

# 2004 MAp Tax Statement Guide: Essential information to help in completing your 2004 Australian income tax return

**MACQUARIE AIRPORTS**



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This Guide is not intended to be tax advice and investors should consult a professional tax adviser, if necessary, for tax advice required in connection with completion of tax returns.

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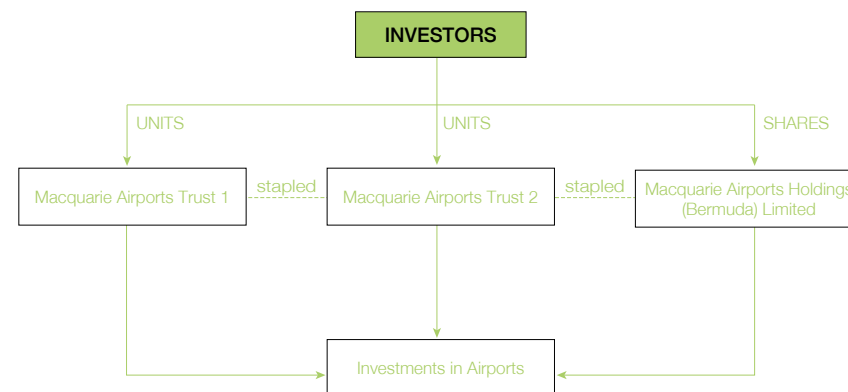
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July 2004

Dear MAp Investor,

We are pleased to enclose your Macquarie Airports ("MAp") Tax Statement Summary and your MAp Annual Distribution Statement. These statements contain information you need to help you complete your 2004 Australian income tax return. This 2004 MAp Tax Statement Guide will help you to use that information and complete your return.

MAp is comprised of three entities listed on the Australian Stock Exchange: Macquarie Airports Trust (1) ("MAT (1)"), Macquarie Airports Trust (2) ("MAT (2)") and Macquarie Airports Holdings (Bermuda) Limited ("MAHBL"). Securities in the three entities are stapled together. A summarised structure of MAp and its investments is illustrated below.



The units in MAT (1) and MAT (2) and the shares in MAHBL cannot be traded separately and can only be traded as stapled securities. MAT (1) and MAT (2) have a 31 December tax year end.

If you were a holder of stapled securities at 30 June 2003 and/or 31 December 2003, you received distributions from MAT (1) in respect of the year ended 31 December 2003 (paid on 18 August 2003 and 18 February 2004). No distribution was paid by MAT (2) or MAHBL in respect of that year.

The principal activity of MAp is investment in airports, including direct and indirect interests in Sydney Airport, Aeroporti di Roma (or Rome Airport), Bristol Airport and Birmingham Airport. Should you require further details of MAp's activities and investments, please refer to the MAp 31 December 2003 Annual Report.

**If you are an individual who was a resident of Australia for income tax purposes during the year ended 30 June 2004, you will need:**

- Your MAp Tax Statement Summary (you will not need your MAp Annual Distribution Statement); and
- This Guide, a copy of TaxPack 2004 and of the TaxPack 2004 Supplement, and (possibly) copies of certain other Australian Taxation Office ("ATO") publications (referred to in this Guide).

You need to follow the steps in Part A of this Guide in order to correctly report your MAp distributions in your 2004 Australian income tax return.

This year we have included a 'Shortcut Guide for Australian Resident Individuals'. If you meet all of the conditions (on page 6) for using that Shortcut Guide, it should enable you to complete your 2004 individual tax return relevant to your MAp investment without working through all of the relevant parts of this Guide (Parts A, B, C, D and E).

If you disposed of any or all of your MAp investment during the year ended 30 June 2004 (or entered into a contract on or before 30 June 2004 to do so) you also need to address the income tax (including capital gains tax ("CGT")) consequences of that disposal. Further, if you did not dispose of your MAp investment, the tax-deferred distributions you received may in certain circumstances be relevant to your CGT position for the year ended 30 June 2004. Part B of this Guide will give you information which you will need for those purposes.

Parts C and D of this Guide contain information which may be of benefit to some investors. You do not need to read these sections if you are an individual who was a resident of Australia for income tax purposes during the year ended 30 June 2004.

In addition, Part E of this Guide provides information that you do not need to put in your 2004 tax return but that you need to keep because it may be beneficial for you in future years.

**If you are NOT an individual but you were a resident of Australia for income tax purposes during the year ended 30 June 2004, you will need to:**

- Reflect distributions from MAp appropriately in your Australian income tax return. Your MAp Annual Distribution Statement should give you the information you need (and you will not need the MAp Tax Statement Summary);
- Reflect any relevant gain or loss on disposal of any or all of your MAp investment during the year in your Australian income tax return. Part B of this Guide will give you information which will assist you in computing any CGT result; and
- Read Parts C, D and E of this Guide (in relation to Foreign Investment Funds, Controlled Foreign Companies, and Attribution Accounts).

