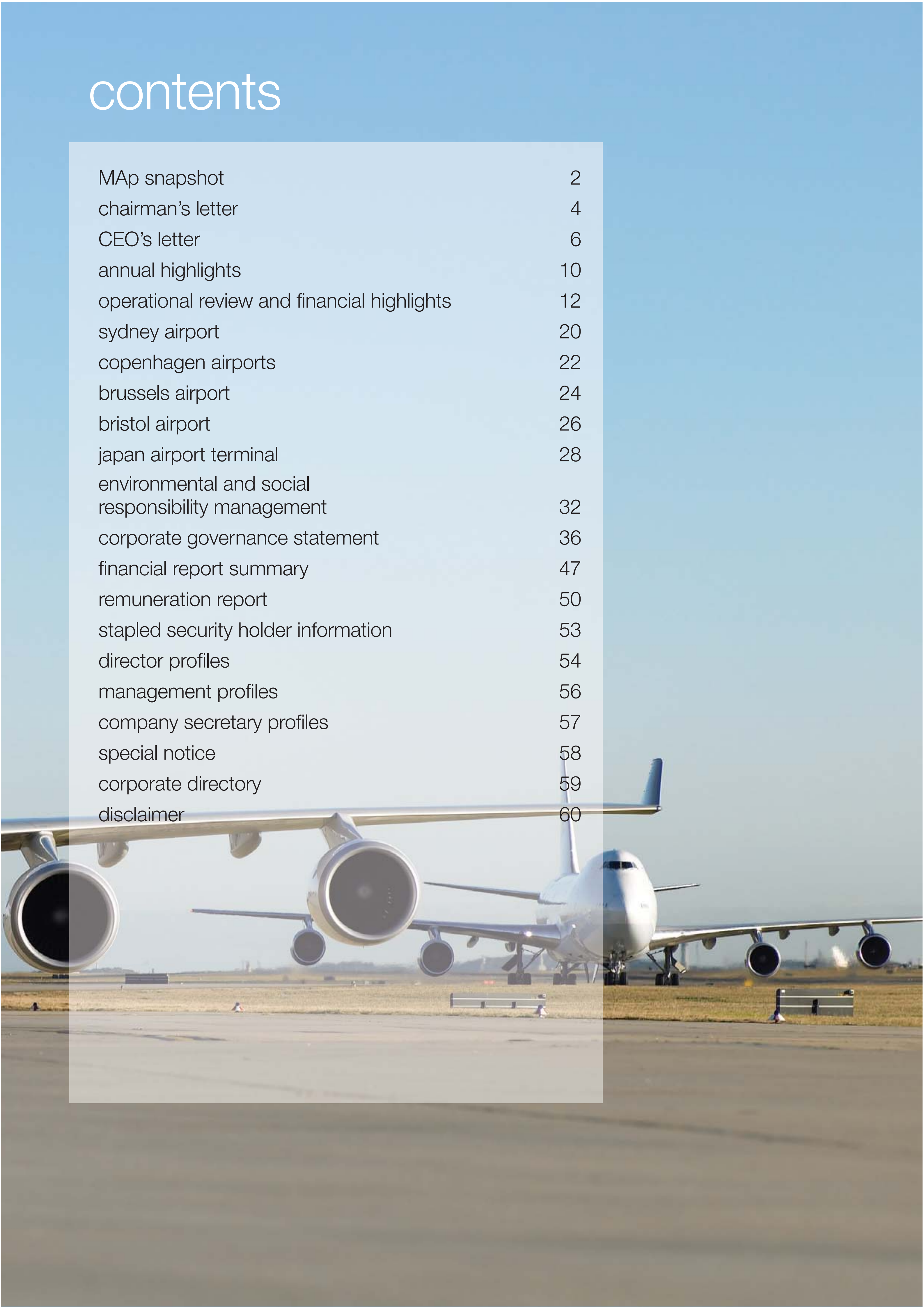
MACQUARIE AIRPORTS
ANNUAL REPORT 2007

MACQUARIE

Sydney Airport



contents

MAp snapshot

MAp is one of the world's largest private airport owners and operators with a core portfolio of four major airports – Sydney, Copenhagen, Brussels and Bristol – and a long-term strategic investment in Japan Airport Terminal

2 April 2002
Date listed

>36,000
No. of security holders

A$7 billion[1]
Market capitalisation

ASX top 50[1]
Index

77 million
No. of passengers using MAp's airports in 2007

[1] As at 31 December 2007.

chairman's letter

2007 was a transformational year for Macquarie Airports (MAp), with investments and divestments ensuring that we ended the year with a significantly different portfolio to the one we started with

Copenhagen Airport

Divesting our minority interests in Aeroporti di Roma and Birmingham Airport, at prices well above directors' valuations, provided security holders with a return on the initial investment of more than 20% per annum.

MAp is a committed long-term investor and the decision to exit these investments was not taken lightly. We achieved a very positive outcome and these sales demonstrate the value of our remaining airport investments.

2007 presented us with opportunities to increase our investments in three assets – Sydney Airport, Brussels Airport and Copenhagen Airports – bringing MAp's total interests in these airports to 72.1%, 62.1% and 53.7% respectively.

MAp also led a consortium which acquired a 19.9% interest in Japan Airport Terminal Co., Ltd. (JAT). JAT owns, manages and operates the three passenger terminals at Tokyo's Haneda Airport and retail businesses at Narita and Kansai airports. JAT is listed on the Tokyo Stock Exchange and this investment gives us exposure to the exciting Japanese aviation market.

We have seen strong performance across all of our airports in 2007.

Operational performance

2007 operational performance has been strong for our core portfolio investments. Traffic growth has been solid, with Brussels Airport in particular demonstrating the benefits of focusing on airline marketing.

Brussels and Bristol airports saw significant growth in low cost carriers, a pattern reflected across our airports as the low cost carrier segment of the market continues to grow.

Commercially, the last 12 months saw significant investment in each airport and strong operational performance across the retail, food and beverage, and car parking businesses. I was pleased to open the new T2 retail development at Sydney Airport early in 2007. Copenhagen Airport's centralised security entrance and walk-through duty free and retail precinct, opened in June 2007, will position that airport well for future commercial growth.

As always, our airports have continued to focus on improving service quality for their passengers, airlines and other airport partners.

The strong performance of Brussels Airport since our investment enabled us to refinance debt facilities and establish capital expenditure facilities to fund future growth and expansion. €310 million was distributed to Brussels Airport's shareholders following the refinancing, with the remaining commitments to fund future capital expenditure and for working capital purposes.

This refinancing illustrates the benefits of MAp's investment model. Brussels Airport's earnings before interest, tax, depreciation and amortisation (EBITDA) in 2007 was 50% higher than in 2004, the year immediately prior to our investment. Strong operational performance generated a high level of interest and attractive offers from the bank market. This occurred before recent credit market events and, together with Sydney Airport's refinancing in December 2006 and our strong hedging policy, positions us well in the current market.

We welcomed two new chief executive officers in 2007. Brian Petersen joined Copenhagen Airports in June, replacing Neils Boserup who retired after 16 years as CEO. At Bristol Airport we welcomed Paul Kehoe as CEO in May, replacing Andrew Skipp who resigned after five years as CEO and 18 years at the airport in total. I would like to thank both Neils and Andrew.

Financial results

The net result attributable to MAp security holders is A$1,106 million for the year to 31 December 2007, with net asset backing (NAB) attributable to investments of A$5.06 per stapled security. Proportionate earnings totalled A$335 million, an increase of 15.0% over 2006.

Strong asset and capital management resulted in an interim distribution of 13 cents per stapled security announced in June and a final distribution of 13 cents per stapled security in December, bringing the total 2007 regular distribution to 26 cents per stapled security. Security holders also received a special distribution of 5 cents per stapled security, paid with the December distribution, as a consequence of additional distributions from Sydney Airport.

Corporate governance

MAp continues to apply Australian Securities Exchange (ASX) corporate governance principles.

In November 2007 we announced Graeme Johnson's appointment as MAp's chief financial officer, replacing Frank Kwok. I would like to welcome Graeme and thank Frank for his significant contribution.

Outlook

2008 will be an exciting year. Our successful divestments and capital management have put us in a strong position.

We are actively searching for opportunities which meet our strict investment criteria while adding value for our investors. These criteria include investing in airports with strong market positions, the potential for traffic growth and development of commercial businesses.

At the same time we will continue to partner with airport management teams to identify and implement ways to grow the businesses and add value for passengers, stakeholders and our investors.

We have exciting initiatives underway at each airport and work has commenced on significant investment projects such as the International Terminal redevelopment at Sydney Airport and the low cost infrastructure at Brussels Airport.

2007 saw the first commercial A380 flight arrive at Sydney Airport in October and 2008 traffic should benefit from our airline partners' new aircraft, new routes and services.

MAp is positioned to realise value from existing initiatives, take advantage of new opportunities and seek new value-adding investments.

Thank you for your support during 2007. Your boards and management look forward to growing the MAp business in 2008.

Max Moore-Wilton, AC
Chairman
Macquarie Airports Management Limited

CEO's letter

2007 was a landmark year for MAp. We increased our ownership of our three largest assets, Sydney Airport, Copenhagen Airports and Brussels Airport, entered a new market through our leadership of a consortium which acquired a 19.9% interest in JAT and reshaped our portfolio with the disposal – at significant premiums to directors' valuations – of our interests in Aeroporti di Roma and Birmingham Airport.

We also embarked upon major projects designed to improve the passenger experience, most notably at Sydney Airport where passengers are reporting significantly higher levels of satisfaction following the Sydney Airport T2 redevelopment. At Copenhagen Airport, following investment in a central security entrance, security waiting times have significantly reduced. Quality of service remains a high priority at all of our airports and we have greatly expanded the range of routes and services on offer.

Given recent events in credit markets, security holders should be reassured by MAp's sound financial position with no debt to be refinanced in 2008 and borrowing costs substantially locked in for the next several years via hedging arrangements.

In 2007 we celebrated the fifth anniversary of our listing on the ASX. As at 31 December 2007 MAp's net asset backing (NAB) per stapled security stood at A$5.06, representing compound annual growth of 24.1% over the December 2002 figure of A$1.72. Since listing, over A$1 per stapled security has been distributed to security holders, including the distribution paid in February 2008.

Based on the 31 December 2007 security price of A$4.05, an investment in MAp has delivered a total return on an annualised basis since listing of 24.0%, after taking into account all management fees paid. The 2007 total return was 21.1% versus the 16.1% increase in the ASX All Ordinaries Index.

MAp's experienced team of asset managers, technical specialists and finance experts continues to be a source of unique competitive advantage, driving business growth and healthy security holder returns.

Financial performance

On a proportionate basis MAp's core portfolio delivered traffic growth of 5.4% in 2007. Across the core portfolio, proportionate revenue growth was 6.3% and EBITDA growth was 8.7%. This excellent result has been achieved against the backdrop of a substantial increase in oil price and consequent increases in the fuel surcharges added to ticket prices by many airlines. However, continued rapid growth in the low cost segment has ensured that air travel remains affordable and continues to grow.

During the year MAp's core portfolio airports invested over A$500 million in capital expenditure to ensure that all stakeholders continue to enjoy a world-class experience when visiting our airports.

2007 highlights

Sydney Airport

International traffic growth recovered strongly at Sydney Airport in 2007, driven by new bilateral air services agreements, expanded offerings such as the continuing growth of Jetstar International and, towards the end of the year, new aircraft deliveries. In October Singapore Airlines flight SQ380 arrived in Sydney, making Sydney Airport the first destination for commercial services of the Airbus A380.

In March the A$20 million redevelopment of the retail and food and beverage offering at T2 was completed. The new offering provides a lighter, brighter environment for passengers and a shopping and dining experience aligned with the mostly leisure-focused passenger base of what is now Sydney's busiest terminal. Recent passenger surveys have delivered some of the highest ever customer satisfaction scores.

In September Sydney Airport announced the commencement of a major redevelopment of the International Terminal, the first since the 2000 Olympic Games. Upon completion passengers will benefit from significantly enhanced processing procedures, expanded airside dwell space and upgraded shopping and dining facilities to cater for the approximately 70% of passengers without access to an airline lounge. A new multi-storey car park began construction in the international precinct and is scheduled to open in 2008.

During the year long-term commercial agreements were concluded with all airlines operating out of Sydney Airport. These agreements provide certainty of investment for the airport, support the projects mentioned above, and promote airline traffic growth.

In the first quarter of 2007 MAp increased its interest in Sydney Airport from 55.8% to 72.1%.

Copenhagen Airports

Important steps were taken at Copenhagen Airports to ensure continued profitability and growth. Chief among these was the creation of a centralised security checkpoint which has significantly reduced passenger waiting times during peak periods. While the disruption associated with this project and the accompanying walk-through duty free store, constructed at the same time, had an impact on revenue in 2007, the new facilities are performing well.

Copenhagen is a major departure and arrival point for cruise liner passengers. In 2007 a former World War II hangar was converted into a facility for processing departing cruise passengers, reducing congestion in the main terminals.

Early in 2007 it was announced that Copenhagen Airports would seek to realise value from its international investments following the refinancing of Newcastle International Airport at the end of 2006. This strategy was successfully implemented with the sale of Copenhagen Airports' 20% interest in Hainan Meilan Airport and 6.1%, out of 9.85%, of listed Mexican airport operator, Aeroportuario del Sureste (ASUR).

Brussels Airport

Two key developments at Brussels Airport during 2007 were the commencement of the Jet Airways European Hub, connecting India and North America, and the further expansion of the leisure and low fare offering from the airport, perhaps most notably the commencement of easyJet services. These have contributed to Brussels Airport delivering 7.0% traffic growth during the year.

The Jet Airways European Hub is an exciting project which will ultimately see five Indian cities linked with five North American cities through Brussels, potentially adding one million passengers per annum to Brussels traffic. By the end of 2007 three of the five services were up and running.

The leisure and low fare opportunity at Brussels is substantial given the airport's large and affluent catchment area. Consequently, we are progressing a project to refurbish the old terminal building and construct a dedicated low cost pier facility.

The food and beverage and advertising concession contracts at Brussels Airport were renegotiated on more favourable terms during the year, offering greater flexibility and enhanced yields.

Some 1.4 million square metres of land at Brussels Airport, not required for aviation purposes, has been identified as being suitable for commercial use. During 2008 we expect the first phase of BRUcargo-West, a logistics development to the north of the airport, to be operational.

In June we successfully refinanced Brussels Airport, securing debt facilities to support its growth on superior terms to those previously in place. Since acquiring the airport in December 2004, MAp has recouped around 70% of its investment through distributions. During the second half of 2007 MAp increased its interest in Brussels Airport from 53.9% to 62.1%.

Bristol Airport

Despite the impact of the acquisition and subsequent withdrawal of one of Bristol Airport's major customers, BA Connect by flybe, Bristol delivered 3.1% traffic growth and 8.3% EBITDA growth in 2007. In addition, the substantial increase in the UK Government's Air Passenger Duty in late 2006 caused further weakness in domestic traffic which was successfully offset by growth in international services. 2007 also saw the introduction of services from Air France and Scandinavian Airlines (SAS) at Bristol Airport.

In November Ryanair, which has been operating services out of Bristol Airport for several years, commenced based operations with two aircraft serving a range of European destinations, further diversifying Bristol's route and service offering.

Bristol Airport also announced plans to expand the size of its departure lounge and enhance security processing, to reduce congestion and improve the passenger experience.

Credit markets and capital management

In the second half of 2007 events in the US sub-prime mortgage market precipitated a fallout in global credit markets resulting in higher borrowing costs and reduced credit availability for many institutions. Credit market conditions continue to be volatile and the impact has spilled over into equity markets.

The debt packages for all of MAp's airport investments were completed prior to the credit market turmoil and, as a result, MAp and its airports are in a sound financial position.

