MACQUARIE

Macquarie Airports

Financial Report
31 December 2004

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Introduction to Financial Report

Overview of MAp

Macquarie Airports ("MAp") holds investments in airports located in Australia, the United Kingdom and Europe.

MAp is a triple stapled security which listed on the Australian Stock Exchange on 2 April 2002. Stapled securities are two or more securities that are quoted and traded as if they were a single security. A MAp stapled security consists of a unit in Macquarie Airports Trust (1) ("MAT(1)"), a unit in Macquarie Airports Trust (2) ("MAT(2)") and a share in Macquarie Airports Holdings (Bermuda) Limited ("MAHBL").

MAp's Airport Investments

MAp currently holds investments in Sydney Airport, Brussels Airport, Rome Airport, Birmingham Airport and Bristol Airport.

MAp's total beneficial interest in each of the underlying airport assets in which it has invested at the date of this report is provided in the table below.

	Sydney Airport	Brussels Airport	Rome Airport	Bristol Airport	Birmingham Airport	Copenhagen Airports
Total Beneficial Interest*	55.5%	52.0%**	33.6%	30.8%	14.9%	11.3%***
As at 31 December 2003						
Direct Interest	48.3%	-	19.8%	-	-	
Indirect Interest through MAG	4.7%	-	9.0%	20.1%	9.7%	
Total Beneficial Interest*	53.0%	-	28.8%	20.1%	9.7%	11.3%

* Excluding outside equity interests

** At 31 December 2004, MAp's beneficial interest in Brussels Airport was 53.3%. Subsequent to year end, MAp's beneficial interest decreased to 52.0% following the reinvestment by Macquarie Bank Limited of various advisory fees totalling €17.1 million ($29.6 million).

*** At 31 December 2004, MAp held a 3.7% interest, and had unconditionally agreed to acquire a further 0.7% interest, in Copenhagen Airports. Subsequent to year end, MAp acquired an additional 6.9% interest in Copenhagen Airports, increasing its total beneficial interest (including shares it has agreed to acquire) to 11.3%.

MAp's Airport Investments (cont'd)

MAp's airport investments are revalued at each reporting date, or when there is a change in the nature of the investment, to their net market values and are reflected in this financial report in accordance with AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities Other Than Companies. The following table outlines the net market values of each of the investments as reflected in this financial report.

	Sydney Airport ($m)	Brussels Airport ($m)	Rome Airport ($m)	Bristol Airport ($m)	Birmingham Airport ($m)	Copenhagen Airports ($m)	Total ($m)
As at 31 December 2004							
Direct interest	2,644.5	933.7	1,078.0	346.1	312.1	83.5*	5,397.9
Interest receivable from investment in Sydney Airport	77.8	-	-	-	-		77.8
Less: Outside equity interest**	(348.5)	-	(267.7)	(133.0)	(119.9)		(869.1)
Total	2,373.8	933.7	810.3	213.1	192.2	83.5	4,606.6

	Sydney Airport ($m)	Brussels Airport ($m)	Rome Airport ($m)	Bristol Airport ($m)	Birmingham Airport ($m)	Other ($m)	Total ($m)
As at 31 December 2003							
Direct interest	1,498.9	-	381.2	-	-	-	1,880.1
Indirect interest through MAG	-	-	172.1	90.9	132.7	1.3	397.0
Total	1,498.9	-	553.3	90.9	132.7	1.3	2,277.1
Interest receivable from investment in Sydney Airport	109.1						109.1
Less: Outside equity interest**	(275.6)						(275.6)
Total	1,332.4	-	553.3	90.9	132.7	1.3	2,110.6

* Represents MAp's 3.7% interest in Copenhagen Airports at 31 December 2004. At balance date, MAp had also unconditionally agreed to acquire a further 0.7% interest in Copenhagen Airports.

** Outside equity interest before any applicable deferred taxes

Directors' Report

In respect of the year ended 31 December 2004, the directors of Macquarie Airports Management Limited ("the Responsible Entity") submit the following report on the combined financial report of Macquarie Airports ("MAp" or "the Group"), made out in accordance with a resolution of the directors. The Group comprises:

— Macquarie Airports Trust (1) ("MAT(1)") and its controlled entity;

— Macquarie Airports Trust (2) ("MAT(2)") and its controlled entities; and

— Macquarie Airports Holdings (Bermuda) Limited ("MAHBL") and its controlled entities.

Principal Activities

The principal activity of MAp is investment in airport assets. The investment policy of the Group is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Group.

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

Directors

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

— Richard Sheppard (Chairman)

— Trevor Gerber

— Michael Lee

— Nicholas Moore

— Bob Morris

— John Roberts* (alternate for Nicholas Moore and Richard Sheppard)

* John Roberts was appointed as alternate for Richard Sheppard on 24 August 2004.

The following person also held office as director of the Responsible Entity during the year:

— Kerrie Mather (alternate for Richard Sheppard) (resigned as alternate 24 August 2004)

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

— Jeffrey Conyers (Chairman)

— Sharon Beesley

— Mark Call

— Richard Sheppard

— John Roberts** (alternate for Richard Sheppard)

** John Roberts was appointed as alternate for Richard Sheppard on 24 August 2004.

The following person also held office as director of MAHBL during the year:

— Martyn Booth (resigned as alternate for Richard Sheppard on 24 August 2004)

Review and Results of Operations

	2004 $'000	2003 $'000
Revenue from ordinary activities	1,649,625	482,444
Net result from ordinary activities after income tax expense	1,093,019	381,731
Net result attributable to MAp security holders	864,597	340,380
Basic earnings per stapled security*	73.27c	35.16c

* Earnings used in the calculation of basic earnings per stapled security includes unrealised revenue from revaluation of investments. Consequently, basic earnings per stapled security reflects the positive impact of unrealised revaluation increments.

Distributions

The total distribution for the year ended 31 December 2004 was 12.00 cents per stapled security (2003: 8.00 cents per stapled security). An interim distribution of 4.00 cents per stapled security (2003: 5.00 cent per stapled security) was paid on 18 August 2004. A final distribution of 8.00 cents per stapled security (2003: 3.00 cents per stapled security) was paid on 18 February 2005.

Significant Changes in State of Affairs

- ***Investment in Macquarie Airports Group and Macquarie Airports Feeder Trust***

During the year, MAp completed the acquisition of an additional 17.6% direct interest in Macquarie Airports Group Limited ("MAG") and the acquisition of a 3.9% indirect interest in MAG through Macquarie Airports Feeder Trust ("MAFT") for a total cost of $256.6 million (excluding transaction costs of $0.3 million). These acquisitions were funded through the issue of 138.7 million new MAp stapled securities with an issue price of $1.85 per stapled security.

As a result of these transactions MAp holds a controlling interest in MAG of 61.6% at 31 December 2004. Accordingly, all the assets, liabilities and financial results of MAG are consolidated into the MAp financial report from the date control was acquired.

- ***Investment in Brussels Airport***

During the year, a MAp led consortium completed the acquisition of a 70.0% interest in Brussels International Airport Company NV/SA ("BIAC") through the consortium vehicle Macquarie Airports (Brussels) S.A. ("MABSA") for €735 million ($1.26 billion). MAp has a non-controlling 76.1% beneficial interest in MABSA (refer Note 10). BIAC operates and manages Brussels Airport and owns the land and assets used for the airport's operations. On 30 December 2004, BIAC was granted an Operating Licence to operate Brussels Airport for an indefinite period of time.

The acquisition of MAp's interest in Brussels Airport was partially funded through the issue of 183.5 million new stapled securities pursuant to an Institutional Placement with an issue price of $2.78 per stapled security. In addition to the placement, the acquisition was funded through the borrowing of $465.0 million from Macquarie Airports Reset Exchangeable Securities Trust ("MAREST"). MAREST on-lent to MAp the funds raised through the issue of 4.65 million Tradeable Interest Bearing Convertible to Equity Trust Securities ("TICkETS") at $100 per TICkETS.

- ***Reinvestment of Base Management and Performance Fees***

During the year, a total of 4,500,832 (2003: 4,715,166) new stapled securities were issued at $2.00 per stapled security as a result of the Responsible Entity and Adviser applying base fees of $9.0 million (2003: $9.4 million) (excluding GST) to a subscription for new MAp stapled securities.

During the year, a total of 11,715,597 (2003: Nil) new stapled securities were issued at $1.96 and $2.23 per stapled security as a result of the Responsible Entity and Adviser applying performance fees of $0.7 million and $25.2 million (2003: Nil) (excluding GST) to a subscription for new MAp stapled securities.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Group that occurred during the year under review.

Events Occurring After Reporting Date

A final distribution of 8.00 cents per stapled security was paid by MAp to security holders on 18 February 2005.

A portion of stapled security holders participated in MAp's Distribution and Dividend Reinvestment Plan ("DRP") for the final distribution paid on 18 February 2005. A total of 18,609,109 new MAp stapled securities were issued under the DRP at an issue price of $3.09 per stapled security. Of the total distribution, 50.4% ($57.6 million) was reinvested in MAp.

Subsequent to year end, MAp entered into a letter of credit facility with Macquarie Bank Limited ("MBL") for $250 million, of which $88.8 million remains undrawn at the date of this report.

Subsequent to year end, MAp acquired an additional 6.9% interest in Kobenhavns Lufthavne A/S ("Copenhagen Airports") for DKK775.3 million ($172.9 million). MAp's total interest in Copenhagen Airports at the date of this report (including shares it has unconditionally agreed to acquire) is 11.3%. MAp primarily funded the acquisition through a letter of credit facility provided by MBL.

Subsequent to year end, MAp's voting interest in MABSA decreased from 54.1% to 52.8% while its beneficial interest decreased from 76.1% to 74.2% following the reinvestment by MBL of various advisory fees totalling €17.1 million ($29.6 million) in MABSA.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in years subsequent to the year ended 31 December 2004.

Likely Developments and Expected Results of Operations

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

Indemnification and Insurance of Officers and Auditors

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

Fees Paid to the Responsible Entity, the Adviser and Associates

Fees paid to the Responsible Entity, the Adviser and their associates out of MAp's property during the year are disclosed in Note 23 to the financial statements.

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

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

Interests in the Group Issued During the Financial Year

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

	2004 ('000)	2003 ('000)
Securities on issue at the beginning of the year	1,051,639	941,969
Securities issued during the year	379,083	109,670
Securities on issue at the end of the year	1,430,722	1,051,639

Value of Assets

	2004 ($'000)	2003 ($'000)
Value of Group assets at 31 December	5,678,770	2,422,695

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

Environmental Regulation

The operations of the Group are not subject to any particular environmental regulations under a Commonwealth, State or Territory law. The operations of the underlying airport assets in which the Group invests are subject to environmental regulations particular to the countries in which they are located.

International Financial Reporting Standards ("IFRS")

All Australian entities will be required to adopt Australian equivalents to IFRS for accounting periods beginning on or after 1 January 2005. MAp will be required to prepare its financial reports for the half year ending 30 June 2005, the year ending 31 December 2005 and subsequent financial periods under IFRS.

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

The Group is of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, 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 Management Limited.

