MACQUARIE AIRPORTS
ANNUAL REPORT 2008

MACQUARIE


US 24940
XP 47463

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 strategic investments in Japan Airport Terminal and ASUR

2 April 2002
Date listed

>35,000
No. of security holders

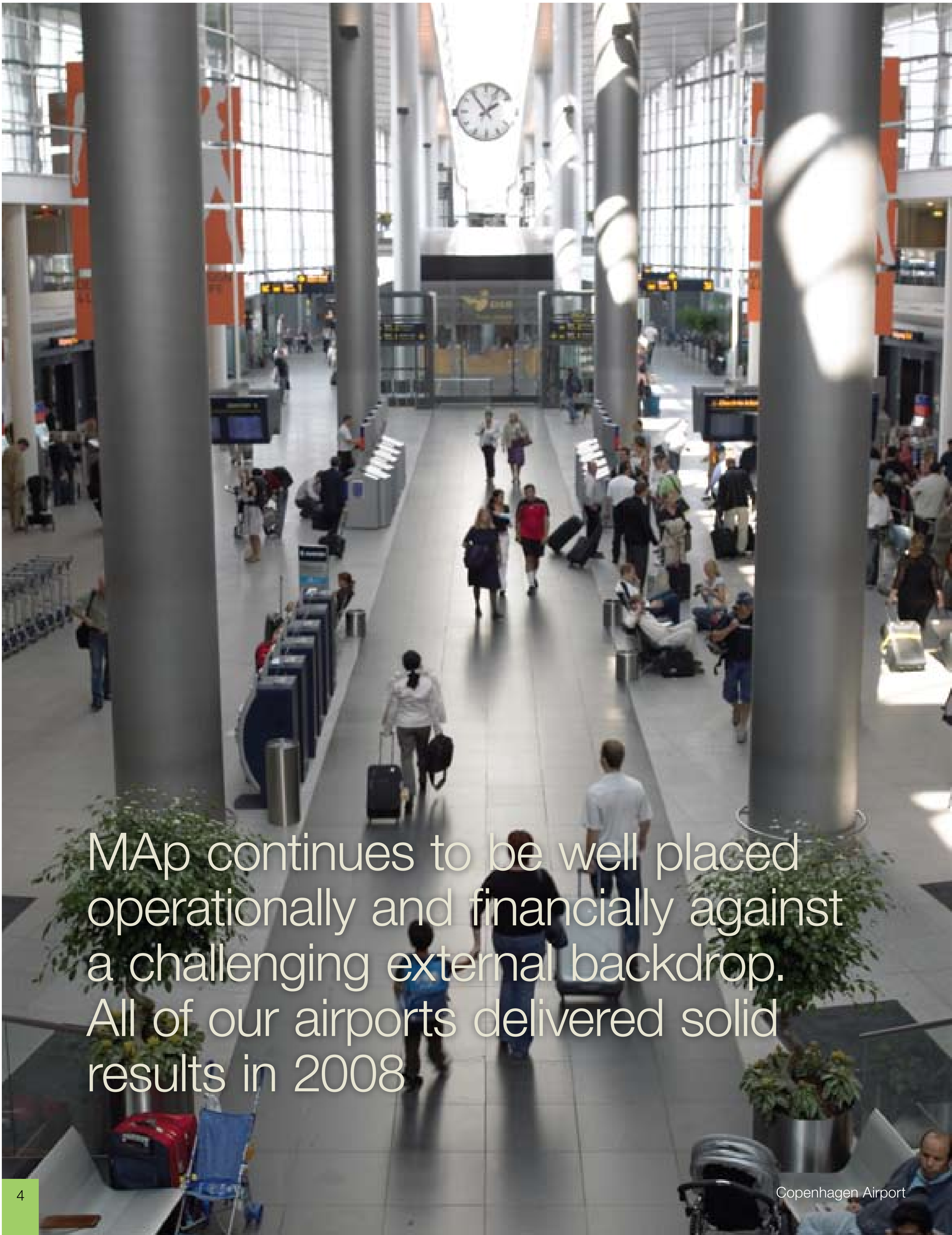
A$3.6 billion[1]
Market capitalisation

ASX top 50[1]
Index

79 million
No. of passengers using MAp's core airports in 2008

[1] As at 31 December 2008.

chairman's letter



MAp continues to be well placed operationally and financially against a challenging external backdrop. All of our airports delivered solid results in 2008

Copenhagen Airport

MAp continues to be well placed operationally and financially against a challenging external backdrop. All of our airports delivered solid results in 2008. MAp achieved proforma proportionate EBITDA growth of 6.5%[1], driven by the delivery of key aeronautical and commercial initiatives.

Airport portfolio

In order to demonstrate the value of our airports, and support our capital management initiatives, we divested 42% of our interest in Brussels Airport and 50% of our interest in Copenhagen Airports in the second half of 2008. Importantly, the sales were conducted at significant premia to the prices for MAp's original investment and MAp has joint control over both airports.

We also announced the acquisition of a small interest in Grupo Aeroportuario del Sureste de Mexico S.A. de C.V. (ASUR). ASUR is a Mexican airport group, listed on the New York and Mexican Stock Exchanges, which operates nine airports in Mexico's south-east.

Security holder value

MAp's security price performance in 2008 was disappointing. Although modestly outperforming the broader Australian equity market over the calendar year, it was unable to buck the overall downward trend. Like many companies globally, MAp's current security price does not reflect the underlying quality and long-term growth prospects of its airport businesses.

Your boards and management recognise the importance of actively narrowing that valuation gap and, in 2008, took significant action towards pursuing that aim. The partial divestments of our interests in Copenhagen and Brussels airports at values consistent with the directors' valuations, the partial withdrawal and subsequent defeasance of TICkETS and the securing of capital expenditure funding for Sydney Airport through to 2012, were all undertaken to enhance security holder value.

The external backdrop makes it difficult to judge the success of these actions to date but we remain confident they will ultimately substantially enhance security holder value. Certainly, though, as a consequence of MAp's actions, we are in a strong and flexible financial position with a significant cash balance, no unfunded corporate-level debt, and a well spread maturity profile for the debt held at the asset level. Boards and management continue to explore strategies to deliver the underlying value of our airport businesses into the security price.

Financial results

The net result attributable to MAp security holders is A$2.1 billion with net asset backing (NAB) attributable to investments of A$4.70 per stapled security. Proportionate earnings per stapled security totalled 21.0 cents, an increase of 7.7% over 2007.

Strong asset and capital management resulted in an interim distribution of 13.0 cents per stapled security announced in June and a final distribution of 14.0 cents per stapled security in December. It brought the total 2008 regular distribution to 27.0 cents per stapled security. MAp intends to maintain the distribution at 27.0 cents per stapled security for 2009, subject to external shocks to the aviation industry or material changes to forecast assumptions.

Corporate governance

Changes to MAp's corporate governance framework were announced in October 2008. From 2009, our security holders will be able to nominate and vote on the boards of directors.