By entering into hedging agreements across the portfolio, borrowing costs have been largely fixed at attractive rates through 2011. MAp's airports face no refinancings until late 2009 when a portion of Sydney Airport's debt facilities fall due. Consequently, MAp is well insulated from recent credit market events.

In addition, the divestments of our interests in Aeroporti di Roma and Birmingham Airport, together with the recent successful refinancings of Sydney and Brussels airports, generated significant cash inflows to put MAp in a strong position should investment opportunities meeting our strict investment criteria arise. Indeed, we are currently assessing several such opportunities.

Summary

2007 has been a very successful year for MAp. Our airports have performed well operationally, have embarked on important projects to ensure future growth and are well placed to benefit from the strong growth being experienced by the aviation industry.

MAp is well positioned to meet the challenges presented by the current volatile financial markets and to maximise any opportunities they may present. MAp is well capitalised, well funded and has a conservative approach to cash management and significant cash reserves to maximise our flexibility.

Kerrie Mather
Chief Executive Officer
Macquarie Airports


DESIGN
4 LIFE
DESIGN
4 LIFE


DESIGN
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annual highlights

07

FEBRUARY	MARCH	MAY	JUNE
MAp acquires a further 1.2% of Sydney Airport, taking MAp's ownership interest to 57.0%	MAp acquires a further 15.1% of Sydney Airport, taking MAp's ownership interest to 72.1%. Sydney Airport completes T2 retail redevelopment	Macquarie Airports Group (MAG) agrees to sell its 24.1% stake in Birmingham Airport for £210 million. Sydney Airport and Virgin Blue reach a commercial agreement regarding domestic runway charges	MAG agrees to sell its 44.7% interest in AdR for €1,237 million. Copenhagen Airports sells its 20% interest in Hainan Meilan Airport for HK$544 million and a 6.1% interest in Mexican Airport operator ASUR for MXP809 million. Brussels Airport successfully refinances €1.6 billion of debt facilities on superior terms

06

JANUARY	MAY
MAp acquires a further 0.6% of Copenhagen Airports, taking MAp's ownership interest to 53.4%	Copenhagen Airports completes new car park. Brussels Airport completes first phase of new car park

05

JANUARY	FEBRUARY	MAY	JULY
Brussels Airport successfully refinances its legacy debt	MAP acquires 11.3% of Copenhagen Airports	Bristol Airport successfully refinances £515 million of debt facilities on superior terms	Rome's Fiumicino Airport completes new multi-storey car park. Sydney Airport celebrates its 85th anniversary

04

MARCH	MAY	JUNE
Federal Government approval of Sydney Airport's Master Plan	Sydney Airport opens its expanded duty free shop. MAp acquires a further 21.5% of MAG, increasing its stakes in Sydney Airport, AdR, Birmingham Airport and Bristol Airport	Sydney Airport completes Customs Office Tower

03

MARCH	JUNE	JULY
MAp acquires 28.0% of Aeroporti di Roma (AdR), operator of Rome's Fiumicino and Ciampino airports	A multi-modal transport interchange is completed at Birmingham Airport	MAp acquires a further 2.9% of Sydney Airport

02

MARCH	APRIL	JUNE
MAp acquires 36.7% of MAG, resulting in indirect stakes of 18.3% and 8.8% in the UK's Bristol and Birmingham airports, respectively	MAp securities list on the ASX via an initial public offering with a debut market capitalisation of A$1 billion	MAp acquires 44.7% of Sydney Airport

JULY	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
A MAp-led consortium acquires a 9.6% interest in JAT	Sydney Airport and the Board of Airline Representatives of Australia reach agreement on the terms and conditions for international aeronautical services. The MAp-led consortium increases its interest in JAT to 12.5%	Sydney Airport and Qantas conclude a five-year commercial agreement regarding aeronautical charges. MAp increases its interest in Brussels Airport to 58.9%. The MAp-led consortium increases its interest in JAT to 19.9%	MAp increases its interest in Brussels Airport to 62.1% and its interest in Copenhagen Airports to 53.7%	Net asset backing per security is A$5.06

SEPTEMBER	NOVEMBER	DECEMBER
MAp acquires a further 1.9% of Brussels Airport, taking MAp's ownership interest to 53.9%	AdR sells AdR Handling. Standard & Poor's Rating Services raises its long-term credit ratings on MAp and TICkETS to BBB from BBB–	Sydney Airport successfully refinances A$3.68 billion of debt facilities on superior terms. Net asset backing per security is A$3.93

SEPTEMBER	OCTOBER	DECEMBER
AdR sells its 20% interest in Airports Company of South Africa. MAp completes its acquisition of a further 8.4% of MAG (increasing its stakes in Sydney Airport, AdR, Birmingham Airport and Bristol Airport). AdR successfully refinances €490 million of loan facilities on superior terms	Bristol Airport celebrates its 75th anniversary	MAp completes the acquisition of 52.8% of Copenhagen Airports. Net asset backing per security is A$3.26

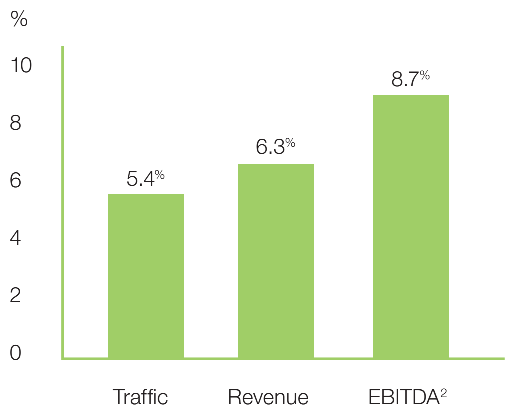
AUGUST	SEPTEMBER	DECEMBER
Rome's Fiumicino Airport opens state-of-the-art Cargo City	Sydney Airport successfully refinances A$2.5 billion of bank debt on superior terms	MAp acquires 52.0% of Brussels Airport. Net asset backing per security is A$2.89

AUGUST	NOVEMBER	DECEMBER
MAp acquires a further 3.4% of MAG (increasing its stakes in Sydney Airport, AdR, Birmingham Airport and Bristol Airport)	MAp acquires a further 5.0% of Sydney Airport	Net asset backing per security is A$2.00

JULY	OCTOBER	DECEMBER
Sydney Airport acquires T2 from the Ansett Administrator	Sydney Airport successfully refinances A$1.5 billion of senior debt on superior terms	Net asset backing per security is A$1.72

operational review and financial highlights

2007 core portfolio growth[1]



Financial reports

Financial information

MAp prepares two reports which cover the operational and financial performance of MAp and its investments. In addition to the statutory financial report which have been prepared in accordance with the Corporations Act 2001, as summarised on pages 47 to 49, MAp provides a Management Information Report (MIR) to assist investors in understanding MAp's performance.

Aside from the information set out below, the operational review and financial highlights are primarily based on information from the MIR and not the statutory financial report summarised on pages 47 to 49. A copy of the full statutory financial report and MIR can be obtained from www.macquarie.com/map.

Statutory financial results

The net result attributable to MAp security holders for the year ended 31 December 2007 was A$1,106.2 million, after minority interest entitlements of A$424.5 million. Included in the net result were total revenues of A$3,434.0 million (of which A$1,874.0 million was revaluation income), operating expenses of A$2,073.5 million and an income tax benefit of A$170.1 million. As MAp controlled Sydney Airport for the whole of 2007, MAp's results were impacted by the consolidation of Sydney Airport for the full year.

Portfolio operational performance

MAp's core portfolio operational performance for the year to 31 December 2007 shows traffic growth of 5.4%, proportionate revenue growth of 6.3% and proportionate EBITDA growth of 8.7% compared to 2006 on a proforma basis.[3]

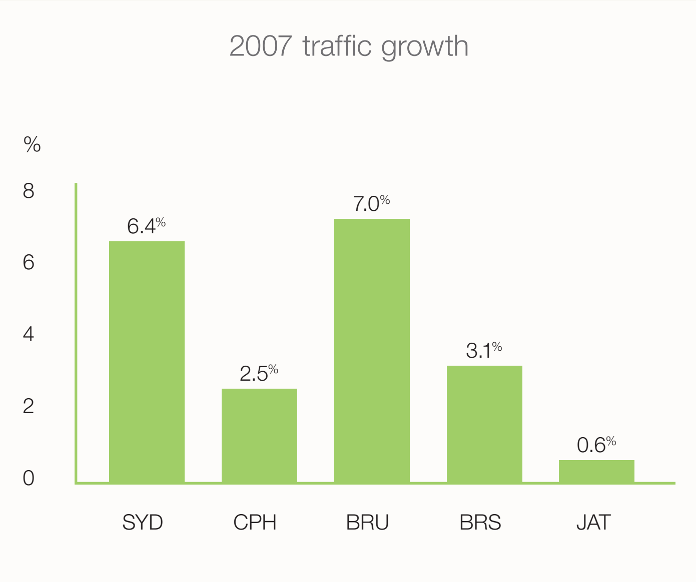
Portfolio operational performance reflects MAp's proportionate earnings, which is a proportionate consolidation of the results of MAp and its airport investments based on MAp's beneficial shareholding over the period. Proportionate earnings concisely show the earnings our airport investments generate to support the distributions MAp pays to security holders.

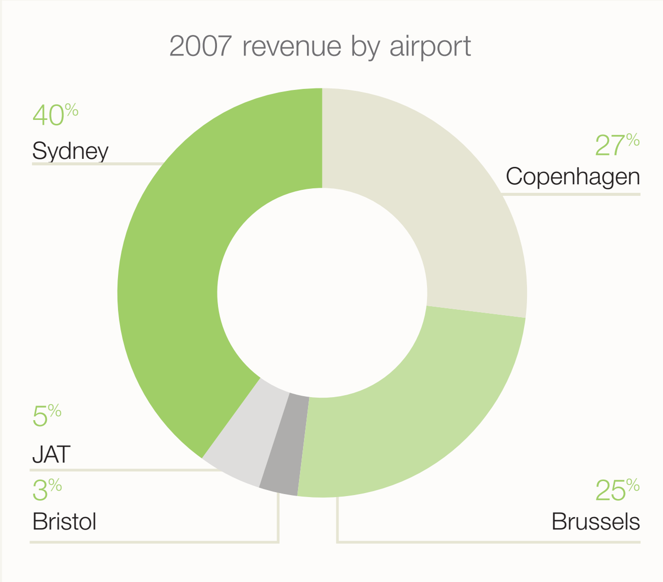
Portfolio performance is supported by MAp's team of technical specialists who come from a range of backgrounds. These include airlines and airports and cover the full spectrum of operations, strategy, commercial business and finance. MAp works closely with airport management to deliver results.

1 References to the proportionate portfolio in the operational review and financial highlights section of this report generally refer to the core portfolio of Sydney Airport, Copenhagen Airports, Brussels Airport and Bristol Airport.

2 Before net specific gains at Copenhagen Airports.

3 This proportionate portfolio consolidated information shows the growth between the 12 months ended 31 December 2006 and 31 December 2007 for those assets held by MAp based on MAp's beneficial interests in those assets calculated on a weighted average basis according to the number of days in the relevant period during which MAp held a beneficial ownership interest. The proforma proportionate earnings is delivered by restating the prior period results with the airport assets ownership percentages and foreign currency exchange rates from the current period.





Traffic

Total traffic at MAp's core airports reached 77 million passengers during calendar year 2007, with proportionate traffic growth in the core portfolio of 5.4%. This reflected continued growth in routes and services across the portfolio.

2007 saw a sustained recovery in international traffic growth at Sydney Airport on the back of expanding bilateral air services agreements and continued growth from existing and new airline partners. While Copenhagen's transfer traffic continued to decline, origin and destination traffic experienced solid growth. Expanded long haul, notably through the commencement of the Jet Airways European Hub, and leisure offerings contributed to Brussels' strong performance. Bristol delivered strong growth in international traffic but domestic traffic weakened following the withdrawal of BA Connect after its acquisition by flybe.

MAp's airline marketing specialists work closely with its airports to increase passenger choice by identifying unserved and underserved routes and approaching target airlines to serve these markets.

Notwithstanding the likelihood that oil prices remain high and of softening demand in some markets, 2008 traffic should continue to benefit from new aircraft deliveries, increasing bilateral air services agreements and expansion of the low fare model into new segments.

Car parking

A core part of MAp's strategy is to offer travellers a wide range of transport options to and from MAp's airports, including parking options to suit everyone from leisure passengers to business travellers. In 2007 new parking capacity was developed and innovative products implemented. MAp currently has some 55,000 car parking spaces across its airports.

Internet booking was introduced to Sydney Airport in 2007 where construction also commenced on a new multi-storey car park in the international precinct.

A 1,200-space holiday car park opened at Copenhagen Airport in May 2007 while Brussels Airport visitors felt the full benefit of the 2006 opening of a multi-storey car park with 2,400 additional spaces.

Retail and catering

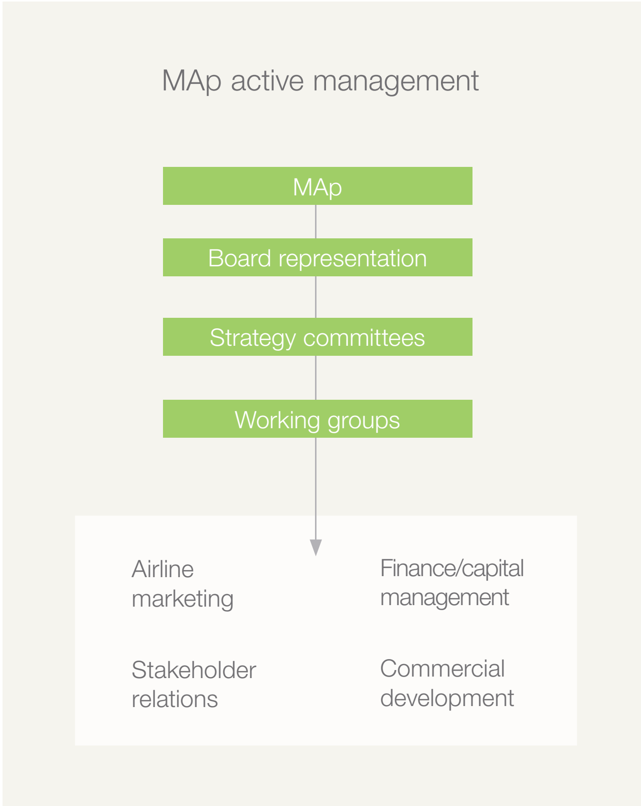
The core portfolio has approximately 370 retail and catering outlets, utilising 50,000m². The demographics of airport passengers make doing business at MAp's airports very attractive to retailers and concessionaires representing major domestic and global brands. Together, retail and catering revenues represent around 20% of the combined total revenues of MAp's airports.

MAp's retail specialists have been active in a number of initiatives during the year to grow the retail and catering business, including:

- Completion of the A$20 million redevelopment of retail and food and beverage offerings at Sydney's T2, providing a lighter, brighter atmosphere, and high quality, well-known brands for Virgin Blue, Jetstar and regional passengers. Post completion, surveys have recorded some of the highest ever customer satisfaction ratings achieved by Sydney Airport
- Completion of Copenhagen's centralised security checkpoint and walk-through duty free store. The 2,600m² store is the largest of its kind in Europe and has significantly improved passenger choice, while the centralised security checkpoint has reduced average waiting times markedly
- Successful renegotiation of the food and beverage concession at Brussels Airport, on improved terms including enhanced yields and the removal of exclusivity, has given travellers a broader choice of dining.

The outlook for the retail and catering business for 2008 remains strong with the implementation of various initiatives, including:

- The A$500 million International Terminal redevelopment and airfield works at Sydney which commenced in late 2007 to deliver an upgraded international passenger experience and world-class airside shopping precinct
- Further expansion of the retail offering to include luxury brands in the central area of the airside concourse at Copenhagen Airport
- Planned expansion of Bristol Airport's departure lounge, an increase in the number of security channels and other improvements, including a greater airside food and beverage offering to enhance the passenger experience.