Richard Sheppard

Sydney
22 February 2005

Trevor Gerber

Sydney
22 February 2005

Consolidated Statement of Financial Performance

	Note	31 Dec 2004 $'000	31 Dec 2003 $'000
Revenue from ordinary activities	2(i)	1,649,625	482,444
Operating expenses from ordinary activities			
Borrowing costs expense	2(ii)	(1,079)	-
Book value of securities disposed	2(ii)	(20,182)	-
Administration expenses	2(ii)	(261,369)	(18,697)
Operating expenses from ordinary activities		(282,630)	(18,697)
Net result from ordinary activities before income tax expense		1,366,995	463,747
Income tax expense	3	(273,976)	(82,016)
Net result from ordinary activities after income tax expense		1,093,019	381,731
Net result attributable to outside equity interest		(228,422)	(41,351)
Net result attributable to MAp security holders		864,597	340,380
Net exchange differences on translation of financial reports of foreign controlled entities		22,678	-
Total changes in equity attributable to MAp security holders other than those resulting from transactions with owners as owners		887,275	340,380
Basic earnings per stapled security*	21	73.27c	35.16c

The above Consolidated Statement of Financial Performance should be read in conjunction with the accompanying notes

* Earnings used in the calculation of basic earnings per stapled security includes unrealised revenue from revaluation of MAp's investments. Consequently, basic earnings per stapled security reflects the positive impact of unrealised revaluation increments.

Consolidated Statement of Financial Position

	Note	As at 31 Dec 2004 $'000	As at 31 Dec 2003 $'000
Current assets			
Cash assets	6	166,205	33,479
Receivables	7	101,187	81,602
Other assets	8	2,847	88
Total current assets		270,239	115,169
Non-current assets			
Receivables	7	-	30,476
Other assets	8	10,790	-
Investments	9	5,397,741	2,277,050
Total non-current assets		5,408,531	2,307,526
Total assets		5,678,770	2,422,695
Current liabilities			
Distribution payable	12	114,467	31,549
Payables	13	230,948	7,906
Tax liabilities	14	127	203
Convertible loan	15	39,632	-
Total current liabilities		385,174	39,658
Non-current liabilities			
Interest bearing liabilities	16	465,000	-
Tax liabilities	14	355,654	81,790
Total non-current liabilities		820,654	81,790
Total liabilities		1,205,828	121,448
Net assets		4,472,942	2,301,247
Equity			
MAp security holders' interest			
Contributed equity	17	2,693,227	1,800,176
Undistributed operating surplus	18	968,995	266,712
Reserves	19	18,366	(4,312)
Total MAp security holders' interest		3,680,588	2,062,576
Outside equity interest in controlled entities	20	792,354	238,671
Total equity		4,472,942	2,301,247

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

	Note	31 Dec 2004 $'000	31 Dec 2003 $'000
Cash flows from operating activities			
Interest received on SCACH (Sydney Airport) redeemable preference shares		174,472	70,074
Interest received on surplus cash		5,270	7,325
Interest received on Tidefast (Bristol Airport) loan note		7,308	-
Other interest received		5	-
Distribution income received		9,997	-
Dividend income received from MAG		-	12,622
Investment income received on MALSA (Rome Airport) convertible loans		-	9,267
Fee income received		1,113	558
Other income received		-	2
Operating expenses paid (inclusive of goods and services tax)		(5,734)	(3,395)
Responsible Entity and Adviser fees paid		(24,904)	(824)
Income tax paid		(261)	(119)
Indirect taxes received		3,786	352
Net cash flows from operating activities	22(i)	171,052	95,862
Cash flows from investing activities			
Cash acquired on acquisition of controlled entity		4,901	-
Payments for purchase of investments		(1,010,387)	(702,489)
Proceeds received on redemption of units in MASIT and MASIT2		17,607	-
Return of capital received		221	-
Repayment received of Tidefast (Bristol Airport) loan note		8,257	-
Net cash flows from investing activities		(979,401)	(702,489)
Cash flows from financing activities			
Proceeds from issue of stapled securities		576,362	173,293
Capital raising costs paid		(7,229)	(1,712)
Equity contributions from outside equity interest in SCAAT		-	3,440
Return of capital paid to outside equity interest in SCAAT		-	(2,208)
Proceeds from borrowings		465,000	-
Borrowing costs paid		(12,978)	-
Distributions paid to MAp security holders		(47,469)	(89,543)
Distributions paid to outside equity interest		(32,817)	(18,925)
Net cash flows from financing activities		940,869	64,345
Net increase/(decrease) in cash assets held		132,520	(542,282)
Cash assets at the beginning of the year		33,479	576,260
Exchange rate movements on cash denominated in foreign currency		206	(499)
Cash assets at the end of the year	22(ii)	166,205	33,479
Non cash financing and investing activities	22(iii)		

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Consolidated 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 report.

(a) Basis of Preparation

This general purpose report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the requirements of the Trust Constitutions and the Corporations Act 2001 in Australia.

This financial report consists of the aggregated financial statements of Macquarie Airports ("MAp", "the consolidated entity" or "the Group"), which comprises Macquarie Airports Trust (1) ("MAT(1)") and its controlled entity, Macquarie Airports Trust (2) ("MAT(2)") and its controlled entities and Macquarie Airports Holdings (Bermuda) Limited ("MAHBL" or "the Company") and its controlled entities.

The accounting policies adopted in preparing the financial statements have been consistently applied by all entities in the consolidated entity unless otherwise indicated. The report is prepared in accordance with the historical cost convention except as otherwise stated.

(b) Aggregated Accounts

The units of MAT(1), the units of MAT(2) and the shares of MAHBL are combined and issued as stapled securities in MAp. The units of the Trusts and shares of the Company cannot be traded separately and can only be traded as stapled securities. None of the entities has acquired or controls the others. In accordance with Urgent Issues Group Abstract 13: The Presentation of the Financial Report of Entities whose Securities are 'Stapled', aggregated financial statements have been prepared for MAp as well as individual consolidated financial statements for MAT(1), MAT(2) and MAHBL. The aggregated financial statements combine the financial statements for the Trusts and the Company for the year ended 31 December 2004. Transactions between the entities have been eliminated in the aggregated financial statements of MAp.

The financial statements of MAp should be read in conjunction with the separate financial statements of MAT(1), MAT(2) and MAHBL.

(c) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by MAp as at 31 December 2004 and the results of the controlled entities for the year then ended. MAp and its controlled entities are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of the controlled entities are shown separately in the Statement of Financial Performance and Statement of Financial Position respectively.

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

(d) Investments

Investments are revalued at each reporting date, or when there is a change in the nature of the investment, to their net market values in accordance with AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities Other Than Companies. Changes in the net market values of investments (both positive and negative) have been recognised in investment revenue from ordinary activities as shown in the Statement of Financial Performance for the year.

Investments have been brought to account as follows:

1 Summary of Significant Accounting Policies (cont'd)

(d) Investments (cont'd)

— ***Interests in unlisted securities in companies and trusts***
Interests in unlisted companies and trusts are brought to account at directors' estimates of net market value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the primary methodology applied in the valuation framework, however a number of other valuation methodologies are considered, including comparable company trading multiples and reference to recent sales and the current market value of substantially similar airports, as appropriate. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

— ***Interests in listed securities in companies and trusts***
Listed interests in companies and trusts which are not controlled are brought to account at net market value after allowing for any specific risks or circumstances such as liquidity risk, credit risk, or escrow periods. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

— ***Interests in financial assets***
Interests in interest bearing public debt securities, convertible loans and other debt securities are brought to account at net market value. Adjustments to the net market value of public, convertible and other debt securities are recognised in the Statement of Financial Performance. Other interest bearing financial assets are accounted for on an accruals basis.

Investment acquisition costs are capitalised into the value of the investment at the time of purchase. Additions and other expenditure on investments which are capital in nature are capitalised as incurred.

(e) Investments in Associates

Investments in associates have been accounted for at net market value as noted above. Supplementary information is included in the notes to the financial statements as required by AASB 1016: Accounting for Investments in Associates.

(f) Receivables

Receivables are 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) Income Tax

MAT(2) is taxed in a similar way to a company for income tax purposes. MAT(2) recognises income tax in its accounts using the liability method of tax effect accounting. Provision has been made in the consolidated accounts for taxes on gains which would arise in the event of a sale of revalued assets for the amounts at which they are stated.

During the year, MAT(2) and Macquarie Airports (Sydney Holdings) Pty Limited ("MASH"), resolved that a consolidated group would be formed for tax purposes effective from 1 January 2003. MAT(2) is the Head Entity of the tax consolidated group. As a consequence and from that date, MASH is no longer liable to make income tax payments and will not recognise any tax balances. Payments made by MASH in respect of the year are shown as payments by MAT(2). Under the terms and conditions of an agreement between the parties, MAT(2) will charge MASH for all tax liabilities incurred in respect of its activities and reimburse MASH for tax assets received.

Income tax has not been brought to account in respect of MAT(1) or SCAAT as, pursuant to the Income Tax Assessment Acts, the Trusts are not liable for income tax provided that their taxable income (including any assessable realised capital gains) is fully distributed to unit holders each year.

Macquarie Airports Finance Company Pty Limited, a controlled entity of MAT(1), recognises income tax using the liability method of tax effect accounting.

Under current Bermudian law, MAHBL, Macquarie Airports Group Limited ("MAG") and Macquarie Airports Brussels Limited ("MABL") will not be subject to any income, withholding or capital gains taxes in Bermuda.

1 Summary of Significant Accounting Policies (cont'd)

(h) Foreign Currency

— ***Foreign currency transactions***
Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction or, where forward contracts have been arranged, at the contractual rate. At balance date, amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date, or at a contractual rate if applicable. Resulting exchange differences are brought to account in determining the result for the year.

— ***Foreign controlled entities***
As the foreign controlled entities are self-sustaining, the assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while revenues and expenses are translated at the average rates ruling during the period. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to undistributed operating surplus.

(i) Investment Revenue

Investment revenue includes changes in the net market value of investments in listed and unlisted securities and financial assets. Revenue relating to these investments is brought to account as described in Note 1(d). Interest income is brought to account on an accruals basis.

(j) Payables

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

The Responsible Entity of MAT(1) and the Responsible Entity of Macquarie Airports Reset Exchangeable Securities Trust ("MAREST") have entered into an Expenses Indemnity and Fees Deed ("the Deed") dated 17 November 2004. Under the Deed, MAT(1) indemnifies MAREST for any liability incurred by the Responsible Entity of MAREST in properly performing or exercising any of its powers or duties in relation to MAREST.

(k) Cash Flows

For the purpose of the Statement of Cash Flows, cash assets includes cash on hand, deposits held at call with banks and investments in money market instruments which are readily convertible to cash on hand and are subject to an insignificant risk of change in value.

(l) Earnings Per Stapled Security

Basic earnings per stapled security is determined by dividing the net result attributable to security holders by the weighted average number of securities on issue during the year.

(m) Distributions

Provision is made for the amount of any distribution payable under the Trust Constitutions on or before the end of the financial year but not distributed at balance date.

(n) Goods and Services Tax ("GST")

The amount of GST incurred by the Trusts that is not recoverable from the Australian Taxation Office ("ATO") is recognised as an expense or as part of the cost of acquisition of an asset. The Trusts qualify for Reduced Input Tax Credits at the rate of 75% of non-recovered GST on various services such as Responsible Entity fees and custodian fees. These expenses have been recognised in the Statement of Financial Performance net of the amount of GST recoverable from the ATO. Receivables and payables are stated at amounts inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

1 Summary of Significant Accounting Policies (cont'd)

(o) Significant Terms and Conditions of Investments

MAp's investment in Sydney Airport comprises ordinary shares and redeemable preference shares issued by Southern Cross Airports Corporation Holdings Pty Limited ("SCACH"). The ordinary shares and redeemable preference shares are combined and issued as stapled securities in SCACH. The two classes of shares can not be traded separately and may only be traded as stapled securities.