These changes do not affect the boards' existing rights to appoint and remove the Fund CEO and CFO and participate in their performance reviews, make all key investment, divestment and significant operational decisions and engage independent advisers to the boards on any matter. MAp will continue to review its corporate governance framework annually.

I would also like to welcome David Luboff to the position of MAp's chief financial officer, replacing Graeme Johnson who we thank for his contribution.

Outlook

2009 will be a challenging year for all of our airports. Our focus is on identifying and implementing actions which will add value for our security holders. The actions we undertook in 2008 have positioned us with a solid portfolio of airports and a strong balance sheet.

Thank you for your support during 2008. Your boards and management will continue to actively manage our airports and MAp in 2009.

Max Moore-Wilton, AC
Chairman
Macquarie Airports Management Limited

[1] Airport asset EBITDA growth based on current period ownership interests and foreign exchange rates.

CEO's report

2008 was a demannding year for the aviation industry. The first half was characterised by high and rising fuel prices while in the second half the global economic environment deteriorated significantly. Both these events had implications for air travel demand and consequently for our airport businesses.

Against this background, MAp's airports delivered a satisfactory performance for the year. Earnings per stapled security growth on a proportionate basis of 7.7% for 2008 was driven by traffic growth of 2.7%, revenue growth of 4.8% and EBITDA growth of 6.5%. Clearly, conditions became progressively more challenging over the year and, while EBITDA was broadly flat in the final quarter of 2008, ongoing active management of MAp's airport businesses will be more important than ever to deliver growth in 2009.

Despite the performance of our airports, MAp's security price remains at a significant discount to valuation. As the chairman noted in his letter, we therefore undertook a comprehensive Portfolio and Capital Review in the second half of 2008 and implemented a variety of actions, including validation of asset valuations and deleveraging, to drive security holder value.

Credit markets and capital management

The dislocation in credit markets has persisted for an extended period and it is uncertain when and to what extent this downturn will subside. Regardless, MAp has taken a pro-active approach to managing both its corporate capital structure and that of its airport businesses.

Sufficient funds to redeem MAp's only corporate-level debt instrument, TICkETS, have been set aside in a ring-fenced trust. In November it was also announced that MAp and its co-shareholders would make a contribution to Sydney Airport which, along with new bank funding, has secured the airport's capital expenditure requirements to support Sydney Airport's growth plans through to 2012.

MAp's strong balance sheet has permitted it to move swiftly to address any residual near-term refinancing risk. We intend to significantly deleverage Sydney Airport by replacing the A$870 million in debt maturing this year with a further shareholder contribution. Despite the solid performance of Sydney Airport we believe that reviewing its capital structure and delivering certainty is the appropriate action to take in the current environment. MAp is able to fund its entire commitment to this process from existing cash reserves with no need to resort to a capital raising of any form. The refinancing of working capital facilities at Copenhagen is also complete and we have raised additional capital expenditure facilities there. Following these actions, MAp's airports will have no debt maturing until late 2011.

The utilisation of a portion of our cash reserves to deleverage Sydney Airport has necessitated cancellation of the security buyback program we commenced last year. While we understand that some security holders will be disappointed with this action, credit market conditions have remained more challenging than was anticipated when the program was originally announced in August 2008 and our primary goal must be to ensure the continued good financial health of MAp and its airports. Post completion of our contribution to Sydney Airport, MAp will still have considerable cash on hand and we will revisit possible uses for this cash later in the year.

Operational performance

Despite the very challenging external environment, it is pleasing that each of the four airports in our core portfolio delivered both traffic growth and EBITDA growth (excluding specific items) in 2008.

None of the airports was immune from airlines' capacity reductions in the latter part of the year. They have, however, all continued to attract new routes and services from a range of carriers, demonstrating their underlying attractiveness to both airlines and passengers.

Sydney, being the first destination in the world for a commercial A380 flight in 2007, last year became the first airport in the world to operate scheduled A380 services from multiple carriers with the launch of Qantas' A380 service to Los Angeles. Early in 2009, the number of A380 carriers and destinations rose again, with Qantas adding London, and Emirates commencing its Dubai–Sydney–Auckand service. Two new airlines will fly across the Pacific this year, with V Australia commencing flights to Los Angeles at the end of February and Delta planning a Sydney–Los Angeles–Atlanta service.

While both Copenhagen and Bristol airports were affected by the collapse of significant airline customers in 2008 – Sterling Airways at Copenhagen and XL Airways at Bristol – both have also had traffic successes. By April 2009, Sterling's capacity will have been entirely replaced by other airlines and Ryanair has announced plans to double its based fleet at Bristol to four aircraft. Brussels has benefited from the continued success of the Jet Airways European hub at the airport and increased leisure and low fare services.

Our capital expenditure plans at the airports are appropriate for the environment in which we find ourselves in, while reflecting our commitment to continued sensible investment. The opening of the multi-storey car park in the international precinct in July 2008 provided international passengers at Sydney with undercover parking, linked to the terminal, for the first time. The redevelopment of the international terminal is well underway and will continue throughout 2009.

Significant enhancements to the passenger experience at our other airports were delivered during 2008, with additional retail and food and beverage offerings at Copenhagen and Brussels as well as an expanded security processing checkpoint at Bristol. In 2009 we will continue to work on the delivery of facilities at Copenhagen and Brussels to suit operationally efficient airlines, while at Bristol construction of a covered walkway, linking a further eight stands to the terminal, will also commence in 2009.

Outlook

It is not possible to predict with any certainty the timing of a global economic recovery nor a normalisation in credit markets. The near term traffic outlook is clearly challenging. However, as we have demonstrated in 2008, we will continue to actively manage our airport businesses to deliver the best possible outcomes. We will be focusing on all areas of the business – revenue, costs, appropriate levels of investment and capital structures which are robust and suited to the current conditions.

MAp moves forward in a very healthy position. We have businesses with excellent long-term growth prospects; we continue to have significant cash reserves, a well spread debt maturity profile and a dedicated and experienced team with a broad range of expertise.

Thank you for your support in 2008.