**If you were NOT a resident of Australia during the year ended 30 June 2004,** you will need to decide whether you should lodge an Australian income tax return. The information in your MAp Tax Statement Summary, MAp Annual Distribution Statement and in this Guide will assist you to complete your tax return, if necessary.

If you need further factual information please contact Lisa Fraser (02 8232 4254) or Andrew Kropman (02 8232 5270) of Macquarie Airports Management Limited. You should consult your tax adviser if you require general tax advice on any of the above points.

You should keep your MAp Tax Statement Summary and MAp Annual Distribution Statement and this Guide with your tax papers, in case the ATO wishes to see them at some time.

Yours sincerely,



Kerrie Mather  
Chief Executive Officer  
Macquarie Airports Management Limited  
ABN 85 075 295 760

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## Shortcut Guide for Australian Resident Individuals

### Conditions for using this MAp Shortcut Guide

If you satisfy all of the following conditions, you can use this Shortcut Guide to help you complete your Australian 2004 income tax return in relation to your MAp investment:

- you are an individual, and you hold your MAp investment for your own benefit (and not as a trustee for anyone else);
- you were a resident of Australia for tax purposes at all times during the year ended 30 June 2004;
- you did not dispose of, or enter into a contract to dispose of, any of your MAp investment during the year ended 30 June 2004;
- the tax deferred distributions that you received from MAT (1) during the year ended 30 June 2004 and in prior years did not exceed your CGT cost base of your units in MAT (1) (it is extremely unlikely that the tax deferred distributions made by MAT(1) up to 30 June 2004 would have exceeded the cost base of MAT (1) units held by any MAp investor);
- other than the foreign source income included in your MAp Tax Statement Summary, you did not derive any other kind of foreign source income during the year ended 30 June 2004;
- you are not entitled to any tax deductions (eg for interest on borrowings) in relation to your MAp investment for the year ended 30 June 2004;
- you did not (either individually or with associates) have a 10% or greater interest in MAp during the year ended 30 June 2004; and
- other than your interest in MAHBL, you did not hold any interests (either directly or indirectly) in any foreign entities, assets or property.

If you are not sure whether you satisfy any of the above conditions, you should work through this Guide and/or consult a professional tax adviser.

### MAp Shortcut Guide

Provided you satisfy all of the above conditions, the information set out in the MAp Shortcut Table below is a summary of the amounts and disclosures that you should include in your 2004 income tax return in respect of your MAp investment.

## MAp Shortcut Table

Items as shown in TaxPack 2004 (supplementary section)	2004 Tax Return (Supplementary Section) Item No.	Amount on MAp Tax Statement Summary	MAp Tax Statement Guide Reference
12. Partnerships and trusts: <i>Non-primary production:</i> - Distribution from trusts, less net capital gains and foreign income	12U	Item (1)	Part A, Section 1
<i>Share of credits from income:</i> - Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions	12R	Item (4)	Part A, Section 4
18. Foreign entities: Did you have an interest in a foreign investment fund (FIF) or a foreign life assurance policy (FLP)?	18J	Print <b>X</b> in the <b>YES</b> box (but do not put any amount at Item 18C)	Part A, Section 5
19. Foreign source income and foreign assets or property: Assessable foreign source income Other net foreign source income During the year did you own, or have an interest in, assets located outside Australia which had a total value of AUD \$50,000 or more?	19E 19M 19P	Item (2) Item (2) Print <b>X</b> in the <b>NO</b> box	Part A, Section 2 Part A, Section 6

If you are using this Shortcut Guide, the following diagram may assist you to complete your 2004 income tax return for individuals (supplementary section).

## Macquarie Airports (MAP)

### MAP TAX STATEMENT SUMMARY Information for your 2004 tax return

#### Summary for investment in MAT (1), MAT (2) AND MAHBL

	Distributions Paid in Respect of the Year Ended 31 December 2003 <sup>a</sup>	Assessable Income of Year Ended 30 June 2004 for Australian Income Tax Purposes	2004 Income Tax Return (Supplementary Section) Item No.
<b>Australian non-primary production income</b>			
– 18 August 2003	\$<AAA,AAA>	\$<AAA,AAA>	
– 18 February 2004	\$<AAA,AAA>	\$<AAA,AAA>	
		<b>\$&lt;AAA,AAA&gt;<sup>(1)</sup></b>	<b>12U</b>
<b>Foreign source income</b>			
– 18 August 2003	\$<BBB,BBB>	\$<BBB,BBB>	
– 18 February 2004	\$<BBB,BBB>	\$<BBB,BBB>	
		<b>\$&lt;BBB,BBB&gt;<sup>(2)</sup></b>	<b>19E &amp; 19M</b>
<b>Tax-deferred amounts<sup>b</sup></b>			
– 18 August 2003	\$<xxx,xxx> <sup>(3)</sup>		
– 18 February 2004	\$<xxx,xxx> <sup>(3)</sup>		
<b>Total gross cash distributions</b>	\$<xxx,xxx>		
<b>Less: Tax withheld<sup>c</sup></b>			
– resident	<b>\$ CCC,CCC.CC<sup>(4)</sup></b>		<b>12R</b>
– non-resident	\$< xxx,xxx.xx>		
<b>Total net cash distributions</b>	\$<xxx,xxx.xx>		