Property

All of our airports are well located and have large and valuable land banks, particularly in Europe. MAp's property experts, working in conjunction with airport personnel, have identified some 2.4 million square metres of land across the core airport portfolio not required for aviation uses that is suitable for commercial development.

Looking ahead we have identified opportunities in line with airport master plans, including office buildings, car parks, hotels, conference centres, freight facilities and major retail developments which will contribute to further diversification of airport revenue streams.

Currently, Brussels Airport is most active in property development. As the only location outside the Brussels central business district (CBD) with rail access, the airport is an attractive commercial site. The first phase of the BRUcargo-West logistics facility should come onstream in 2008.

At Sydney, construction will commence on a nine-storey office building alongside the new multi-storey car park in the international precinct. This follows the success of the Customs Office Tower which was completed in 2004.

Brussels Airport

Active management approach

MAp's dedicated management team works closely with airport management to identify strategies to grow the business, improve operational performance and increase returns for investors over time.

Experience – MAp's high quality management team combines substantial airport management experience with a unique infrastructure investment track record.

Involvement – The MAp team works closely with management at each of its airports, using its experience and expertise to develop strategies to grow the business, implement business plans and develop initiatives to improve performance over time.

Capital management – MAp executives have significant skill and experience in capital management and investment structuring in airports globally. Capital management is an important part of MAp's investment model and an area in which the Macquarie Group is a recognised world leader.

Service standard improvements – MAp's focus on improving airport service standards and quality has been recognised in a number of awards.

EBITDA

Total proportionate EBITDA in the core portfolio increased 8.7% to A$820 million. While revenue growth at Copenhagen Airports was impacted by disruption associated with the accelerated centralised security and walk-through duty free store project, other airports in the core portfolio enjoyed a solid performance.

Expenses continued to be well managed with proportionate operating expenses increasing by just 2.1% in 2007 despite further significant increases in security costs. The proportionate EBITDA margin stands at 66.0% versus 64.6% in 2006.

Importantly, MAp's airports continued to deliver service excellence alongside increased efficiency. In 2007 Sydney Airport received recognition as the best airport in the Australia/Pacific region from SkyTrax, and a top 10 international airport from Condé Nast.

Capital management

MAp's team of airport management and financing experts are continually developing strategies and initiatives to optimise the capital arrangements of its airports and increase cash flow, while investing in and growing the businesses and maintaining and improving service standards. In 2007 MAp's core portfolio invested over A$500 million to maintain and grow the business.

2007 was a turbulent year for credit markets. Prior to the onset of difficulties in the debt markets, MAp successfully completed a €1.6 billion refinancing of Brussels Airport on improved terms. The refinancing secured funding for future growth initiatives and provided for a distribution of €310 million to Brussels Airport's shareholders.

Consequently, the debt packages for the entire core portfolio of airports have been arranged during the favourable credit market conditions of 2005, 2006 and the first half of 2007. Importantly, MAp has no requirement to refinance any of its airport debt until late 2009 when a portion of Sydney Airport's debt falls due. Additionally, borrowing costs were substantially fixed at the favourable rates which prevailed prior to the downturn in credit markets through a judicious hedging policy which locked in interest rates payable on most of MAp's airport debt through 2011.

Proportionate earnings statement[1]

Year to 31 December (A$m)	2007	vs Proforma[2] 2006	Proforma[2] 2006	Actual 2006
Passenger traffic (m)	56.8	+5.6%	53.8	51.9
Airport assets revenue	1,515	+5.0%	1,443	1,447
Airport assets expenses	(595)	+1.4%	(587)	(601)
Airport assets EBITDA (before Copenhagen specific items)	920	+7.5%	856	846
Copenhagen specific items	18	–	–	–
Total airport assets EBITDA	938	+9.6%	856	846
Airport assets economic depreciation	(64)			(57)
Airport assets net interest expense	(385)			(342)
Corporate net interest income	63			1
Hybrid capital net interest expense	(59)			(33)
Net tax expenses	(70)			(53)
Proportionate earnings (pre corporate expenses)	423			362
Corporate operating expenses	(88)			(71)
Proportionate earnings	335			291
Proportionate EPS (pre corporate expenses)	24.7c			21.8c
Proportionate EPS	19.5c			17.5c

1 Information obtained from Management Information Report.

2 Proforma results are derived by restating prior period results with current period ownership interests and foreign exchange rates.

Directors' valuations of airport investments[1,2]

A$m	31 December 07	31 December 06
Sydney Airport	**4,145.4**	2,728.2
Copenhagen Airports	**1,932.2**	1,835.0
Brussels Airport	**1,713.8**	1,431.9
Bristol Airport	**350.5**	176.9
JAT	**292.1**	–
Rome Airports	**–**	844.3
Birmingham Airport	**–**	205.5
Total investments	**8,434.0**	7,221.8
Corporate net cash	**1,159.8**	328.4
Hybrid capital	**(904.2)**	(904.2)
Airport assets equity value attributable to MAp security holders[3]	**8,689.6**	6,646.0
Asset backing attributable to investments per stapled security (A$)	**5.06**	3.93

Enterprise value[1]

A$m	31 December 07	31 December 06
Airport assets net debt	**7,117.8**	6,092.1
Corporate net (cash)	**(1,159.8)**	(328.4)
Hybrid capital	**904.2**	904.2
Equity value attributable to MAp security holders[2]	**8,689.6**	6,646.0
Enterprise value	**15,551.8**	13,313.9
Gearing ratio[2]	**38.3%**	43.3%

1 Information obtained from Management Information Report.

2 Based on directors' valuations as at 31 December 2007.

3 Total airport investment value plus MAp corporate net cash (cash less distributions payable + TICkETS).


American
swiss
ONUR AIR
russels Airlines

sydney airport

72.1%
MAp's beneficial interest

49.2%
% of MAp's portfolio

78.7%
Macquarie managed funds' interest

A$608.6m
EBITDA[1]

31.9m
Passenger numbers

188
Retail and catering outlets

11,791
Car parking spaces

907ha
Land area

Facility overview

Runways & taxiways	Three runways: – Main north-south runway (3,962m) – Parallel north-south runway (2,438m) – East-west runway (2,530m).
Terminals	Three terminals: – T1 (International) – 27 contact gates – T2 (Domestic) – 18 gates, former Ansett terminal acquired by Sydney Airport – T3 (Domestic) – 16 gates, owned and operated by Qantas.
Car parks	11,791 spaces in four car parks.
Other buildings & facilities	A range of other aviation and commercial property facilities, such as maintenance hangars and eight international airline lounges. There is 23,335m² of retail space with 140 retail and catering outlets in T1 and 48 in T2.

Sydney Airport is Australia's busiest airport, servicing 39 international airlines, six domestic and regional airlines and 10 dedicated freight carriers. It is the operations base for Qantas, Australia's largest domestic and international carrier.

Sydney Airport is located eight kilometres south of Sydney's CBD and has road and rail infrastructure links to Sydney's population and business centres. Connection times with the Sydney CBD and the population centre of western Sydney are excellent, with road access through the Eastern Distributor and the M5 East Motorway, and rail access through the airport rail link.

Sydney Airport is located on 907 hectares with twin north-south runways extending into Botany Bay on reclaimed land, and an east-west runway. The airport has a potential capacity of approximately 65 million passengers per annum.

Sydney Airport delivered a 9.0% increase in EBITDA before specific expenses in 2007 to A$608.6 million and a 10.4% increase in underlying EBITDA to A$604.4 million on the back of a 6.4% increase in traffic to 31.9 million passengers. Performance was driven by a sustained recovery in international traffic, continued strength in the domestic segment and growth across a wide range of commercial businesses.

Performance benefited from completion of the A$20 million redevelopment of food and beverage and specialty retail offerings at T2 and a broadening of car parking options. During the year Sydney Airport successfully concluded long-term commercial charging agreements covering all passenger traffic, promoting certainty for future investment. A A$500 million redevelopment of the International Terminal is currently underway to ensure that Sydney, Australia's major gateway airport, continues to deliver a world-class passenger experience. Construction of the International Terminal's eight-storey car park is on schedule. When completed later this year, it will provide around 3,000 covered parking spaces.

Year to December	2005	2006	2007
Financial performance (A$m)			
Aeronautical revenue	308.7	331.2	375.3
Other revenue	333.1	360.2	385.2
Total revenue	**641.8**	**691.4**	**760.5**
Operating costs[1]	(130.9)	(133.1)	(151.9)
EBITDA[1]	**510.9**	**558.3**	**608.6**
Key performance indicators (A$)			
Revenue/passenger	22.36	23.08	23.86
Operating costs/passenger[1]	(4.56)	(4.44)	(4.77)
EBITDA/passenger[1]	17.80	18.64	19.10
EBITDA margin[1]	79.6%	80.8%	80.0%

[1] Before specific expenses.


Sydney Airport
2007 growth
%
12
10
8
6
4
2
0
6.4%
10.9%
10.4%
Traffic
Revenue[2]
EBITDA[2]
[2] Revenue and EBITDA are stated on an underlying basis.
Portfolio weightings
3.3%
JAT
49.2%
Sydney
4.2%
Bristol
20.4%
Brussels
22.9%
Copenhagen
blue.com.au

copenhagen airports

53.7%
MAp's beneficial interest

22.9%
% of MAp's portfolio

53.7%
Macquarie managed funds' interest

DKK1,634.6m
EBITDA[2]

21.4m
Passenger numbers

99
Retail and catering outlets

10,500
Car parking spaces

1,180ha
Land area

Copenhagen Airport is located eight kilometres south-east of Copenhagen's city centre and has a capacity of approximately 30 million passengers per annum. Copenhagen Airports also owns and operates Roskilde Airport and has international investments including a 49% interest in Newcastle International Airport in the UK and a 3.8% interest in Aeroportuario del Sureste (ASUR) which owns and operates nine airports in Mexico.

Copenhagen Airports' EBITDA excluding specific items increased by 0.1% in 2007 to DKK1,634.6 million with passenger traffic increasing 2.5% to 21.4 million. Performance was impacted by disruption associated with the delivery of a centralised security checkpoint and walk-through duty free store and the new duty free contract. The new facilities have significantly reduced average waiting times for passengers and enhanced choice. Meeting the European Union's (EU) increasingly demanding security requirements has necessitated significant new investment in systems and staff over the past two years.

Important initiatives for 2008 include the continued expansion of the shopping experience with additional retail space and facilities to be added over the next two to three years. This will enhance the passenger experience as will significant investment to increase check-in and arrivals baggage handling capacity. During 2008 the airport will be consulting with its regulator and airlines to establish a new charges framework required to come into effect from 1 April 2009.

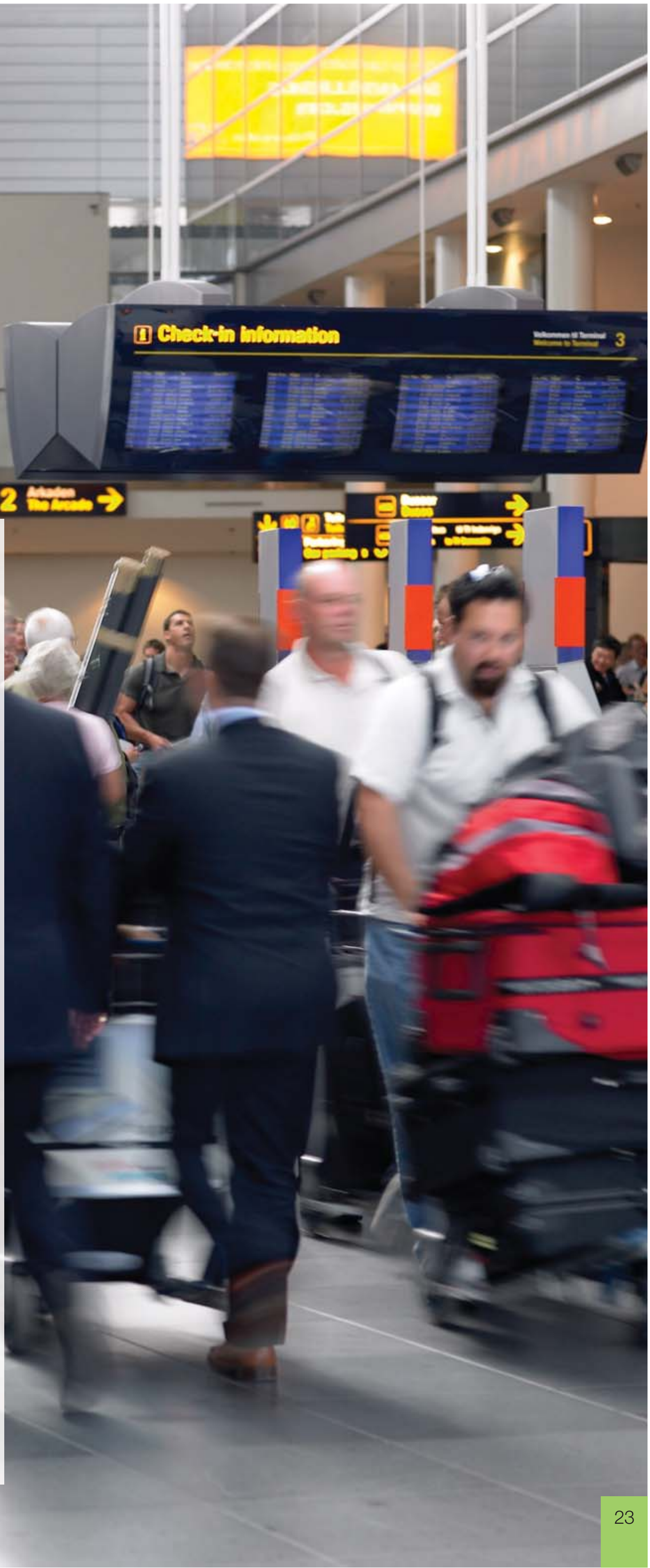
Facility overview

Runways & taxiways	Three runways: – 04L/22R south west-north east (3,500m) – 04R/22L south west-north east (3,300m) – 12/30 north west-south east (2,800m).
Terminals	There are three passenger terminals, including a domestic terminal – comprising nine domestic stands, 43 international stands (with permanent passenger loading bridges), 54 remote stands and two helicopter stands.
Car parks	10,500 car parking spaces, most of which are in multi-storey car parks.
Other buildings & facilities	There are eight duty free shops, 56 specialty shops and 35 food and beverage outlets with a total retail space of just under 10,000m². Airport services include a 382-room Hilton Hotel, which also offers restaurant and conference facilities.

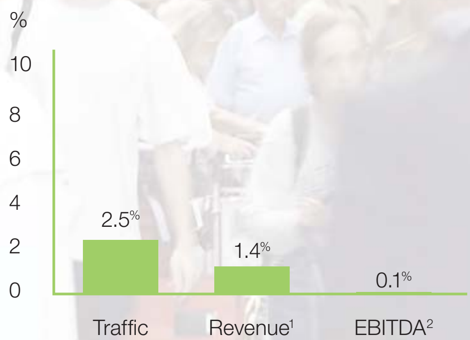
Year to December	2005	2006	2007
Financial performance (DKKm)			
Aeronautical revenue	1,435.1	1,454.3	1,512.8
Other revenue	1,303.3	1,429.5	1,411.7
Total revenue	**2,738.4**	**2,883.8**	**2,924.5**
Operating costs[1]	(1,300.3)	(1,250.5)	(1,289.9)
EBITDA[2]	**1,438.1**	**1,633.3**	**1,634.6**
Key performance indicators (DKK)			
Revenue/passenger	137.04	138.13	136.60
Operating costs/passenger[2]	(65.07)	(59.90)	(60.25)
EBITDA/passenger[2]	71.97	78.23	76.35
EBITDA margin[2]	52.5%	56.6%	55.9%

1 Excluding specific expenses.

2 Excludes net specific gains and specific expenses.



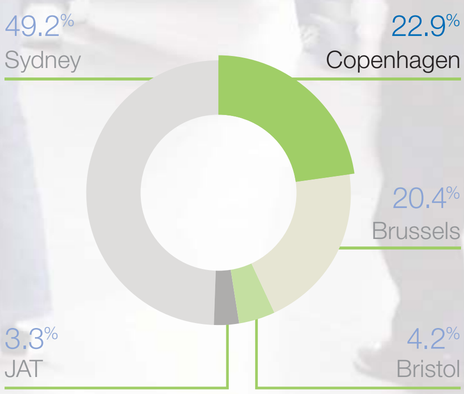
Copenhagen Airports 2007 growth



[1] Excluding specific expenses.