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

MAp's investment in Bristol Airport comprises ordinary shares and loan notes issued by Tidefast Limited ("Tidefast"). The shares and notes cannot be transferred, assigned or otherwise disposed of unless the relevant proportion of the notes or shares owned by the transferor, respectively, are also transferred to the transferee.

MAp's investment in Brussels Airport comprises ordinary shares and ordinary preferred shares issued by Macquarie Airports (Brussels) S.A. ("MABSA") and convertible loans and shareholder loans advanced to MABSA under the Convertible Loan Agreements and Shareholder 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 and Shareholder Loan Agreements are transferred concurrently.

(p) Interest Bearing Liabilities

Borrowings are recognised when issued at the amount of the net proceeds received and carried at this amount until the liabilities are settled. Interest on the borrowings is recognised as an expense as it accrues over the period of the loan.

(q) Capitalised borrowing costs

Costs associated with the issue of the First On Lending Agreement ("FOLA") have been capitalised. These costs include those incurred under the Expenses Indemnity and Fees Deed (refer Note 1(j)) and associated legal costs. Costs associated with the issue of the FOLA are amortised over the term of the FOLA.

(r) Comparative Figures

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

(s) Rounding of Amounts

The Group is of a kind referred to in Class Order 98/0100, as amended by Class Order 04/667, 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.

(t) Group Formation and Termination

MAT(1) and MAT(2) were established in Australia on 13 July 2001 and 13 February 2002 respectively, and will terminate on their 80th anniversaries unless terminated earlier in accordance with the provisions of the Trust Constitutions. MAHBL was incorporated in Bermuda on 4 February 2002. The Responsible Entity of each of the Trusts, MAHBL and MAHBL's Adviser entered into the Stapling Deed on 28 March 2002.

2 Net Result from Ordinary Activities

The net operating result from ordinary activities before income tax includes the following specific items of revenue and expense:

(i) Revenue from ordinary activities

	31 Dec 2004 $'000	31 Dec 2003 $'000
Interest income		
SCACH (Sydney Airport) redeemable preference shares	143,119	124,548
Tidefast (Bristol Airport) loan note	7,215	-
Other related parties	2,517	1,407
Other persons and corporations	3,546	5,903
	156,397	131,858
Income from investments		
Distribution and dividend income	9,537	12,626
Investment income from MALSA (Rome Airport) convertible loans	-	10,566
Revaluation of investments		
SCACH (Sydney Airport)	1,145,576	303,695
revaluation of underlying MAG assets	8,307	82,641
revaluation of underlying MALSA (Rome Airport) assets	(9,655)	17,094
revaluation of Rome Airport	223,786	-
revaluation of Bristol Airport	66,763	-
revaluation of Birmingham Airport	8,414	-
revaluation of MABSA (Brussels Airport)	28,435	-
other	(9,848)	-
Foreign exchange effects on conversion of investments to Australian dollars	3,583	(76,474)
	1,474,898	350,148
Other income		
Fee income	708	1,034
Proceeds on disposal of securities		
redemption of units in MASIT	16,156	-
redemption of units in MASIT2	1,452	-
Foreign exchange gain/(loss) on other monetary items	14	(596)
	18,330	438
Total revenue from ordinary activities	1,649,625	482,444

2 Net Result from Ordinary Activities (cont'd)

(ii) Operating expenses from ordinary activities

	Note	31 Dec 2004 $'000	31 Dec 2003 $'000
Borrowing costs expense			
Interest expense on the FOLA		990	-
Amortisation of borrowing costs		89	-
		1,079	-
Book value of securities disposed of during the year			
MASIT units*		18,732	-
MASIT2 units**		1,450	-
		20,182	-
Administration expenses			
Auditor's remuneration	4	1,010	646
Custodians' fees		276	191
Establishment costs		-	112
Responsible Entity's and Adviser's base fees		39,199	13,823
Responsible Entity's and Adviser's performance fees		217,388	765
Legal fees		400	929
Registry fees		840	782
Travel expenses		423	343
Investor communications expenses		410	517
Directors' fees		269	51
Other expenses		1,154	538
		261,369	18,697
Total operating expenses from ordinary activities		282,630	18,697
* Loss on disposal of MASIT units			
Proceeds received on redemption		16,156	-
Book value of securities on redemption		(18,732)	-
		(2,576)	-
** Gain on disposal of MASIT2 units			
Proceeds received on redemption		1,452	-
Book value of securities on redemption		(1,450)	-
		2	-

3 Income Tax

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

	31 Dec 2004 $'000	31 Dec 2003 $'000
Net result from ordinary activities before income tax expense	1,366,995	463,747
Income tax expense calculated @ 30%	410,098	139,124
Tax effect of permanent differences:		
Non-deductible expenditure	70	41
Sundry items	(54)	(15)
Effect of differential tax rate	1,150	-
Purchased interest received in current year	1,372	-
Over provision in previous year	-	(3)
Timing differences not brought to account in prior period	(26,496)	(2,718)
Future income tax benefit not brought to account attributable to tax losses	11,150	120
Tax effect of operating results of Australian trusts (refer Note 1(g))		
MAT(1)	(116,310)	(56,452)
SCAAT	(18,308)	-
Tax effect of operating result of Bermudian entities (refer Note 1(g))	11,304	1,919
Income tax expense	273,976	82,016
Income tax expense comprises:		
Over provision in previous year	-	(3)
Current taxation provision	112	229
Deferred income tax liability	273,864	81,790
	273,976	82,016
The potential future income tax benefit (at 30%) at 31 December in respect of tax losses not brought to account is:	11,270	120

This benefit for tax losses will only be obtained if:

i) the relevant loss-making entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised; or

ii) the relevant loss-making entity continues to comply with the conditions for deductibility imposed by tax legislation; and

iii) no changes in the tax legislation adversely affect the relevant loss-making entity in realising the benefit from the deductions for the losses.

At 31 December 2004, MAT(1) has tax losses totalling $65.7 million (2003: Nil) which may be utilised in future years.

Franked distributions

Franking credits available for subsequent financial years based on a tax rate of 30%	368	322

The above amounts represent the balance of the franking account as at the end of the financial year adjusted for:

i) franking credits that will arise from the payment of the current tax liability;

ii) franking debits that will arise from the payment of distributions recognised as a liability at the reporting date;

iii) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date; and

iv) franking credits that may be prevented from being distributed in subsequent financial years.

4 Remuneration of Auditors

	31 Dec 2004 $	31 Dec 2003 $
Amounts paid or payable to PricewaterhouseCoopers for:		
Audit services		
Fees paid or payable to PricewaterhouseCoopers Australian firm for audit or review of financial reports	392,762	324,326
Fees paid or payable to related practices of PricewaterhouseCoopers Australian firm for audit or review of financial reports	320,468	-
Fees paid or payable to PricewaterhouseCoopers Australian firm for audit of performance fees	1,761	3,520
Fees paid or payable to PricewaterhouseCoopers Australian firm for audit of Compliance Plans	25,565	18,910
	740,556	346,756
Other services		
Fees paid or payable to PricewaterhouseCoopers Australian firm		
Taxation compliance services	259,905	299,610
Fees paid or payable to related practices of PricewaterhouseCoopers Australian firm		
Taxation compliance services	9,737	-
	1,010,198	646,366

5 Distributions Paid and Proposed

The distributions were paid/payable as follows:

	31 Dec 2004 $'000	31 Dec 2003 $'000
Interim distribution paid for the period ended 30 June	47,857	47,154
Final distribution proposed and subsequently paid for the year ended 31 December	114,457	31,549
	162,314	78,703

	Cents per stapled security	Cents per stapled security
Interim distribution paid for the period ended 30 June	4.00	5.00
Final distribution proposed and subsequently paid for the year ended 31 December	8.00	3.00
	12.00	8.00

6 Cash Assets

	31 Dec 2004 $'000	31 Dec 2003 $'000
Cash at bank	101,650	11,608
Negotiable certificates of deposit	64,555	21,871
	166,205	33,479

The negotiable certificates of deposit outstanding at year end mature within 47 days and pay interest at 5.36% per annum.

Included within cash at bank is $7,527,188 held in a separate bank account that can only be used for paying interest on the FOLA (refer Note 16). MAp must maintain a Distribution Service Reserve Account at a balance of no less than three months of interest on the FOLA until 1 January 2010.

7 Receivables

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
Interest receivable on SCACH (Sydney Airport) redeemable preference shares	77,783	78,660
Other interest receivable	797	9
GST receivable	15,733	1,039
Other receivables	6,874	1,894
	101,187	81,602
Non-current		
Interest receivable on SCACH (Sydney Airport) redeemable preference shares	-	30,476
Total interest receivable on SCACH (Sydney Airport) redeemable preference shares*		
Current	77,783	78,660
Non-current	-	30,476
	77,783	109,136

* Interest receivable at 31 December 2004 includes $31.4 million which was received from SCACH in January 2005 ($21.8 million received in January 2004).

8 Other Assets

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
Prepaid expenses	150	88
Capitalised borrowing costs	2,697	-
	2,847	88
Non-current		
Capitalised borrowing costs	10,790	-

9 Investments

The table below summarises the significant movements in MAp's investment portfolio during the year ended 31 December:

	SCACH	MAG	MALSA	Rome Airport	Bristol Airport	Birmingham Airport	MABSA
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 31 December 2003	1,608,008	396,999	381,179	-	-	-	-
Costs capitalised during the year	13	-	9	-	-	-	-
Net revaluation increment / (decrement) to 5 May 2004 **	-	5,239	(11,954)	-	-	-	-
Acquisition of controlling interest	-	256,640	-	-	-	-	-
Consolidation adjustment*	-	(658,878)	(369,234)	817,584	275,084	290,442	-
Cost of investment	-	-	-	-	-	-	895,305
Interest accrued	143,119	-	-	-	-	-	-
Interest received	(174,472)	-	-	-	-	-	-
Loan repayment received	-	-	-	-	(8,257)	-	-
Net revaluation increment to 31 December 2004**	1,145,576	-	-	260,388	79,238	21,673	38,350
Balance at 31 December 2004	2,722,244	-	-	1,077,972	346,065	312,115	933,655

* During the year, MAp completed the acquisition of an additional 21.5% controlling interest in MAG which also resulted in a controlling interest in MALSA. On acquisition of a controlling interest in MAG and MALSA, the investment in the two entities is eliminated and the underlying assets and liabilities of the two entities are included in the MAp financial report. This results in the investments in Rome Airport, Bristol Airport, and Birmingham Airport being included in the MAp financial report as investments of MAp at 31 December 2004.

