"), a special purpose vehicle established by a MAp led consortium to acquire an interest in The Brussels Airport Company (formerly Brussels International Airport Company NV/SA) ("Brussels Airport"). MABSA holds a 75% controlling interest in Brussels Airport.

MAL's investment in MABSA is comprised of ordinary shares, ordinary preferred shares ("OPS") and convertible loans. Both the ordinary shares and the OPS carry a right to vote at Shareholder meetings.

The convertible loans issued by MABSA entitle the holders to effectively all of the income of MABSA and have a term of 51 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreements. Under the Convertible Loan Agreements, MAp may at any time prior to the expiry term apply to convert the outstanding loan into MABSA OPS.

At 31 December 2007, MAL held a 82.8% interest in MABSA, following the acquisition by MABSA of an additional 5% interest in Brussels Airport funded by MAEL (Macquarie Airports (Europe) Limited) on 16 October 2007, and following the acquisition by MAEL of an additional 4.3% from Macquarie International Infrastructure Fund Limited on 13 November 2007. MAL's beneficial interest in Brussels Airport at 31 December 2007 is 62.1%.

At 31 December 2007, an amendment to the MABSA Shareholders Agreement resulted in MAL gaining control of MABSA and therefore of Brussels Airport and consequently MAL eliminates its investment in Brussels Airport and consolidates Brussels Airport assets and liabilities at 31 December 2007.

MAL's interest in Brussels Airport is held through MABSA, a company owned 76.9% by MAL, 14.2% Macquarie European Infrastructure Fund (MEIF) and 4.3% by Macquarie Global Infrastructure Fund 2 (GIF2). MAL's interest in MABSA is subject to call options granted in favour of Macquarie Group Limited and its related entities including MEIF. These options include provisions that enable MEIF to sell its interests in MABSA to MAL or purchase MAL's interest in MABSA at fair market value in the event that a Macquarie Group entity ceases to be the manager of MAL. MAL has reciprocal rights in respect of MEIF in the event that a Macquarie Group entity ceases to be the manager of MEIF.

(ii) Bristol Airport

MAL's beneficial investment in Bristol Airport is held through Macquarie Airports (UK) No. 3 Limited ("MAUK3"), a wholly owned subsidiary of Macquarie Airports Group Limited ("MAG"). MAUK3 holds a 50% interest in South West Airports Limited ("SWAL"), the parent company of Bristol International Airport Limited.

At 31 December 2007, MAL's beneficial interest in Bristol Airport excluding minority interests is 32.1%.

MAL has a 32.1% interest in Bristol Airport through its investment in Macquarie Airports Group Limited (MAG) which owns 50% of Bristol Airport. Macquarie European Investment Fund II (MEIF2) owns the other 50% interest. MAL and MEIF2 have agreed that in the event that a Macquarie Group entity ceases to be the manager of either of them, the other party shall, subject to any pre-emptive rights have a call option in respect of the other party's interest in Bristol Airport exercisable at fair market value. The call option may be exercised by another Macquarie Group entity or managed fund.

(iii) Japan Airport Terminal

MAL's beneficial interest in Japan Airport Terminal Co Ltd ("JAT") is held through International Infrastructure Holdings B.V. ("IIHBV"), a wholly owned subsidiary of International Infrastructure Holdings Limited ("IIHL"). MAL holds a 75.1% interest in IIHL and IIHBV holds a 19.9% interest in JAT.

JAT's shares are listed on the Tokyo Stock Exchange.

At 31 December 2007, MAL's beneficial interest in JAT is 14.9%.

MAL's interest in Japan Airports Terminal (JAT) is held through International Infrastructure Holdings Limited (IIHL), a company owned 75.1% by MAL and 24.9% by Macquarie Capital Group Limited (MCGL). In the event a Macquarie Group member ceases to be the manager of MAL or if MAL becomes insolvent, MAL is deemed to offer to sell its interest in IIHL to MCGL at fair market value. MAL has a corresponding right if there is a change of control of MCGL.

8 Investments in Financial Assets (cont'd)

(iv) Rome

MAL's former investment in Rome Airports comprised of ordinary shares issued by Aeroporti di Roma S.p.A. ("AdR" or "Rome Airports"). AdR holds the concessions until 2044 to operate, maintain, manage and develop the two airports in Rome, being Leonardo da Vinci Airport at Fiumicino and G.B. Pastine Airport at Ciampino.

At 31 December 2006, MAL's total interest in Rome Airports was 44.7% (including minority interests). MAL's beneficial interest in Rome Airports excluding minority interests was 34.2%.

On 18 July 2007, MAL sold its 44.74% stake in Aeroporti di Roma ("AdR") to Leonardo S.r.L. ("Leonardo"), a wholly-owned subsidiary of Gemina S.p.A. ("Gemina") for cash consideration of €1,237.0 million.

(v) Birmingham

MAL's investment in Birmingham Airport was comprised of ordinary shares issued by Birmingham Airport Holdings Limited.

At 31 December 2006, MAL's total interest in Birmingham Airport was 24.1% (including minority interests). MAL's beneficial interest in Birmingham Airport excluding minority interests was 15.5%.

On 23 September 2007, MAL sold its 24.1% interest in Birmingham Airport to a consortium of Ontario Teachers' Pension Plan Board and Victorian Funds Management Corporation, for a consideration of £210.0 million.

(vi) Other Investments

Other investments comprises investments in other airports and other airports related investments and includes investments in Newcastle International Airport Limited, Inversiones y Technicas Aeroportuarias S.A. de C.V. and other smaller investment.

9 Property, Plant and Equipment and Investment Property

On 31 December 2007, the Consolidated Entity assumed a controlling interest in Brussels Airport. As a result, the assets, including property, plant and equipment, and liabilities of Brussels Airport are consolidated into the Consolidated Entity's financial report from 31 December 2007, and the Consolidated Entity's investment in Brussels Airport is eliminated and no longer shown in the Consolidated Entity's financial report. AASB3: *Business Combinations* requires the assets and liabilities of a subsidiary to be recognised by the acquiring entity at fair value. AASB3 also allows an acquiring entity twelve months from acquisition date to finalise the acquisition accounting. Due to the Consolidated Entity obtaining control on 31 December 2007, the reporting date, the acquisition accounting for Brussels Airport has not yet been performed. Accordingly, the property, plant and equipment of Brussels Airport is recognised in the Consolidated Entity's 31 December 2007 financial report at book value rather than fair value.

Consolidated	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Property, plant and equipment under construction	Total property, plant and equipment
	$'000	$'000	$'000	$'000	$'000
Net book amount at 1 January 2007	**2,847,741**	**582,928**	**77,545**	**99,433**	**3,607,647**
Additions	83,349	63,443	14,590	157,939	319,321
Book value of additions through control obtained in subsidiary on 31 December 2007	1,965,842	500,451	12,195	90,066	2,568,554
Disposals	(17,324)	(5,058)	(653)	(164,793)	(187,828)
Depreciation	(83,306)	(39,356)	(13,307)	-	(135,969)
Exchange differences	(11,267)	(1,792)	(224)	(394)	(13,677)
Net book amount at 31 December 2007	**4,785,035**	**1,100,616**	**90,146**	**182,251**	**6,158,048**
At 31 December 2007					
Cost	5,292,308	1,643,000	299,350	182,251	7,416,909
Accumulated depreciation	(507,273)	(542,384)	(209,204)	-	(1,258,861)
Net book amount at 31 December 2007	**4,785,035**	**1,100,616**	**90,146**	**182,251**	**6,158,048**
Net book amount at 1 January 2006	**2,750,535**	**563,450**	**71,708**	**71,169**	**3,456,862**
Additions	72,013	36,380	16,309	25,395	150,097
Disposals	(235)	(63)	(250)	-	(548)
Depreciation	(81,331)	(38,697)	(13,005)	-	(133,033)
Exchange differences	106,759	21,858	2,783	2,869	134,269
Net book amount at 31 December 2006	**2,847,741**	**582,928**	**77,545**	**99,433**	**3,607,647**
At 31 December 2006					
Cost	3,278,218	1,087,682	275,457	99,433	4,740,790
Accumulated depreciation	(430,477)	(504,754)	(197,912)	-	(1,133,143)
Net book amount at 31 December 2006	**2,847,741**	**582,928**	**77,545**	**99,433**	**3,607,647**