Kerrie Mather
Chief Executive Officer
Macquarie Airports


A63-A72
A61


Lufthansa

annual highlights

08

FEBRUARY	MAY
Sydney Airport announces the construction of a larger runway safety area to meet Civil Aviation Safety Authority requirements	MAG is restructured from an airport fund to a holding company for MAp and Ontario Teachers' Pension Plan Board investment in Bristol Airport. MAp increases its interest in Bristol Airport to 35.5%

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
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

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

AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
MAp announces the acquisition of a 5.6% interest in Grupo Aeroportuario del Sureste de Mexico S.A. de C.V. (ASUR), the owner and operator of nine airports in south-eastern Mexico	TICkETS withdrawal offer is successfully completed	MAp announces changes to its corporate governance framework	MAp sells 42% of its interest in Brussels Airport and 50% of its interest in Copenhagen Airports. Sydney Airport successfully refinances A$485m of existing capex facilities and raises A$859m of new capex funding. TICkETS defeasance successfully implemented	Net asset backing per security is A$4.70

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

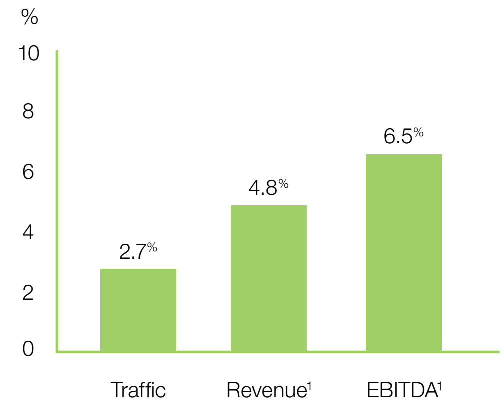
	SEPTEMBER		NOVEMBER	DECEMBER
	MAp acquires a further 1.9% of Brussels Airport, taking MAp's ownership interest to 53.9%		AdR sells AdR Handling. Standard & Poor's Rating Services raises its long-term credit ratings on MAp and TICkETS from BBB– to BBB	Sydney Airport successfully refinances A$3.68 billion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

JULY	SEPTEMBER	OCTOBER	DECEMBER
Rome's Fiumicino Airport completes new multi-storey car park. Sydney Airport celebrates its 85th anniversary	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

operational review and financial highlights

2008 proportionate portfolio performance[1,2]



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 has been prepared in accordance with Accounting Standards and the *Corporations Act 2001*, as presented on pages 51 to 90, 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. 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 2008 was A$2,070.5 million, after minority interest entitlements of A$169.1 million. This included an amount of A$1,551.1 million being gains on the partial divestments of the interests in Brussels and Copenhagen airports. Included in the net result were total revenues of A$5,016.9 million (of which A$1,317.2 million was revaluation income), operating expenses of A$2,782.1 million and an income tax benefit of A$4.7 million.

Portfolio operational performance

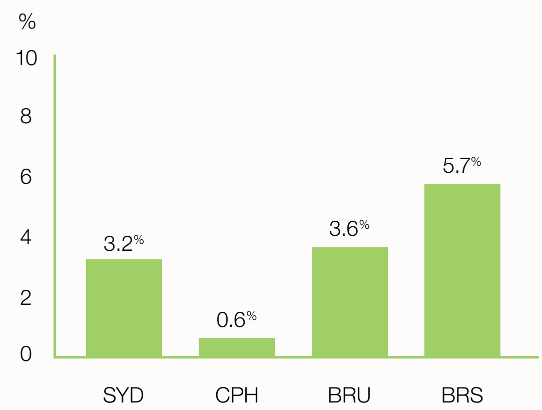
MAp's portfolio operational performance for the year to 31 December 2008 shows traffic growth of 2.7%, proportionate revenue growth of 4.8% and proportionate EBITDA growth of 6.5% compared to 2007 on a proforma basis.[1,2]

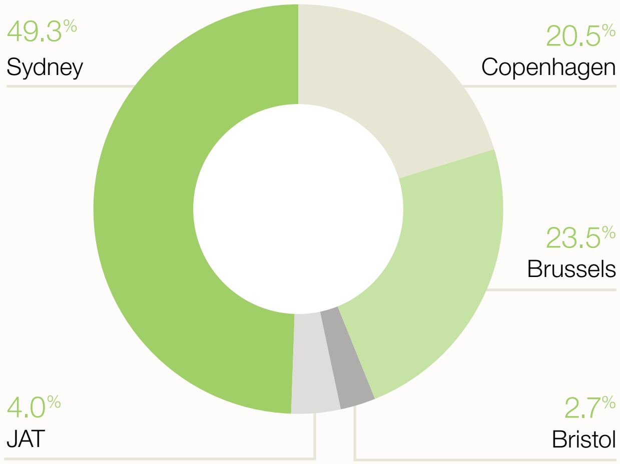
Portfolio operational performance reflects MAp's proportionate earnings, which is a proportionate consolidation of the results of MAp and its airport investments based on MAp's beneficial shareholding over the period. Proportionate earnings concisely show the earnings our airport investments generate 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 Excluding specific gains/(losses).

2 This proportionate portfolio consolidated information shows the growth between the 12 months ended 31 December 2007 and 31 December 2008 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 are delivered by restating the prior period results with the airport assets ownership percentages and foreign currency exchange rates from the current period.





[1] Excluding specific gains/(losses).

Traffic

Total traffic at MAp's core airports reached 79 million passengers during calendar year 2008, with proportionate traffic growth across the portfolio of 2.7%.

2008 was characterised by high and rising oil prices in the first half of the year and a slowing global economy in the second half, both of which affected traffic growth. The latter half of the year was particularly challenging as a number of airlines responded to the changing demand environment by reducing capacity. Nevertheless, MAp remains confident that it owns a portfolio of airports which have attractive characteristics and will prove relatively resilient in the current environment.

Despite the external environment, MAp's airline marketing specialists, working in tandem with airport personnel, delivered a number of key initiatives during the year: three carriers are now flying A380 aircraft to five destinations (Singapore, Los Angeles, London, Dubai and Auckland) out of Sydney, increased easyJet services at Brussels and agreements by both Norwegian and Transavia to base aircraft at Copenhagen following the collapse of Sterling.

While the economic environment is likely to remain challenging in 2009, MAp's airports remain well positioned. They have strong catchment areas or are destinations in their own right and are undertaking major initiatives to ensure airlines and passengers will continue to want to fly to and from them. These initiatives include the ongoing redevelopment of Sydney's international terminal and the proposed facilities at Brussels and Copenhagen for operationally efficient airlines.

Retail and catering

The core portfolio has approximately 430 retail and catering outlets, utilising 55,000m^2. MAp's airports are very attractive venues for retailers due to the demographics of the passenger bases, and all of MAp's airports offer travellers a wide range of retail options across major domestic and global brands. Retail and catering revenues represent around 20% of MAp's airports' combined total revenue.

MAp continues to actively develop the range of retail and catering options available to the passengers using its airports. In 2008 a number of initiatives were undertaken:

- Work continues on the international terminal redevelopment at Sydney Airport which, as well as enhancing passenger facilitation, will significantly improve and increase the retail and catering offering within the terminal. This project is currently on schedule for completion in early 2010
- Following completion of the successful centralised security checkpoint and walk-through duty free store project at Copenhagen in 2007, a further expansion of the specialty retail and food and beverage offering at the airport was completed in the second half of 2008
- There was also a retail reconfiguration in Pier A at Brussels Airport resulting in improved passenger flows, and an expansion of the departure lounge and improved airside food and beverage offering at Bristol Airport. The number of security channels also increased at Bristol, significantly improving passenger processing times.

It is clear that passengers increasingly view time spent at the airport as part of their travel experience and it is therefore vital that MAp and its airports continue to ensure airport users enjoy world-class facilities.