** Including revaluation of investments attributable to foreign exchange movements during the year.

9 Investments (cont'd)

	Note	As at 31 Dec 2004 $'000	As at 31 Dec 2003 $'000
Sydney Airport*			
Interests in unlisted securities in companies and trusts			
Shares in SCACH		1,682,700	537,111
Interests in interest bearing financial assets			
Redeemable preference shares in SCACH		961,761	961,761
Total investment in Sydney Airport	9(i)	2,644,461	1,498,872
Macquarie Airports Group Limited ("MAG")			
Interests in unlisted securities in companies and trusts			
Shares in MAG	9(ii)	-	396,999
Rome Airport			
Interests in unlisted securities in companies and trusts			
Aeroporti di Roma S.p.A		1,077,972	-
Shares in Macquarie Airports (Luxembourg) S.A. ("MALSA")		-	53,817
Interests in non-interest bearing financial assets			
Convertible loans to MALSA		-	327,362
Total investment in Rome Airport	9(iii)	1,077,972	381,179
Bristol Airport			
Interests in unlisted securities in companies and trusts			
Shares in Tidefast Limited		284,156	-
Interests in interest bearing financial assets			
Loan to Tidefast Limited		61,909	-
Total investment in Bristol Airport	9(iv)	346,065	-
Birmingham Airport			
Interests in unlisted securities in companies and trusts			
Shares in Birmingham Airports Holdings Limited	9(v)	312,115	-
Macquarie Airports Feeder Trust ("MAFT")			
Interests in unlisted securities in companies and trusts			
Units in MAFT	9(vi)	-	-
Brussels Airport			
Interests in unlisted securities in companies and trusts			
Ordinary shares in Macquarie Airports (Brussels) S.A ("MABSA")		24	-
Ordinary preferred shares in MABSA		13	-
Interests in non-interest bearing financial assets			
Convertible loans to MABSA		797,872	-
Shareholder loans to MABSA		135,746	-
Total investment in Brussels Airport	9(vii)	933,655	-
Other investments			
Interests in listed securities in companies and trusts		83,473	-
Total investments		5,397,741	2,277,050

* MAp's total interest in Sydney Airport is included in the following categories in the Statement of Financial Position

Investments (above)		2,644,461	1,498,872
Receivables (Note 7)		77,783	109,136
Total Investment in Sydney Airport		2,722,244	1,608,008

9 Investments (cont'd)

i) Sydney Airport

MAp's interest in Sydney Airport is held primarily through its investment in SCAAT units. MAp's 86.2% holding in SCAAT represents a controlling interest. Accordingly, MAp is required to consolidate the assets, liabilities and financial results of SCAAT into its financial report for the year ended 31 December 2004.

MAp's investment in Sydney Airport is comprised of stapled securities issued by SCACH. Each stapled security represents one $50 ordinary share and one $150 redeemable preference share in SCACH.

The redeemable preference shares issued by SCACH are redeemable at $200 per share on the date 30 years after the issue date of the shares (28 June 2002), provided that any redemption must be effected in accordance with the Corporations Act 2001. The holders of the shares have the right to receive a fixed cumulative dividend at a rate of 13.5% per annum on the capital paid up and any unpaid dividends per share, subject to available cash. On distribution of capital on a winding up of SCACH, holders of redeemable preference shares shall be entitled to the repayment of capital paid up on the shares, in priority to any repayment to the ordinary shareholders of SCACH.

At 31 December 2004, MAp's total interest in Sydney Airport is 63.6% (including outside equity interests). MAp's beneficial interest in Sydney Airport excluding outside equity interests is 55.5%.

ii) MAG

At 31 December 2003, MAp held a 40.1% interest in MAG. During the year, MAp completed the acquisition of an additional 21.5% controlling interest in MAG for $256.6 million. This acquisition was funded through the issue of 138.7 million new MAp stapled securities with an issue price of $1.85 per stapled security.

As a result of this transaction, MAp holds a controlling 61.6% beneficial interest in MAG at 31 December 2004. Accordingly, the assets, liabilities and financial results of MAG are consolidated into the MAp financial report from the date control was acquired, with MAp's investment in MAG eliminated and no longer shown in the MAp financial report.

MAG holds 50.0% and 24.1% interests in Bristol and Birmingham Airports respectively in the United Kingdom, an 11.7% interest in Sydney Airport and a 22.4% interest in Rome Airport.

iii) Rome Airport

At 31 December 2003, MAp held a 28.8% beneficial interest in Aeroporti di Roma S.p.A ("AdR" or "Rome Airport") through a special purpose vehicle, MALSA. 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.

During the year, MAp completed the acquisition of an additional 10.7% controlling interest in MALSA through its acquisition of an additional interest in MAG (refer Note 9(ii)). As a result of this transaction MAp holds a controlling interest in MALSA of 75.1%. Accordingly, the assets, liabilities and financial results of MALSA are consolidated into the MAp financial report from the date control was acquired with MAp's investment in MALSA eliminated and no longer shown in the MAp financial report. This results in the investment in Rome Airport being included in the MAp financial report as an investment of MAp at 31 December 2004.

At 31 December 2004, MAp's total interest in Rome Airport is 44.7% (including outside equity interests). MAp's beneficial interest in Rome Airport excluding outside equity interests is 33.6%.

iv) Bristol Airport

At 31 December 2003, MAp held a total beneficial interest in Bristol Airport of 20.1% through MAG. During the year MAp acquired a controlling interest in MAG (refer Note 9(ii)). Accordingly, MAp must consolidate the assets, liabilities and financial results of MAG from the date control was acquired. This results in the investment in Bristol Airport being included in the MAp financial report as an investment of MAp at 31 December 2004.

9 Investments (cont'd)

iv) Bristol Airport (cont'd)

MAp's investment in Bristol Airport consists of an investment in Tidefast Limited ("Tidefast"). Tidefast holds a 100% interest in Bristol International Airport Limited. MAp holds 50% of Tidefast ordinary shares and loan notes. Tidefast may at any time purchase the notes by tender (available to all note holders) or by private treaty at any price. Loans that are not repaid or purchased are repayable at par on 30 September 2051. Interest on the principal amount of each note accrues at 10% per annum and any interest which is due for payment and is not paid within 60 days of an interest payment date (being 31 March or 30 September) is cancelled and such interest is no longer due and payable. The shares and notes cannot be transferred, assigned or otherwise disposed of unless the relevant proportion of the notes or shares owned by the transferor, respectively, are also transferred to the transferee.

At 31 December 2004, MAp's total interest in Bristol Airport is 50.0% (including outside equity interests). MAp's beneficial interest in Bristol Airport excluding outside equity interests is 30.8%.

v) Birmingham Airport

At 31 December 2003, MAp held a total beneficial interest in Birmingham International Airport Limited ("Birmingham Airport") of 9.7% through MAG. During the year MAp acquired a controlling interest in MAG (refer Note 9(ii)). Accordingly, MAp must consolidate the assets, liabilities and financial results of MAG from the date control was acquired. This results in the investment in Birmingham Airport being included in the MAp financial report as an investment of MAp at 31 December 2004.

At 31 December 2004, MAp's total interest in Birmingham Airport is 24.1% (including outside equity interests). MAp's beneficial interest in Bristol Airport excluding outside equity interests is 14.9%.

vi) Macquarie Airports Feeder Trust

Macquarie Airports Feeder Trust ("MAFT") was established in 2002 to invest in MAG. At 31 December 2004, MAFT holds an 8.42% interest in MAG.

As part of the transaction described in Note 9(ii), on 5 May 2004, MAp acquired 23.3 million units in MAFT (representing a 46.1% interest) for $46.3 million. MAFT is a co-investor with MAp in MAG. As MAp controls, and therefore consolidates MAG (refer Note 9(ii)) into MAp's financial report, the value of MAFT's investment in MAG must be eliminated from the carrying value of MAp's investment in MAFT to avoid double counting the value of the underlying investments. As all of the value of MAFT lies in its investment in MAG, the value of MAp's investment in MAFT is eliminated in full in the MAp financial report.

vii) Brussels Airport

During the year, a MAp led consortium completed the acquisition of a 70.0% interest in Brussels International Airport Company NV/SA ("BIAC") through the consortium vehicle Macquarie Airports (Brussels) S.A ("MABSA") for €735 million ($1.26 billion). MAp's share of this cost was €522.2 million ($895.3 million). BIAC operates and manages Brussels Airport and owns the land and assets used for the airport's operations. On 30 December 2004, BIAC was granted an Operating Licence to operate Brussels Airport for an indefinite period of time.

MAp's investment in MABSA comprises ordinary shares, ordinary preferred shares ("OPS"), convertible loans and shareholder loans. Prior to settlement on 30 December 2004, MAp acquired 10,936 ordinary shares and 6,088 OPS for €21,280 ($36,482). Both the ordinary and OPS carry a right to vote at Shareholder meetings, however the OPS carry an entitlement to a preferential dividend which essentially entitles the holder to all profits of MABSA which have been derived from BIAC dividends.

During the year, MAp also advanced convertible loans of €443.9 million ($761.0 million) and shareholder loans of €78.3 million ($134.3 million) to MABSA. 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, MAp may at any time prior to the expiry term apply to convert the outstanding loan into MABSA OPS. The shareholder loans have a 10 year term and are non-interest bearing.

At 31 December 2004, MAp held a 76.1% beneficial interest in MABSA. Subsequent to year end, MAp's beneficial interest decreased to 74.2% following the reinvestment by MBL of various advisory fees totalling €17.1 million ($29.6 million) in MABSA (refer Note 28).

10 Investments in Associates

Name of Associate	Principal Activity	Balance Date	Note	Ownership Interest 2004	Ownership Interest 2003
Macquarie Airports Group Limited ("MAG")	Investment in airport assets	31 December	(a)	-	40.1%
Southern Cross Airports Corporation Holdings Limited ("SCACH")	Investment in airport assets	30 June	(b)	55.5%	53.0%
Macquarie Airports (Luxembourg) S.A. ("MALSA")	Investment in airport assets	31 December	(c)	-	64.4%
Aeroporti di Rome SpA ("Rome Airport")	Airport owner & operator	31 December		33.6%	-
Tidefast Limited ("Bristol Airport")	Airport owner & operator	31 December		30.8%	-
Birmingham Airports Holdings Limited ("Birmingham Airport")	Airport owner & operator	31 March		14.9%	-
Macquarie Airports Feeder Trust ("MAFT")	Investment in MAG	30 June		46.1%	-
Macquarie Airports (Brussels) S.A. ("MABSA")	Investment in airport assets	31 December	(d)	76.1%	-
Airport Strategic Consultants Pty Limited ("ASC")	Provision of consultancy services	30 June	(e)	33.3%	33.3%

(a) At 31 December 2003, MAp held a 40.1% interest in MAG. During the year, MAp completed the acquisition of an additional 21.5% controlling interest in MAG. As a result of this transaction, MAp holds a controlling 61.6% beneficial interest in MAG. Accordingly, at 31 December 2004 MAG is no longer an associate investment of MAp. Refer also Note 9(ii) and Note 11.

(b) At 31 December 2004, MAp holds a 48.3% direct interest in SCACH and a 7.2% indirect interest through its shareholding in MAG. MAp's total beneficial interest in SCACH is therefore 55.5%.

On a consolidated basis, and including outside equity interest, MAp, through SCAAT and MAT(1), has a 63.7% interest in SCACH. However, SCACH has not been consolidated into the financial statements of MAp, as the provisions of the SCACH Shareholders' Agreement require a 75% majority by both the shareholders of SCACH and its board of directors to pass resolutions concerning significant financing and operating decisions. Consequently, MAp does not have the capacity to control the operating and financing decisions of SCACH.

(c) At 31 December 2003, MAp held a total beneficial interest in MALSA of 64.4%. During the year, MAp completed the acquisition of an additional 10.7% controlling interest in MALSA through its acquisition of an additional interest in MAG (refer Note 9(ii)). As a result of this transaction MAp holds a controlling interest in MALSA of 75.1%. Accordingly, at 31 December 2004 MALSA is no longer an associate investment of MAp. Refer also Note 9(iii) and Note 11.

(d) At 31 December 2004, MAp held a 76.1% beneficial interest in MABSA. This interest represents a 54.1% voting interest. While MAp holds more than a 50% interest in the voting rights of MABSA, it has not been consolidated into the financial statements of MAp as the provisions of the MABSA Shareholders' Agreement require at least a 66.7% majority to pass resolutions concerning significant financing and operating decisions. Under the MABSA Shareholders' Agreement, MAp also holds an option to purchase from Macquarie European Infrastructure Fund ("MEIF"), a co-investor in MABSA, 6,928 Ordinary Shares in MABSA if MEIF either looks to sell down its investment or implement a listing proposal. Exercise of this option would bring MAp's voting interest in line with its economic interest and would give MAp a controlling interest in MABSA. While MAp holds the right to acquire additional voting rights in limited circumstances, it does not control whether those circumstances occur. Consequently, MAp does not currently have the capacity to control the operating and financing decisions of MABSA. Accordingly, MABSA is treated as an associate for the purposes of this financial report.