**INCOME** Pages 12-9 in TaxPack 2004 supplement will help you to correctly fill in the following items.

### 12 Partnerships and trusts

Includes any deferred non-commercial business losses from a prior year as well as an appropriate and insert the relevant code in the TYPE box.

**Primary production**

Distribution from partnerships  N 00-00-00

Distribution from trusts  L 00-00-00

Landcare operations and deduction for decline in value of water facility  I 00-00-00

Other deductions relating to distribution  X 00-00-00

Net primary production distribution: 00-00-00

If you have a net loss from a partnership business activity, complete items P3 and P9 in the 2004 business and professional items schedule for individuals. If access to item 12.

**Non-primary production**

Distribution from partnerships less foreign income  O 00-00-00

Distribution from trusts  U **A A A A A A** 00

Landcare operations expense  J 00-00-00

Other deductions relating to distributions shown at Q and U  Y 00-00-00

Net non-primary production distribution: 00-00-00

Close distributions of net capital gains at item 17 and foreign income at item 18 or 19.

**Share of credits from income**

Share of credit for tax withheld where Australian business number not quoted  P 00-00-00

Share of banking credit from franked dividends  Q 00-00-00

Share of credit for tax file number amounts withheld from interest, dividends and unit trust distributions  R **C C C C C C C C**

Share of credit for tax paid by trustee  S 00-00-00

### 18 Foreign entities

Did you have either a direct or indirect interest in a controlled foreign company (CFC)?  I **NO**  YES CFC income:  K 00-00-00

Have you ever, either directly or indirectly, caused the transfer of property—including money—or services to a non-resident trust estate?  W **NO**  YES transfer trust income:  B 00-00-00

Did you have an interest in a foreign investment fund (FI) or a foreign life assurance policy (FLP)?  J **NO**  YES FIF and FLP income:  C 00-00-00

### 19 Foreign source income and foreign assets or property

Australian foreign income  E **B B B B B B** 00

Net foreign employment and net foreign pension or annuity income WITHOUT an undeducted purchase price:  L 00-00-00

Net foreign pensions or annuity income WITH an undeducted purchase price:  D 00-00-00

Other net foreign income  M **B B B B B B** 00

Also include at  Australian banking credits from a New Zealand company that you have received indirectly through a partnership or trust distributor:  F 00-00-00

Australian banking credits from a New Zealand company:  F 00-00-00

Exempt foreign employment income:  N 00-00-00

Foreign tax credits:  O 00-00-00

During the year did you own, or have an interest in, assets located outside Australia which had a total value of AUD\$50,000 or more?  P **NO**  YES

## Part A: Australian Resident Individuals - How to complete your 2004 Australian Income Tax Return using your MAp Tax Statement Summary

The sections you need to follow in this Guide depend on where amounts appear on your MAp Tax Statement Summary.

If there is an amount next to this item on your MAp Tax Statement Summary then you need to go to the relevant section of Part A of this Guide.

Number on MAp Tax Statement Summary	Nature of Item	Go to Part A of this Guide, Section . . .
(1)	Australian non-primary production income	1
(2)	Foreign source income	2
(3)	Tax-deferred amounts	3
(4)	Tax withheld	4

**Regardless of what amounts appear on your MAp Tax Statement Summary, you also need to go to these sections of Part A of this Guide:**

Nature of item	Go to Part A of this Guide, Section...
Foreign entities	5
Foreign assets	6

This Guide does not address any deductions to which you may be entitled in relation to any expenses or outgoings you may have incurred in relation to your investment in MAp. If you are entitled to any such deductions, you should follow the instructions in TaxPack 2004 and the TaxPack 2004 Supplement and/or consult your tax adviser in order to claim those deductions.

## Part A, Section 1

### Australian non-primary production income (from MAT (1))

The total of these amounts is shown beside (1) on your MAp Tax Statement Summary.

#### Step 1

Go to question 12 on page s2 of the TaxPack 2004 Supplement and answer 'YES' to the question on the page.

#### Step 2

Work through question 12. When you come to Part B of question 12 on page s3, answer 'YES' and proceed to read that part. In Step 2 on page s4, include the total amount beside (1) on your MAp Tax Statement Summary in the amount to be shown at U, item 12 on page 9 of your 2004 tax return for individuals (supplementary section).