9 Property, Plant and Equipment and Investment Property (cont'd)

Investment property

Consolidated	Total $'000
Net book amount at 1 January 2007	**45,850**
Additions	-
Disposals	-
Depreciation	-
Exchange differences	(182)
Net book amount at 31 December 2007	**45,668**
At 31 December 2007	
Cost or fair value	45,668
Accumulated depreciation	-
Net book amount at 31 December 2007	**45,668**
Net book amount at 1 January 2006	**43,164**
Additions	1,022
Disposals	-
Depreciation	-
Exchange differences	1,664
Net book amount at 31 December 2006	**45,850**
At 31 December 2006	
Cost or fair value	45,850
Accumulated depreciation	-
Net book amount at 31 December 2006	**45,850**

The investment property balances represent land that is held by Copenhagen Airports.

MAL parent entity does not have any property, plant and equipment or investment property.

10 Intangible Assets

As outlined in Note 9, the Consolidated Entity is required to recognise the assets and liabilities of Brussels Airport at fair value at acquisition date. If the purchase price paid by the Consolidated Entity is greater than the fair value of net assets acquired, the Consolidated Entity will be required to recognise goodwill on acquisition. Due to the proximity of acquisition date to reporting date, it is not possible to accurately determine the value of goodwill in relation to Brussels Airport at 31 December 2007. Rather, the goodwill recognised by the Consolidated Entity at 31 December represents a provisional calculation based on the book values of Brussels Airport's assets and liabilities. Any adjustments to the book values of assets and liabilities will result in a corresponding adjustment to the value of goodwill recognised by the Consolidated Entity in relation to its obtaining of a controlling interest in Brussels Airport.

	Technical Service Agreements	Concession and Rent Contracts	Computer Software	Goodwill	Total
	$'000	$'000	$'000	$'000	$'000
Net book amount at 1 January 2007	**66,815**	**987,760**	**12,609**	**47,371**	**1,114,555**
Additions	-	-	47,205	-	47,205
Book value of additions through control obtained in subsidiary on 31 December 2007	-	368,229	-	1,144,615	1,512,844
Disposals	-	-	(23,111)	(8,836)	(31,947)
Amortisation or impairment charge for the year	(7,909)	(97,707)	(5,105)	-	(110,721)
Exchange differences	(408)	(5,694)	417	(191)	(5,876)
Net book amount at 31 December 2007	**58,498**	**1,252,588**	**32,015**	**1,182,959**	**2,526,060**
At 31 December 2007					
Cost	74,867	1,454,816	61,827	1,182,959	2,774,469
Accumulated amortisation and impairment	(16,369)	(202,228)	(29,812)	-	(248,409)
Net book amount at 31 December 2007	**58,498**	**1,252,588**	**32,015**	**1,182,959**	**2,526,060**
Net book amount at 1 January 2006	**72,100**	**1,046,985**	**12,243**	**43,944**	**1,175,272**
Additions			4,142	2,978	7,120
Amortisation or impairment charge for the year	(8,052)	(99,474)	(4,254)	-	(111,780)
Exchange differences	2,767	40,249	478	449	43,943
Net book amount at 31 December 2006	**66,815**	**987,760**	**12,609**	**47,371**	**1,114,555**
At 31 December 2006					
Cost	75,165	1,090,919	37,321	47,371	1,250,776
Accumulated amortisation and impairment	(8,350)	(103,159)	(24,712)	-	(136,221)
Net book amount at 31 December 2006	**66,815**	**987,760**	**12,609**	**47,371**	**1,114,555**

MAL Parent Entity does not have any intangibles, therefore no tables have been presented.

Impairment test for goodwill

Goodwill is allocated to MAL's cash-generating units (CGU's) identified as being the respective airports.

MAL Consolidated	**31 Dec 2007**	31 Dec 2006
	$'000	$'000
Copenhagen Airports	**38,344**	38,497
Rome Airport	**-**	8,874
Brussels Airport	**1,144,615**	-
Total Goodwill	**1,182,959**	47,371

The recoverable amount of a CGU is determined based on "fair value less cost to sell" by determining fair value using discounted cash flow analysis.

10 Intangible Assets (cont'd)

Key assumption used for fair value less cost to sell calculation
The key assumption used in the calculation to determine the fair value less cost to sell is the discount rate used in the discounted cash flow model. For Copenhagen Airports a discount rate of 12.4% was used.

The fair values of the net identifiable assets in relation to Brussels Airport have been determined on a provisional basis in accordance with AASB 3 and will change once the detailed purchase price allocation has been completed.

11 Subsidiaries

MAL Group Significant Subsidiaries

Name of Entity	Country of Incorporation / Establishment	Class of Shares / units	Ownership Interest	
			31 Dec 2007	31 Dec 2006
Macquarie Airports Group Limited	Bermuda	Ordinary shares	**53.7%**	57.7%
Macquarie Airports (Europe) Limited	Bermuda	Ordinary shares	**72.7%**	68.8%
Macquarie Airports Copenhagen Holdings A/S	Denmark	Ordinary shares	**72.7%**	68.8%
Kobenhavns Lufthavne A/S	Denmark	Ordinary shares	**39.0%**	36.7%
Macquarie Airports (Brussels) S.A. (1)	Luxembourg	Ordinary shares	**60.2%**	-
Brussels Airport Holding NV	Belgium	Ordinary shares	**45.1%**	-
The Brussels Airport Company NV	Belgium	Ordinary shares	**45.1%**	-
International Infrastructure Holdings Limited	Bermuda	Ordinary and Preference shares	**75.1%**	-

(1) Under the MABSA Shareholder Agreement, the Consolidated Entity holds a voting interest in MABSA of 55.9% and an economic interest of 60.2%.

12 Investments in Associates

MAL Group Significant Associates

Name of Associate	Note	Ownership Interest	
		31 Dec 2007	31 Dec 2006
Aeroporti di Rome SpA ("Rome Airports")		**-**	32.7%
South West Airports Limited ("Bristol Airport")		**28.9%**	28.9%
Birmingham Airports Holdings Limited ("Birmingham Airport")		**-**	13.9%
Macquarie Airports (Brussels) S.A. [1]		**-**	52.9%

(1) At 31 December 2007, the Consolidated Entity held a 60.2% interest in MABSA. On 31 December 2007 the MABSA Shareholders' Agreement was amended to remove certain shareholder matters which previously required a two thirds shareholder majority are now subject to board approval by simple majority. MAp has the ability to appoint more than 50% of the board members. A 50% majority of MABSA board of directors is required to pass resolutions on significant financial and operating decisions, therefore the amendments to the MABSA shareholder agreement resulted in MAp obtaining control of MABSA and its underlying investment in Brussels Airport. Accordingly at 31 December 2007 MABSA is no longer an associate of MAp but a subsidiary and is included in Note 11.

Unless stated otherwise, the proportion of voting power held in the associates disclosed above is in proportion to the direct ownership interest held.

The above associates are measured at fair value in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in fair value are recognised as income or expenses in the Income Statement in the financial year in which the changes occur. Refer also to Note 8.