(e) MAp holds a direct interest in ASC through two $1.00 B Class shares. While this shareholding represents a 33.3% ownership interest, ASC is jointly controlled by MAp as it holds 50% of the voting power. Accordingly, ASC is treated as an associate for the purposes of this financial report.

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 have not been equity accounted in accordance with AASB 1016: Accounting For Investments in Associates, as the investments in the groups to which they belong are measured at net market value in accordance with AASB 1030: Application of Accounting Standards to Financial Year Accounts and Consolidated Accounts of Disclosing Entities other than Companies. Changes in net market value are recognised as revenues or expenses in the Statement of Financial Performance in the financial year in which the changes occur. Refer also to Note 9.

10 Investments in Associates (cont'd)

Share of associates' contingent liabilities

At 31 December 2004, MAp's associates have no contingent liabilities.

Share of associates' expenditure commitments

	As at 31 Dec 2004 $'000	As at 31 Dec 2003 $'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for:	126,420	20,986
Lease expenditure commitments		
Operating leases (non-cancellable) contracted for at balance date	1,829	2,047

11 Investments in Controlled Entities

The material controlled entities of MAp, based on contribution to MAp's net result from ordinary activities, the size of the investment made by MAp or the nature of the activities conducted by the controlled entity, are:

Name of Entity	Country of Incorporation	Ownership Interest	
		31 Dec 2004 $'000	31 Dec 2003 $'000
Macquarie Airports (Sydney Holdings) Pty Limited	Australia	100.0%	100.0%
Southern Cross Australian Airports Trust	Australia	86.2%	82.0%
Macquarie Airports Group Limited	Bermuda	61.6%	-
Macquarie Airports (Brussels) Limited	Bermuda	100.0%	-
Batten SarL*	Luxembourg	61.6%	-
Macquarie Airports (Luxembourg) S.A.	Luxembourg	75.1%	-
Macquarie Airports (UK) Limited*	United Kingdom	61.6%	-
Macquarie Airports (UK) No.2 Limited*	United Kingdom	61.6%	-

* Macquarie Airports (UK) Limited, Macquarie Airports (UK) No. 2 Limited and Batten SarL are all wholly owned subsidiaries of Macquarie Airports Group Limited.

■ *Acquisition of controlled entities*

On 5 May 2004, MAp acquired an additional 21.5% interest in MAG, resulting in a controlling interest of 61.6%. The total consideration payable by MAp for the additional interest acquired in MAG was $256.6 million. This amount was settled through the issue of 138.7 million new MAp stapled securities with an issue price of $1.85. The assets, liabilities and financial results of MAG have been included in the MAp financial statements since the date a controlling interest was acquired.

As part of the transactions above, MAp acquired 100% of the issued capital of Macquarie Airports Sophisticated Investor Trust ("MASIT") and Macquarie Airports Sophisticated Investor Trust No. 2 ("MASIT2"). At the date of acquisition, MASIT and MASIT2 held 1.58% and 0.12% interests in MAG respectively. On 5 May 2004, MASIT and MASIT2 sold 100% of their shareholdings in MAG to MAp. On 30 June 2004, MASIT and MASIT2 were terminated and the units redeemed. A net loss of $2.6 million was realised by MAp upon redemption. However this loss is offset by a $2.6 million distribution MAp received from MASIT prior to redemption of the MASIT units.

The financial results of MASIT and MASIT2 have not been consolidated into the MAp financial report for the period 5 May 2004 to 30 June 2004 as they are considered immaterial to the financial results of MAp.

11 Investments in Controlled Entities (cont'd)

Details of the acquisition on 5 May 2004 are as follows:

	MAG (€) 5 May 2004 €'000	MAG (AUD) 5 May 2004 $'000
Fair value of identifiable net assets of controlled entities at date of acquisition		
Cash assets	2,951	4,901
Receivables	2,171	3,606
Prepayments	6	10
Investments	1,070,000	1,776,746
Payables	(207,832)	(345,108)
	867,296	1,440,155
Less:		
Outside equity interests	(333,302)	(553,452)
Interest previously acquired	(351,211)	(583,190)
Discount on acquisition	(28,227)	(46,872)
Non cash consideration to acquire controlling interest	154,556	256,641
Outflow of cash to acquire controlled entity, net of cash acquired		
Cash consideration	-	-
Cash assets acquired	2,951	4,901
Net inflow of cash	2,951	4,901

12 Distribution Payable

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
Provision for distribution		
Balance at the beginning of the year	31,549	42,389
Provided for during the year	162,314	78,703
Paid during the year	(79,396)	(89,543)
Balance at the end of the year	114,467	31,549

The provision for distribution represents the distribution by MAT(1) for the period ended 31 December 2004. This amount was paid to unit holders on 18 February 2005.

13 Payables

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
Responsible Entity's and Adviser's base fees payable	20,206	4,928
Responsible Entity's and Adviser's performance fees payable	205,387	820
Interest payable on the FOLA	990	-
Withholding tax payable	-	573
Distribution payable by SCAAT to outside equity interests	29	86
Other payables	4,336	1,499
	230,948	7,906

14 Tax Liabilities

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
Provision for income tax	127	203
Non-current		
Provision for deferred income tax	355,654	81,790

15 Convertible Loan

	31 Dec 2004 $'000	31 Dec 2003 $'000
Current		
MALSA Convertible Loan	39,632	-

In order to fund the final settlement of the acquisition of an interest in Rome Airport, on 17 March 2003 the MALSA shareholders advanced a total of €408.0 million to MALSA under the Convertible Loan Agreements. As MAp holds a controlling interest in MALSA, the loans advanced by MAG and MAp to MALSA are eliminated on consolidation of MALSA into the MAp financial report. The balance recognised at 31 December 2004 represents the convertible loans advanced by the outside equity interest in MALSA.

The convertible loans entitle the holders to effectively all of the income of MALSA and have 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 redeemable preference shares.

16 Interest Bearing Liabilities

	31 Dec 2004 $'000	31 Dec 2003 $'000
Non-current		
Loan from MAREST	465,000	-

On 20 December 2004, MAp entered into the First On Lending Agreement ("FOLA") with Macquarie Airports Reset Exchangeable Securities Trust ("MAREST"). The FOLA represents the on-lending by MAREST of funds raised through the issue of 4.65 million Tradeable Interest Bearing Convertible to Equity Trust Securities ("TICkETS") at $100 per TICkETS.

16 Interest Bearing Liabilities (cont'd)

Under the FOLA, MAp borrowed $465.0 million from MAREST to fund a portion of the Brussels Airport acquisition. Interest accrues on the FOLA at a rate of 6.475% per annum and is payable six monthly in arrears. The interest rate will be reset on 1 January 2010. At 31 December 2004, interest of $989,877 has accrued on the FOLA (refer Note 13). The FOLA has a term of ten years.

To secure the FOLA, the Responsible Entity has granted a fixed charge in favour of the Responsible Entity of MAREST, over MAT(1)'s investments in units in MAFT and redeemable preference shares in MASH. If there is a failure to repay any amount due under the FOLA, upon giving notice, the full amount due under the FOLA may be accelerated and be immediately due and payable.

17 Contributed Equity

	2004 $'000	2003 $'000
On issue at the beginning of the year	1,800,176	1,619,458
Reinvestment of Responsible Entity and Adviser base fees on 14 April 2003	-	378
Reinvestment of Responsible Entity and Adviser base fees on 24 June 2003	-	1,862
Issued pursuant to Institutional Placement on 21 July 2003	-	54,000
Reinvestment of Responsible Entity and Adviser base fees on 26 August 2003	-	3,018
Reinvestment of Responsible Entity and Adviser base fees on 17 November 2003	-	4,172
Issued pursuant to Institutional Placement on 17 November 2003	-	119,293
Issued pursuant to distribution reinvestment plan ("DRP") on 18 February 2004	10,271	-
Issued pursuant to offer to MAG investors on 5 May 2004	256,641	-
Issued pursuant to DRP on 18 August 2004	21,656	-
Reinvestment of Responsible Entity and Adviser base fees on 27 September 2004	9,002	-
Reinvestment of Responsible Entity and Adviser performance fees on 27 September 2004	25,984	-
Issued pursuant to Institutional Placement on 17 November 2004	510,157	-
Issued pursuant to Security Purchase Plan on 17 December 2004	66,205	-
Costs incurred in the raising of capital	(6,865)	(2,005)
On issue at the end of the year	2,693,227	1,800,176

	Number of stapled securities '000	Number of stapled securities '000
On issue at the beginning of the year	1,051,639	941,969
Reinvestment of Responsible Entity and Adviser base fees on 14 April 2003	-	189
Reinvestment of Responsible Entity and Adviser base fees on 24 June 2003	-	931
Issued pursuant to Institutional Placement on 21 July 2003	-	36,000
Reinvestment of Responsible Entity and Adviser base fees on 26 August 2003	-	1,509
Reinvestment of Responsible Entity and Adviser base fees on 17 November 2003	-	2,086
Issued pursuant to Institutional Placement on 17 November 2003	-	68,955
Issued pursuant to distribution reinvestment plan ("DRP") on 18 February 2004	6,052	-
Issued pursuant to offer to MAG investors on 5 May 2004	138,725	-
Issued pursuant to DRP on 18 August 2004	10,765	-
Reinvestment of Responsible Entity and Adviser base fees on 27 September 2004	4,501	-
Reinvestment of Responsible Entity and Adviser performance fees on 27 September 2004	11,716	-
Issued pursuant to Institutional Placement on 17 November 2004	183,510	-
Issued pursuant to Security Purchase Plan on 17 December 2004	23,814	-
On issue at the end of the year	1,430,722	1,051,639

17 Contributed Equity (cont'd)

Ordinary units in MAT(1) and MAT(2) and ordinary shares in MAHBL
Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001, Companies Act and the 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 dollar of the value of the total interests they have in MAT1 and MAT2 and one vote for each fully paid share in respect of MAHBL.

While MAT(2) is taxed as a company, it need not distribute all of its taxable income to security holders. A security on issue in MAT(1) at the end of an income period entitles its holder to a pro-rata proportion of the net income of the Trust in respect of that income period. The Responsible Entity determines the net income of the Trusts as at the end of each financial year. The directors of MAHBL may declare dividends which appear justified by the profits of MAHBL. 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.

Upon the winding up of a Trust, the Responsible Entity is required to realise the assets of the Trust and after meeting liabilities of the Trust, to distribute the net proceeds to the security holders pro-rata according to the number of securities held on the date upon which the Trust commenced to be wound up. If MAHBL 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 MAHBL.

18 Undistributed Operating Surplus

	31 Dec 2004 $'000	31 Dec 2003 $'000
Balance at the beginning of the year	266,712	5,035
Net result from ordinary activities attributable to MAp security holders	864,597	340,380
Distributions provided for or paid	(162,314)	(78,703)
Balance at the end of the year	968,995	266,712

19 Reserves

	31 Dec 2004 $'000	31 Dec 2003 $'000
Balance of reserves		
Capital reserve	(4,312)	(4,312)
Foreign currency translation reserve	22,678	-
	18,366	(4,312)
Movements of reserves		
Capital reserve		
Balance at the beginning of the year	(4,312)	(4,312)
Transfers to Statement of Financial Performance	-	-
Balance at the end of the year	(4,312)	(4,312)
Foreign currency translation reserve		
Balance at the beginning of the year	-	-
Net exchange differences on translation of foreign controlled entities	22,678	-
Balance at the end of the year	22,678	-

19 Reserves (cont'd)

- ***Nature and purpose of reserves***

  — *Capital reserve*
  The capital reserve represents the amounts transferred to or from the undistributed operating result to allow distributions from the Trusts to be made in accordance with the Trust Constitutions.