[2] Excludes net specific gains and specific expenses.

Portfolio weightings



brussels airport

62.1%
MAp's beneficial interest

20.4%
% of MAp's portfolio

75.0%
Macquarie managed funds' interest

€203.5m
EBITDA

17.9m
Passenger numbers

66
Retail and catering outlets

18,011
Car parking spaces

1,245ha
Land area

Facility overview

Runways & taxiways	Three runways: – Main runway (3,638m) – Parallel east-west runway (3,211m) – North-south runway (2,984m).
Terminals	Two piers: – Pier A (Schengen services) – Pier B (other services) A single arrivals/departure terminal houses a direct service train and a new low cost terminal facility is planned, using part of the old terminal building.
Car parks	Eight public car parks with a total 12,174 spaces and an airport community car park with 5,837 spaces.
Other buildings & facilities	Approximately 13,700m² of retail space with 39 retail, 27 food and beverage and 24 service outlets. 32,000m² of office space inside and over 500,000m² of building and office concessions outside the terminal. Progressive implementation of the property strategy in line with the identified opportunity to provide 850,000m² of warehousing, office and logistics space over the next 20 years.

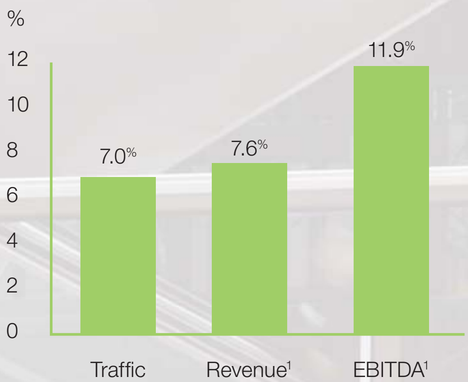
Brussels Airport is located approximately 12 kilometres north-east of Brussels' city centre and situated on approximately 1,245 hectares, about the same area as London's Heathrow Airport. Brussels Airport owns the airport infrastructure and, in December 2001, acquired the airport land. A licence to operate the airport for an unlimited time has been granted by the Belgian Government via Royal Decree. Brussels Airport has a single, midfield terminal complex consisting of two major piers operated through a single arrivals/departure building which also houses a direct service train station. The terminal has a capacity of approximately 30 million passengers per annum.

Brussels Airport delivered an 11.1% increase in EBITDA in 2007 to €203.5 million, and an 11.9% increase in underlying EBITDA to €202.1 million (excluding net specific gains and expenses) on the back of a 7.0% increase in passenger traffic to 17.9 million passengers. There were strong performances across the business, in particular successful airline marketing which created the Jet Airways European Hub and introduced easyJet services to the airport. In addition, renegotiation of the food and beverage concession resulted in improved yields and expanded passenger choice. A €1.6 billion refinancing was completed in June, ahead of the downturn in credit markets, securing facilities for future growth on improved terms. This resulted in a €310 million distribution to Brussels Airport's shareholders.

A number of important initiatives are or will shortly be underway to ensure continued growth, including the creation of a low cost terminal facility, additional retail space on concourses A and B, and an active property development program.

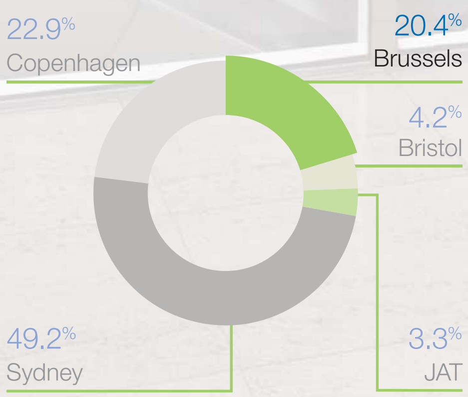
Year to December	2005	2006	2007
Financial performance (€m)			
Aeronautical revenue	207.9	229.5	245.8
Other revenue	116.7	114.1	121.3
Total revenue	**324.6**	**343.6**	**367.1**
Operating costs	(162.4)	(160.5)	(163.6)
EBITDA	**162.2**	**183.1**	**203.5**
Key performance indicators (€)			
Revenue/passenger	20.06	20.56	20.54
Operating costs/passenger	(10.04)	(9.61)	(9.15)
EBITDA/passenger	10.02	10.96	11.38
EBITDA margin	50.0%	53.3%	55.4%

Brussels Airport 2007 growth



[1] Revenue and EBITDA excludes net specific gains and expenses.

Portfolio weightings



bristol airport

32.1%
MAp's beneficial interest

4.2%
% of MAp's portfolio

100.0%
Macquarie managed funds' interest

£34.0m
EBITDA[1]

5.8m
Passenger numbers

25
Retail and catering outlets

14,251
Car parking spaces

194ha
Land area

Bristol Airport is one of the UK's fastest growing regional airports and serves a catchment area of more than five million people. The strength of this catchment and the growth in regional low cost services, together with capacity constraints at the major London airports, are expected to underpin continued growth.

Bristol is the leading airport in the south-west of England and is 12 kilometres from Bristol and 190 kilometres from London. While lower yielding in terms of aeronautical revenues, low cost traffic has created excellent opportunities for improving commercial revenue streams and minimising unit costs by exploiting high passenger volumes and efficient use of terminal infrastructure. The UK Government's 2003 White Paper 'The Future of Air Transport' recognised Bristol as the region's principal airport and outlined its support for runway extension should commercial viability be proven.

Bristol Airport delivered an 8.3% increase in EBITDA before specific expenses in 2007 to £34.0 million on the back of a 3.1% increase in passenger traffic to 5.8 million passengers. Traffic and EBITDA growth was achieved despite the impact of the withdrawal of BA Connect following its acquisition by flybe. Successful airline marketing initiatives have resulted in substantial growth in international traffic with the introduction of Air France and SAS and Ryanair commencing based operations at the airport in November.

2008 will see continued efforts to improve the passenger experience through an expansion of the departure lounge, improvement of retail and catering offerings and a doubling of the number of security processing channels.

Facility overview

Runways & taxiways A single runway 2,011m long capable of handling B757s and B767s. Five associated taxiways and 33 all-weather stands.

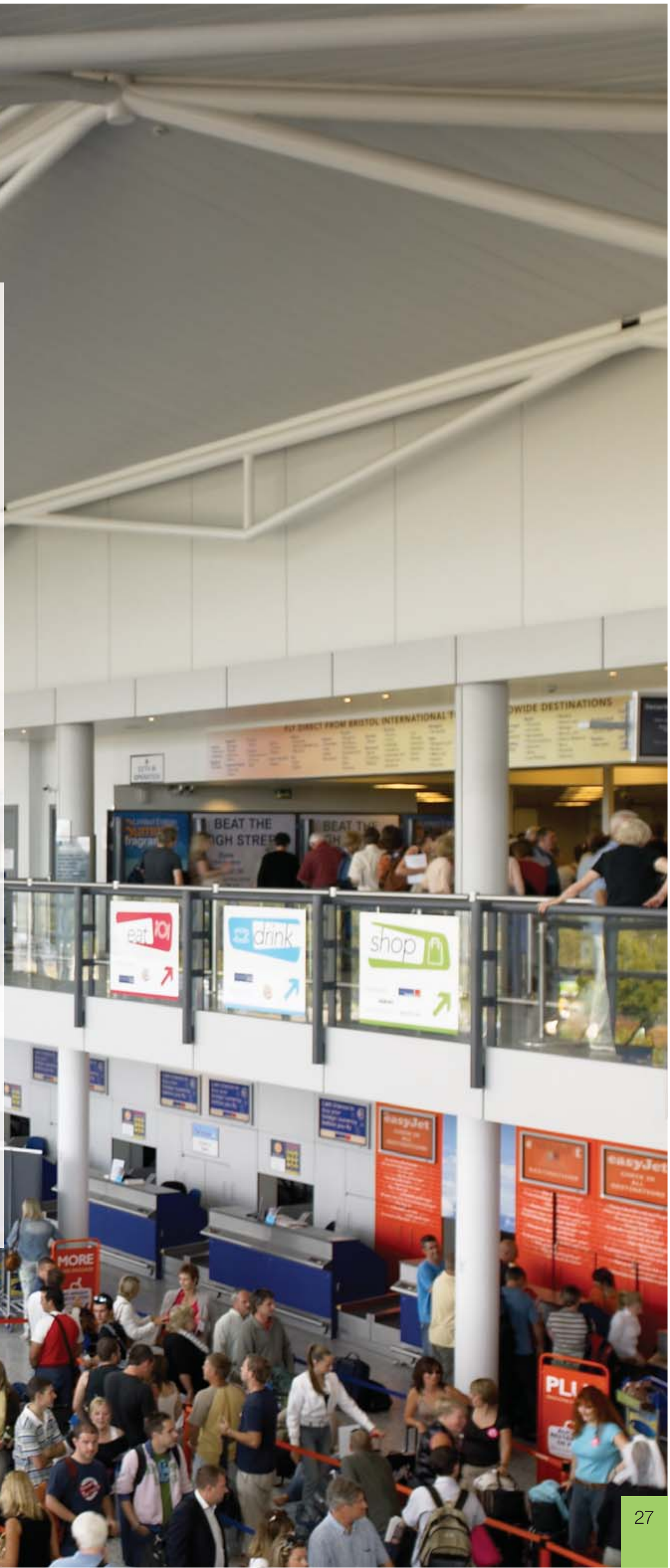
Terminals The new terminal, opened in March 2000, has expanded over recent years to a capacity of over six million passengers per annum with plans underway to expand this capacity over the next few years. The terminal has 48 check-in desks.

Car parks 14,251 spaces comprising 9,500 pre-book, 4,000 long stay, 230 short stay, 171 rapid pick-up and 350 premier spaces.

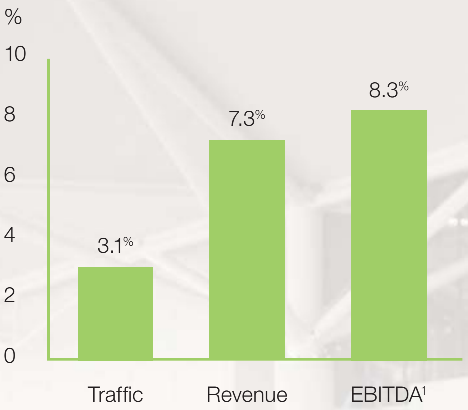
Other buildings & facilities Aircraft and facilities maintenance hangars, flight catering, aviation fuel terminal, air traffic control, fire services and other commercial premises. Additionally, there is approximately 4,048m^2 of retail and catering space comprising 25 retail outlets.

Year to December	2005	2006	2007
Financial performance (£m)			
Aeronautical revenue	24.3	25.3	25.9
Other revenue	24.8	28.1	31.4
Total revenue	**49.1**	**53.4**	**57.3**
Operating costs[1]	(19.8)	(22.0)	(23.3)
EBITDA[1]	**29.3**	**31.4**	**34.0**
Key performance indicators (£)			
Revenue/passenger	9.53	9.44	9.82
Operating costs/passenger[1]	(3.90)	(3.89)	(3.99)
EBITDA/passenger[1]	5.63	5.55	5.83
EBITDA margin[1]	59.1%	58.7%	59.3%

[1] Before specific expenses.

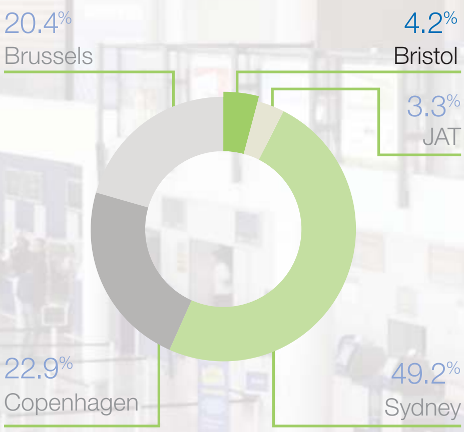


Bristol Airport 2007 growth



[1] Before specific expenses.

Portfolio weightings



japan airport terminal[1]

14.9%
MAp's beneficial interest

3.3%
% of MAp's portfolio

19.9%
Macquarie managed funds' interest

JPY22.7bn
EBITDA

66.5m
Passenger numbers

186
Retail and catering outlets

3,700
Car parking spaces

17ha
Land area (terminal area only)

Japan Airport Terminal Co., Ltd. (JAT) operates the terminals at Tokyo's Haneda Airport, Japan's principal domestic airport handling some 66.5 million passengers per annum. In addition, JAT operates retail businesses at Tokyo's Narita Airport and Osaka's Kansai Airport as well as duty free wholesale operations at Chubu Airport.

Haneda Airport is located 16 kilometres from the Tokyo city centre and handles some 60% of Japan's domestic traffic serving 10 airlines. It has road and rail infrastructure links to Tokyo's population and business centres.

The airfield, which is owned and operated by the Japanese Government, has two 3,000m parallel runways and a third 2,500m cross runway. As the airfield is currently operating close to capacity, a fourth runway is under construction and will increase airfield capacity by approximately 30% to 35% when completed in late 2010.

JAT delivered a 4.9% increase in EBITDA for the year to December 2007 to JPY22.7 billion on the back of a 0.6% increase in passenger traffic to 66.5 million passengers. Performance was driven by increases in facility management and merchandise revenues as a result of facility expansion and increased wholesale activity by newly installed duty free operations at Tokyo's Narita Airport.

Facility overview

Runways & taxiways	Three government owned and managed runways: – Two parallel runways (3,000m each) – One cross runway (2,500m) – Fourth runway under construction.
Terminals	Two domestic terminals: – T1 – 24 gates – T2 – 20 gates – International terminal – three gates.
Car parks	3,700 spaces.
Other buildings & facilities	JAT owns and operates Haneda Airport's three terminals which include 22,000m^2 of retail space comprising 186 outlets. The company also engages in merchandise businesses at Narita Airport and in wholesale businesses at Kansai and Chubu airports.

Year to December	2005	2006	2007
Financial performance (JPYbn)			
Total revenue	**122.8**	**130.4**	**138.7**
Operating costs	(102.0)	(108.7)	(116.0)
EBITDA	**20.8**	**21.7**	**22.7**
Key performance indicators (JPY)			
Revenue/passenger	1,939	1,973	2,087
Operating costs/passenger	(1,611)	(1,645)	(1,745)
EBITDA/passenger	328	328	342
EBITDA margin	16.9%	16.6%	16.4%

[1] MAp is a long-term strategic investor in JAT with a minority position, and all information regarding JAT in this report is estimated by MAp based on publicly available data.

JAT
2007 growth

Portfolio weightings

environmental and social responsibility management

MAp considers that social, environmental and economic benefits arise from responsible private-sector investment in the construction, development and operation of high-quality infrastructure. Such infrastructure underpins much social and economic development – it helps people to travel, trade and communicate and improves the quality of their lives through the provision of important services.