#### Step 3

Continue with question 12. When you come to Part E of question 12 on page s6, refer to Part A, Section 4 of this Guide.

## Part A, Section 2

### Foreign source income

The total of these amounts is shown beside (2) on your MAp Tax Statement Summary.

#### Step 1

Go to question 19 on page s22 of the TaxPack 2004 Supplement and answer 'YES' to the question on the page.

#### Step 2

Work through Parts A, B and C of question 19.

When you come to Part D on page s25, you should answer 'YES' and proceed to read that part. Then, in Step 1 of Part D, include the amount beside (2) on your MAp Tax Statement Summary on your notepaper as assessable income in the "modified passive income" class. This amount consists of income that was attributed to MAT (1) in respect of its offshore interests under Australia's foreign income attribution rules known as the Controlled Foreign Company or "CFC" rules.

Please note that you had no foreign tax taken away from this income.

You might have incurred costs yourself which you think might be deductible against this foreign source income. If so, in relation to Step 2 of Part D of question 19, you should consult your tax adviser and/or refer to the ATO's publication titled 'Foreign income return form guide' for further assistance to determine whether you are entitled to any deductions.

### Step 3

Continue working through Part D of question 19. Step 3 of Part D will require you to include an amount at M, item 19 on page 10 of your 2004 tax return for individuals (supplementary section). Part E will require you to include an amount at E, item 19 on page 10 of your 2004 tax return for individuals (supplementary section).

When you come to Part G of question 19 on page s26, refer to Part A, Section 6 of this Guide.

**IMPORTANT NOTE** - The above steps regarding question 19 and foreign source income do not apply to any investor in MAp that either individually or with associates had a 10% or greater interest in MAp at any time. If you did hold such an interest in MAp, you should seek further assistance from Lisa Fraser (02 8232 4254) or Andrew Kropman (02 8232 5270) of Macquarie Airports Management Limited. If you are unsure whether you held such an interest, you should consult your tax adviser.

## Part A, Section 3

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### Tax-deferred amounts

This amount is shown beside (3) on your MAp Tax Statement Summary.

The amount beside (3) on your MAp Tax Statement Summary represents distributions to you out of the accounting profits of MAT (1). These distributions were 'tax-deferred' and, except as described below, do not form part of your assessable income for tax purposes and do not have to be reported in your 2004 tax return.

The tax-deferred components of your distributions reduce the cost base and reduced cost base, as relevant, of your investment in units in MAT (1) for the purposes of CGT. Some or all of a tax-deferred component will itself constitute a capital gain if the cost base is reduced to zero by that tax-deferred distribution or has been reduced to zero by prior tax-deferred distributions. You should read 'Tax-deferred distributions' on pages 14-15 of Part B of this Guide if you think this may have occurred in your circumstances.

## Part A, Section 4

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### Tax withheld

This amount is shown beside (4) on your MAp Tax Statement Summary.

#### Step 1

If there is an amount beside (4) on your MAp Tax Statement Summary, go to Part E of question 12 on page s6 of the TaxPack 2004 Supplement and work through that part. You should include the amount beside (4) on your MAp Tax Statement Summary in the amount to be shown at R, item 12 on page 9 of your 2004 tax return for individuals (supplementary section).

The amount represents 48.5% PAYG (previously TFN) withholding tax deducted from your distribution because you did not provide a Tax File Number (TFN) or (where relevant) Australian Business Number (ABN) or exemption for your MAp investment.

## Part A, Section 5

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### Foreign entities

MAHBL, being a company that is not a resident of Australia for Australian tax purposes, is a foreign investment fund or a "FIF". If you held any MAp stapled securities at 30 June 2004, you are regarded as holding an interest in a FIF (MAHBL) for the purposes of your 2004 tax return.

#### Step 1

If you held any MAp stapled securities at 30 June 2004, go to question 18 on page s20 of the TaxPack 2004 Supplement and answer 'YES' to the first question on the page.

#### Step 2

Work through Parts A, B and C of question 18.

For Part A, if your only interest in companies that were non-residents of Australia during the year ended 30 June 2004 was in MAHBL, you should answer 'NO' to the question in Part A and follow the ATO's instructions for a 'NO' answer. If you answer 'YES' to the question in Part A, read Part A and follow the ATO's instructions for a 'YES' answer.

#### Step 3

When you come to Part C, answer 'YES' to the question and proceed to read that part. For Step 1 of Part C, you will need to print 'X' in the YES box at J, item 18 on page 10 of your 2004 tax return for individuals (supplementary section).

Continue working through the four steps of Part C. When addressing Step 2, please note that your attributed foreign income from MAHBL under the FIF rules was nil for the year ended 30 June 2004. This is because your interest in MAHBL qualifies for exemption from FIF taxation under section 497 of the Income Tax Assessment Act 1936. When addressing Step 4, please note that you cannot claim any foreign tax credit in respect of MAHBL.