Car parking

Air travellers require a wide range of ground transport options to facilitate their arrival and departure at the airport and MAp's airports seek to deliver a wide range of products to suit all needs.

In 2008, passenger choice was further expanded with the opening of a multi-storey car park in the international precinct at Sydney Airport, providing covered parking for international travellers for the first time with direct access to the departures level. At Copenhagen, the opening of the new metro line has improved the range of travel options available to passengers and the car parking product range is being developed in response.

Property

MAp's airports all have large and valuable landbanks, with some 2.4 million square metres of land across the core airport portfolio identified as surplus to aviation requirements and suitable for commercial development.

In Europe, the first major property project – the BRUcargo-West logistics facility at Brussels – began to generate revenues in late 2008 with phase 1 fully let.

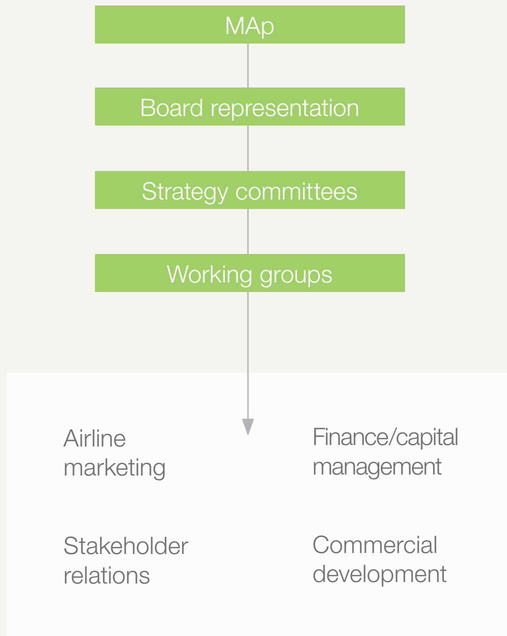
The long-term nature of MAp's airport investments – with freehold interests over Copenhagen, Brussels and Bristol and a long-term lease at Sydney – permits a measured view to the pace of property development. With the changing demand environment there is no imperative to rapidly develop sites substantially ahead of demand emerging. MAp will continue to assess projects on an individual basis and pursue a mix of site leases, joint ventures and self-development.

EBITDA

Total proportionate EBITDA increased 6.5% to A$956 million, demonstrating the resilience of MAp's airport businesses against the challenging external backdrop, particularly in the second half of 2008.

It has been particularly important to focus on efficiency in 2008 and MAp successfully implemented a number of productivity measures at its airports, keeping expense growth to just 2.5% in 2008. The proportionate EBITDA margin stands at 59.2% versus 58.3% in 2007.

MAp active management



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.

Sydney Airport

Capital management

The difficult credit markets of the second half of 2007 continued into 2008 and deepened significantly. As the impact began to be felt in the broader global economy, equity markets also responded.

While MAp's underlying businesses performed admirably given the external environment, a significant gap between MAp's security price and the boards' views of the true value of MAp's airport businesses emerged. It became necessary to implement actions which the boards and management believed would help to address that gap.

In August, MAp announced that it would effectively repay its only outstanding corporate level debt (via a defeasance mechanism) and demonstrate the value of its businesses by partially divesting its interests in Copenhagen and Brussels airports.

The divestments were undertaken at the prevailing directors' valuation at the time, a substantial premium to the value implied by MAp's security price. MAp has joint control over both airports, remaining fully involved in their management and hence ensuring that the value of MAp's remaining interests is preserved.

The divestments and defeasance were completed in November 2008. While external market conditions have made it hard to judge the success of these initiatives, your boards and management remain convinced that the actions are in the best interests of security holders and will ultimately deliver significant security holder value.

Following the completion of the TICkETS defeasance, MAp effectively has no corporate level debt with all debt being held at that airport level, non-recourse to MAp and with a broad spread of maturities.

In late 2008, MAp announced that Sydney Airport's capital expenditure funding through to 2012 had been successfully secured via a combination of bank facilities and an equity contribution from Sydney Airport's shareholders. MAp's strong balance sheet enabled it to participate fully in this equity contribution without raising debt or calling on security holders.

MAp has recently announced that it will participate in a deleveraging of Sydney Airport. Post this exercise MAp will have no debt maturities at its airports until late 2011 and will still have in excess of A$500m of corporate cash.

Proportionate earnings statement[1]

Year to 31 December (A$m)	2008	vs Proforma[2] 2007	Proforma[2] 2007	Actual 2007
Passenger traffic (m)	**57,577**	2.7%	5,600	56,841
Airport assets revenue	**1,613,127**	4.8%	1,539,156	1,510,696
Airport assets expenses	**(657,369)**	2.5%	(641,638)	(589,581)
Airport assets EBITDA (before Copenhagen specific items)	**955,758**	6.5%	897,518	921,115
Copenhagen specific items	**(5,918)**	N/A	17,911	16,788
Total airport assets EBITDA	**949,840**	3.8%	915,429	937,903
Airport assets economic depreciation	**(51,324)**			(64,184)
Airport assets net interest expense	**(428,649)**			(385,236)
Corporate net interest income	**82,982**			63,343
Hybrid capital net interest expense	**(49,431)**			(58,716)
Net tax expenses	**(90,132)**			(69,817)
Proportionate earnings (pre corporate expenses)	**413,286**			423,293
Corporate operating expenses	**(52,091)**			(88,683)
Proportionate earnings	**361,195**			334,610
Proportionate EPS (pre corporate expenses) (cents)	**24.1**			24.7
Proportionate EPS[3] (cents)	**21.0**			19.5

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.

3 Excludes net debt amortisation and non-recurring termination fee.

Directors' valuations of airport investments[1,2]

A$m	31 December 2008	31 December 2007
Sydney Airport	**3,621.1**	4,145.4
Copenhagen Airports	**1,054.3**	1,932.2
Brussels Airport	**1,114.3**	1,713.8
Bristol Airport	**336.8**	350.5
JAT	**279.8**	292.1
Total investments	**6,406.3**	8,434.0
Cash	**1,653.8**	1,159.8
Hybrid capital	**–**	(904.2)
Airport assets equity value attributable to MAp security holders[3]	**8,060.1**	8,689.6
Asset backing attributable to investments per stapled security (A$)	**4.70**	5.06

Enterprise value[1]

A$m	31 December 2008	31 December 2007
Airport assets net debt	**6,563.2**	7,117.8
Cash	**(1,653.8)**	(1,159.8)
Hybrid capital	**–**	904.2
Equity value attributable to MAp security holders[2]	**8,060.1**	8,689.6
Enterprise value	**12,969.5**	15,551.8
Gearing ratio[2]	**37.9%**	38.3%

1 Information obtained from Management Information Report.

2 Based on directors' valuations as at 31 December 2008.

3 Total airport investment value plus MAp corporate net cash.


DESIGN
4 LIFE


CAFE KAREN BLIXEN
Sandwich
59,-

sydney airport

72.1%
MAp's beneficial interest

56.5%
% of MAp's portfolio

78.7%
Macquarie managed funds' interest

A$653.3m
EBITDA[1]

32.9m
Passenger numbers

211
Retail and catering outlets

13,650
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) – 25 contact gates – T2 (Domestic) – 18 gates, former Ansett terminal acquired by Sydney Airport – T3 (Domestic) – 16 gates, owned and operated by Qantas.
Car parks	13,650 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 25,325m² of retail space with 163 retail and catering outlets in T1 and 48 in T2.