Many new infrastructure projects undergo extensive social and environmental impact reviews before being approved to proceed. The process is typically run by governments which will have balanced the costs and benefits of the project. Accordingly, a government-run process will usually require new infrastructure to produce more efficient environmental outcomes than existing alternative infrastructure or, where an investment is made in existing infrastructure, for that investment to produce improved environmental outcomes than existed beforehand.

Consequently, MAp is aware of the potential for environmental and social risks, as well as significant benefits. These risks may include pollution, including carbon emissions. MAp is conscious that its investments providing essential services create environmental and social responsibilities.

Against this awareness of risk and responsibilities, there are relevant practical and structural factors which must be considered when determining steps to take to address environmental and social responsibilities. MAp holds and manages an investment stake in the underlying airport on behalf of its investors. The majority of the social and environmental impacts of MAp's investments are at the airport level and are dealt with by each airport's management. This management is separate from Macquarie and Macquarie's management company staff who administer the fund and monitor the assets through board representation and regular reporting.

MAp has an overarching risk management framework governing its investments which encompasses its environmental and social responsibilities. Key within that framework is MAp's board environmental policy which, in essence, recognises that it is the responsibility of each airport to comply with relevant laws and regulations. The framework requires that each airport complies with the regulatory framework and minimum standards of the jurisdiction within which the airport operates, and with any additional requirements imposed by governments or other authorities as part of the investment approval process. As MAp's airports are currently in OECD or OECD-like nations, regulatory standards and other requirements are rigorous.

In addition, MAp's environmental and social responsibilities are identified and acknowledged through the investment process, as follows:

- Asset selection – social and environmental obligations are identified as part of the acquisition process
- Ongoing asset management – compliance with environmental requirements is monitored and potential social and environmental issues are identified
- Stakeholder reporting – policies, social and environmental initiatives and compliance performance are reported internally and, where appropriate and/or required, externally.

Environmental and social responsibility-related regulatory requirements

MAp is not aware of any material breaches of relevant environmental or social responsibility-related regulatory standards by its airports during the year ended 31 December 2007.

Social, environmental and economic benefits arise from responsible private sector investment

Environmental and social responsibility-related initiatives during 2007

Because of MAp's continuing commitment to high standards of environmental stewardship, we recognise that our businesses will only be able to reach their full potential if we respond to the needs of the community surrounding our airports and beyond.

Examples of notable environmental and social responsibility-related initiatives undertaken during the past financial year at MAp's airports include:

Sydney Airport

Important progress was made with the implementation of Sydney Airport's environment strategy which aims to improve the airport's environment while managing the environmental risks associated with its operations.

Water and energy saving action plans were developed in line with New South Wales Government guidelines.

Water

In early 2007 Sydney Airport participated in a pilot program with Sydney Water to convert all existing taps and showers in T1, T2 and the Ulm Building, making them significantly more water efficient. The conversion reduces water usage by 6% while maintaining full functionality. Sydney Airport is also monitoring water usage in the domestic precinct and at T2 to identify water-saving opportunities and investigating the feasibility of stormwater harvesting across the airport.

Work commenced during the year on a water reticulation system at T1 to allow for the use of recycled water in toilets. Tenders were issued for the construction of a water treatment plant to provide the recycled water, with construction of this facility expected to start in 2008. Once complete and fully operational, the plant will save up to one million litres of water per day.

Energy and carbon emissions

Sydney Airport also commenced an investigation to determine its carbon footprint and will develop a strategy to reduce carbon emissions. This involves working with on-airport partners to reduce energy use by encouraging efficient energy use. Measures will also include more efficient ways to manage aircraft on the ground before departure, and giving aircraft more accurate landing times for cruise and descent planning, thereby eliminating the need for aircraft to hold to the west or north of Sydney.

Waste

Implementation of Sydney Airport's resource recovery plan began in 2007. The plan will reduce the amount of waste by recovering resources from the non-quarantine waste stream. This will reduce both the quantity of waste requiring disposal and the cost of processing waste that cannot be recovered.

Airport environment

During the period a management program was developed to support the rehabilitation of the environmentally sensitive 'engine ponds'. A fish ladder was commissioned to assist native fish from Botany Bay to move into the wetland. A re-vegetation project also began with planting planned to eventually cover 5,000m² of the engine pond banks.

Certification

Sydney Airport is seeking ISO 14001 accreditation – an internationally recognised standard for measuring environmental performance – as a way to manage environmental risk and assess compliance with environmental policies. During 2007 an extensive review of environmental management software was undertaken with a preferred system trialled. The software will provide a solid and comprehensive system for identifying, managing, reporting and reviewing environmental risks. Sydney Airport is on track to achieve ISO 14001 certification by 2010.

Community

During 2007 Sydney Airport supported a wide range of community activities, sponsoring local sporting clubs, awarding educational grants for local schools and raising funds for charities.

Sponsorships included the local Nippers surf lifesaving club, and junior football and rugby teams playing in communities adjacent to the airport. The educational grant program provides funds to improve facilities for students in local schools, and in 2007 more than A$90,000 was collected at the airport and distributed to a variety of charities in partnership with the Rotary Club of Botany.

Copenhagen Airports

Noise

On 1 January 2007 Environmental Centre Roskilde took over from the Danish Environmental Protection Agency as the regulatory authority with respect to noise and air pollution at Copenhagen Airport. Work began with the new authorities and, during the year, noise levels were continuously managed and checked to ensure that the airport complied with the environmental approval governing factors, including noise impact, maximum night-time noise and terminal noise.

Energy and carbon emissions

As part of the organisation's environmental policy, Copenhagen Airport's supervisory board adopted an ambitious target during the year – to reduce Copenhagen Airport's CO_2 emissions by 21% by 2012, compared with the 1990 Kyoto baseline. Consumption of non-renewable energy will be reduced as much as possible, always taking into account traffic developments. This target will be achieved and maintained through a reduction in power consumption, continuous monitoring of energy consumption, and an evaluation of new technologies with a view to implementation.

Brussels Airport

Water

Following new agreements with the Belgian authorities, a tendering procedure was established during 2007 for the construction of Brussels Airport's own water treatment plant. The plant will be developed to treat wastewater flows, including sanitary wastewater from the terminal buildings and from aircraft and de-icing fluids, and will be operational in 2009.

Energy and carbon emissions

Due to the emissions of its central heating plants the Brussels Airport Company falls under the application of the Belgian CO_2 Emission Trading Scheme (Kyoto). Between 2005 and 2007 Brussels Airport was required to report CO_2 emissions. However, from 2008, the airport will effectively have to buy or be able to sell emission rights.

To this end, two studies were set up during the year to examine CO_2 emissions and energy efficiency. The first will inventory all gaseous emissions at the airport, and provide a basis for further investigation of reduction measures. The second study will determine which green energy generation technologies are most appropriate for Brussels Airport.

Bristol Airport

Energy and carbon emissions

Bristol Airport is one of the top three energy efficient regional airports in the UK. A number of initiatives pursued during 2007 focused on reducing the airport's energy use. A 'green' tariff electricity supply contract is now in place for the south side of the airport and a project to install a wind turbine on the north side was developed for delivery in 2008. Bristol Airport also developed and implemented a clean vehicles program, and new car park buses meeting the *Euro 5* emissions standards were introduced in the summer of 2007.

Waste

Until August 2007 the majority of waste recycled at Bristol Airport was glass and cardboard. Since then the airport has increased recycling to include paper, plastic bottles, polythene and aluminium with a target of 40% recycled waste by the end of 2010. Since the introduction of new recycling bins across the business, recycled waste for the last quarter of 2007 stood at over 20%.

Noise

The airport operates a noise management complaints process whereby all aircraft noise complaints are logged, investigated and reported at the Consultative Committee. Noise monitors record departures and arrivals on runway 27. A project is underway to install an additional monitor for departures on runway 09. The new monitor and a system to record routes taken by arriving and departing aircraft will be commissioned in 2008.

Community

In 2007 Bristol Airport worked on several projects with the local community and provided the equivalent of almost £39,000 in donations in kind, and £25,000 funding for educational, heritage, environmental and leisure projects within the community.

The airport charity in 2006–2007 was Children's Hospice South West, for which £77,400 was raised by airport staff and volunteers.

corporate governance statement

MAp is a Macquarie Group (Macquarie) branded externally managed investment vehicle operating within Macquarie Capital, one of Macquarie's six operating groups.

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

Legal framework

MAp is a triple stapled structure. The entities which currently comprise MAp are two Australian trusts and a Bermudian exempted mutual fund company:

- Macquarie Airports Trust (1) (MAT1)
- Macquarie Airports Trust (2) (MAT2)
- Macquarie Airports Limited (MAL).

The securities of the three entities in the MAp structure are contractually stapled together and quoted as one on the Australian Securities Exchange (ASX). As a result the securities cannot be traded separately.

MAT1 and MAT2 are Australian registered managed investment schemes. The combined trustee/manager, known as a responsible entity, of these trusts is Macquarie Airports Management Limited (MAML or the Responsible Entity), a wholly owned subsidiary of Macquarie Group Limited (MGL).

MAML is responsible for the operational activity of the Australian trusts, including all investment and divestment decisions, asset and capital management, financial reporting, investor communications and convening of meetings. It is also responsible for overall corporate governance of the trusts and the general protection of unitholders' interests. The Corporations Act, ASX Listing Rules, constitutions of the trusts and the general law regulate the workings of MAT1 and MAT2 and the essential practices, responsibilities and duties of the Responsible Entity and its officers.

Registry services are provided by Computershare Investor Services Pty Limited ABN 48 078 279 277 and custodial services are provided by Trust Company Limited ABN 59 004 027 749.

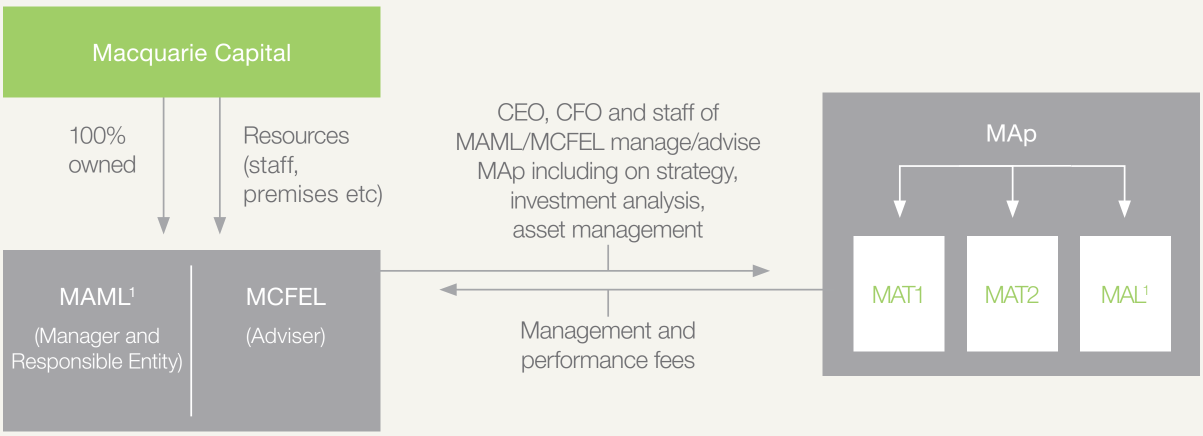
MAL is regulated by the Bermuda Companies Act, ASX Listing Rules, MAL bye-laws and general Bermudian law.

The MAL board is responsible for MAL's operational activity and overall corporate governance in the same way that MAML is responsible for the Australian trusts. MAL is advised by a UK-based wholly owned subsidiary of MGL, Macquarie Capital Funds (Europe) Limited (MCFEL), previously called Macquarie Investment Management (UK) Limited.

Under the terms of the Advisory Agreement appointing MCFEL as Adviser, MCFEL makes recommendations to MAL in respect of prospective investments and advises on appropriate strategies and actions to maintain and enhance the value, performance and profitability of MAL's investments and advises on general capital management for MAL. MCFEL also undertakes certain administrative functions; including financial reporting and investor communications and monitors fund administration services provided by the Bermuda-based Fund Administrator.

MAp and MCFEL have entered into a Stapling Deed which governs cooperation, investment policy and the making of investments, capital raising, borrowings, financial reporting, continuous disclosure and certain other administrative matters for the three stapled entities with a view to ensuring consistency in the management of MAp.

Simplified corporate and management structure



[1] Independent/non-executive directors appointed.

As at 31 December 2007, MAp's portfolio investments are split between the three entities in the following proportions:

- MAT1 26.63%
- MAT2 23.90%
- MAL 49.47%.

What you can find on our website:

- MAT1 constitution
- MAT2 constitution
- MAL bye-laws.

MAp's approach to corporate governance

The MAp boards are committed to MAp's achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines MAp's main corporate governance practices as at 31 December 2007. Unless otherwise stated, they reflect the practices in place throughout the financial year ended on that date.

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

MAp is part of the stable of Macquarie managed vehicles. Accordingly, in setting the corporate governance framework, the MAp boards also comply with the Macquarie Funds Management Policy (Macquarie Fund Policy). This policy safeguards the interests of investors in the investment vehicles, which at times may conflict with those of Macquarie as sponsor of the vehicles.

The key elements of the Macquarie Fund Policy are:

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

ASX corporate governance principles

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

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

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

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

Principle 1: Lay solid foundations for management and oversight

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

An outline of the boards' responsibilities under the MAML and MAL charters is set out below:

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

Eight or more full board meetings are held each year. Other meetings are called as required.

Directors are provided with board reports in advance of board meetings which contain sufficient information to enable informed discussion of all agenda items.

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

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

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

- The CEO and CFO are Macquarie Capital employees seconded to MAML or MCFEL as required. Their performance is assessed by Macquarie in September and March each year as part of Macquarie's formal employee performance evaluation process. The relevant boards provide feedback on the performance of the CEO and CFO as part of their annual performance appraisal
- A formal induction program to allow senior executives to participate fully and actively in management decision-making
- Access by executives to continuing education to update and enhance their skills and knowledge.

The above process was followed for the year ended 31 December 2007.

What you can find on our website:

- A summary of the MAML and MAL board charters.

Principle 2:
Structure the board to add value

1. Composition

MAML board of directors

The MAML board of directors is comprised as follows:

Name and position	Executive/Independent	Term
Max Moore-Wilton (chairman)	Executive	Director for approximately 2 years
Trevor Gerber (director)	Independent	Director for approximately 6 years
Nicholas Moore (director)	Executive	Director for approximately 6 years
Bob Morris (director)	Independent	Director for approximately 5.5 years
Hon. Michael Lee (director)	Independent	Director for approximately 5 years
John Roberts	Alternate for Nicholas Moore and Max Moore-Wilton	

MAL board of directors

The MAL board of directors is comprised as follows:

Name and position	Executive/Independent/ Non-executive	Term
Jeff Conyers (chairman)	Independent	Director for approximately 4.5 years
Sharon Beesley (director)	Non-executive	Director for approximately 6 years
Stephen Ward (director)	Independent	Director for approximately 2 years
Max Moore-Wilton (director)	Executive	Director for approximately 2 years
John Roberts	Alternate for Max Moore-Wilton	

The MAML board satisfies the requirements of the standards that boards have a majority of independent directors. The MAL board has 50% independent directors and one non-executive director and satisfies the Macquarie Fund Policy.

Profiles of these directors, including details of their skills, experience and expertise can be found later in this report.

2. Appointment to the boards

MAML

MAML is a wholly owned subsidiary of MGL and directors are appointed to MAML in consultation with the MAML board.