  — *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(h).

20 Outside Equity Interest in Controlled Entities

	31 Dec 2004 $'000	31 Dec 2003 $'000
Contributed equity	481,851	213,749
Reserves	15,264	(2,969)
Undistributed operating surplus/(deficit)	295,239	27,891
Total outside equity interest in controlled entities	792,354	238,671

As MAp holds a controlling interest in SCAAT, MAG and MALSA (see Note 9) it must consolidate 100% of the assets, liabilities and results of these entities into its financial report for the year ended 31 December 2004 and disclose an outside equity interest.

At 31 December 2004, MAp holds a direct interest in SCAAT of 74.1% and an indirect interest through its investment in MAG of 12.1%. Accordingly, 13.8% of the contributed equity, reserves and undistributed operating surplus of SCAAT is shown as outside equity interest in the MAp financial report as at 31 December 2004.

At 31 December 2004, MAp holds a direct interest in MAG of 57.7% and an indirect interest through its investment in MAFT of 3.9%. Accordingly, 38.4% of the contributed equity, reserves and retained profit of MAG is shown as outside equity interest in the MAp financial report as at 31 December 2004.

At 31 December 2004, MAp holds a direct interest in MALSA of 44.3% and an indirect interest through its investment in MAG of 30.8%. Accordingly, 24.9% of the contributed equity, reserves and retained profit of MALSA is shown as outside equity interest in the MAp financial report as at 31 December 2004.

21 Asset Backing and Earnings Per Stapled Security

	31 Dec 2004	31 Dec 2003
Net tangible asset backing of each stapled security after deferred tax balances (excluding outside equity interest)	$2.57	$1.96
Asset backing of each stapled security attributable to investments (excluding outside equity interest)*	$2.89	$2.01
Basic earnings per stapled security**	73.27c	35.16c
Earnings used in calculation of earnings per stapled security	$864,597,037	$340,379,549
Weighted average number of stapled securities on issue used in calculation of earnings per stapled security	1,180,036,049	968,054,722

* Calculated net of the FOLA, which was drawn down to partially fund MAp's acquisition of Brussels Airport.

** Earnings used in the calculation of basic earnings per stapled security includes unrealised revenue from revaluation of MAp's investments. Consequently, basic earnings per stapled security reflects the positive impact of unrealised revaluation increments.

22 Cash Flow Information

	31 Dec 2004 $'000	31 Dec 2003 $'000
(i) Reconciliation of net result from ordinary activities after income tax to net cash flows from operating activities		
Net result from ordinary activities after income tax	1,093,019	381,731
Revaluation of investments	(1,461,778)	(409,250)
Expenses relating to financing activities	1,079	-
Interest receivable acquired with SCACH (Sydney Airport) redeemable preference shares	-	10,936
Net loss on disposal of securities	2,574	-
Net foreign exchange differences	(3,597)	82,890
Responsible Entity and Adviser fees reinvested in stapled securities	29,729	9,430
Changes in operating assets and liabilities net of effects of acquisition of controlled entities:		
Decrease / (Increase) in receivables	15,710	(67,886)
(Increase) in prepayments	(52)	(29)
Increase in payables	220,528	6,142
Increase in tax liabilities	273,840	81,898
Net cash inflow from operating activities	171,052	95,862
(ii) Reconciliation of cash assets		
Cash assets at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	101,650	11,608
Negotiable certificates of deposit	64,555	21,871
Cash assets	166,205	33,479

(iii) Non-cash financing and investing activities

During the year, MAp issued 138,724,706 new stapled securities with an issue price of $1.85 per security as consideration for the acquisition of an additional 21.5% interest in MAG for $256.6 million (refer Note 9(ii)).

During the year, Responsible Entity and Adviser base fees totalling $9,001,664 (excluding GST) (2003: $9,430,335) were applied to a subscription for 4,500,832 (2003: 4,715,166) new MAp stapled securities.

During the year, the Responsible Entity and Adviser elected to apply performance fees totalling $25,984,043 (excluding GST) to a subscription for 11,715,597 new MAp stapled securities.

During the year, a portion of stapled security holders participated in MAp's Distribution and Dividend Reinvestment Plan. In relation to the December 2003 distribution, $10,271,426 was reinvested in 6,052,190 new MAp stapled securities while $21,656,152 of the June 2004 distribution was reinvested in 10,765,068 new MAp stapled securities.

These transactions are not reflected in the Statement of Cash Flows.

23 Related Party Disclosures

Responsible Entity

The Responsible Entity of MAT(1) and MAT(2) is Macquarie Airports Management Limited, a wholly owned subsidiary of Macquarie Bank Limited ("MBL"). The registered office of the Responsible Entity is No. 1 Martin Place, Sydney NSW 2000.

Adviser

The adviser of MAHBL is Macquarie Investment Management (UK) Limited ("MIM(UK)" or "the Adviser"), a wholly owned subsidiary of MBL. MIM(UK) is also the adviser of MAG, MALSA and MABSA.

Directors

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

- Richard Sheppard (Chairman)
- Trevor Gerber
- Michael Lee
- Nicholas Moore
- Bob Morris
- John Roberts* (alternate for Nicholas Moore and Richard Sheppard)

* John Roberts was appointed as alternate for Richard Sheppard on 24 August 2004.

The following person also held office as director of the Responsible Entity during the year:

- Kerrie Mather (alternate for Richard Sheppard) (resigned 24 August 2004)

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

- Jeffrey Conyers (Chairman)
- Sharon Beesley
- Mark Call
- Richard Sheppard
- John Roberts** (alternate for Richard Sheppard)

** John Roberts was appointed as alternate for Richard Sheppard on 24 August 2004.

The following person also held office as director of MAHBL during the year:

- Martyn Booth (alternate for Richard Sheppard) (resigned 24 August 2004)

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

During the year, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by MAp with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the Trust Constitutions.

Directors' fees of US$25,000 per annum were paid to Jeffrey Conyers, Sharon Beesley, and Mark Call for the year ended 31 December 2004. In the prior year, directors' fees of US$5,000 per annum were paid to Sharon Beesley, Edith Conyers, and Julie Stanton for the period 1 January 2003 to 30 June 2003. From 1 July 2003, directors' fees of US$25,000 per annum were paid to Jeffrey Conyers, Sharon Beesley, and Mark Call. Where applicable, fees are apportioned for the director's period of service.

Julie Stanton, a director of MAHBL in the prior year, is a partner of Hollis & Co, a legal firm in Bermuda, to which MAp paid fees of $86,021 during the year (2003: $38,147). Edith Conyers, a director of MAHBL in the prior year, is the General Manager of Forum Fund Services Ltd in Bermuda, to which MAp paid administration fees of $53,415 during the year (2003: $35,871). Sharon Beesley is a shareholder in ISIS Limited, to which MAp paid consulting fees of $13,123 (2003: $8,419) during the year.

23 Related Party Disclosures (cont'd)

Directors (continued)

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

The Responsible Entity is responsible for the preparation of the MAp financial report. Details of the remuneration of each director of the Responsible Entity are set out in the following table. The remuneration disclosed, except where otherwise noted, only includes amounts paid or payable by related parties of MAp to the directors in connection with the management of the affairs of MAp. The remuneration disclosed was not charged to MAp and has been recognised as an expense of MBL. Comparative information of the detailed remuneration disclosures is not provided as this is the first year that AASB 1046: Director and Executive Disclosures by Disclosing Entities applies.

	Primary		Equity	Total
	Cash salary (including superannuation) ($)	MBL Profit Share ($)*	MBL Options ($)*	($)
Director				
Richard Sheppard (Chairman)	***	***	***	***
Trevor Gerber	60,000	-	-	60,000
Michael Lee	60,000	-	-	60,000
Nicholas Moore	***	***	***	***
Bob Morris	60,000	-	-	60,000
John Roberts (Alternate Director)	12,000	150,000	6,000	168,000
Kerrie Mather** (Alternate Director)	190,905	867,750	33,639	1,092,294
Total	382,905	1,017,750	39,639	1,440,294

* Richard Sheppard, Nicholas Moore, John Roberts and Kerrie Mather are employees of MBL. The MBL profit share pool and option entitlements are determined and allocated to individual employees annually. The MBL profit share and option amounts included in these disclosures are in respect of the year ended 31 March 2004 and also include restricted amounts.

** Kerrie Mather resigned as alternate director of the Responsible Entity on 24 August 2004. In accordance with AASB 1046: Director and Executive Disclosures by Disclosing Entities, the remuneration disclosed above relates to the year ended 31 December 2004. The remuneration which relates to the period served as director was $728,196, representing cash salary of $127,270, MBL profit share of $578,500 and MBL options of $22,426.

***Richard Sheppard and Nicholas Moore are specified executives of MBL. Due to their broad range of responsibilities within MBL there is no meaningful basis upon which to allocate their remuneration to the individual entities of which they are directors. The components of their total remuneration are as follows:

	Primary		Equity	Total
	Cash salary (including superannuation) ($)	MBL Profit Share ($)	MBL Options ($)	($)
Nicholas Moore	508,623	10,156,100	439,111	11,103,834
Richard Sheppard	508,623	3,400,311	200,468	4,109,402

Directors' holdings in stapled securities

The number of stapled securities in MAp held directly, indirectly or beneficially by directors of the Responsible Entity or their director-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
Richard Sheppard	250,000	-	311,746	561,746
Trevor Gerber	170,000	-	-	170,000
Nicholas Moore	2,768,938	-	691,445	3,460,383
John Roberts	49,899	-	-	49,899
Kerrie Mather	1,024,367	-	****	****

**** Kerrie Mather resigned as alternate director of the Responsible Entity on 24 August 2004.

23 Related Party Disclosures (cont'd)

Principles used to determine the nature and amount of remuneration

The remuneration paid to directors who are not employees of MBL is determined with reference to current market rates for directorships of similar entities. The level of remuneration is not related to the performance of MAp.

Where possible, the remuneration of employees of MBL has been determined based on an appropriate allocation of the directors' time and contribution across their areas of responsibility with MAp and other MBL businesses.

No contract of service has been entered into by any director with MAp.

Executives

There were no specified executives employed by MAp or its controlled entities at any time during the year.

Responsible Entity's and Adviser's fees

Under the terms of the documents governing the individual entities within the Group, fees paid or payable to the Responsible Entity of the Trusts and the Adviser of MAHBL were:

	31 Dec 2004 $'000	31 Dec 2003 $'000
Base fee	28,925	13,823
Performance fee	217,388	765
	246,313	14,588

In addition, a fee of €6.0 million ($10.3 million) was paid to the Adviser of MAG in the period from acquisition of a controlling interest on 5 May 2004 to 31 December 2004.

The quarterly base fee for MAp is calculated as:

- 1.5% per annum of the first $500 million of Net Investment Value of MAp; plus
- 1.25% per annum of the next $500 million of Net Investment Value of MAp; 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 MAp over the last 15 trading days of the quarter; plus
- the amount of any external borrowings of MAp at the end of the quarter; plus
- the amount of any firm commitments by MAp to make further investments at the quarter end; less
- cash balances of MAp at the quarter end.