Figures as at 31 December 2008.

Sydney Airport is Australia's busiest airport, servicing 35 international airlines, seven domestic and regional airlines and 12 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.

The 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 at least 78.9 million passengers per annum.

Sydney Airport delivered a 7.4% increase in EBITDA before specific expenses in 2008 to A$653.3m on the back of a 3.2% increase in traffic to 32.9 million passengers. Whilst traffic growth weakened towards the end of the year, strong cost control supported the solid performance.

In 2007, Sydney Airport became the first airport to receive a commercial A380 flight, with Singapore Airlines the first airline in the world to fly the aircraft. In 2008, Sydney became the first airport in the world to operate scheduled A380 services from two different airlines with the commencement of Qantas' service to Los Angeles. In early 2009, Emirates launched A380 services to Dubai and Auckland.

Major initiatives in 2008 included the opening of the multi-storey car park in the international precinct, providing passengers using the international terminal with covered parking for the first time and direct access to the departure level.

The redevelopment of the international terminal to ensure that Sydney, Australia's major gateway airport, continues to deliver a world-class passenger experience is underway. Passenger facilitation and retail and food and beverage offerings are on schedule for completion in early 2010. An essential upgrade to the east-west runway is also underway.

Year to December	2006	2007	2008
Financial performance (A$m)			
Aeronautical revenue	331.2	375.3	390.1
Other revenue	360.2	385.2	422.6
Total revenue	**691.4**	**760.5**	**812.7**
Cost of sales	–	–	(1.2)
Operating costs[1]	(133.1)	(151.9)	(158.2)
EBITDA[1]	**558.3**	**608.6**	**653.3**
Key performance indicators (A$)			
Revenue/passenger	22.98	23.86	24.72
Operating costs/passenger[1]	(4.44)	(4.77)	(4.81)
EBITDA/passenger[1]	18.64	19.10	19.87
EBITDA margin[1]	80.8%	80.0%	80.4%

1 Excluding specific gains/(losses).

Sydney Airport 2008 growth

[1] Excluding specific gains/(losses).

Portfolio weightings

copenhagen airports

26.9%
MAp's beneficial interest

16.5%
% of MAp's portfolio

53.7%
Macquarie managed funds' interest

DKK1,692.5m
EBITDA[1]

21.5m
Passenger numbers

110
Retail and catering outlets

11,700
Car parking spaces

1,180ha
Land area

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	11,700 car parking spaces, most of which are in multi-storey car parks.
Other buildings & facilities	There are nine duty free shops, 66 specialty shops, 26 food and beverage outlets, and nine currency exchanges with a total retail space of just over 12,000m². Airport services include a 382-room Hilton Hotel, which also offers restaurant and conference facilities.

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 3.5% in 2008 to DKK1,692.5 million with passenger traffic increasing 0.6% to 21.5 million.

Although Copenhagen Airports' traffic was affected towards the end of the year by the collapse of Sterling Airways, other airlines have already announced a number of new flights which will exceed the number of services previously provided by Sterling. Passenger satisfaction continues to improve due to better processing facilities provided by the centralised security checkpoint and the enhanced retail offering which was further developed in 2008.

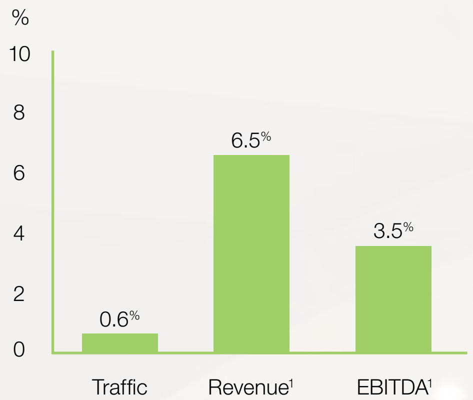
During 2008 a new charges framework was negotiated and is due to be implemented in 2009. A short-term charging agreement for 2009 has also been agreed with the regulator, which allows for a 4.2% increase in charges compared with 2008. Negotiations continue with Copenhagen's airline partners over a longer term agreement to come into effect in 2010.

Other major initiatives for 2009 include the start of construction of 'CPH SWIFT', terminal infrastructure aimed specifically at efficient airlines who seek low cost and differentiated facilities. CPH SWIFT will have an annual capacity of up to six million passengers and can be expanded to 12 million if required.

Year to December	2006	2007	2008
Financial performance (DKKm)			
Aeronautical revenue	1,553.9	1,626.2	1,675.9
Other revenue[1]	1,329.9	1,298.3	1,437.6
Total revenue[1]	**2,883.8**	**2,924.5**	**3,115.3**
Operating costs[1]	(1,250.5)	(1,289.9)	(1,422.7)
EBITDA[1]	**1,633.3**	**1,634.6**	**1,692.5**
Key performance indicators (DKK)			
Revenue/passenger[1]	138.13	136.60	144.61
Operating costs/passenger[1]	(59.90)	(60.25)	(66.00)
EBITDA/passenger[1]	78.23	76.35	78.61
EBITDA margin[1]	56.6%	55.9%	54.4%

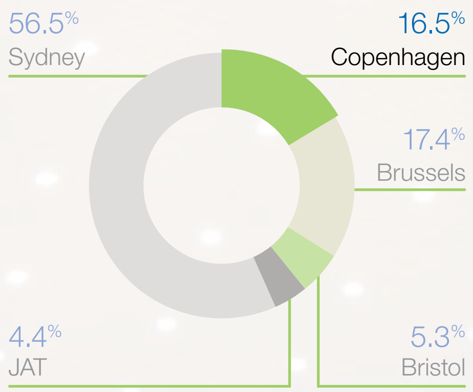
1 Excluding specific gains/(losses).

Copenhagen Airports 2008 growth



[1] Excluding specific gains/(losses).

Portfolio weightings



brussels airport

36.0%
MAp's beneficial interest

17.4%
% of MAp's portfolio

75.0%
Macquarie managed funds' interest

€222.9m
EBITDA[1]

18.5m
Passenger numbers

86
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 and Brussels Airlines international services) – Pier B (Non-Schengen and other international 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 58 retail, 28 food and beverage and 19 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.