13 Payables

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current				
Adviser's base fees payable	**10,496**	14,805	**8,558**	7,404
Adviser's performance fees payable	**93,512**	-	**-**	-
Interest payable to MAT(1)	**105**	80	**105**	80
Interest payable on MACH senior debt	**534**	-	**-**	-
Other interest payable	**-**	8,549	**-**	63
Trade payables	**104,577**	44,211	**-**	-
Employee leave entitlements	**53,065**	29,417	**-**	-
Sundry creditors	**22,764**	6,190	**873**	2,082
	285,053	103,252	**9,536**	9,629
Non Current				
Trade payables	**6,211**	-	**-**	-
Leases payable	**124,613**	-	**-**	-
Sundry creditors	**10,745**	-	**-**	-
	141,569	-	**-**	-

14 Financial Liabilities at Fair Value through Profit or Loss

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current				
Convertible loan payable to minority interest in MABSA	**357,258**	-	**-**	-
Preference shares IIHL held by minority interest	**63,509**	-	**-**	-
Convertible loan payable to minority interest in MALSA	**-**	61,596	**-**	-
	420,767	61,596	**-**	-

In order to fund the final settlement of the acquisition of an interest in Brussels Airport, on 24 November 2004 the MABSA shareholders provided funding under the Convertible Loan Agreements. As MAL holds a controlling interest in MABSA at 31 December 2007, the loans advanced by MAL to MABSA are eliminated on consolidation of MABSA into the Consolidated Entity financial report. The balance recognised at 31 December 2007 represents the fair value of the convertible loans advanced by the minority interest in MALSA. Refer Note 1(m).

The convertible loans entitle the holders to effectively all of the income of MABSA and have a term of 51 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreements. Under the Convertible Loan Agreements, the holders may at any time prior to the expiry term apply to convert the outstanding loan into MALSA redeemable ordinary preference shares.

The Consolidated Entity's investment in JAT is held through IIHL, which received funding through the issue of ordinary shares and preference shares. The preference shares are classified as debt for accounting purposes. As MAL holds a controlling interest in IIHL at 31 December 2007, the preference shares held by MAL are eliminated on consolidation of IIHL into the Consolidated Entity financial report. The balance recognised at 31 December 2007 represents the fair value of the preference shares held by the minority interest in IIHL. Refer Note 1(m).

The preference shares entitle the holders to effectively all of the income of IIHL and have a term of 9 years, unless redeemed earlier in accordance with the by laws of IIHL. Under the by laws, the holders may at any time prior to the expiry term redeem the preference shares.

14 Financial Liabilities at Fair Value through Profit or Loss (cont'd)

The convertible loan payable as at 31 December 2006 relates to the minority interest in MALSA represented funding provided to MALSA for its investment in Rome Airports. During the year ended 31 December 2007 MALSA sold its investment in Rome Airports and the convertible loans were repaid in full. The balance recognised at 31 December 2006 represents the fair value of the convertible loans advanced by the minority interest in MALSA. Refer Note 1(m). The movement in the fair value of the convertible loans for the year ended 31 December 2006 was $1.2 million, of which $5.5 million was not attributable to changes in the risk free rate.

The convertible loans entitle the holders to effectively all of the income of MALSA and had a term of 42 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreements. Under the Convertible Loan Agreements, the holders may at any time prior to the expiry term apply to convert the outstanding loan into MALSA preference shares. The convertible loans were fully repaid following the sale of Rome Airports.

15 Interest Bearing Liabilities

	Note	**Consolidated 31 Dec 2007**	Consolidated 31 Dec 2006	**Parent Entity 31 Dec 2007**	Parent Entity 31 Dec 2006
		$'000	$'000	**$'000**	$'000
Current					
Lease liabilities (Copenhagen Airports)	(1)	**96,256**	3,967	**-**	-
Mortgages (Copenhagen Airports)	(2)	**18,650**	3,981	**-**	-
		114,906	7,948	**-**	-
Non-current					
Loans from MAT(1)	(3)	**611,412**	859,834	**611,412**	859,834
Bullet bonds (Copenhagen Airports)	(4)	**365,317**	419,773	**-**	-
Bank facilities (Copenhagen Airports)		**-**	145,801	**-**	-
Mortgages (Copenhagen Airports)	(2)	**46,393**	47,948	**-**	-
External borrowings MACH	(5)	**1,142,850**	1,140,110	**-**	-
Lease liabilities (Copenhagen Airports)	(1)	**-**	92,655	**-**	-
Bank facilities (Brussels Airport)	(6)	**2,158,184**	-	**-**	-
Profit participating loans (Brussels Airport)	(7)	**268,079**	-	**-**	-
		4,592,235	2,706,121	**611,412**	859,834

(1) Copenhagen Airports ("CPH") has entered into three fixed interest rate DKK denominated mortgages with Danish banks. The mortgages have been secured against CPH's property. The maturity dates of the mortgages range from 1 to 25 years. The weighted average interest rate of the mortgages is 4.52%.

(2) CPH has entered into finance leases over the car parking buildings. CPH has entered into a management contract with an external party for the operation of the car park parking facilities. This contract expires at the end of 2008.

(3) As at 31 December 2007, MAL had four drawn AUD loan facilities with MAT(1). All four loans have a fixed contractual interest rate of 6.48% per annum, which is payable six monthly in arrears on 30 June and 31 December. The contractual interest rate is equal to the effective interest rate on these loans.

(4) CPH has issued fixed interest rate bonds to US private investors totalling USD300.0 million. Cross currency swaps have been entered into to hedge the currency risk (refer to Note 7). The weighted average contractual and effective interest rate is 5.81% with the maturity dates ranging between 6 and 10 years.

15 Interest Bearing Liabilities (cont'd)

(5) On 24 October 2005, MAp, through its wholly owned subsidiary Macquarie Airports Copenhagen Holdings ApS ("MACH"), entered into a DKK facility to partially fund the acquisition of a controlling stake in Copenhagen Airports. At balance date, the drawn balance of the facility was DKK5.1 billion ($1.1 billion). The facility was fully drawn.

Interest contractually accrues on the drawn portion of the facility at 5.63% per annum and is payable six monthly in arrears on 30 June and 31 December. The interest rate is reset on each interest payment date.

The facility is measured at amortised cost and is recognised net of transaction costs. The difference between the proceeds received (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowing using the effective interest method. The effective interest rate on the facility is 5.38%.

(6) Brussels Airport has entered into a syndicated loan facility of €1,580.0 million which at balance date €1,300.0 million had been drawn. The facility matures in 2015 with the interest rate being EURIBOR + 55 bps.

(7) Brussels Airport has issued loans to its shareholders of MABSA and the Belgium government which mature in 2027. Loans carry interest ranging between 5% and 7% depending on the operational performance of Brussels Airport

Maturities of Interest Bearing Liabilities

Consolidated	Maturity date of interest bearing liabilities							
	1 year or less '000	Over 1 to 2 years '000	Over 2 to 3 years '000	Over 3 to 4 years '000	Over 4 to 5 years '000	Over 5 years '000	Transaction costs **'000**	**Total**
Bank Facilities	18,650	-	-	-	-	2,204,577	**-**	**2,223,227**
Bullet bonds	-	-	-	-	-	365,317	**-**	**365,317**
MACH External Borrowings	-		-	-	1,142,850	-	**-**	**1,142,850**
MAL loans with MAT(1)	-	-	-	-	-	611,412	**-**	**611,412**
Liabilities concerning leased assets	97,441	-	-	-	-	-	(1,185)	**96,256**
Profit participating loans	-	-	-	-	-	270,320	(2,241)	**268,079**
Total	116,091	-	-	-	1,142,850	3,451,626	(3,426)	**4,707,141**

All of the MAL parent interest bearing liabilities have a maturity greater than 5 years.