**IMPORTANT NOTE** - The above comments do not apply to any investor in MAp that either individually or with associates had a 10% or greater interest in MAp at any time. If you did hold such an interest in MAHBL, you should seek further assistance from Lisa Fraser (02 8232 4254) or Andrew Kropman (02 8232 5270) of Macquarie Airports Management Limited. If you are unsure whether you held such an interest, you should consult your tax adviser.

The above comments also do not apply to any investor who has made an election under the FIF rules to use 31 December as the 'notional accounting period' of MAHBL. If you are such an investor, you should consult your tax adviser to determine the appropriate treatment.

## Part A, Section 6

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### Foreign assets

You need to address Part G of question 19 on page s26 of the TaxPack 2004 Supplement, as your interest in MAHBL is an interest in assets located outside Australia.

#### Step 1

At Part G of question 19 on page s26 of the TaxPack 2004 Supplement, you should answer 'NO' to the question at Part G if your only interest in assets outside Australia during the year ended 30 June 2004 was in MAHBL. Then, follow the ATO's instructions for a 'NO' answer. (The ATO's instructions state that a 'NO' answer should be given where the only asset or assets held overseas are covered by question 18. Your interest in MAHBL is covered by question 18.)

If you answer 'YES' to the question at Part G, read Part G and follow the ATO's instructions for a 'YES' answer. If you need to know the value of a share in MAHBL at 30 June 2004, you may choose to adopt the Responsible Entity's view that the allocation of value between the entities implied by the 30 June 2004 stock exchange pricing was in accordance with the table on page 16.

## Part B: Capital Gains Tax on disposals of investments in MAp and, in some cases, on receipt of tax-deferred distributions from MAp

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If you disposed of any or all of your MAp investment in the year ended 30 June 2004, you need to address the tax consequences of that disposal. Tax consequences may also have arisen from any tax-deferred distributions you received in the year ended 30 June 2004.

### Revenue v capital account

While many investors hold investments such as MAp securities on capital account, in certain circumstances, including where your MAp investment was held as part of the assets of a business, the investment may have been held on revenue account.

If you held your MAp investment on revenue account, you may have a revenue gain or loss which you will need to compute.

If you believe that you held your MAp investment on revenue account, or you are in any doubt, you may wish to consult your tax adviser.

Whether or not you held your MAp investment on revenue account, you will need to compute a capital gains tax ("CGT") result. The remainder of this Part B is concerned with CGT and your MAp investment.

### Recognition of capital gain or loss

You will need to reflect in your Australian income tax return the CGT result of any disposal of part or all of your MAp investment.

The time of disposal for CGT purposes is the time of the contract to make the disposal. If you entered into such a contract at any time in the year ended 30 June 2004 and you are an individual, and/or a taxpayer with a 30 June tax year end, who was a resident of Australia for income tax purposes during the year ended 30 June 2004, you need to reflect the result in your 2004 Australian income tax return.

### Tax-deferred distributions

During the year ended 30 June 2004, two tax-deferred distributions were made by MAT (1) - on 18 August 2003 and 18 February 2004. Each of those distributions reduces the cost base (and, if relevant, the reduced cost base) of your MAT (1) units. In the event that the cost base of a unit is reduced to nil by such distributions, any further tax-deferred distributions on the unit can constitute capital gains. This means that such tax-deferred distributions (after your cost base has been reduced to nil) will have to be included in your capital gains for the purposes of working out your overall CGT result to be included in your Australian income tax return.

This is the case even though you might not have disposed of your MAp investment. It seems extremely unlikely that the tax-deferred distributions made by MAT (1) up to 30 June 2004 would have eliminated the cost bases of MAT (1) units held by any MAp investors, but investors should satisfy themselves on this point.

Technically, the receipt of a tax deferred distribution is a 'CGT event' known as 'CGT Event E4'. If you are an Australian resident individual, you only need to answer 'Yes' to having a CGT event at G, item 17 on page 10 of your 2004 tax return for individuals (supplementary section) if you had a capital gain or loss in respect of a CGT event (refer to Part A of question 17 on page s18 of the TaxPack 2004 Supplement). This means that if you are an individual taxpayer and did not have any other CGT events during the year ended 30 June 2004 (other than the receipt of the MAp tax-deferred distribution amounts), you will only need to answer 'YES' to having a CGT event if your tax deferred distribution amounts exceeded the cost base of your units in MAT (1).

Any capital gains which arose in this way are eligible for the so-called CGT discount (50% to individuals and one third for certain other investors) assuming relevant requirements are met.