The following board composition and membership criteria have been adopted by the board in consultation with MGL:

- The board is to comprise at least four directors. Additional directors may be appointed if the board feels that additional expertise is required in specific areas, or when an outstanding candidate is identified
- New appointments to the board must be nominated by the MGL board and require full MAML board approval
- Independent directors are to comprise a majority of the board
- The board is to be comprised of directors with an appropriate range of qualifications and expertise
- Directors can be removed by MAML's parent entity, MGL, in its absolute discretion and at any time
- The chairman of the board is to be a Macquarie executive
- The chairman must be nominated by the MGL board and requires full MAML board approval
- To ensure that the board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, independent directors will retire after 12 years.

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

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

An independent director is a director of the responsible entity and/or special purpose vehicle who is not a member of management and who (to the satisfaction of the MGL board Corporate Governance Committee) meets the following criteria:

- Is not a substantial shareholder of:
  - MGL or MAp, or
  - A company holding more than 5% of the voting securities of MGL or MAp
- Is not an officer of, or otherwise associated directly or indirectly with, a shareholder holding more than 5% of the voting securities of MGL or MAp
- Has not, within the last three years, been:
  - Employed in an executive capacity by the responsible entity and/or special purpose vehicle, or by another Macquarie entity, or
  - A director of any such entity after ceasing to hold any such employment

Principle 2:
Structure the board to add value (continued)

- Is not a principal or employee of a professional adviser to the fund, MGL or other Macquarie managed vehicles whose billings to MAp, Macquarie or other funds over the previous full year, in aggregate, exceed 5% of the adviser's total revenues over that period
- A director who is a principal, director or employee of a professional adviser must not participate in any consideration of the possible appointment of the professional adviser and must not participate in the provision of any service by that firm to MAp, another Macquarie managed vehicle, or Macquarie more generally
- Is not a significant supplier or significant customer of MAp, Macquarie or other Macquarie managed vehicles, or an officer of or otherwise associated directly or indirectly with, a significant supplier or customer.

  A significant supplier is defined as one whose revenues over the previous full year from MAp, Macquarie and other Macquarie managed vehicles exceed 5% of the supplier's total revenue over that period. A significant customer is one whose amounts payable to MAp, Macquarie and other Macquarie managed vehicles exceed 5% of the customer's total operating costs
- Has no material contractual relationship with Macquarie, other than as a director of MAp
- Is not a director of more than two Macquarie related responsible entity or special purpose vehicle boards
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of MAp and independently of management of Macquarie.

However, where an individual may not meet one or more of the above criteria, the MGL board Corporate Governance Committee may make a specific determination that, in the particular overall circumstances of that individual, the fact that these criteria have not been met is unlikely to prevent the individual from exercising judgment on the relevant board.

The standards of independence which have been applied are substantively similar to but are not the same as those suggested in the Principles. The key area of difference is that the Macquarie Fund Policy is designed to ensure that independent directors are independent from both MAp management and MGL. The directors believe that the adoption of the Macquarie Fund Policy definitions of independence better reflects the true nature of independence in the present circumstances and does not materially prejudice security holders.

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

Under its externally managed structure and ASX waivers granted to MAp, most of the MAp independent directors are appointed by Macquarie companies (see detail below) rather than elected by security holders. Macquarie sees the selection of highly skilled independent directors as an important contribution to MAp's performance.

MAp considers that the independence of its directors, each of whom are highly qualified and reputable business people and professionals who satisfy the above criteria, does not depend on who appoints them but on their independence of mind, including an ability to constructively challenge and independently contribute to the boards.

Independent directors are asked to confirm their independence on appointment annually and to notify the board if they cease to satisfy the criteria.

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

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

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

MAL

The procedure for appointing the board of MAL reflects the inherent requirements of the stapling which exists between shares in MAL and units in MAT1 and MAT2 and the Advisory Agreement with MCFEL.

Under the MAL bye-laws, MCFEL has been issued with an A Special Share (and has rights under the Advisory Agreement) which entitles it to appoint directors constituting up to 50% of the MAL board. MAML as responsible entity of MAT1 has been issued with a B Special Share which entitles it to appoint directors constituting up to 25% of the MAL board while the entities are stapled. Neither the A nor B Special Share has any economic interest which means that the holders of those shares are not entitled to any dividends and are only entitled to the par value of those shares on a winding up of MAL.

The balance of the directors is elected by MAp security holders. Of the present board, Stephen Ward is subject to rotation and security holder approval.

The MAL board has 50% independent directors rather than a majority of independent directors. This reflects the requirement of the Macquarie Fund Policy for the boards of the responsible entity of the stapled trust(s) and the stapled company to have at least 50% independent directors and at least one of the boards in each stapled structure (in this case MAML) to have a majority of independent directors.

The rationale for this approach is that in the stapled structure:

i) The provisions of the Stapling Deed between MAML, MAL and MCFEL and the practical operation of the MAML and MAL boards are such that no significant decision – in particular strategy, capital raisings, borrowings and investments – can be made by one board without consultation with and consideration by the other board

ii) The MAL board has a quorum of independent/non-executive directors to vote on transactions with Macquarie companies

iii) Under the Corporations Act (in respect of MAML) and the Advisory Agreement (in respect of MCFEL), if security holders are not satisfied with the performance of MAML and MCFEL, being Macquarie companies, they can be removed by ordinary security holder resolution.

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

The candidates for the board are selected by MCFEL or MAML, as the case may be, using the same selection and MGL nomination approval process as for MAML directors. In the case of candidates to be elected by security holders, the nominee is then recommended by MCFEL to the MAL board for approval. The MAL board has not constituted a nomination committee because as a consequence of the board appointment arrangements established for MAL and its participation in the stapling arrangements with MAT1 and MAT2, its directors are nominated by MCFEL, having regard to the board charter criteria and Macquarie Fund Policy requirements.

Sharon Beesley is categorised as a non-executive director rather than an independent director because she is a principal of a Bermuda consultancy firm, ISIS Limited and ISIS Fund Services Ltd, which together with its affiliates provides ongoing services to Macquarie companies and also to MAL, and she participates in the provision of those services.

3. Chairman

Max Moore-Wilton, being a Macquarie employee, is an executive chairman of MAML and does not satisfy the independence recommendation of the Principles.

The Macquarie Fund Policy requires the chairman of the MAML board to be an executive chairman, as MAML is a Macquarie company and MAp is a Macquarie-branded fund. The MAML board has not appointed a lead independent director but shareholder access to independent directors is facilitated via the company secretary if required.

It is MAL's policy to have an independent chairman and Jeff Conyers, chairman of MAL, satisfies the independence test in the Macquarie Fund Policy.

In both cases, the chairman does not exercise the role of CEO. That role is performed by Kerrie Mather.

Both the MAML and MAL board charters provide that all independent/non-executive directors will meet at least once a year in the absence of management and at other times as they determine. The convener of the meetings will be the most senior independent director in the case of MAML and the chairman in the case of MAL.

4. Independent professional advice

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

5. Board performance

To ensure that the directors of MAML and MAL are properly performing their duties, the following procedures are in place:

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

The procedure for evaluation of the boards' performance is:

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

The above process was followed for the year ended 31 December 2007.

Principle 3:
Promote ethical and responsible decision-making

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

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

The Code is periodically reviewed and endorsed by the MAML, MAL and MCFEL boards. The Code is distributed to all directors and staff and reinforced at induction and other training programs.

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

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

Special arrangements apply for the trading by MAML, MCFEL and associates of MAp securities issued in connection with performance fees. Standing instructions must be given to a Macquarie broker during a trading window to sell at above a designated price, with the trade to take place at any time in accordance with the instructions. Any instructions given will be on the basis that Chinese Walls are operating with the broker at all times during the currency of the instruction.

Alternatively, the securities will be placed in a blind trust with an external broker during a trading window, with irrevocable instructions to sell at above a designated price, with the trade to take place at any time in accordance with instructions.

MAp's approach to environmental and social responsibility management is set out on pages 32 to 35 of this report.

What you can find on our website:

- A summary of the Code of Conduct
- A summary of the main provisions of the Securities (Windows) Trading Policy
- A description of MAp's environmental and social responsibility management policy.

Principle 4:
Safeguard integrity in financial reporting

1. Audit committees

MAML and MAL have each appointed an Audit and Risk Committee comprising only independent/non-executive directors and which complies with the requirements of the Principles.

Name and position	Non-executive/ Independent	Meetings attended
MAML		
Trevor Gerber (chairman)	Independent	2 out of 3 held
Bob Morris	Independent	3 out of 3 held
Hon. Michael Lee	Independent	3 out of 3 held
MAL		
Stephen Ward (chairman)	Independent	3 out of 3 held
Jeff Conyers	Independent	3 out of 3 held
Sharon Beesley	Non-executive	1 out of 3 held

The qualifications of the members of the MAML and MAL Audit and Risk Committees can be found later in this report.

2. Audit and risk committee charters

In establishing their Audit and Risk Committees, MAML and MAL have each established a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements. The charter is materially the same for both companies.

The responsibilities of the Audit and Risk Committee under each charter in relation to financial reporting are to:

- Review and report to the board on the financial statements and related notes, and on the external auditor's audit of the financial statements and the report thereon
- Recommend to the board the appointment and removal of the external auditor, review the terms of their engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
- Monitor auditor independence.

The Audit and Risk Committee meets with the external auditors at least twice a year and more frequently if required.

Details of the risk monitoring duties of the Audit and Risk Committee are set out in the Principle 7 commentary below.

3. Auditor independence

The Audit and Risk Committee has adopted a policy which includes the following to ensure the independence of the external auditor:

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

The MAML and MAL boards and Audit and Risk Committees are of the view that, at the present time, PwC is best placed to provide MAp's audit services because PwC is a top tier professional services firm. It has provided audit services to MAp since its establishment and is familiar with its structure and assets. The auditor is required to be independent from MAp and Macquarie. PwC meets this requirement.

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

What you can find on our website:

- Summary of the Audit and Risk Committee charters for MAML and MAL
- Procedures for selection and appointment of the external auditor and for rotation of external audit engagement partners.

Principle 5:
Make timely and balanced disclosure

It is MAp's policy to provide timely, open and accurate information to all stakeholders, including security holders, regulators and the wider investment community. Under the terms of the Stapling Deed, MAML, MAL and MCFEL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

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

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

What you can find on our website:

- A summary of policies and procedures in relation to disclosure adopted by MAML and MAL.

Principle 6:
Respect the right of shareholders

MAp has adopted a security holder communications policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Stapled security holders receive an annual report and a half-yearly update which keep them informed of MAp's performance and operations. Newsletters may also be sent to security holders from time to time.

After lodging market-sensitive information with ASX, MAp's policy is to place the information on its website, including annual and interim results announcements and analyst presentations as soon as practically possible. MAp's website (www.macquarie.com/map) contains recent announcements, presentations, past and current reports to security holders, answers to frequently-asked questions and a summary of key financial data since inception. Investors may also register here to receive email copies of MAp's significant ASX announcements.

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

MAp also produces an analyst package which is updated annually. This comprehensive guide aims to provide transparency in relation to MAp's investments and structure. The analyst package is released to the ASX and consists of detailed asset descriptions along with financial modelling tools.

Meetings of the MAp entities are convened at least once a year, usually in April or May. MAL is required to hold an AGM each year. In the case of the trusts, which are not required under the Corporations Act to hold an AGM, these are usually informal annual meetings unless there is formal business to be considered. An AGM is held for MAL at the same time. Presentations by the chairman and CEO at the AGM are webcast.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting.

Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that security holders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act or Bermuda Companies Act as applicable. Proxy forms can be mailed, faxed or lodged through the internet.

What you can find on our website:

- A description of the arrangements MAp has to promote communication with security holders.

Principle 7: Recognise and manage risk

Both MAML and MAL have formalised risk management policies. Compliance with risk management policies is monitored by their respective Audit and Risk Committees.

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

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

As part of its risk monitoring duties, each Audit and Risk Committee is required to:

i) Enquire of management and the external auditor about significant risks or exposures and assess the steps which management or other service providers have taken to minimise such risk to the trusts or company as applicable

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

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

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

As required by the Corporations Act, a compliance committee assists the MAML board in overseeing the risk management framework of MAT1 and MAT2 by monitoring compliance plans and ensuring that there is an underlying compliance framework.

In the case of MAL, MCFEL is responsible for the implementation of MAL's risk management policy. Both MAML and MCFEL, as MGL subsidiaries, are subject to periodic reviews conducted by MGL's Internal Audit Division.

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

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

What you can find on our website:

- A description of MAp's risk management policies and framework
- A description of MAp's environmental responsibility management policy
- A description of MAp's occupational health and safety risk management policy.

Principle 8: Remunerate fairly and responsibly

Below is a brief description of management and performance fee arrangements for MAML as Responsible Entity and MCFEL as Adviser, remuneration arrangements in relation to MAp staff (whose remuneration is paid by Macquarie Capital, not MAp) and also the fees paid to MAp external directors. Full details, and a discussion of MAp remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report on pages 50 to 52. Responsible Entity and Adviser expenses reimbursed by MAp are set out on page 51.

1. Responsible Entity and Adviser fees

MAML, as Responsible Entity of MAT1 and MAT2 and MCFEL, as Adviser, are entitled to be paid base management fees and performance fees for discharging the management/advisory function.

These fees are calculated in accordance with a defined formula under the trust constitutions and the Advisory Agreement. The fee arrangements were fully disclosed to investors on fund inception and continue to be disclosed on the MAp website and in annual reports and investors continue to invest on this basis. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review. Any changes to the fee provisions which would have the effect of increasing the fees must be approved by stapled security holders.

2. Reimbursement of Responsible Entity and Adviser expenses

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

3. Staff remuneration

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

MAp holds its airport investments through special purpose project vehicles. Most of these vehicles have their own internal management paid for at the vehicle level. Where MAML or MCFEL staff are required to serve as directors on airport boards or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to MAp.

Senior MAML and MCFEL executives may have some of or their entire performance bonus retentions notionally invested by Macquarie Capital in MAp securities so that the amount of the performance bonus retention fluctuates as if it were actually invested in MAp securities. Executives may also receive MGL options as part of their remuneration package.

4. Director remuneration

MAML independent director fees are paid by MAML in its personal corporate capacity. They are not paid by the trusts.

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

MAL independent/non-executive director fees are paid by MAL.

None of the MAML or MAL directors are entitled to MAp options or securities or to retirement benefits as part of their remuneration package.

Senior Macquarie executives who are MAp directors may have some of or their entire performance bonus retentions notionally invested by Macquarie in MAp securities so that the amount of the performance bonus retentions fluctuates as if it were actually invested in MAp securities. Executives may also receive MGL options as part of their remuneration package.

5. Remuneration committee

The boards of each of MAML, as Responsible Entity of MAT1 and MAT2, and MAL do not consider it necessary or appropriate to constitute a remuneration committee. Given the payment of the management fee (and the fact that any change to the determination of that fee would require security holder approval) and MAML's lack of and MAL's limited exposure to remuneration expenses, a remuneration committee is not justified.

Specific issues related to MAp

Related party transactions

Macquarie companies and managed vehicles undertake various transactions with and perform various services (such as financial advisory, underwriting, foreign exchange hedging) for MAp from time to time. Fees for these transactions and services are approved solely by MAML's or MAL's (as the case may be) independent and non-executive directors. Macquarie Capital executive directors do not vote or, unless invited to do so by the independent/non-executive directors, participate in discussion on related party matters.

All related party transactions involving MAT1, MAT2 and MAL and their controlled entities are tested by reference to whether they meet market standards.

Third party independent review is mostly carried out by the corporate advisory divisions of large accounting firms.

In the case of foreign exchange transactions that are significant or which require strict confidentiality, MGL is usually used; subject to management ensuring that pricing is competitive and independent/non-executive director approval. Foreign exchange transactions where commissions to Macquarie companies are less than A$100,000, are transacted with reference to independent pricing checks and arrangements and benchmarked periodically.