MAL consolidated									
2007		**Fixed Interest Rate (Term)**							
	Floating interest rate $'000	**1 yr or less $'000**	**1 to 2 yrs $'000**	**2 to 3 yrs $'000**	**3 to 4 yrs $'000**	**4 to 5 yrs $'000**	**Over 5 yrs $'000**	**Total $'000**	**Weighted average rate**
Loans from MAT1	**-**	**-**	**-**	**-**	**-**	**-**	611,412	611,412	**6.48%**
Copenhagen Airports	1,253,239	4,518	-	-	-	-	411,711	1,669,468	**6.07%**
Brussels	2,158,184	-	-	-	-	-	268,079	2,426,263	**5.28%**
Total	3,411,423	4,518	-	-	-	-	1,291,202	4,707,143	
Derivatives (Notional balances)									
Copenhagen Airports	(1,139,425)								
Brussels	(2,081,673)								
Total	(3,221,098)								
Net exposure	190,325								

MAL consolidated									
2006				Fixed Interest Rate (Term)					
	Floating interest rate	**1 yr or less**	**1 to 2 yrs**	**2 to 3 yrs**	**3 to 4 yrs**	**4 to 5 yrs**	**Over 5 yrs**	**Total**	**Weighted average rate**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	
Loans from MAT1	-	-	-	-	-	-	859,834	859,834	**6.48%**
Copenhagen Airports	1,285,550	8,309	-	4,515	-	-	555,861	1,854,235	**4.87%**
Total	1,285,550	8309		4515			1,415,695	2,714,069	
Derivatives (Notional balances)									
Copenhagen Airports	(1,211,259)								
Total	(1,211,259)								
Net exposure	74,291								

The MAL parent loans with MAT(1) have a fixed interest rate of 6.48% per annum (2006: 6.48%).

At balance date the Consolidate Entity had the following financing facilities available.

Consolidated	**Undrawn balance MAL 31 Dec 2007 $'000**	Undrawn balance MAL 31 Dec 2006 $'000
Bank facilities	**801,419**	224,307

Assets pledged as security

As part of their borrowings, Brussels Airport has secured their borrowings to the airport assets up to a value of €1.14 billion.

Copenhagen Airports have secured their mortgages against property of Copenhagen Airports.

16 Tax Liabilities

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Current				
Provision for income tax	**37,674**	10,271	**-**	-
Non-current				
Provision for deferred income tax	**1,369,320**	1,060,298	**-**	-
The balance of the provision for deferred income tax comprises temporary differences attributable to:				
Property, plant and equipment and investment property	**1,006,807**	781,237	**-**	-
Intangibles	**359,270**	295,281	**-**	-
Trade receivables	**(380)**	(314)	**-**	-
Other payables	**5,990**	(15,906)	**-**	-
Finance cost payable	**(2,367)**	-	**-**	-
	1,369,320	1,060,298	**-**	-
Movements in provision for deferred income tax:				
Opening balance at 1 January	**1,060,298**	1,060,656	**-**	-
Credited to the income statement	**(127,725)**	(51,302)	**-**	-
Credited to equity	**-**	8,470	**-**	-
Acquisition of subsidiary	**444,171**	-	**-**	-
Foreign exchange movements	**(7,424)**	42,474	**-**	-
Closing balance at 31 December	**1,369,320**	1,060,298	**-**	-

17 Contributed Equity

	Parent and Consolidated 31 Dec 2007 $'000	Parent and Consolidated 31 Dec 2006 $'000	**Parent and Consolidated 31 Dec 2007 Number of Shares**	Parent and Consolidated 31 Dec 2006 Number of shares
Ordinary Shares				
Ordinary Shares on issue at the beginning of the year	**1,108,567**	1,009,687	**1,690,302**	1,607,159
Costs incurred in the raising of capital	**(20)**	(81)	**-**	-
Issued pursuant to DRP on 28 February 2007	**47,320**	-	**28,351**	-
Issued pursuant to DRP on 20 February 2006	**-**	23,271	**-**	20,635
Issued pursuant to underwritten DRP on 22 February 2006	**-**	28,817	**-**	24,938
Issued pursuant to SPP on 12 May 2006	**-**	11,908	**-**	9,776
Issued pursuant to DRP on 18 August 2006	**-**	34,965	**-**	27,794
On issue at the end of the year	**1,155,867**	1,108,567	**1,718,653**	1,690,302

Ordinary shares in MAL

Each fully paid share confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Australian Corporations Act 2001, Bermudian Companies Act and the Australian Securities Exchange Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each fully paid share in respect of MAL.

The directors of MAL may declare dividends which appear justified by the profits of MAL. The entitlement to income of each fully paid stapled security will be distributed to the investor within two months of the last day of the income period.

If MAL is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the members in specie the whole or any part of the assets of MAL.

18 Retained Profits

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	**Parent Entity 31 Dec 2007 $'000**	Parent Entity 31 Dec 2006 $'000
Balance at the beginning of the year	**934,723**	652,162	**1,871,457**	954,537
Adjustment on acquisition of a subsidiary	**(714,747)**	-	**-**	-
Profit attributable to MAL Shareholders	**1,038,367**	282,561	**1,126,849**	916,920
Distributions provided for or paid	**-**	-	**-**	-
Balance at the end of the year	**1,258,343**	934,723	**2,998,306**	1,871,457

19 Reserves

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	Parent Entity 31 Dec 2007 $'000	Parent Entity 31 Dec 2006 $'000
Balance of reserves				
Asset revaluation reserve	**178,636**	178,636	**-**	-
Other Reserves	**(266,786)**	(548,543)	**-**	-
Hedging reserve - cash flow hedges	**18,682**	22,669	**-**	-
Foreign currency translation reserve	**46,628**	49,817	**(10,248)**	(10,248)
	(22,840)	(297,421)	**(10,248)**	(10,248)
Movements of reserves				
Other Reserves	**-**	-	**-**	-
Balance at the beginning of the year	**(548,543)**	(278,696)	**-**	-
Expansion of Minority Interest in MAEL	**285,756**	(269,847)	**-**	-
Acquisition of additional interest in subsidiary	**(3,999)**	-	**-**	-
Balance at the end of the year	**(266,786)**	(548,543)	**-**	-
Asset revaluation reserve				
Balance at the beginning of the year	**178,636**	178,636	**-**	-
Balance at the end of the year	**178,636**	178,636	**-**	-
Hedging reserve – cash flow hedges				
Balance at the beginning of the year	**22,669**	(5,175)	**-**	-
Revaluation - gross	**1,698**	38,672	**-**	-
Current tax	**(5,685)**	(10,828)	**-**	-
Balance at the end of the year	**18,682**	22,669	**-**	-
Foreign currency translation reserve				
Balance at the beginning of the year	**49,817**	(69,872)	**(10,248)**	(10,248)
Net exchange differences on translation of foreign controlled entities	**(3,189)**	119,689	**-**	-
Balance at the end of the year	**46,628**	49,817	**(10,248)**	(10,248)

Nature and purpose of reserves

— ***Asset revaluation reserve***
The asset revaluation is used to record:
(i) Fair value increments of non-current assets at the time of acquisition of controlling interests in subsidiaries; and
(ii) the consolidated entity's share of the movements in its associates' asset revaluation reserves.

— ***Hedging reserve – cash flow hedges***
The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(u). Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

— ***Foreign currency translation reserve***
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1(t).

— ***Other reserves***
The other reserve represents transactions between equity holders.

20 Minority Interest

Consolidated	31 Dec 2007 $'000	31 Dec 2006 $'000
Interest in:		
Share capital	**302,139**	422,744
Reserves	**172,593**	193,526
Retained profits	**2,164,938**	2,201,538
	2,639,670	2,817,808

As MAL holds a controlling interest in MAG, MAEL, Copenhagen Airports, IIHL and MABSA (refer Note 11) it must consolidate 100% of the assets, liabilities and results of these entities into its financial report for the year ended 31 December 2007 and disclose a minority interest.