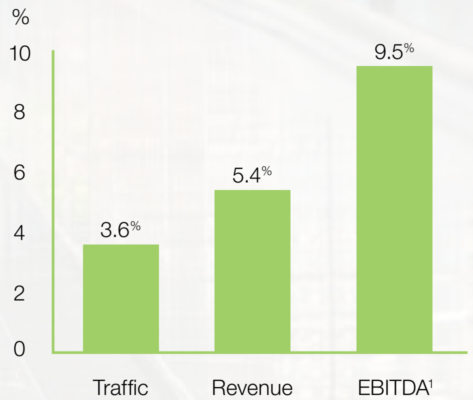
Brussels Airport delivered a 9.5% increase in EBITDA in 2008 to €222.9 million, on the back of a 3.6% increase in passenger traffic to 18.5 million passengers. The year saw the reconfiguration of the retail food and beverage area in Pier A, which has been well received by passengers. The airport also continued to enhance both its long haul and leisure offering with, in particular, further development of Jet Airways European hub in Brussels and additional services from easyJet. The first phase of the BRUcargo-West logistics development was opened and fully let.

2009 initiatives include the refurbishment of the old terminal building as a specific facility for low cost airlines and an additional retail development in Pier B comprising specialist shops and food and beverage outlets.

Year to December	2006	2007	2008
Financial performance (€m)			
Aeronautical revenue	229.5	245.8	247.8
Other revenue	114.1	121.3	139.2
Total revenue	**343.6**	**367.1**	**387.1**
Operating costs[1]	(160.5)	(163.6)	(164.2)
EBITDA[1]	**183.1**	**203.5**	**222.9**
Key performance indicators (€)			
Revenue/passenger	20.56	20.54	20.91
Operating costs/passenger	(9.61)	(9.15)	(8.87)
EBITDA/passenger	10.96	11.38	12.04
EBITDA margin	53.3%	55.4%	57.6%

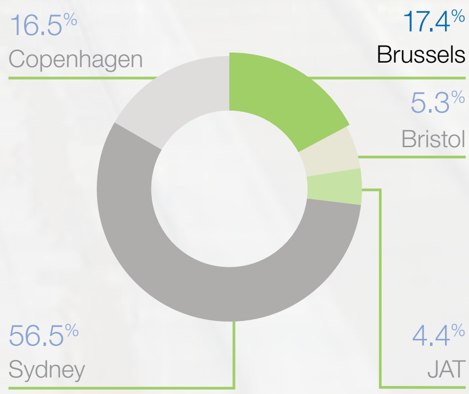
[1] Excluding specific gains/(losses).

Brussels Airport 2008 growth



[1] Excluding specific gains/(losses).

Portfolio weightings



bristol airport

35.5%
MAp's beneficial interest

5.3%
% of MAp's portfolio

100%
Macquarie managed funds' interest

£35.0m
EBITDA[1]

6.2m
Passenger numbers

25
Retail and catering outlets

14,351
Car parking spaces

194ha
Land area

Facility overview

Runways & taxiways	A single runway 2,011m long capable of handling B757s and B767s. Five associated taxiways and 28 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 and 4,488m² of retail and catering space comprising 25 retail outlets. The terminal has 48 check-in desks.
Car parks	14,351 spaces comprising 9,500 pre-book, 4,100 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.

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, the growth in low cost carriers, together with capacity constraints at the major London airports, are expected to underpin continued growth.

Bristol Airport is south-west England's leading airport and is 12 kilometres from Bristol and 190 kilometres from London. 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.

The airport has attracted a good balance of airline operators, including the main low cost carriers, easyJet and Ryanair, full service carriers, including Lufthansa, Air France, KLM and Continental, and also the two main charter operators, TUI Group and Thomas Cook.

Bristol Airport delivered a 2.9% increase in EBITDA before specific expenses in 2008 to £35.0 million on the back of a 5.7% increase in passenger traffic to 6.2 million passengers.

Whilst Bristol Airport's performance was affected by the collapse of XL Airways in September 2008, a number of other airlines added new or additional services over the course of the year. In January 2009, Ryanair announced a doubling of its based operation from two to four aircraft in 2009.

A significant reconfiguration of the security processing and departure lounge areas has also enhanced passenger processing and improved the airside food and beverage offering.

In November 2008 Bristol Airport successfully applied to build a western walkway. Once fully built this will add approximately 6,500m² of floor space to the departure lounge and provide eight additional contact stands.

In 2009 Bristol Airport will continue to work on the implementation of its long-term expansion plans. Other key initiatives in the coming year include negotiations with new charter operators to replace lost XL Airways passengers and a re-tender of the duty free concession.

Year to December	2006	2007	2008
Financial performance (£m)			
Aeronautical revenue	25.3	25.9	24.9
Other revenue	28.1	31.4	34.6
Total revenue	**53.4**	**57.3**	**59.4**
Operating costs[1]	(22.0)	(23.3)	(24.4)
EBITDA[1]	**31.4**	**34.0**	**35.0**
Key performance indicators (£)			
Revenue/passenger	9.44	9.82	9.62
Operating costs/passenger[1]	(3.89)	(3.99)	(3.95)
EBITDA/passenger[1]	5.55	5.83	5.67
EBITDA margin[1]	58.7%	59.3%	59.0%

1 Excluding specific gains/(losses).

Bristol Airport
2008 growth

[1] Excluding specific gains/(losses).

Portfolio weightings

japan airport terminal[1]

14.9%
MAp's beneficial interest

4.4%
% of MAp's portfolio

19.9%
Macquarie managed funds' interest

JPY21.9bn
EBITDA (Dec 2008)

67.6m
Passenger numbers (estimate)

185
Retail and catering outlets in Haneda

3,700
Car parking spaces

17ha
Land area (terminal area only)

Japan Airport Terminal (JAT) operates the passenger terminals at Haneda Airport, Japan's principal domestic airport handling some 67.1 million passengers per annum. In addition, JAT operates retail businesses at Narita Airport and Kansai Airport as well as duty free wholesale operations at Chubu Airport.

Haneda Airport is located 16 kilometres from the Tokyo city centre. Handling some 60% of Japan's domestic traffic, it serves 12 airlines, including international fights. 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 35% when completed in late 2010.

ASUR[1]

8.7% (B shares)[1,2]
MAp's beneficial interest

17.3%
Economic interest[3]

MXP1,985.2m
EBITDA

17.8m
Passenger numbers

88ha
Cancun land area (terminal 2 and terminal 3 area only)

Grupo Aeroportuario del Sureste (ASUR) is the primary airport operator in the south-east of Mexico with a portfolio of nine airports serving around 18 million passengers per annum.

The largest airport in ASUR's portfolio is Cancun, which is the second largest airport in Mexico and the hub for one of the fastest-growing tourist destinations in Central America and the Caribbean. It serves approximately 13 million passengers per annum.