MAp entities may co-invest from time to time with other Macquarie companies or managed entities. Co-investment arrangements may include pre-emption and tag-along and drag-along rights in favour of each other, including rights which are triggered on removal of Macquarie companies as manager or adviser or if the manager or adviser ceases to be a Macquarie subsidiary. Where such arrangements are put in place, the MAp independent/non-executive directors obtain separate legal advice as necessary and the arrangements are approved by the independent/non-executive directors and disclosed to stapled security holders.

In addition, contract counterparties such as lenders may require the ongoing involvement by Macquarie manager entities and their removal may have adverse consequences such as an acceleration of loan repayments.

Details of related party transactions involving the payment of fees to Macquarie companies who have provided services to MAp are disclosed on page 67 of the full financial report for the year ended 31 December 2007.

Compliance committee

Under the Corporations Act managed investments regime, MAML, as the Responsible Entity of MAT1 and MAT2, is required to register a compliance plan for each trust with ASIC. The compliance plans outline the measures undertaken to ensure compliance with the Corporations Act and each trust constitution. It is the Compliance Committee's responsibility to monitor MAML's compliance with the compliance plans and report its findings to the board or ASIC if necessary.

The Compliance Committee is currently comprised as follows:

Name	Position
Ray Kellerman	External chairman
Andy Esteban	External
Kerrie Mather	Executive (Graeme Johnson alternate)

Compliance officers have been appointed for MAT1 and MAT2 and are responsible for reviewing and monitoring the efficiency of compliance systems on an ongoing basis so that appropriate compliance procedures, staff education and compliance committee reporting arrangements are in place to enable observance of the compliance plans.

The external Compliance Committee members must satisfy the independence criteria set out in the Corporations Act and are required to certify their compliance with these requirements annually and otherwise notify MAML if they cease to satisfy the criteria.

What you can find on our website:

- The compliance plans for MAT1 and MAT2
- Details of the qualifications of the MAT1 and MAT2 Compliance Committee members.

financial report summary

Overview of MAp

MAp invests in airports worldwide. It currently holds investments in Sydney Airport, Copenhagen Airports, Brussels Airport, Bristol Airport and a long-term strategic interest in JAT. During the year MAp sold its investments in Aeroporti di Roma and Birmingham Airport.

MAp is a triple stapled security listed on the Australian Securities Exchange. Stapled securities are two or more securities that are quoted and traded as a single security. A MAp stapled security consists of a unit in Macquarie Airports Trust (1) (MAT1), a unit in Macquarie Airports Trust (2) (MAT2) and a share in Macquarie Airports Limited (MAL).

The concise financial report is provided separately from this report and, together with this report, forms MAp's annual report.

The concise financial report is derived from the full financial report for the year ended 31 December 2007. The full financial report and auditor's report will be sent to security holders on request, free of charge, by calling Computershare Investor Services Pty Limited on 1800 102 368.

MAp's airport investments

This table illustrates MAp's total beneficial interest as at 31 December 2007 in each of the underlying airport assets in which it has invested.

	Sydney Airport %	Copenhagen Airports %	Brussels Airport %	Bristol Airport %	JAT %	Rome Airports %	Birmingham Airport %
MAp beneficial interest[1]							
As at 31 December 2007	**72.1**	**53.7**	**62.1**	**32.1**	**14.9**	**–**	**–**
As at 31 December 2006	55.8	53.4	53.9	32.1	–	34.2	15.5

[1] Excluding minority interest.

The following table outlines the fair value of each of MAp's investments as at 31 December 2007. The fair values have been determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework.

	Sydney Airport[1] A$m	Copenhagen Airports[1] A$m	Brussels Airport[1] A$m	Bristol Airport A$m	JAT A$m	Rome Airports A$m	Birmingham Airport A$m
MAp beneficial interest[2]							
As at 31 December 2007	**4,145.4**	**1,932.2**	**1,713.8**	**350.5**	**292.1**	**–**	**–**
As at 31 December 2006	2,728.2	1,835.0	1,431.9	176.9	–	844.3	205.5

[1] As MAp holds a controlling interest in Sydney Airport of 72.1%, in Brussels Airport of 62.1% and Copenhagen Airports of 53.7% at 31 December 2007, the financial position and results of these airports are consolidated into the MAp financial report. Accordingly the value of MAp's investment in Sydney Airport, Brussels Airport and Copenhagen Airports does not appear in the MAp financial report at 31 December 2007.

The value ascribed to MAp's investment in Copenhagen Airports is net of the external debt of Macquarie Airports Copenhagen Holdings A/S.

[2] Excluding minority interests.

Investment backing per stapled security

As outlined in the table below, the asset backing attributable to investments at 31 December 2007 was A$5.06 and is calculated net of funding directly related to the investments and net of distributions payable to MAp security holders at the end of the year plus cash held by MAp.

	As at 31 December 2007	As at 31 December 2006
Asset backing of each stapled security attributable to investments	**A$5.06**	A$3.93

Distributions

The total distribution for MAp for the year ended 31 December 2007 was 31 cents per stapled security (2006: 25 cents per stapled security). This distribution was paid entirely by MAT1. An interim distribution of 13 cents per stapled security (2006: 13 cents per stapled security) was paid by MAT1 on 20 August 2007. A final distribution of 13 cents (2006: 12 cents per stapled security) and a special distribution of 5 cents per stapled security (2006: 0 cents per stapled security) were paid by MAT1 on 19 February 2008.

Review and results of operations

The combined result of the Group's operations' performance for the year was:

	MAp consolidated 2007 A$'000	MAp consolidated 2006 A$'000
Revenue from continuing operations	**1,533,621**	665,539
Other income	**1,900,397**	813,642
Total revenue and other income from continuing operations	**3,434,018**	1,479,181
Profit from continuing operations after income tax expense	**1,530,655**	731,824
Profit attributable to MAp security holders	**1,106,176**	600,460
Basic earnings per stapled security	**64.51c**	36.11c
Diluted earnings per stapled security	**59.95c**	34.99c

Significant changes in state of affairs

- Acquisition of Global Infrastructure (Sydney Holdings) Pty Limited

  On 8 February 2007 Macquarie Airports (Sydney Holdings) Pty Limited (MASH), a subsidiary of MAT2, acquired a controlling interest in Global Infrastructure (Sydney Holdings) Pty Limited (GISH), a company that owns 2.1% of the units in Southern Cross Australian Airports Trust (SCAAT), for an amount of A$56.2 million, increasing MAp's beneficial interest in Sydney Airport by 1.2% to 57.0%. MASH acquired GISH from Macquarie Global Infrastructure Fund A and Macquarie Global Infrastructure Fund B, which each held a 50% interest in GISH.

- Acquisition of additional interest in Sydney Airport

  MAp exercised its call option over Ferrovial Infraestructuras S.A.'s 20.9% interest in Sydney Airport on 27 February 2007. The exercise of the option was subject to the existing pre-emptive arrangements among the other shareholders in Sydney Airport and, as anticipated, these shareholders exercised their pre-emptive rights in full. As a result, MAp acquired an additional 15.1% interest for a purchase consideration of A$662.6 million, taking MAp's beneficial interest in Sydney Airport to 72.1% and MAp's voting rights to 78.7%.

- Sale of Birmingham Airport

  During the year MAp announced that Macquarie Airports Group Limited and Dublin Airport Authority plc (DAA), which each indirectly held an interest of 24.125% in Birmingham Airport Holdings Limited (BAHL), had disposed of their joint 48.25% stake in BAHL to Airport Group Investments Limited, a consortium of Ontario Teachers' Pension Plan Board and Victorian Funds Management Corporation for a combined consideration of £420.0 million (A$982.0 million). The sale reached financial close on 19 September 2007.

- Copenhagen Airports – divestment of associates

  Copenhagen Airports, a subsidiary of MAp, divested 6.1% of its 9.85% total interest in the listed Mexican airports operator Grupo Aeroportuario del Sureste, S.A.B. de C.V., during the year to 31 December 2007 for a total consideration of DKK520.0 million (A$110.8 million).

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

- Sale of Aeroporti di Roma

  MAp, through its subsidiary Macquarie Airports (Luxembourg) S.A., agreed on 18 June 2007 to dispose of its 44.74% stake in Aeroporti di Roma to Leonardo S.r.L., a wholly owned subsidiary of Gemina S.p.A. for a cash consideration of €1,237.0 million (A$1,945.0 million). The transaction reached financial close on 18 July 2007.

- Japan Airport Terminal

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

- Brussels Airport

  On 22 October 2007 MAp increased its beneficial interest in Brussels Airport when Macquarie Airports (Brussels) S.A. (MABSA) acquired a 5% interest from Federale Participatie-en Investeringsmaatschappij (FPIM), the investment vehicle of the Belgian State, for approximately €78.0 million (A$122.0 million). MAp funded the acquisition through an increase of its interest in MABSA from 53.9% to 58.9%.

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

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

remuneration report

As noted in the corporate governance statement, MAp is an externally managed vehicle comprising two Australian trusts, MAT1 and MAT2, and a Bermudian exempted mutual fund company, MAL.

The combined trustee/manager, known as a Responsible Entity, for each of the trusts is Macquarie Airports Management Limited (MAML), a wholly owned subsidiary of Macquarie Group Limited (MGL). MAL is advised by a UK-based wholly owned subsidiary of MGL, Macquarie Capital Funds (Europe) Limited (MCFEL).

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

Under the Corporations Act 2001, only Australian listed companies are required to prepare a remuneration report and, accordingly, MAp is not required to do so or to have security holders participate on a non-binding advisory vote in respect of it.

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

Management fees

Under the terms of the trusts' constitutions and the Advisory Deed, MAML and MCFEL are entitled to base and performance fees for acting as Responsible Entity and Adviser respectively to the stapled entities that comprise MAp.

Base management and performance fees are calculated in accordance with a defined formula under the constitutions of MAT1 and MAT2 and the Advisory Agreement with MCFEL. The management fees paid or payable by MAp to MAML and MCFEL for the financial year ended 31 December 2007 were:

Base fee, including non-recoverable GST	A$75.4 million
Performance fee	Nil

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

Base fees

Base fees are calculated quarterly, with reference to the average market capitalisation of MAp over the last 15 trading days for the quarter. The base fee is calculated as 1.5% of the market value of MAp at the end of each quarter up to a market value of A$500 million, 1.25% of the next A$500 million of market value and for the market value in excess of A$1 billion, the base fee is calculated as 1% per annum of the market value at the end of the quarter.

For the purposes of calculating the base fee, the market value of MAp is determined as follows:

- The volume weighted average market capitalisation over the last 15 ASX trading days of each quarter (based on closing price), plus
- Borrowings, plus
- Firm commitments for future investment, less
- Cash or cash equivalents.

While MAp holds any co-investment in Macquarie Airports Group (MAG), amounts paid up on MAG shares held by MAp at the end of the quarter are deducted from the calculation of the above market value.

The quantum of the base management fee can increase or decrease as a result of both the movement in MAp securities on issue and any movement in the security price. Investors can effectively control the growth of securities on issue, and therefore any base fee increases by factors, such as deciding whether or not to support a capital raising involving the issue of new MAp securities. As capital raisings are invariably undertaken to fund new acquisitions or retire bridging debt for new acquisitions, MAML and MCFEL are incentivised to ensure that each new investment is seen as disciplined and value accretive by the market in order to attract investor support for the raising and ongoing support for the security price.

Performance fees

Performance fees are calculated six monthly, 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.

The performance fee is 20% of the dollar amount of the net outperformance.

Where MAp underperforms the benchmark, a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated, ensuring that any performance fees are paid as a result of sustained benchmark outperformance. This requirement for sustained outperformance creates a strong alignment of interest between Macquarie and MAp security holders. Fees are apportioned between MAT1, MAT2 and MAL based on each entity's share of the net assets of MAp. The net market values of the assets are used in the calculation of this apportionment.

Reinvestment of fees

Under MAp's constituent documents, independent directors of MAML acting in the interests of stapled security holders have the discretion to reinvest the performance fee in new MAp stapled securities.

Under ASX Listing Rule waiver requirements, the ability to reinvest performance fees is subject to MAp security holder approval every three years and is seen by MAp as creating further alignment between MAp management and MAp security holders. At the 2005 AGM, MAp security holders refreshed the approval for the performance fee to be reinvested in MAp securities.

The issue price for the new MAp stapled securities is the greater of the net asset backing of MAp at the end of the period or the volume weighted average trading price of all MAp stapled securities traded on the ASX during the last 15 business days of the period when the fee is earned.

Expense reimbursement

MCFEL and MAML are also entitled to be reimbursed for expenses incurred by them in relation to the proper performance of their duties, out of the assets of MAp. This includes routine ongoing expenses such as the third party costs of acquiring assets and the use of specialist technical advice from time to time, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the trusts' constitutions and Advisory Agreement.

Directors

No director of MAML is remunerated by MAp. The independent directors of MAML receive fees of A$100,000 per annum from MAML, a wholly owned subsidiary of MGL, for acting as directors. MAML's executive directors are employed and remunerated by Macquarie Capital.

The independent and non-executive directors of MAL are remunerated by MAL and each received fees of US$35,000 per annum for acting as directors of MAL. MAL's executive directors are employed and remunerated by Macquarie Capital.

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

None of the MAML or MAL independent and non-executive directors are entitled to MAp options or securities or to retirement benefits as part of their remuneration package.

The directors of MCFEL are employees of Macquarie Capital and are remunerated by Macquarie Capital.

Executives

MAp management are employed by Macquarie Capital. Their remuneration is paid by Macquarie Capital and is not recharged to MAp. The remuneration of Macquarie Capital executives that are involved in MAp's management is not disclosed because the executives are not employed by MAp and their employment costs are borne by Macquarie Capital.

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

Performance appraisals are undertaken of Macquarie Capital employees. The MAML and MAL boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of the annual performance of MAp's CEO and CFO and can request that they be replaced if not performing satisfactorily.

Executives (continued)

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

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

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

There is no formulaic approach to determining MAp management's profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the MAML and MAL boards in the case of the MAp CEO and CFO.

MAp management may also receive MGL options as part of their remuneration package.

Alignment of interests

Further to the remuneration matters discussed above, alignment between MAp security holders and Kerrie Mather, the CEO of MAp, and other senior members of the MAp management team, is reflected in profit share arrangements that apply to Macquarie Capital's executive directors. In accordance with these arrangements, 20% of the profit share amounts each year for these staff is withheld and subject to restrictions. These retained profit share amounts vest between five and 10 years.

In order to better align the interests of management with security holders, Ms Mather's retained profit share amounts, and those of other senior members of the MAp management team, are to be notionally invested by Macquarie Capital in MAp securities so that returns on these amounts are based on the MAp security price performance. The investment is described as notional because these staff do not directly hold securities in relation to this investment. However, the value of the retained amounts will fluctuate as if these amounts were directly invested in actual MAp securities.

Alignment between Macquarie and MAp security holders is also demonstrated through the interest Macquarie holds in MAp. At 22 February 2008, Macquarie held a relevant interest of approximately A$1,346 million in MAp securities, including those securities that have been acquired as part of the issue of MAp securities for the reinvestment of performance fees. MAp senior staff and directors of the MAp entities also hold approximately A$30.1 million in MAp securities as at 22 February 2008.

stapled security holder information

at 22 February 2008

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 – 1,000	5,619	2,763,129	0.16
1,001 – 5,000	15,170	44,451,006	2.59
5,001 – 10,000	8,132	60,683,918	3.53
10,001 – 100,000	7,181	160,269,442	9.33
100,001 and over	340	1,450,486,044	84.40
Total	**36,442**	**1,718,653,539**	**100.00%**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at A$3.75 per unit	134	1,135	60,915

MAL has also issued 1 A Special Share to MCFEL and 1 B Special Share to MAML.