At 31 December 2007, MAL holds a direct interest in MAG of 53.7%. Accordingly, 46.3% of the contributed equity, reserves and retained profit of MAG are shown as minority interest in the MAL financial report as at 31 December 2007.

At 31 December 2007, MAL holds a direct interest in MAEL of 72.7%. Accordingly 27.3% of the contributed equity, reserves and retained profits of MAEL is shown as outside equity interest in the MAL financial report as at 31 December 2007.

At 31 December 2007, MAL holds a beneficial interest in Copenhagen Airports of 39.1%. Accordingly, 60.9% of the contributed equity, reserves and retained profit of Copenhagen Airports are shown as minority interest in the MAL financial report as at 31 December 2007.

At 31 December 2007, MAL holds a beneficial interest in IIHL of 75.1%. Accordingly, 24.9% of the contributed equity, reserves and retained profit of IIHL are shown as minority interest in the MAL financial report as at 31 December 2007.

At 31 December 2007, MAL holds a beneficial interest of 60.2% in MABSA which has a 75% interest in Brussels Airport. MAL's beneficial interest in Brussels Airport is 45.1%. Accordingly, 54.9% of the contributed equity, reserves and pre-acquisition retained profit of Brussels Airport are shown as minority interest in the MAp financial report as at 31 December 2007.

21 Earnings per Share

Consolidated	31 Dec 2007 $'000	31 Dec 2006 $'000
Basic earnings per share after finance costs to security holders	**60.55 cents**	16.99 cents
Diluted earnings per share after finance costs to security holders	**53.20 cents**	15.32 cents
Basic earnings per share		
Profit from continuing activities after income tax expense and finance costs attributable to security holders	**$1,585,489,408**	$466,297,632
Minority interest	**($547,122,962)**	($183,736,909)
Earnings used in calculation of basic earnings per share after finance costs to security holders	**$1,038,366,446**	$282,560,723
Diluted earnings per share		
Earnings used in calculation of basic earnings per share after finance costs to security holders	**$1,038,366,446**	$282,560,723
Earnings used in calculation of diluted earnings per share after finance costs to security holders	**$1,038,366,446**	$282,560,723
Weighted average number of securities / units on issue		
Weighted average number of ordinary shares used in calculation of basic earnings per share after finance costs to security holders	**1,714,769,828**	1,662,976,304
Conversion of TICkETS	**237,210,218**	181,024,405
Weighted average number of ordinary securities / units used in calculation of diluted earnings per share after finance costs to security holders	**1,951,980,046**	1,844,000,709

22 Cash Flow Information

	Consolidated 31 Dec 2007 $'000	Consolidated 31 Dec 2006 $'000	Parent Entity 31 Dec 2007 $'000	Parent Entity 31 Dec 2006 $'000
(i) Reconciliation of net profit from continuing operations after income tax expense to net cash flows from operating operations				
Net profit from continuing operations after income tax expense	**1,585,490**	466,298	**1,126,849**	916,920
Revaluation of investments	**(1,796,042)**	(578,911)	**(1,106,212)**	(872,623)
Revaluation of investments following receipt of cash	**277,805**	373,497	**531,442**	50,143
Expenses relating to investing activities	**55,816**	3,120	**334**	3,171
Expenses relating to financing activities	**180,925**	195,382	**48,716**	86,128
Net gain / (loss) on derivative contracts	**(110)**	7,564	**(110)**	7,564
Net loss on disposal of securities	**-**	-	**-**	-
Net foreign exchange differences	**46,042**	(3,924)	**29,517**	(32,012)
Adviser fees reinvested in stapled securities	**-**	-	**(20)**	-
Depreciation and amortisation	**246,690**	244,813	**-**	-
Changes in operating assets and liabilities net of effects of acquisition of controlled entities, foreign currency translation and transactions booked directly in equity in relation to operating assets and liabilities:				
Decrease/(increase) in receivables	**(7,597)**	2,511	**(26,910)**	5,018
Decrease/(increase) in prepayments	**1,459**	1,329	**13**	4
Increase/(decrease) in payables	**69,735**	9,479	**1,660**	4,147
Increase/(decrease) in deferred tax liabilities	**(126,678)**	(64,143)	**-**	-
Increase/(decrease) in tax liabilities	**(14,528)**	19,557	**-**	-
Net cash inflow from operating activities	**518,007**	676,572	**605,279**	168,460
(ii) Reconciliation of cash and cash equivalents				
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:				
Cash at bank	**1,819,583**	222,906	**970,644**	51,097
Cash and cash equivalents	**1,819,583**	222,906	**970,644**	51,097

(iii) Non-cash financing and investing activities

– **Consolidated Entity**
During the prior year, MAG distributed 235,000,000 SCAAT units ($547,553,771) to its unit holders. Of this amount, 99,416,459 SCAAT units ($231,641,946) were distributed to minority interests in the Consolidated Entity.

– **MAL Parent**
During the prior year, MAL received a distribution of 135,583,541 SCAAT units ($315,911,825) from MAG.

23 Related Party Disclosures

■ *Adviser*

The adviser of MAL is Macquarie Capital Funds (Europe) Limited ("MCFEL" or "the Adviser"), a wholly owned subsidiary of Macquarie Group Limited ("MGL"). MCFEL is also the adviser of MAG, MALSA and MABSA.

■ *Directors*

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

- Jeffrey Conyers (Chairman)
- Sharon Beesley
- John Roberts (alternate for Max Moore-Wilton)
- Max Moore-Wilton
- Stephen Ward

	Stapled securities
	Balance at the year end 2007
Max Moore-Wilton	**502,690**
John Roberts	**53,140**
Jeffrey Conyers	**-**
Sharon Beesley	**-**
Stephen Ward	**-**
Total	**555,830**

■ *Key Management Personnel*

The following persons are key management personnel of the Consolidated Entity:

- Max Moore-Wilton (Director)
- Jeffrey Conyers (Director)
- Sharon Beesley (Director)
- Stephen Ward (Director)
- John Roberts (Alternate Director)

Key Management Personnel are defined in AASB 124: *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The directors of MAL meet the definition of Key Management Personnel as they have this authority in relation to the activities of MAL. These powers have not been delegated by the directors of MAL to any person, including the CEO of MAp. Accordingly, there are no other Key Management Personnel of MAL.

Compensation in the form of directors' fees of US$35,000 per director per annum were paid or payable by MAL to Jeffrey Conyers, Sharon Beesley, and Stephen Ward for the year ended 31 December 2007 (2006: US$35,000). For persons who were not Key Management Personnel for the full financial year compensation was paid or is payable equal to the proportionate amount for the time they were Key Management Personnel. Sharon Beesley also received US$3,000 for acting as director of MAEL, a subsidiary of MAL. Max Moore-Wilton and John Roberts are employees of MGL.

23 Related Party Disclosures (cont'd)

The compensation paid to directors of MAL is determined with reference to current market rates for directorships of similar entities. The level of compensation is not related to the performance of MAL.

Base management fees of $36,963,881 (2006: $24,474,651) and performance fees of $0 (2006: $0) were paid to the Adviser as compensation.

Sharon Beesley is a shareholder in ISIS Limited, to which MAp paid consulting fees of $41,879 (2006: $34,520) during the year.

The above amounts represent transactions on normal commercial terms made in relation to the provision of services.