The operation of these CGT provisions is complex. If you think you are in this position, you should consider reading the ATO's publications "Guide to capital gains tax" and/or "Personal investors guide to capital gains tax" and/or getting professional advice to ensure you deal with the issues correctly in your tax return.

### Calculation of capital gain or loss

The remaining generalised statements, while not a complete description of CGT, may assist you in computing the CGT result of any sale of your MAp investment.

#### One MAp stapled security constitutes a number of separate assets

A MAp stapled security comprises one unit in MAT (1), stapled to one unit in MAT (2) and one share in MAHBL. For CGT purposes, a unit in MAT (1), a unit in MAT (2), and a share in MAHBL are three separate assets.

If you disposed of your MAp investment in the year ended 30 June 2004, you will need to do three separate CGT calculations, one for each of your investments in MAT (1), MAT (2), and MAHBL.

This means that you will need to split your acquisition cost and your sales proceeds between units in MAT (1), units in MAT (2), and shares in MAHBL.



## Splitting your acquisition cost and sales proceeds

### a) Splitting your acquisition cost

Appendix 1 of Part B will help you to split your acquisition cost between a unit in MAT (1), a unit in MAT (2), and a share in MAHBL. That appendix sets out all the dates and prices at which MAp stapled securities have been issued, and shows how much of the issue price of each stapled security related to a unit in MAT (1), how much to a unit in MAT (2), and how much to a share in MAHBL.

If you acquired your MAp stapled securities by purchase on the ASX, you will need to decide how much of your purchase price for each security related to a unit in MAT (1), how much to a unit in MAT (2), and how much to a share in MAHBL. The Responsible Entity is of the view that the allocation of value between the entities implied by the traded prices on the stock exchange was as per the following table:

Value of a MAp stapled security which related to:	a share in MAHBL	a unit in MAT(2)	a unit in MAT(1)
At all times up to 7 June 2004	1 cent	1 cent	remaining balance
From 8 June 2004 to 30 June 2004	90.20%	9.34%	0.46%

### b) Splitting your sales proceeds

Regardless of how you acquired your MAp stapled securities, you will also need to split the sales proceeds into the part referable to the units in MAT (1), the part referable to the units in MAT (2), and the part referable to the shares in MAHBL. The Responsible Entity is of the view that the allocation of value between the entities implied by the traded prices on the stock exchange was as per the above table.

## Tax-deferred distributions

Parts of the distributions made by MAT (1) were tax-deferred. This means there was a 'CGT event' in respect of each tax-deferred distribution and they reduced the cost base (or, if relevant, the reduced cost base) for CGT purposes of your units in MAT (1).

Please refer to Appendix 2 of this Part B which sets out the tax-deferred amounts distributed by MAT (1) up to 30 June 2004. Please also note that neither MAT (2) nor MAHBL has ever made any tax-deferred distributions.

Calculations of exactly how tax-deferred distributions reduce the cost base (and, if relevant, the reduced cost base) can be complex. You may wish to read the ATO's "Guide to capital gains tax" and/or "Personal investors guide to capital gains tax" and/or obtain professional assistance.

## Inclusions in cost base

Don't forget that incidental costs of acquisition and disposal (such as broker fees and stamp duty) should be included in the cost base (and, if relevant, the reduced cost base) of your units and shares.

## Other general comments

### If you are an individual . . .

If you are an individual and in the year ended 30 June 2004 you sold, or entered into a contract to sell, your MAp investment, then your CGT result in respect of that sale should generally be as follows in respect of your units in each of MAT (1) and MAT (2) and your shares in MAHBL:

- If you held your units or shares for less than a year: your CGT gain or loss is the difference between your sales proceeds and your cost base or reduced cost base (after reduction for any tax-deferred amounts); or
- If you held your units or shares for a year or more, and your sales proceeds were less than your reduced cost base (after reduction for any tax-deferred amounts): your CGT loss is the difference between the two amounts; or
- If you held your units or shares for a year or more, and your sales proceeds exceeded your cost base (after reduction for any tax-deferred amounts): your CGT gain is computed using the discount method.

### The Discount Method

Under the discount method, your CGT gain is called a "discount capital gain". Provided you have no CGT losses, the CGT gain will be equal to half of the excess of your sales proceeds over your cost base (after reduction by any tax-deferred amounts).

### Completing your Australian income tax return

If you are an individual, the following comments will help you deal with TaxPack 2004 and associated publications.

You will need the TaxPack 2004 Supplement. Question 17 on page s18 asks you about capital gains, and suggests you might need to get further ATO publications. These are the ATO's "Guide to capital gains tax" and the ATO's "Personal investors guide to capital gains tax".

Question 17 in the TaxPack 2004 Supplement assists you to complete your 2004 Australian income tax return in relation to CGT.