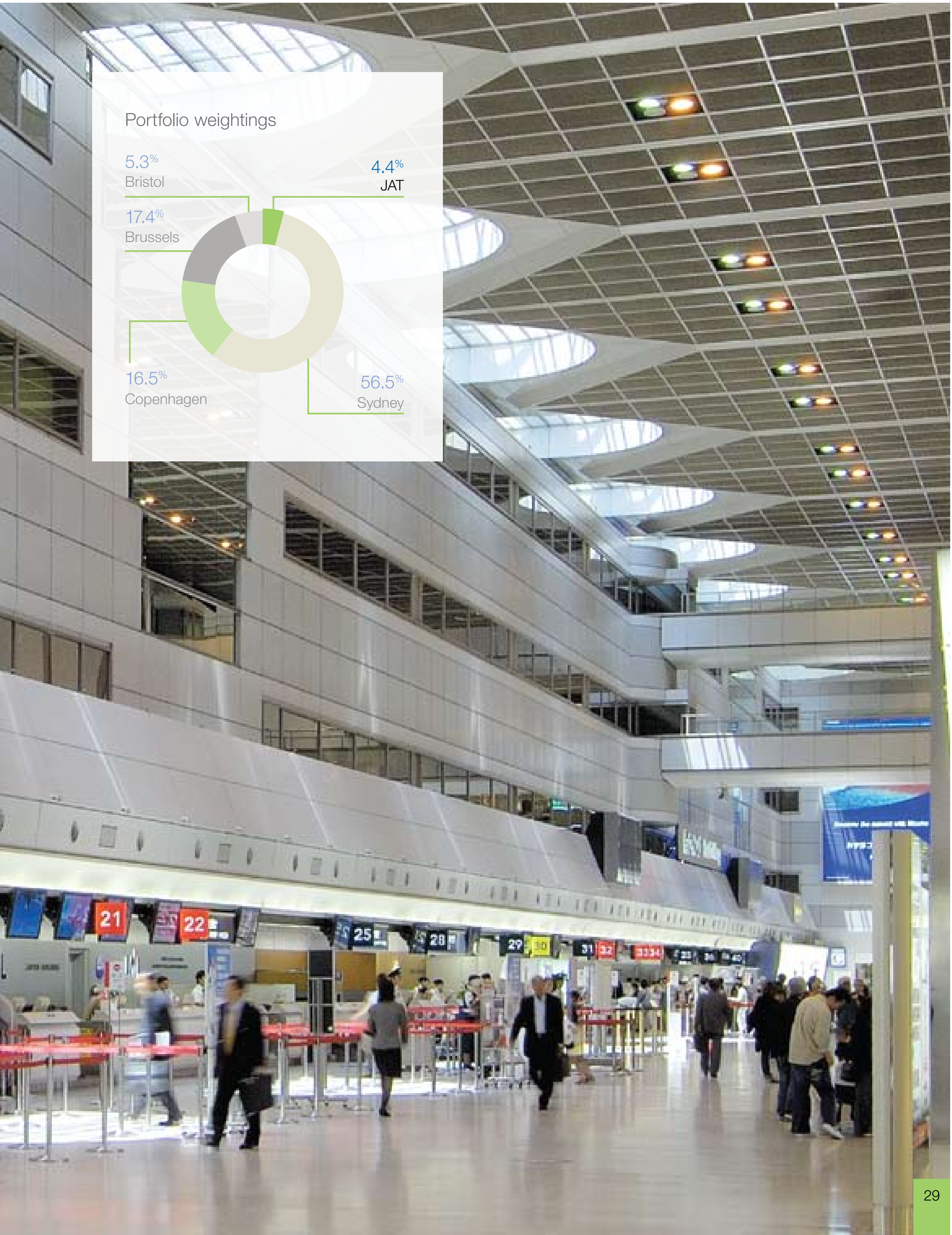
The other airports operated by ASUR are Mérida Airport, Cozumel Airport, Veracruz Airport, Villahermosa Airport, Oaxaca Airport, Huatulco Airport, Tapachula Airport and Minatitlán Airport.

1 MAp is a strategic investor in JAT and ASUR with minority positions, and all information regarding JAT and ASUR in this report is estimated by MAp based on publicly available data.

2 MAp's investment in ASUR is treated as a liquid financial instrument.

3 Separately, through a series of swap agreements, MAp holds an additional 8.6% economic interest in the B shares of ASUR.

Portfolio weightings



environmental, social and governance (ESG) responsibility management

The Macquarie Group (Macquarie) manages a range of investment vehicles within Macquarie Capital. MAp is one of these vehicles. Macquarie has made a public statement on corporate citizenship which is available on its website. The commitment is based on Macquarie taking a long-term view of its business activities and acknowledging the importance of good custodianship to the communities in which it operates.

As set out on Macquarie's website, this commitment is underpinned by:

- A clear expectation of ethical behaviour from all Macquarie staff, which has been adopted by MAp and which is set out on the MAp website
- A robust framework of policies including those relevant to environmental, social and governance (ESG) responsibilities.

Responsibility

All Macquarie staff, including those working for MAp, have a collective responsibility to ensure that Macquarie continues to be a good corporate citizen. MAp management is supported in this by Macquarie's integrity, equal employment and sustainability and environment officers, and the risk management group.

Macquarie staff may also contribute their time, expertise or finances to community organisations through the Macquarie Group Foundation.

MAp

MAp believes that many social, environmental and economic benefits arise from responsible private-sector development and operation of infrastructure. MAp is also aware that with these benefits lies the potential for risks, including ESG risks.

MAp's approach to managing risk, including ESG risk, falls under the Macquarie Capital framework which is consistent with Macquarie's framework. However, the Macquarie Capital framework also incorporates policies and practices that reflect the risks specifically associated with management of and investment in infrastructure funds. Key policies, procedures and accountabilities are set out in Macquarie Capital Funds' corporate governance and risk management information available on MAp's website.

The framework is applied throughout MAp's investment process as follows:

- Asset selection – environmental and social responsibilities are reviewed as part of the acquisition due diligence process
- Ongoing asset management – regular asset board reporting enables compliance with environmental requirements to be monitored and environmental and social responsibility issues to be identified
- Stakeholder reporting – policies, social and environmental initiatives and compliance performance are reported internally and, where appropriate, externally.

In addition to Macquarie's own processes and policies, many new infrastructure projects undergo extensive social and environmental impact reviews before being given approval 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 over those that existed prior to the investment being approved.

ESG-related regulatory requirements

MAp is not aware of any material breaches of relevant ESG-related regulatory standards by its assets during the year ended 31 December 2008.

During 2008 a change in the legislation covering reporting requirements removed MAp's obligation to send hard copies of MAp annual and interim reports to security holders unless specifically requested.

A large number of MAp security holders chose to receive electronic copies of these reports and we encourage other MAp investors to provide MAp's registry with their email address in order to do the same.

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

Environmental and social governance responsibility-related initiatives during 2008

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

Water

Construction of a water treatment plant commenced in July 2008. The water treatment plant will treat sewage effluent and the recycled water will be used for toilet flushing, cooling towers, landscaping and essential airport maintenance such as de-rubberisation of the runways. A recycled water pipeline system will transport the recycled water through the terminal and precinct.

The plant will initially save 350 kilolitres per day of potable water, up to a maximum of one megalitre per day over the next 20 years. This represents a saving of approximately 30% of potable water usage in the T1 precinct. The NSW Government is supporting this project and provided Sydney Airport with a A$3m grant for the installation of the recycled water pipeline system.