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 MBL 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 MAp 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). Under the terms of the MAG Advisory Agreement, MAG must pay a performance fee to the Adviser of 20% of surplus cash when the investment balance is less than or equal to zero. The investment balance accrues at 12% per annum compounded based upon called funds less cash distributions paid to investors. While MAp holds an investment in MAG or co-invests with MAG, any performance fee earned in respect of those investments of MAp will be included in the calculation of the performance fee payable by MAp and will be rebated against the amount of the performance fee (if any) payable by MAp.

23 Related Party Disclosures (cont'd)

Custodians' fees

Under the terms of the Custody Agreements with Trust Company of Australia, fees paid or payable to the Custodian were $260,897 (2003: $177,399).

During the year Bond Street Custodians Limited, a wholly owned subsidiary of MBL, acted as custodian of certain assets of MAT(1) and SCAAT. Fees paid or payable to Bond Street Custodians Limited under the terms of the Custody Agreements were $15,138 (2003: 13,730).

Other transactions

MBL and companies within the MBL Group have undertaken various transactions with, and performed various services for MAp. Fees paid to MBL 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, MAp will buy investments from MBL and companies within the MBL Group (for example, shares in MAG). The terms of investment acquisitions made by MAp from MBL are the same as those offered to other parties.

At 31 December 2004, companies within the MBL Group held 114.1 million (2003: 36.8 million) stapled securities in the Group. This figure includes 18,271,378 (2003: 2,072,495) stapled securities held by the Responsible Entity. Distributions totalling $1,608,250 (2003: $144,766) were paid or payable by MAp to the Responsible Entity for the year ended 31 December 2004.

At 31 December 2004, the Group had funds totalling $93,945,671 (2002: $11,608,030) on deposit with MBL. MAp earns interest on deposits at commercial rates. Interest income from deposits with MBL totalling $2,517,161 (2003: $1,406,580) was included in the determination of the net result from ordinary activities for the year.

During the year, MAp paid placement fees of $6,393,086 (excluding GST) to Macquarie Equities Capital Markets Limited ("MECM") in relation to the November 2004 placement.

During the year, an advisory fee of €7.9 million ($13.8 million) became payable by the MABSA investors to MBL group companies in connection with the completion of the acquisition of Brussels Airport. This fee was reinvested by MBL in MABSA in January 2005 (refer note 28).

During the year, MAp reimbursed MBL $889,961 (2003: $692,322), representing out-of-pocket expenses incurred by the Responsible Entity and the Adviser in the performance of their duties. The Group also reimbursed MBL $720,119 of expenses incurred in the performance of their duties as Adviser to MALSA (2003: nil).

During the year the Responsible Entity of MAT(1) and the Responsible Entity of Macquarie Airports Reset Exchangeable Securities Trust ("MAREST") entered into an Expenses Indemnity and Fees Deed ("the Deed") dated 17 November 2004. Under the Deed, MAT(1) indemnifies MAREST for any liability incurred by the Responsible Entity of MAREST in properly performing or exercising any of its powers or duties in relation to MAREST. Costs paid or payable by MAT(1) under the Deed totalled $13,610,884 for the year ended 31 December 2004. Included within this amount is $7,006,768 paid by MAT(1) on behalf of MAREST to MECM for underwriting and structuring fees incurred in relation to the listing of MAREST and the issue of the TICkETS.

MAp utilises the services provided by MBL's foreign exchange department from time to time.

During the previous financial year, the following related party transactions occurred:
MAp paid placement fees of $1,732,927 (excluding GST) to MECM in relation to the July 2003 and November 2003 placements.

MAp paid an advisory fee of €2.7 million ($4.8 million) to MBL group companies in connection with the completion of the acquisition of the interest in AdR.

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

24 International Financial Reporting Standards

MAp will be required to prepare its financial report using Australian accounting standards that are equivalent to International Financial Reporting Standards ("A-IFRS") and their related pronouncements for all periods beginning on or after 1 January 2005.

The first financial report to be prepared in accordance with A-IFRS will be the half year financial report for the period ending 30 June 2005. A-IFRS also require MAp to restate comparative period balances. To facilitate this, the opening Statement of Financial Position of MAp at 1 January 2004 will be restated to amounts reflecting the application of A-IFRS. Transitional adjustments will be reflected either as a reclassification of assets or liabilities, or an adjustment of the undistributed operating surplus.

The A-IFRS conversion project, which commenced during 2003, has been identifying the impacts that A-IFRS will have on the accounting and reporting of the consolidated and aggregated entities. Management continue to work with A-IFRS specialists to ensure that the interpretation of the standards and application to the consolidated and aggregated entities is as intended. The first phase of the project, impact assessment and evaluation, is complete and the impact is currently being quantified. The following are the significant topics that are expected to impact the consolidated and aggregated entities following the adoption of A-IFRS.

- ***Investment in associate entities – Application of the equity method***

MAp will endeavour to continue to carry investments in associate entities at market value. Under A-IFRS, MAp must satisfy stringent requirements to continue to use market value as a basis of measurement. If MAp is not able to satisfy these requirements, it is possible that all of MAp's investments in associate entities will have to be measured using the equity method of accounting.

If the equity method of accounting is adopted, the value of MAp's investments in associate entities will be reduced on transition to A-IFRS as a result of the reversal of previously booked market value increments. Because the equity method of accounting requires an entity to recognise its share of the accounting profits and losses of each of its associate investments, MAp's accounting income will move up and down in line with the accounting income of the underlying airport entities.

- ***Investment in securities that are stapled, linked or otherwise joined – The investment will be recognised and measured as one financial asset***

If MAp continues to hold investments in associate entities at market value, investments in equity securities and debt securities that are stapled, linked or otherwise joined, will be classified as one financial asset. This includes the stapled securities issued by SCACH and the linked instruments issued by Tidefast and MABSA. The valuation will also take into account embedded derivatives and other similar features that form part of the security, and under A-IFRS the measurement attribute will be known as fair value.

This change in classification will not impact the recognition and measurement of these instruments owned by MAp because fair value measurement principles are consistent with the market value measurement principles applied under current Australian accounting standards.

- ***Income tax – "Balance sheet approach"***

A "balance sheet approach" will be used to determine deferred tax assets and deferred tax liabilities which requires a comparison between the carrying amount and the tax base for each asset and liability.

MAp will most likely carry a higher level of deferred tax assets and liabilities as a "balance sheet approach" will take into account balances not previously considered when calculating the group tax balances and transactions under current Australian accounting standards.

24 International Financial Reporting Standards (cont'd)

▪ *Unitholders' funds – Classified as liabilities instead of equity*

Under their Constitutions, MAT(1) and MAT(2) are required to sell their assets and, after satisfying liabilities other than repayments of unitholders' funds, pay the remaining amount to investors on or before their 80^{th} anniversaries. This creates an obligation for both MAT(1) and MAT(2) to deliver cash to their unitholders on redemption of the units.

A current interpretation of A-IFRS requires that issued securities be classified as a financial liability if those securities create an obligation for the issuing entity to deliver cash even though that payment may not be for a very long time and the amount may depend on the net asset value. In the context of the issued units of MAT(1) and MAT(2), this would mean that unitholders' funds should be classified as a financial liability. Such a liability would be measured initially at an amount equal to the fair value of the units when they were issued. Adjustments required to reclassify the unitholders' funds from equity to liabilities and to remeasure them are not expected to impact the market value of MAT(1) or MAT(2), and will only affect how unitholders' funds are presented in the Statement of Financial Position and not change unitholders' rights.

Interpretation of the A-IFRS in this area is still developing, and is subject to change based on responses from A-IFRS specialists and accounting professionals, relevant funds management industry groups, accounting standard setting bodies and other interested parties.

▪ *Impairment testing – More rigorous impairment tests will be applied when indications of impairment arise*

Assets for which changes in fair value are not reflected in the Statement of Financial Performance will need to be assessed for indications of impairment on at least an annual basis, and tested for impairment only when indications of impairment arise.

An asset is considered impaired if the recoverable amount of the asset is less than the carrying value of the asset. The valuations already performed for the purpose of market value accounting under current Australian accounting standards will be sufficient for impairment testing purposes under A-IFRS.

Assets may be considered to be impaired in one reporting period and not in subsequent periods. This may make the accounting income volatile as any impairment charge may be recorded in one reporting period and not in others.

▪ *Hedging and derivatives – New categories of assets and liabilities may be recognised*

All derivative contracts, whether used for hedging purposes or not, will need to be carried at fair value. Current Australian accounting standards do not require the recognition of all such instruments at fair value.

External derivative contracts that economically hedge MAp's risks will be treated for accounting purposes as either fair value or cash flow hedges if the strict criteria are met, or as non-hedging derivatives.

If derivative contracts are not accounted for as hedges, movements in the fair value of these instruments will be reflected in the Statement of Financial Performance, creating volatility that is not reflected under current Australian accounting standards. If hedge accounting is applied, this volatility will be minimised.

Regardless of hedge accounting being used or not, the fair value of all derivatives will impact the net assets. If a derivative is accounted for as a fair value hedge, the net asset movement caused by the derivative will be offset by the fair value movement of the item being hedged to the extent the derivative is an effective hedge.

25 Segment Reporting

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

MAp'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.

	Bermuda $'000	UK & Europe $'000	Australia $'000	Total $'000
Geographical segments 2004				
Segment revenue	5,253	328,764	1,315,608	1,649,625
Revenue from ordinary activities	5,253	328,764	1,315,608	1,649,625
Segment result before tax	4,288	197,362	1,167,812	1,369,462
Unallocated expenses				(2,467)
Net result from ordinary activities before income tax				1,366,995
Acquisition of tangible segment assets during the year	102,287	989,593	66,566	1,158,446
Segment assets	61	2,764,801	2,913,908	5,678,770
Total assets	61	2,764,801	2,913,908	5,678,770
Segment liabilities	-	48,393	1,157,435	1,205,828
Total liabilities	-	48,393	1,157,435	1,205,828
Geographical segments 2003				
Segment revenue	52,266	(6,247)	436,425	482,444
Revenue from ordinary activities	52,266	(6,247)	436,425	482,444
Segment result before tax	48,561	(8,789)	426,696	466,468
Unallocated expenses				(2,721)
Net result from ordinary activities before income tax				463,747
Acquisition of tangible segment assets during the year	177,918	355,497	169,039	702,454
Segment assets	508,720	381,179	1,532,796	2,422,695
Total assets	508,720	381,179	1,532,796	2,422,695
Segment liabilities	-	-	121,448	121,448
Total liabilities	-	-	121,448	121,448

25 Segment Reporting (cont'd)

	Airports $'000	Unallocated $'000	Total $'000
Business segments 2004			
Segment revenue	1,643,548	6,077	1,649,625
Revenue from ordinary activities	1,643,548	6,077	1,649,625
Acquisition of tangible segment assets during the year	1,158,446	-	1,158,446
Segment assets	5,475,524	203,246	5,678,770
Total assets	5,475,524	203,246	5,678,770
Business segments 2003			
Segment revenue	475,730	6,714	482,444
Revenue from ordinary activities	475,730	6,714	482,444
Acquisition of tangible segment assets during the year	702,454	-	702,454
Segment assets	2,386,792	35,903	2,422,695
Total assets	2,386,792	35,903	2,422,695

26 Additional Financial Instruments Disclosure

Interest Rate Risk

Changes in market interest rates affect the level of future cash flows. The table below details the exposure of MAp's financial assets and liabilities to interest rate risk. The amount shown represents the face value of financial assets and liabilities. The interest rate shown is the effective interest rate or weighted average effective interest rate in respect of a class of financial assets or liabilities. For floating rate instruments the rate is the current market rate and for fixed interest rate instruments the rate is an historical rate.