Top 20 holders of stapled securities as at 22 February 2008

Rank	Investor	Number of stapled securities	% of stapled securities
1	HSBC Custody Nominees (Australia Limited)	354,762,757	20.64
2	Macquarie LAH Pty Ltd	303,628,207	17.67
3	J P Morgan Nominees Australia Limited	219,405,407	12.77
4	National Nominees Limited	166,815,913	9.71
5	Citicorp Nominees Pty Limited	56,846,575	3.31
6	J P Morgan Nominees Australia Limited	54,269,785	3.16
7	Macquarie LAH Pty Ltd	35,470,000	2.06
8	ANZ Nominees Limited	34,564,800	2.01
9	Queensland Investment Corporation	23,124,440	1.35
10	AMP Life Limited	14,772,901	0.86
11	Cogent Nominees Pty Limited	14,547,532	0.85
12	RBC Dexia Investor Services Australia Nominees Pty Limited	9,756,950	0.57
13	UBS Nominees Pty Ltd	8,158,022	0.47
14	Argo Investments Limited	7,734,743	0.45
15	Macquarie Investment Mgt Limited	5,908,973	0.34
16	Macquarie Investment Management Ltd	5,368,842	0.31
17	IAG Nominees Pty Limited	4,524,255	0.26
18	RBC Dexia Investor Services Australia Nominees Pty Limited	4,442,860	0.26
19	Cogent Nominees Pty Limited	4,420,624	0.26
20	Mr Martyn Booth	3,600,707	0.21
Total		**1,332,653,539**	**77.52**

Details of substantial stapled security holders

Name	Number of stapled securities	% of stapled securities
Macquarie Group Limited	360,096,864	20.95
The Capital Group	152,608,583	8.88
The AXA Group	143,346,991	8.34
Julius Baer	105,632,156	6.15

director profiles

MAML directors

Max Moore-Wilton AC, BEc
Executive Chairman

Max was appointed in April 2006 as chairman. He is also a director of MAL and chairman of Sydney Airport. Prior to this, Max was Secretary to the Department of Prime Minister and Cabinet from May 1996 where he oversaw fundamental reform to the Commonwealth Public Service.

Max has had a distinguished career in both the private and public sectors. He has held positions as either chairman or board member of a number of major Commonwealth and state business enterprises, and has extensive experience in the transport sector. Max is also president of the Airport Council International (ACI) Asia Pacific Region and has been Chairman of Macquarie Media Group since 2007.

Nicholas Moore BComm, LLB, CA
Executive Director

Nicholas Moore is head of Macquarie Capital. He joined the Group in 1986.

During this period Macquarie Capital has grown into the premier Australian investment advisory services business advising on more than $196 billion of transactions in 2007 and managing more than $56 billion of equity. Nicholas has directly contributed to the development of the corporate advisory, funds management (in particular infrastructure), financial products and leasing businesses of Macquarie. Prior to joining Macquarie, Nicholas practised as a chartered accountant specialising in the provision of taxation advice to the finance industry. Nicholas is also:

- Director, Macquarie Infrastructure Trusts (appointed 2000)
- Director, Macquarie Communications Infrastructure Trust (appointed 2002)
- Director, Macquarie Capital Alliance Trust (appointed 2004)
- Director, Macquarie Media Trust (appointed 2005)
- Chairman of the Police and Citizens Youth Club (appointed 2002)
- Director, Macquarie Group Limited.

Trevor Gerber BAcc, CA
Independent Director

Trevor Gerber was with Westfield Holdings Limited for 14 years as group treasurer and subsequently as director of funds management responsible for Westfield Trust and Westfield America Trust.

Trevor is also a director of the following listed entities:

- Valad Property Group (deputy chair) (appointed 2002)
- Everest Babcock & Brown Alternative Investment Trust (chairman) (appointed 2005)
- Everest Babcock & Brown Limited (appointed 2005).

Trevor was a director of Macquarie ProLogis Management Limited until July 2007.

Bob Morris BSc, BE, M Eng Sci
Independent Director

Bob Morris is a transport consultant. Prior to 2003 Bob was an executive director of Leighton Contractors. He led the successful Leighton proposals for the Eastern Distributor and the Westlink M7 toll roads.

Prior to Leightons, he was the director of the Sydney region of the Roads and Traffic Authority, where he was closely involved with the M2, M4 and M5 toll roads, as well as the Sydney Harbour Tunnel.

Bob is currently chairman of the RiverCity Motorway Group (appointed 2006) and was chairman of the Sydney Roads Group until June 2007.

Hon. Michael Lee BSc, BE, FIE Aust
Independent Director

Michael served in the Australian Parliament for 17 years, and held a number of senior positions in both government and opposition. He was Minister for Tourism, Communications and the Arts in the Keating Government. He is currently:

- Councillor, City of Sydney
- Director, Country Energy (appointed 2002)
- Director, DUET Group (appointed 2004)
- Chairman, Central Coast Campuses Board.

MAL directors

Jeffrey Conyers
Independent Chairman

Jeffrey began his professional career as a stockbroker in Toronto and returned to Bermuda in 1985 to join the Bank of Bermuda where his focus was investments and trusts.

A founding executive council member and deputy chairman of the Bermuda Stock Exchange, Jeffrey is also a director of numerous other companies in Bermuda and is the chief executive officer of First Bermuda Group Limited. The Group provides an advisory and execution service on worldwide offshore mutual funds to individuals and local companies based in Bermuda.

Jeffrey was appointed a director of Macquarie Infrastructure Group International Limited in 2005 when it listed on the ASX as part of MIG.

Sharon A. Beesley BA (Hons), LLM
Non-executive Director

Sharon Beesley is an executive director and founding shareholder of ISIS Limited. ISIS works as a consultant to a number of institutions which are structuring their businesses or financings using Bermuda as a base, as well as fund managers wishing to launch or restructure offshore investment funds. In addition, ISIS is licensed in Bermuda as an insurance intermediary, focusing on structuring and sourcing finance-related insurance products for the Bermuda insurance and reinsurance markets. Further, ISIS administers and manages The ISIS Foundation, a Bermuda charitable trust which funds and manages, in partnership with local community groups, six projects in Nepal and two in Uganda. All of its projects focus on the delivery of health and education services to local women and children.

Before joining ISIS, Sharon worked for several years in London and Hong Kong with Linklaters and was head of banking with Mello Jones & Martin, a Bermudian law firm. She is also a director of the following publicly listed funds:

- Director, Macquarie Equinox Limited (appointed 2001)
- Director, Martin Currie China A Share Fund Limited (appointed 2005).

Stephen Ward LLB
Independent Director

Mr Ward is an independent director of MAL and is chairman of the Audit and Risk Committee. Mr Ward is a senior commercial partner in the Wellington office of leading New Zealand law firm Simpson Grierson and is a member of that firm's board of management. Mr Ward is highly regarded for his strategic advice and advises on mergers and acquisitions, overseas investment, corporate governance and statutory compliance. His clients include major corporates operating in New Zealand.

Mr Ward is the Convenor of the New Zealand Law Society Contract and Consumer Law Reform Committee and is a trustee of The Life Flight Trust which operates the Westpac rescue helicopter service in the Wellington region and a national air ambulance service. Mr Ward is also a member of the New Zealand Rugby Union Appeal Council.

Max Moore-Wilton AC, BEc
Executive Director

Max was appointed in April 2006. He is chairman of MAML and chairman of Sydney Airport. Prior to this, Max was Secretary to the Department of Prime Minister and Cabinet from May 1996 where he oversaw fundamental reform to the Commonwealth Public Service.

Max has had a distinguished career in both the private and public sectors. He has held positions as either chairman or board member of a number of major Commonwealth and state business enterprises, and has extensive experience in the transport sector. Max is also president of the Airport Council International (ACI) Asia Pacific Region, and has been chairman of Macquarie Media Group since 2007.

management profiles

Kerrie Mather BA, MComm
Chief Executive Officer

Kerrie joined Macquarie in 1986 and is CEO of MAp and an Executive Director of Macquarie Capital.

Kerrie established MAp in 2002. At the time of listing, MAp owned seed investments in Bristol and Birmingham airports in the UK. Since then Kerrie led the successful acquisitions of investments in Sydney Airport in 2002, Rome Airports in 2003, Brussels Airport in 2004, Copenhagen Airports in 2005 and Japan Airport Terminal in 2007, as well as the divestments of Rome and Birmingham airports in 2007.

Kerrie is a director of Sydney Airport, Brussels Airport and Copenhagen Airports. Prior to establishing Macquarie Airports, Kerrie had 18 years investment banking experience primarily on acquisition, business and financial advisory roles with a particular focus on the airport sector.

Martyn Booth BA (Hons)
Airports Director

Between 1981 and 1994, Martyn held various roles at BAA plc, including director of corporate strategy, head of finance at Heathrow Airport and general manager of privatisation.

Martyn also held the position of economic advisor to HM Treasury. Martyn is on the boards of Copenhagen Airports and Brussels Airport.

He joined the Macquarie Group in October 2000 when Macquarie acquired the Portland Group, the international consulting business which Martyn co-founded in 1994.

Graeme Johnson BComm, MApp Fin, FCA
Chief Financial Officer

Graeme was appointed as CFO on 1 November 2007. He joined the Macquarie Group in 2006 as a Division Director in the Corporate Affairs Group, responsible for the finance function in the Equity Markets Group, reporting directly to the Group CFO.

Prior to joining Macquarie, Graeme worked for Westpac Banking Corporation in Australia and New Zealand in various general manager and CFO roles, including as CFO of the BT Financial Group. Graeme commenced his career with KPMG and is a Fellow of the Institute of Chartered Accountants in Australia.

Keith Irving BSc (Hons), AMIMA, AIFS
Head of Investor Relations

Keith joined Macquarie in 2006. He is responsible for developing MAp's relationships with both institutional and retail investors, and market analysts. Before joining Macquarie, Keith spent nine years as an equity research analyst with a major US investment bank covering a variety of markets out of Hong Kong and Sydney. He started his career with Barclays plc in London.

company secretary profiles

MAML has three company secretaries:

Sally Webb BA(As), LLB (Hons) (ANU), FFin
Division Director, Macquarie Capital

Sally is a qualified solicitor with more than 11 years experience. In private practice she worked in the mergers and acquisitions, capital markets and funds management areas. Sally joined the Macquarie Group in 2002 and since then has been responsible for the legal and company secretarial function of a number of listed and wholesale infrastructure funds managed by Macquarie Capital.

Christine Williams MA, LLB (Syd)
Executive Director, Macquarie Capital

Christine is a qualified solicitor and has worked in the banking industry for 24 years, including 15 years in funds management performing a general counsel/company secretarial role for listed and wholesale investment vehicles. Christine joined the Macquarie Group in 1998 and since that time has been responsible for the legal, company secretarial and compliance function for listed and wholesale infrastructure and other specialised funds managed by Macquarie Capital.

Dennis Leong BSc, BE (Hons) (Syd), MComm (UNSW), CPA, FCIS
Executive Director, Macquarie Group

Dennis is Head of Macquarie Group's Company Secretarial and Investor Relations Division, responsible for the Group's company secretarial requirements and professional risks insurances and Macquarie's employee equity plans and investor relations. He has had over 13 years company secretarial experience after 13 years in corporate finance at the Macquarie Group and Hill Samuel Australia Limited.

MAL has one company secretary:

Anne Bennett-Smith
Company Secretary

Anne has eight years experience as a company secretary. She is an employee of ISIS Fund Services Ltd and is responsible for the corporate administration of a growing portfolio of offshore funds, management and investment holding companies domiciled in Bermuda, Cayman and the British Virgin Islands. ISIS Fund Services Ltd has been appointed as assistant company secretary.

special notice

Macquarie Airports Management Limited ACN 075 295 760 (MAML), Responsible Entity of MAT1 and MAT2, is a wholly owned subsidiary of Macquarie Group Limited ACN 122 169 279. MAML has been issued with an Australian financial services licence no. 236875. Macquarie Capital Funds (Europe) Limited (MCFEL) registered number 3976881, Adviser to MAL, is a wholly owned subsidiary of the Macquarie Group Limited and is regulated by the UK Financial Services Authority.

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove any or all of MAT1, MAT2 and MAL from the official list of ASX if, while the stapling arrangements apply, the securities in the entities cease to be stapled to the securities in the other entities or one of the entities issues securities which are not then stapled to the relevant securities in the other entities.

Takeover provisions

Unlike MAT1 and MAT2, MAL is not subject to Chapter 6 of the Corporations Act 2001 dealing with the acquisition of shares (including substantial holdings and takeovers). Bermuda company law does not currently have a takeover code, which effectively means that by virtue of the stapling arrangements, a takeover of MAp would be regulated under Australian takeover law. Notwithstanding this, sections 102 and 103 of the Companies Act 1981 (Bermuda) permit (subject to requirements of each of the sections being met) compulsory acquisition in certain circumstances where the controlling shareholder owns 90% and 95% of the shares of the target.

Manager fees

MAML, as Responsible Entity of the trusts comprised in MAp, and MCFEL, as Adviser to MAL, are entitled to fees for so acting. Macquarie Group Limited and its related bodies corporate (including MAML and MCFEL) together with their officers and directors and officers and directors of MAL may hold stapled securities in MAp from time to time.

Foreign ownership restrictions

So that MAT1 and MAT2 can invest in Australian airports, MAML has obtained declarations under the Airports Regulations that MAT1 and MAT2 are each a substantially Australian investment fund. For each of MAT1 and MAT2 to remain declared a substantially Australian investment fund, they must not at any time become a trust in which a beneficial interest in at least 40% of the income or capital is held by persons who are foreign persons (Foreign Persons) as defined in the Airports Act 1996.

Both the MAT1 and MAT2 constitutions and the MAL bye-laws give MAML and MAL respectively the power to dispose of units or shares (as the case may be) where this foreign ownership restriction percentage or lower percentage specified by MAML or MAL is likely to be exceeded, or where this is necessary to prevent MAML from becoming a Foreign Person.

Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. MAp has adopted the Macquarie Group Limited privacy policy. For further information, visit the MAp website at www.macquarie.com/map or contact the Investor Relations team on 61 2 8232 9634 or toll free 1800 181 895.

corporate directory

Macquarie Airports

No. 1 Martin Place
Sydney NSW 2000
Telephone: 61 2 8232 9634
Toll free: 1800 181 895
Facsimile: 61 2 8232 4713
Website: www.macquarie.com/map

Responsible Entity for Macquarie Airports Trust (1) and Macquarie Airports Trust (2)

Macquarie Airports Management Limited
ABN 85 075 295 760

Directors of the Responsible Entity

Max Moore-Wilton (chairman)
Trevor Gerber
Nicholas Moore
Bob Morris
Hon. Michael Lee

Chief Executive Officer of Macquarie Airports

Kerrie Mather

Head of Investor Relations

Keith Irving

Secretary of the Responsible Entity

Sally Webb
Christine Williams
Dennis Leong

Directors of Macquarie Airports Limited (MAL)

Jeffrey Conyers (chairman)
Sharon Beesley
Stephen Ward
Max Moore-Wilton

Secretary of MAL

Anne Bennett-Smith

Registrar

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Australia
Telephone: 1800 102 368 or 61 3 9415 4195
Facsimile: 61 2 8234 5050

Complaints resolution

A formal complaints handling procedure is in place for Macquarie Airports. Macquarie Airports Management Limited is a member of the Banking and Financial Services Ombudsman Scheme which is an external complaints resolution scheme approved by ASIC. Complaints should, in the first instance, be directed to the Responsible Entity.

disclaimer

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by Macquarie Airports Management Limited ACN 075 295 760 or Macquarie Airports Limited ARBN 099 813 180 or their officers or any part of the Macquarie Group.

This annual report is general advice and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in Macquarie Airports, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities.

Annual financial report

A copy of the full MAp annual financial report for the 12-month period ended 31 December 2007 is available on the MAp website: www.macquarie.com/map