### If you are not an individual..

If you are not an individual and if you disposed, or entered into a contract to dispose, of your investment in MAp in the year ended 30 June 2004, the ATO publications mentioned above may assist you. Alternatively, you may choose to have your tax agent complete your return. Please bear in mind that, while highly unlikely, it is possible that some investors had capital gains in the year ended 30 June 2004 from the receipt of tax-deferred distributions from MAT (1), even though they may not have disposed of their MAp stapled securities. This is explained under "Tax-deferred distributions" on pages 14-15 of this Guide.

## Part B: Appendix 1

### Split of MAP issue prices (to 30 June 2004) between MAT (1), MAT (2), and MAHBL

Date of Issue	Type of Issue	Issue Price per Stapled Security		Issue Price of Unit in MAT (1)		Issue Price of Unit in MAT (2)		Issue Price of Share in MAHBL	
		\$	%	\$	%	\$	%	\$	%
2 April 2002	Initial Allotment*	2.00	100	1.98	99.00	0.01	0.50	0.01	0.50
13 Aug 2002	Institutional Placement	1.53	100	1.51	98.70	0.01	0.65	0.01	0.65
13 Aug 2002	Priority Entitlement	1.50	100	1.48	98.66	0.01	0.67	0.01	0.67
5 Sep 2002	Priority Entitlement	1.50	100	1.48	98.66	0.01	0.67	0.01	0.67
21 July 2003	Institutional Placement	1.50	100	1.48	98.66	0.01	0.67	0.01	0.67
17 Nov 2003	Institutional Placement	1.73	100	1.71	98.84	0.01	0.58	0.01	0.58
18 Feb 2004	DRP	1.70	100	1.68	98.82	0.01	0.59	0.01	0.59
5 May 2004	MAG Acquisition	1.85	100	1.83	98.92	0.01	0.54	0.01	0.54

\* These securities were issued on an instalment basis. The initial instalment due was \$1 per stapled security, with \$0.005 allocated to a share in MAHBL, \$0.005 allocated to a unit in MAT (2) and the remainder allocated to a unit in MAT (1). The second and final instalment was due and payable on 1 October 2002 and was \$1 per stapled security, with \$0.005 allocated to a share in MAHBL, \$0.005 allocated to a unit in MAT (2) and the remainder allocated to a unit in MAT (1).

## Part B: Appendix 2

### Tax-deferred distributions made

#### Tax-deferred distributions made by MAT (1)

(up to 30 June 2004)

Date	Tax-deferred distribution made per unit
16 August 2002	1 cent
18 February 2003	0.9988 cents
18 August 2003	3.0436 cents
18 February 2004	1.6970 cents

#### Tax-deferred distributions made by MAT (2)

(up to 30 June 2004)

MAT (2) did not make any tax-deferred distributions up to 30 June 2004.

#### Tax-deferred distributions made by MAHBL

(up to 30 June 2004)

MAHBL did not make any tax-deferred distributions up to 30 June 2004.

## Part C: Foreign Investment Funds

Note: You do NOT need to read this Part C if you are an individual who was a resident of Australia for income tax purposes during the year ended 30 June 2004 (as you have already dealt with Foreign Investment Funds in Part A).

MAHBL, being a company that is not a resident of Australia for Australian tax purposes, is a foreign investment fund or a "FIF". If you held any MAP stapled securities at 30 June 2004, you are regarded as holding an interest in a FIF (MAHBL) for Australian tax purposes (provided that 30 June 2004 is your tax year end and you did not make an election under the FIF rules to use 31 December as the 'notional accounting period' of MAHBL).

On the basis that shares in MAHBL were listed on the ASX during the year ended 30 June 2004 in a class of entities designated as being engaged in "Industrials/Transportation/Transportation Infrastructure/Airport Services" activities, it is considered that a MAHBL shareholder is entitled to an exemption from FIF taxation under section 497 of the Income Tax Assessment Act 1936 for the year ended 30 June 2004.

**IMPORTANT NOTE** - Any investor in MAP that either individually or with associates had a 10% or greater interest in MAP at any time should seek further assistance from Macquarie Airports Management Limited. If you are unsure whether you held such an interest, you should consult your tax adviser.

## Part D: Controlled Foreign Companies

Note: You do NOT need to read this Part D if you are an individual who was a resident of Australia for income tax purposes during the year ended 30 June 2004.

Investors who are NOT individuals, but who are resident in Australia for tax purposes, may need to know details in relation to the Controlled Foreign Companies (CFCs) of MAT (1) - for example, to complete a Schedule 25A as part of an Australian income tax return. Relevant details are set out below.

### CFC details

MAT (1) had direct or indirect interests in the following number of CFCs throughout the year ended 30 June 2004:

- four CFCs in broad-exemption listed countries;
- two CFCs in limited-exemption countries; and
- two CFCs in unlisted countries.

### Attributable foreign source income

Further details regarding the amounts of attributable foreign source income from MAT (1)'s CFCs that are included in your MAp Annual Distribution Statement are set out in the table on page 21 of Part E of this Guide.