The number of stapled securities in MAp held directly, indirectly or beneficially by the key management personnel or their related entities during the financial year are set out below:

	Stapled securities			
	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	**Balance at the end of the year**
Max Moore-Wilton	502,690	-	-	**502,690**
Jeffrey Conyers	-	-	-	**-**
Sharon Beesley	-	-	-	**-**
Stephen Ward	-	-	-	**-**
John Roberts	49,899	-	3,241	**53,140**
Total	552,589	-	3,241	**555,830**

Adviser's fees

Under the terms of the documents governing the Company, fees paid or payable (inclusive of non-recoverable GST and VAT) to the Adviser of MAL were:

	Consolidated 31 Dec 2007	Consolidated 31 Dec 2006	**Parent Entity 31 Dec 2007**	Parent Entity 31 Dec 2006
	$	$	**$**	$
Base fee	**36,963,881**	24,474,651	**36,963,881**	24,474,651
	36,963,881	24,474,651	**36,963,881**	24,474,651

In addition, a base fee of €4,529,682 ($7,540,048) (2006: €8,904,706 ($14,731,954)) and a performance fee of €33,192,077 ($53,910,253) (2006: nil) was paid and a performance fee of €56,152,047 ($93,512,153) was payable as at 31 December 2007 to the Adviser of MAG.

The quarterly base fee for MAL is calculated as:

- 1.5% per annum of the first $500 million of Net Investment Value of MAL; plus
- 1.25% per annum of the next $500 million of Net Investment Value of MAL; plus
- 1.0% per annum of the Net Investment Value of MAp in excess of $1,000 million.

Net Investment Value for any quarter equals:

- the average market capitalisation of MAL over the last 15 trading days of the quarter; plus
- the amount of any external borrowings of MAL at the end of the quarter; plus
- the amount of any firm commitments by MAL to make further investments at the quarter end; less
- cash balances of MAL at the quarter end.

23 Related Party Disclosures (cont'd)

While MAp holds an investment in MAG and MAG is unlisted, amounts paid up on MAG shares held by MAp at the end of the quarter will be deducted from the calculation of Net Investment Value.

While MAp holds any co-investments with MAG, to the extent that MAp's co-investments attract separate management fees payable to MGL or its subsidiaries, amounts paid up on any such co-investments with MAG made by MAp will be included in the calculation of Net Investment Value and MAp's proportionate share of the co-investment management fee will be rebated against the base fee payable by MAp.

The performance fee is calculated with reference to the performance of the accumulated security price of MAp compared with the performance of the MSCI World Transportation Infrastructure Accumulation Index (in local currency).

Fees are apportioned between MAT(1), MAT(2) and MAL based on each entity's share of net assets of MAp (further adjusted for cash and investment commitments in the case of the base fee). The net market values of assets are used in the calculation of this apportionment.

For the year ended 31 December 2007, no new performance fee was payable for MAp.

Other transactions

MGL and companies within the MGL Group have undertaken various transactions with, and performed various services for the Consolidated Entity. Fees paid to MGL are approved solely by the independent directors on the boards of the Responsible Entity and the Company and where appropriate, external advice is sought by the directors to ensure that the fees and terms of engagement are representative of arms length transactions.

From time to time, MGL and companies within the MGL Group buy and sell investments to and from MAL (for example, MABSA). The terms of investment transactions between MAp and MGL are the same as those offered to other parties.

At 31 December 2007, companies within the MGL Group held 359.7 million (2006: 307.7 million) stapled securities in MAp.

At 31 December 2007, entities within the Consolidated Entity had the following funds on deposit with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL:

- $141,416,588 (2006: $73,015,039)

During the period entities within the Consolidated Entity earned the following interest on deposits with MBL. The Consolidated Entity earns interest on deposits at commercial rates:

- $8,409,339 (2006: $1,949,499)

During the period the Consolidated Entity held commercial paper purchased from the MBL debt market desk. At balance date no commercial paper was held by the Consolidated Entity. The Consolidated Entity earned interest on the commercial paper at commercial rates. The Consolidated Entity earned the following interest on commercial paper purchased from MBL during the period:

- $26,153,626 (2006: $1,793,974)

During the period, entities within the Consolidated Entity reimbursed MGL the following, representing out-of-pocket expenses incurred by the Adviser in the performance of its duties:

- $2,247,552 (2006: $2,090,707), representing out-of-pocket expenses incurred by the Adviser and Responsible Entity in the performance of their duties.

The Consolidated Entity also reimbursed MGL the following for expenses incurred in the performance of its duties as Adviser to MALSA:

- $300,439 (2006: $802,602)

23 Related Party Disclosures (cont'd)

During the year, the following expenses were paid or became payable by entities within the Consolidated Entity to MGL or MGL Group Companies:

- An advisory fee of €16,081,000 ($25,429,905) was paid to MGL in connection with the completion of the sale of the investment in Rome Airports.
- An advisory fee of £2,727,500 ($6,287,314) was paid to MGL in connection with the completion of the sale of Birmingham Airports Holdings Limited.
- An advisory fee of €8,865,000 ($14,149,630) was paid to MGL in connection with the refinancing of Brussels Airport.

During the year, the following services were provided by MGL Group to entities within the Consolidated Entity:

- Macquarie Airports Copenhagen Holdings ApS ("MACH") continued to have an interest rate swap with MGL (entered into in 2005) to hedge the floating interest rate risk on a portion of the external debt drawn to partially fund the acquisition of Copenhagen Airports. MACH also entered into an additional interest rate swap with MGL during the period.
- MAL utilises the services provided by MGL's foreign exchange and debt market departments from time to time.

During the prior year, the following investment was purchased by the Consolidated Entity from MBL:

- On 1 September 2006 Macquarie Airports (Europe) Limited ("MAEL") purchased an additional 2.7% interest in Macquarie Airports (Brussels) S.A. ("MABSA") from Macquarie Bank Limited for EUR 26,857,011.91 (AUD 44,949,754.79). MABSA is the consortium vehicle which holds a 70% interest in Brussels Airport. The purchase price was based on the valuation of MABSA at 30 June 2006.

During the prior year, the following transactions occurred between the Consolidated Entity and other members of the MAp Group:

- On 19 December 2006, MAG transferred its investment in Southern Cross Australian Airports Trust ("SCAAT") to its shareholders through an in specie distribution. On the same day MAL sold its units in SCAAT to MAT(1). The sale price of the SCAAT units to MAT(1) was the fair value of the SCAAT units.
- On 22 February 2006, MAEL issued 56,273,829 additional shares to MAT (2) at $1 per share. On 19 May 2006, MAEL issued 6,731,891 additional shares to MAT(2) at $2.03 per share.

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

24 Segment Reporting

The principal activity of MAL during the year was investment in airport assets. The primary basis of segment reporting is geographical. At the date of this report, MAL has investments in the United Kingdom, Europe and Bermuda.

MAL's airport business includes the operation of airports and the investment in entities in the same industry sector. Unallocated business segment revenue relates primarily to interest revenue earned on cash balances.