			Fixed interest rate maturing in:				
	Weighted average interest rate	Floating interest rate	1 year or less	1 to 5 years	Over 5 years	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
2004							
Assets							
Cash assets	4.89	101,650	64,555	-	-	-	166,205
Receivables	13.50	-	77,783	-	-	23,404	101,187
Investments in unlisted securities		-	-	-	-	3,356,980	3,356,980
Investments in interest bearing financial assets	13.30	-	-	-	1,023,670	-	1,023,670
Investments in non-interest bearing financial assets		-	-	-	-	933,618	933,618
Investments in listed securities		-	-	-	-	83,473	83,473
Total financial assets		101,650	142,338	-	1,023,670	4,397,475	5,665,133
Liabilities							
Payables		-	-	-	-	230,948	230,948
Distribution payable		-	-	-	-	114,467	114,467
Interest bearing liabilities	6.48	-	-	-	465,000	-	465,000
Convertible loan		-	-	-	-	39,632	39,632
Tax liabilities		-	-	-	-	127	127
Total financial liabilities		-	-	-	465,000	385,174	850,174
Net financial assets		101,650	142,338	-	558,670	4,012,301	4,814,959
2003							
Assets							
Cash assets	4.86	11,608	21,871	-	-	-	33,479
Receivables	13.50	-	78,660	30,476	-	2,942	112,078
Investments in unlisted securities		-	-	-	-	987,927	987,927
Investments in interest bearing financial assets	13.50	-	-	-	961,761	-	961,761
Investments in non-interest bearing financial assets		-	-	-	-	327,362	327,362
Total financial assets		11,608	100,531	30,476	961,761	1,318,231	2,422,607
Liabilities							
Payables		-	-	-	-	7,906	7,906
Distribution payable		-	-	-	-	31,549	31,549
Tax liabilities		-	-	-	-	203	203
Total financial liabilities		-	-	-	-	39,658	39,658
Net financial assets		11,608	100,531	30,476	961,761	1,278,573	2,382,949

26 Additional Financial Instruments Disclosure (cont'd)

Net financial assets can be reconciled to net assets in the Statement of Financial Position as follows:

	31 Dec 2004 $'000	31 Dec 2003 $'000
Net financial assets	4,814,959	2,382,949
Other assets	13,637	88
Provision for deferred income tax	(355,654)	(81,790)
Net assets as per the Statement of Financial Position	4,472,942	2,301,247

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. In accordance with AASB 1033: Presentation and Disclosure of Financial Instruments, the amount at risk excludes the value of any collateral or other security provided by the counterparty.

The credit risk on financial assets of MAp which have been recognised in the Statement of Financial Position is the carrying amount net of any provision for doubtful debts.

	Financial Institutions $'000	Corporates $'000	Other $'000	Total $'000
2004				
Assets				
Cash assets	166,205	-	-	166,205
Receivables	797	84,646	15,744	101,187
Investments in interest bearing financial assets	-	1,023,670	-	1,023,670
Investments in non-interest bearing financial assets	-	933,618	-	933,618
Total assets subject to credit risk	167,002	2,041,934	15,744	2,224,680
Investments in securities				
Investments in unlisted securities	-	3,356,980	-	3,356,980
Investments in listed securities	-	83,473	-	83,473
Total investment in securities	-	3,440,453	-	3,440,453
Total financial assets	167,002	5,482,387	15,744	5,665,133
2003				
Assets				
Cash assets	11,608	21,871	-	33,479
Receivables	9	111,030	1,039	112,078
Investments in interest bearing financial assets	-	961,761	-	961,761
Investments in non-interest bearing financial assets	-	327,362	-	327,362
Total assets subject to credit risk	11,617	1,422,024	1,039	1,434,680
Investments in securities				
Investments in unlisted securities	-	987,927	-	987,927
Total investment in securities	-	987,927	-	987,927
Total financial assets	11,617	2,409,951	1,039	2,422,607

26 Additional Financial Instruments Disclosure (cont'd)

Market Risk

Market risk is the risk that the value of the Group's investment portfolio will fluctuate as a result of changes in market prices and interest rates. This risk is managed by ensuring that all activities are transacted in accordance with the overall investment strategy and within approved limits.

Liquidity and Cash Flow Risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with financial assets. Cash flow risk is the risk that the future cash flows derived from holding financial assets will fluctuate. The directors' valuations incorporate market value adjustments where there is liquidity risk to a particular market or counterparty.

Net Fair Values

Financial instruments recognised in the Statement of Financial Position

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and liabilities of the consolidated entity approximate their carrying value.

The net fair value of other monetary assets and financial liabilities approximates their carrying value.

The net fair value of equity investments are brought to account as detailed in Note 1(d).

Foreign Exchange Risk

The Group is exposed to foreign exchange risk as a result of investments denominated in foreign currencies. At the reporting date, the Group's exposure to foreign exchange rate movements on its international investments was as follows (Australian dollars are included for the purposes of reconciliation to the Statement of Financial Position).

	GBP A$'000 Equivalent	Euro A$'000 Equivalent	Australian dollar A$'000	Other A$'000 Equivalent	Total A$'000
2004					
Assets					
Financial Assets					
Cash assets	3,239	19,861	143,105	-	166,205
Receivables	-	3,818	95,354	2,015	101,187
Investments in unlisted securities	596,271	1,078,009	1,682,700	-	3,356,980
Investments in interest bearing financial assets	61,909	-	961,761	-	1,023,670
Investments in non-interest bearing financial assets	-	933,618	-	-	933,618
Investments in listed securities	-	-	-	83,473	83,473
Non financial assets					
Other assets	-	52	13,585	-	13,637
Total assets	661,419	2,035,358	2,896,505	85,488	5,678,770
Liabilities					
Financial liabilities					
Payables	2	8,634	220,297	2,015	230,948
Distribution payable	-	-	114,467	-	114,467
Interest bearing liabilities	-	-	465,000	-	465,000
Convertible loans		39,632	-	-	39,632
Tax liabilities	127	-	355,654	-	355,781
Total liabilities	129	48,266	1,155,418	2,015	1,205,828
Net assets	661,290	1,987,092	1,741,087	83,473	4,472,942

26 Additional Financial Instruments Disclosure (cont'd)

Foreign Exchange Risk (cont'd)

	Euro A$'000 Equivalent	Australian dollar A$'000	Total A$'000
2003			
Assets			
Financial Assets			
Cash assets	3,036	30,443	33,479
Receivables	1,299	110,779	112,078
Investments in unlisted securities	450,816	537,111	987,927
Investments in interest bearing financial assets	-	961,761	961,761
Investments in non-interest bearing financial assets	327,362	-	327,362
Non financial assets			
Prepayments	-	88	88
Total assets	782,513	1,640,182	2,422,695
Liabilities			
Financial liabilities			
Payables	-	7,906	7,906
Distribution payable	-	31,549	31,549
Tax liabilities	-	81,993	81,993
Total liabilities	-	121,448	121,448
Net assets	782,513	1,518,734	2,301,247

27 Commitments and Contingencies

At 31 December 2004, MAp has unconditionally agreed to acquire an additional 0.7% interest in Kobenhavns Lufthavne A/S ("Copenhagen Airports") for DKK74.8 million ($17.6 million).

At 31 December 2004, MAp has no other commitments or contingencies which are material either individually or as a class.

28 Events Occurring after Reporting Date

A final distribution of 8.00 cents per stapled security was paid by MAp to security holders on 18 February 2005.

A portion of stapled security holders participated in MAp's DRP for the final distribution paid on 18 February 2005. A total of 18,609,109 new MAp stapled securities were issued under the DRP at an issue price of $3.09 per stapled security. Of the total distribution, 50.4% ($57.6 million) was reinvested in MAp.

Subsequent to year end, MAp entered into a letter of credit facility with MBL for $250 million, of which $88.8 million remains undrawn at the date of this report.

Subsequent to year end, MAp acquired an additional 6.9% interest in Copenhagen Airports for DKK775.3 million ($172.9 million). MAp's total interest in Copenhagen Airports at the date of this report (including shares it has unconditionally agreed to acquire) is 11.3%. MAp primarily funded the acquisition through a letter of credit facility provided by MBL.

Subsequent to year end, MAp's voting interest in MABSA decreased from 54.1% to 52.8% while its beneficial interest decreased from 76.1% to 74.2% following the reinvestment by MBL of various advisory fees totalling €17.1 million ($29.6 million) in MABSA.

28 Events Occurring after Reporting Date (cont'd)

In February 2005, the MAHBL board noted that future acquisition opportunities would likely be focussed on non-Australian airports. The board also acknowledged that under the Australian Airports Act, there is an effective restriction on the foreign shareholding of MAHBL at 40%. The board noted that as MAp expands its airport portfolio, it will continue to monitor its foreign shareholder level. Ahead of potential foreign shareholder issues, MAHBL is to consider restructuring options including a de-stapling of MAHBL from MAT(1) and MAT(2), which would involve a separate listing of MAHBL through a merger with MAG.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in years subsequent to the year ended 31 December 2004.

Statement by the Directors of the Responsible Entity of the Trusts

In the opinion of the directors of Macquarie Airports Management Limited ("the Responsible Entity"), the Responsible Entity of the Trusts, the combined consolidated financial statements for Macquarie Airports (as defined in Note 1(b)) set out on pages 7 to 43:

a) have been prepared in accordance with the requirements of Urgent Issues Group Abstract 13: The Presentation of the Financial Report of Entities whose securities are 'stapled'; and

b) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

c) give a true and fair view of the Group's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

a) the financial statements and the notes are in accordance with the Corporations Act 2001; and

b) there are reasonable grounds to believe that the Group 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.

Richard Sheppard

Sydney
22 February 2005

Trevor Gerber

Sydney
22 February 2005

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Independent Audit Report to the stapled security holders of Macquarie Airports

AUDIT OPINION

In our opinion, the financial report of Macquarie Airports:

- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of Macquarie Airports (MAp) (defined below) as at 31 December 2004, and of its performance for the year ended on that date
- is presented in accordance with the Corporations Act 2001, Accounting Standards, the Trust Constitutions and other mandatory professional reporting requirements in Australia, and the Corporation Regulations 2001.

This opinion must be read in conjunction with the rest of our audit report.

SCOPE

The financial report and directors' responsibility

MAp comprises Macquarie Airports Trust (1) (MAT(1)) and its controlled entities, Macquarie Airports Trust (2) (MAT(2)) and its controlled entities and Macquarie Airports Holding (Bermuda) Limited (MAHBL) and its controlled entities.

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration of Macquarie Airports Management Limited as Responsible Entity for MAT(1) and MAT(2) for the consolidated entity for the year ended 31 December 2004. The financial report has been prepared as if MAp is a disclosing entity required to comply with the Corporations Act 2001 and is an aggregation of the financial reports of MAT(1), MAT(2) and MAHBL.

The directors of Macquarie Airports Management Limited, the Responsible Entity of MAT(1) and MAT(2), are responsible for the preparation and true and fair presentation of the financial report of MAp. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the stapled security holders of MAp. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected. For further explanation of an audit, visit our website http://www.pwc.com/au/financialstatementaudit.

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We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, Accounting Standards, the Trust Constitutions and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of MAp's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

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

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

PricewaterhouseCoopers

PricewaterhouseCoopers

DH Armstrong
Partner

Sydney
22 February 2005