## Part E: Attribution Accounts

Note: You do NOT need to read this Part E if you held less than 2,116 MAp securities during the year ended 31 December 2003.

You do not need to disclose the following information in your Australian income tax return. However, you should retain this information for your files.

If you held at least 2,116 MAp securities during the year ended 31 December 2003, you are entitled to maintain attribution accounts in respect of MAT (1)'s CFCs if you so wish, in accordance with Australia's special foreign income attribution rules known as the Controlled Foreign Company or 'CFC' rules.

However, the maintenance of attribution accounts may be time consuming. Before deciding whether to maintain attribution accounts you should be aware the potential benefits available to you from maintaining such accounts may be minimal. For example, if an individual investor on the highest marginal tax rate held 10,000 MAp securities at 30 June 2003 and 31 December 2003, the maximum tax benefit that might be available in future years to that investor through the maintenance of attribution accounts is less than \$3 in respect of amounts distributed to the investor by MAT(1) for the year ended 31 December 2003.

This is because amounts of attributed foreign income were included in your MAp distributions in respect of the year ended 31 December 2003 (paid on 18 August 2003 and 18 February 2004). These amounts were required to be included in MAT (1)'s assessable income under the CFC rules in respect of the following CFCs of MAT (1):

- MAHBL
- Macquarie Airports Group Limited (MAG)
- Batten SarL (Batten)
- Macquarie Airports Luxembourg SA (MALSA)

You may choose to maintain 'attribution accounts' in respect of the above CFCs (and may be required to do so in respect of other CFCs of MAT (1) in future years).

Attribution accounts may be beneficial to you. In future years you may be able to use the balances on your attribution accounts to do one or both of the following:

- in some circumstances, reduce the amounts of your distributions from MAT (1) that are assessable; and/or
- reduce your sales proceeds for CGT purposes if you dispose of some or all of your MAp investment.

An example of an attribution account is set out below.

Date of Attribution	Details	Debit \$	Credit \$	Balance \$
XX-XX-03	Amount referable to attributable income included in 2004 assessable income of MAT (1) in respect of [insert name of CFC].		<XX>	<XX>

We will advise you each year of the relevant amounts on a per unit basis that you will be entitled to record in your attribution accounts for each CFC in respect of MAp distributions. For the year ended 31 December 2003, the relevant details for your attribution accounts are as follows:

CFC	Country of residence	Date of Attribution Credit*	Attributable foreign income per MAT (1) unit (ie credit entry)
MAHBL	Bermuda	30 June 2003	nil
		31 December 2003	0.009979 cents
Macquarie Airports Group Limited (MAG)	Bermuda	30 June 2003	0.043831 cents
Batten SarL (Batten)	Luxembourg	30 June 2003	0.000454 cents
Macquarie Airports Luxembourg SA (MALSA)	Luxembourg	30 June 2003	0.002984 cents

\* Please note that all of the above CFCs (other than MAHBL) have a Statutory Accounting Period ending 30 June. MAHBL had a Statutory Accounting Period ended 30 June 2003 but then elected a Statutory Accounting Period ending 31 December in accordance with the CFC rules. The transitional period was the six months ended 31 December 2003.

The CFC rules are extremely complex and, therefore, you may wish to consult your tax adviser and/or refer to the ATO's publication titled 'Foreign income return form guide' for further information.

Note: If you are a partnership or trustee of a trust, you will need to determine whether you should advise the partners or beneficiaries of any entitlement to maintain attribution accounts. If you decide to do so, the information set out above will assist you.

## History of MAp distributions to date (per stapled security)

<b>16 August 2002</b>	<b>1.0 cent, all from MAT (1)</b>	<b>per stapled security</b>
Comprised of:	Tax-deferred distribution	1.0000 cent <b>1.0000 cent</b>
<b>18 February 2003</b>	<b>4.5 cents, all from MAT(1)</b>	<b>per stapled security</b>
Comprised of:	Australian interest	0.4573 cents
	Australian other income	2.3772 cents
	Foreign dividend	0.6667 cents
	Tax-deferred distribution	0.9988 cents
		<b>4.5000 cents</b>
<b>18 August 2003</b>	<b>5.0 cents, all from MAT(1)</b>	<b>per stapled security</b>
Comprised of:	Australian interest	1.9181 cents
	Foreign source income	0.0383 cents
	Tax-deferred distribution	3.0436 cents
		<b>5.0000 cents</b>
<b>18 February 2004</b>	<b>3.0 cents, all from MAT(1)</b>	<b>per stapled security</b>
Comprised of:	Australian interest	1.2849 cents
	Foreign source income	0.0181 cents
	Tax-deferred distribution	1.6970 cents
		<b>3.0000 cents</b>

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