MAL	Bermuda $'000	UK and Europe $'000	Australia $'000	Other $'000	Total $'000
Consolidated					
Geographical segments					
31 December 2007					
Segment revenue from continuing operations	37,118	669,609	-	-	706,727
Segment other income	359,384	1,535,604	-	-	1,894,988
Total revenue and other income from continuing operations	396,502	2,205,213	-	-	2,601,715
Segment profit / (loss) from continuing operations before tax	297,944	1,285,056	-	(80,707)	1,502,293
Unallocated expenses					(2,065)
Net profit from continuing operations before income tax					1,500,228
Segment assets	1,415,049	10,331,287	-	389,750	12,136,086
Total assets					12,136,086
Segment liabilities	615,731	6,489,315	-	-	7,105,046
Total liabilities					7,105,046
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	4,215,639	-	-	4,215,639
Depreciation and amortisation expense	-	246,690	-	-	246,690
Doubtful debts related to trade receivables	-	4,951	-	-	4,951
Other non-cash expenses	-	-	-	-	-

24 Segment Reporting (cont'd)

Consolidated	Bermuda $'000	UK and Europe $'000	Australia $'000	Other $'000	Total $'000
Consolidated					
Geographical segments					
31 December 2006					
Segment revenue from continuing operations	1,949	651,412	-	-	653,361
Segment other income	3,928	477,266	79,928	21,768	582,890
Total revenue and other income from continuing operations	5,877	1,128,678	79,928	21,768	1,236,251
Segment (loss)/profit from continuing operations before tax	(88,212)	436,846	79,928	21,768	450,330
Unallocated expenses	-	-	-	-	(4,109)
Net profit from continuing operations before income tax					446,221
Segment assets	75,724	8,302,476	-	228,241	8,606,441
Total assets					8,606,441
Segment liabilities	869,680	3,173,084	-	-	4,042,764
Total liabilities					4,042,764
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	-	158,239	-	-	158,239
Depreciation and amortisation expense	-	244,813	-	-	244,913
Doubtful debts related to trade receivables	-	(167)	-	-	(167)
Other non-cash expenses	-	-	-	-	-

24 Segment Reporting (cont'd)

MAL	Airports $'000	Unallocated $'000	Total $'000
Consolidated			
Business segments			
31 December 2007			
Segment revenue from continuing operations	643,974	62,753	706,727
Segment other income	1,894,988	-	1,894,988
Total revenue and other income from continuing operations			2,601,715
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets			
Segment assets	10,738,700	1,397,386	12,136,086
Total assets			12,136,086
Business segments			
31 December 2006			
Segment revenue from continuing operations	644,258	9,103	653,361
Segment other income	578,911	3,979	582,890
Total revenue and other income from continuing operations			1,236,251
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets			
Segment assets	8,490,752	115,689	8,606,441
Total assets			8,606,441

25 Business Combinations

■ *Brussels Airport*

Summary of acquisition
On 31 December 2007, the MABSA Shareholders Agreement was amended, which resulted in MAL, through its subsidiary MAEL, gaining control of MABSA and therefore Brussels Airport. Consequently MAL consolidates the assets, liabilities and results of Brussels Airport from the date it gained control on 31 December 2007.

The acquired business did not contribute revenue or profit to the Group for the financial year, as MAL gained control of Brussels Airport only on 31 December 2007. If the acquisition had occurred on 1 January 2007, contributed revenue for the year ended 31 December 2007 would have been $600.3 million and Brussels Airport would have contributed a profit of $77.0 million respectively.

Details of the fair values of the assets and liabilities acquired and goodwill are as follows:

	$'000
Total purchase consideration (paid in prior financial years)	999,079
Provisional fair value of net identifiable assets acquired (refer below)	(12,532)
Goodwill	986,547

25 Business Combinations (cont'd)

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's carrying amount $'000	Provisional Fair value $'000
Cash	245,023	245,023
Intangibles	526,297	526,297
Property, Plant and Equipment	2,568,555	2,568,555
Receivables	194,010	194,010
Prepayments	4,061	4,061
Investments in financial assets	4,114	4,114
Other assets	29,936	29,936
Deferred tax liability	(444,171)	(444,171)
Amounts owing to financial institutions	(2,426,262)	(2,426,262)
Convertible loans	(2,071,060)	(2,071,060)
Payables	(196,707)	(196,707)
Provisions	(31,982)	(31,982)
Derivative financial instruments	(2,210)	(2,210)
Income tax liability	(32,396)	(32,396)
Deferred income	(30,707)	(30,707)
Net liabilities		(1,663,499)
Elimination of convertible loans held by MAp Group		1,713,802
Minority interest		(37,771)
Net identifiable assets acquired		12,532

MAL gained control of Brussels Airport on 31 December 2007. Due to the proximity to balance date of the acquisition, the acquisition accounting has only been provisionally determined as at 31 December 2007.

26 Financial Risk Management

The Consolidated Entity's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Consolidated Entity's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity and the Company use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

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

■ *Market risk*

(a) Foreign exchange risk
Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Consolidated Entity and the Company operate internationally and are exposed to foreign exchange risk arising from currency exposures to the Euro, Great Britain Pound, Mexican Peso, Hong Kong Dollar, United States Dollar, Japanese Yen and Danish Krone.

The Consolidated Entity and the Company do not hedge the foreign exchange exposure on overseas investments due to their long-term horizon. However, commitments to make investments which are denominated in foreign currencies are hedged, by way of forward contracts, as close as possible to the time of making the commitment or raising the required capital. Anticipated distributions from investments denominated in foreign currencies are typically hedged on a progressively declining basis out to 18 months. Entities within the Consolidated Entity that have foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets.

Monetary items are converted to the Australian Dollar at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

(b) Price risk
The Consolidated Entity and the Company hold investments from time to time which are classified on the balance sheet at fair value through profit or loss. Accordingly the Consolidated Entity and the Company are exposed to equity securities price risk resulting in unrealised gains or losses from time to time. The Consolidated Entity are long term investors and do not hedge against short term fluctuations in securities prices.

The Consolidated Entity is not exposed to commodity price risk.

(c) Fair value interest rate risk
As the Consolidated Entity and the Company have no significant interest-bearing assets, apart from cash and cash equivalent balances, the Consolidated Entity's income and operating cash flows are substantially independent of changes in market interest rates.

The Consolidated Entity's and the Company's main interest-rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Consolidated Entity and the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Consolidated Entity and the Company to fair value interest rate risk. The Consolidated Entity and the Company have long term borrowings issued at both fixed and floating interest rates. For floating rate exposures, the Consolidated Entity partially hedge the exposure by entering into interest rate and cross currency swaps, whereby the Consolidated Entity and the Company agree with their counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts.

26 Financial Risk Management (cont'd)

Credit risk

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to committed transactions. The Consolidated Entity and the Company limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Consolidated Entity and the Company only accept independently rated parties with minimum ratings. The Board of the Company from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security.

MAL Consolidated As at 31 December 2007	Governments $'000	Financial Institutions $'000	Corporates $'000	Total $'000
Cash and cash equivalents	-	1,819,583	-	1,819,583
Receivables	4,302	108,537	149,330	262,169
Total	4,302	1,928,120	149,330	2,081,752

MAL Consolidated As at 31 December 2006	Governments $'000	Financial Institutions $'000	Corporates $'000	Total $'000
Cash and cash equivalents	-	222,906	-	222,906
Receivables	4,888	170	60,259	65,317
Total	4,888	223,076	60,259	288,223

- **Governments**

The credit risk to government relates to receivables that are due from the Belgium, Danish, Italian and United Kingdom governments which are all institutions with strong credit ratings.

- **Financial Institutions**

The credit risk to financial institutions relates to cash held by, receivables due from and negotiable certificates of deposit and commercial paper that has been purchased from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum credit rating.

- **Corporates**

The credit risk to corporates relates to aeronautical, retail and property trade receivables at the airport asset level. These counterparties have a range of credit ratings.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Consolidated Entity and the Company have a prudent liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or near cash assets, anticipated cash in and outflows and exposure to connected parties.

Undiscounted future cash flows

Consolidated 2007	Less than 1 year $'000	**1-2 years** $'000	**2-3 years** $'000	3-5 years $'000	Greater than 5 years $'000
Loans from MAT(1)	39,759	39,650	39,650	79,409	78,774
Bank Facilities	2,165	2,104	1,939	3,883	23,260
Bullet bonds	19,939	19,884	19,884	39,823	60,748
MACH external borrowings	70,267	70,075	-	-	-
Lease Liabilities	5,849	-	-	-	-
Payables	285,053	141,569	-	-	-
Financial Liabilities	420,767	-	-	-	-
Derivative financial instruments	(19,588)	(19,588)	(19,588)	(19,588)	(19,588)

26 Financial Risk Management (cont'd)

Consolidated 2006	Less than 1 year $'000	1-2 years $'000	**2-3 years** $'000	3-5 years $'000	Greater than 5 years $'000
Loans from Macquarie Reset Exchange Securities Trust	55,760	55,913	55,760	111,521	175,710
Bank Facilities	5,667	5,682	4,366	5,553	-
Bullet bonds	22,134	22,134	22,134	44,268	89,816
MACH external borrowings	53,521	53,521	53,521	-	-
Lease Liabilities	5,855	5,871	-	-	-
Payables	103,252	-	-	-	-
Financial Liabilities	61,596	-	-	-	-
Derivative financial instruments	(27,113)	(27,113)	(27,113)	(27,113)	(27,113)

MAL parent has no material foreign exchange exposures.

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Consolidated Entity and the Company is the current bid price.

The fair value of financial instruments that are not actively traded in an active market is determined using valuation techniques. Discounted cash flows, are used to determine fair value for the remaining financial instruments (refer Note 1(d) and 1(u)). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing foreign exchange risk, management has assumed a +/- 10% movement in the Australian dollar. The below tables display the balances for financial instruments that would be recognised in the income statement or directly in equity for movement of +/- 10% of the Australian dollar. MAL management has determined a +/- 10% movement in the Australian dollar to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies over the current year.

MAL Consolidated	Foreign exchange risk			
As at 31 December 2007	10% appreciation of Australian dollar		10% depreciation of Australian dollar	
	P&L $'000	Equity $'000	P&L $'000	Equity $'000
Cash and cash equivalents	(2,426)	(76,556)	2,426	76,556
Receivables	(12)	(23,613)	12	23,613
Payables	29	34,613	(29)	(34,613)
Financial liabilities at fair value	-	40,344	-	(40,344)
Interest bearing liabilities	-	372,339	-	(372,339)
	(2,409)	347,127	2,409	(347,127)

26 Financial Risk Management (cont'd)

■ *Fair value estimation (cont'd)*

MAL Consolidated As at 31 December 2006	Foreign exchange risk 10% appreciation of Australian dollar		10% depreciation of Australian dollar	
	P&L $'000	Equity $'000	P&L $'000	Equity $'000
Cash and cash equivalents	(2,012)	(13,632)	2,012	13,632
Receivables	(15)	(5,724)	15	5,724
Payables	157	7,716	(157)	(7,716)
Financial liabilities at fair value	-	5,618	-	(5,618)
Interest bearing liabilities	-	168,567	-	(168,567)
	(1,870)	162,545	1,870	(162,545)

In assessing interest rate risk, management has assumed a +/- 50 basis point movement in interest rates. The below tables display the affect that a +/- 50 basis point interest rate movements would be recognised in the income statement or would be recognised directly in equity. MAL management has determined that a +/- 50% basis point movement to be the appropriate sensitivity following analysis of the interest spreads of comparable debt instruments.

MAL Consolidated As at 31 December 2007	Interest rate risk 50 basis point increase in interest rates depending on country		50 basis point decrease in interest rates depending on country	
	P&L $'000	Equity $'000	P&L $'000	Equity $'000
Cash and cash equivalents	9,135	-	(9,135)	-
Interest bearing liabilities	(958)	-	958	-
Derivatives	-	59,757	-	(62,433)
	8,177	59,757	(8,177)	(62,433)

MAL Consolidated As at 31 December 2006	Interest rate risk 50 basis point increase in interest rates depending on country		50 basis point decrease in interest rates depending on country	
	P&L $'000	Equity $'000	P&L $'000	Equity $'000
Cash and cash equivalents	1,115	-	(1,115)	-
Interest bearing liabilities	(373)	-	373	-
Derivatives	-	60,751	-	(63,526)
	742	60,751	(742)	(63,526)

For MAL parent, a 50 basis point increase in interest rates will increase the Income Statement by $4.853 million (2006: $0.255 million). A 50 basis point decrease will decrease the Income Statement by $4.853 million (2006: $0.255 million).

27 Commitments

Copenhagen Airports has entered into finance leases regarding buildings and other fixed assets. The assets will be transferred to Copenhagen Airports at the net carrying amount on expiry of the leases. The leases are irrevocable by Copenhagen Airports until 31 December 2008. The counterparties can terminate the leases at six months' notice. If the agreements had terminated on 31 December 2007, the purchase commitment would have amounted to DKK 436.1 million. The details of these leases are provided below. Copenhagen Airports is committed to provide redundancy pay to civil servants pursuant to the provisions of the Danish Civil Servants Act. At 31 December 2007, Copenhagen Airports had entered into contracts to build facilities and other commitments totalling DKK 269.0 million. Under a management agreement between Hilton International and Copenhagen Airports' Hotel and Real Estate Company A/S, Copenhagen Airports has undertaken to pay the contractual consideration to Hilton for managing the hotel. The agreement expires on 31 December 2021.

	Consolidated 2007 $'000	Consolidated 2006 $'000
Commitments for finance leases are payable as follows:		
Within one year	-	3,970
Later than one year but not later than five years	-	15,881
Later than five years	-	77,959
	-	97,810
Future finance charges	-	(1,188)
Recognised as a liability	-	96,622

At balance date Brussels Airport has €13.9 million ($23.1 million) in capital commitments over the next 12 months.

At 31 December 2007, the Consolidated Entity and the Company have no other commitments which are material either individually or as a class.

28 Contingent Liabilities and Assets

At 31 December 2007, the Consolidated Entity has no contingent assets or liabilities which are material either individually or as a class.

29 Events Occurring after Balance Sheet Date

A final distribution of 13.00 cents (2006: 12.00 cents per stapled security) and a special distribution of 5.00 cents per stapled security (2006: 0.00 cents per stapled security) was paid by MAp to security holders on 19 February 2008. This payment was made by Macquarie Airports Trust (1) ("MAT1").

A portion of stapled security holders participated in MAp's Distribution and Dividend Reinvestment Plan for the final distribution paid on 19 February 2008. Of the total distribution, 36.8% ($114.0 million) was reinvested in MAp. No new MAp securities were issued as part of the DRP as securities allocated to participants in the DRP were purchased on-market.

Since the end of the year, the directors of the Company 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 Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in years subsequent to the year ended 31 December 2007.

Statement by the Directors of Macquarie Airports Limited

In the opinion of the directors of Macquarie Airports Limited ("the Company"):

a) the financial statements and notes for the Consolidated Entity (as defined in Note 1(b)) set out on pages 7 to 60 are:
   i. complying with Accounting Standards and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the Consolidated Entity's and the Company's financial position as at 31 December 2007 and of their performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that the Consolidated Entity and the Company will be able to pay its debts as and when they become due and payable.

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

Jeffrey Conyers	**Sharon Beesley**
Bermuda	Bermuda
19 February 2008	19 February 2008

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Independent auditor's report to the members of Macquarie Airports Limited

Report on the financial report

We have audited the accompanying financial report of Macquarie Airports Limited, which comprises the balance sheets as at 31 December 2007, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies, accompanying notes to the financial statements, other explanatory notes and the directors' declaration for Macquarie Airports Limited (the company) and Macquarie Airports Limited Group (the consolidated entity) . The consolidated entity comprises the company and the entities it controlled during the year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

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

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

PRICEWATERHOUSECOOPERS

Matters relating to the electronic presentation of the audited financial report.

This auditor's report relates to the financial report of Macquarie Airports Limited for the year ended 31 December 2007 included on Macquarie Airports web site. The company's directors are responsible for the integrity of the Macquarie Airports web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Macquarie Airports Limited, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of Macquarie Airports Limited and Macquarie Airports Limited Group's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies comply with International Financial Reporting Standards as disclosed in Note 1

PricewaterhouseCoopers

PricewaterhouseCoopers

EA Barron
Partner

Sydney
19 February 2008