Carbon emissions

Responding to the challenge of climate change, Sydney Airport joined with 94 other major airports around the world and signed an International Declaration on Climate Change. As part of the *National Greenhouse and Energy Reporting Act 2007*, Sydney Airport has also completed a comprehensive carbon emissions inventory for its own business operations. The airport produces almost 100,000 tonnes of carbon dioxide equivalent emissions each year, with the biggest contributor being the energy used to run the air-conditioning system in the terminals. The airport will submit its initial report to the Greenhouse and Energy data office after 30 June this year.

The next step will be to pursue a range of initiatives to reduce Sydney Airport's direct carbon emissions. Many of the milestones in Sydney Airport's Energy Savings Action Plan have already been achieved and further initiatives to reduce Sydney Airport's carbon emissions are being developed.

Copenhagen Airports

Carbon emissions

CPH's impact on the global climate through CO_2 emissions is calculated based on its consumption of power, district heating, natural gas, diesel and petrol. At CPH, power and energy consumption for heating is the greatest source of CO_2 emissions. Based on the new sub-policies for climate and energy, CPH began identifying and implementing suitable energy-saving projects in the course of 2008. CO_2 emissions alone decreased by 9% over the year, through reductions in both day-to-day operations and the energy-conscious planning of construction projects.

Noise and air pollution

The framework approval covering noise and air pollution from air transport at Copenhagen Airport is currently under revision. The part of the approval dealing with air pollution granted revised approvals in July 2008. Based on this review, CPH established a new system for monitoring air quality in 2008, which was put into operation on 1 January 2009. Monitoring activities are carried out in collaboration with the Danish National Environmental Research Institute and results are directly comparable with the results from the nationwide monitoring programme. The monitoring system measures NOX and particulate matter at two locations at the airport's perimeter fence in order to check air quality against the threshold values for the protection of the general health of the population. The air quality tested so far corresponds to that of a suburb containing a mix of residential areas and light industry.

The work to revise the part of the framework approval which has to do with noise from air traffic is not yet finished, but CPH expects that the final phases will be completed in the course of 2009.

CPH also monitors and checks noise levels to ensure that the airport is in compliance with the environmental approval governing factors such as noise impact, maximum night-time noise and terminal noise.

In 2008, the total noise impact was 145.9 dB calculated using the TDENL method (Total-Day-Evening-Night Level), which reflects the total noise exposure from traffic at the airport. This was significantly below the reference value of 147.4 dB that the airport must comply with under the environmental approval.

Brussels Airport

Noise

Brussels Airport is complying with Belgian Government reform announced in December, which decreased the total number of night flights by one-third, with additional regulations relating to lower noise quota levels per aircraft and aeroplane departures during weekend evenings.

Water and soil

Construction has started on a water treatment plant which will treat all sanitary water within the airport terminal and from aircraft, as well as the de-icing effluent from the aprons.

The soil decontamination project for all the airport premises is also proceeding well. All airport parcels have been investigated and the decontamination works are continuing.

Energy

In 2008, Brussels Airport undertook a global emissions inventory for the airport, serving as the basis for an action plan to reduce airport-related emissions. The year also saw its inaugural participation in the CO_2 Emissions Trading Scheme.

The energy efficiency of the heating plants was improved based on the results of an external energy audit and a study undertaken to investigate the use of green or renewable energy sources, including the use of cold/heat storage in the soil for new developments.

Community initiatives

Two Brussels Airport employees organised a flight above Belgium for approximately 100 sick children and their families, with Brussels Airport being one of the sponsors.

Bristol Airport

Public transport

In the year to December 2008 the number of people using the Bristol International Flyer express coach service reached its highest level of over 530,000. The Flyer links key locations in Bristol city centre (including rail and bus stations) with the airport and runs every 15 minutes at peak times.

Flyer passengers now account for around 8% of total passengers, with a figure for public transport use of 15% targeted in Bristol International's development plans. Boosted by a new online booking facility, the number of passengers using the Flyer reached record levels during the summer season. Use of the Flyer in 2008 was 20% up on the previous year.

Noise monitoring

Bristol International is committed to minimising the effects of its operation on those living nearby and currently has two noise monitors which record the noise of aircraft landing and taking off from the westerly runway. The airport is currently in the process of installing a further noise monitor to measure take off noise from the easterly runway, which will enable us to achieve a balanced view of take off noise.

The installation of this additional monitor will allow us to more accurately record where aircraft fly in relation to their location over the ground, relating these aircraft movements to the specific postcodes of people contacting us with noise concerns. The system will be known as *Tracker* and once installed will enable us to:

- Monitor air traffic within our airspace arrangements
- Achieve a balanced view of departure noise from both runways
- Monitor track keeping and build dialogue with operators to optimise procedures
- Set standards and impose penalties where appropriate
- Provide records of tracks flown by aircraft relative to the ground
- Demonstrate the airport is in control of its environmental responsibilities.

Community investment

Bristol International operates a community fund focusing investment on communities within a five-mile radius of the airport. In particular, the airport aims to help projects in the fields of education, recreation and environmental awareness.

Projects supported include:

- The Converging World/Target 80
    - Target 80 provides a range of services to help create sustainable communities across the Chew Valley and South Bristol
    - The Converging World invests in renewable energy overseas (wind turbines in India) with carbon credits being reinvested back into the local community
- A film project bringing together young people from Bristol, Germany and Poland
- A sports event for local children with learning difficulties
- An arts scholarship to enable a young local artist to take a sabbatical in New York
- Sponsorship to enable the Bath Philharmonia orchestra to run educational projects in local schools.

corporate governance statement

Macquarie Airports (MAp) is a Macquarie Group (Macquarie) branded externally managed vehicle comprising two Australian trusts, Macquarie Airports Trust 1 (MAT1) and Macquarie Airports Trust 2 (MAT2) and a Bermudian mutual fund company called Macquarie Airports Limited (MAL). The securities of the trusts and company are stapled and listed on the ASX and must trade, and otherwise be dealt with, together.

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

External management delivers to investors a global team dedicated to sourcing, analysing and executing investment opportunities and business management specialists who can drive improved performance across the businesses globally.

A variety of investment vehicles can be used through which funds are pooled to be invested in underlying assets. Stapled groups have developed due to differing regulatory regimes for different vehicles and the broad objective of managed funds is to maximise for investors the distributions from underlying businesses. For example, an appropriate structure for holding Australian investments may not be appropriate for the purposes of holding foreign investments.

In the case of Australian trusts, a responsible entity/manager owned by the sponsor has been a common structural feature since the inception of these types of investment vehicles. Bermudian mutual fund companies, whilst subject to the common law based regulatory regime in Bermuda, provide for relative flexibility in regards to earnings repatriation.

MAp's management arrangements are designed to ensure consistency of management across all of the entities in MAp. MAp's management arrangements and corporate governance framework are outlined below.

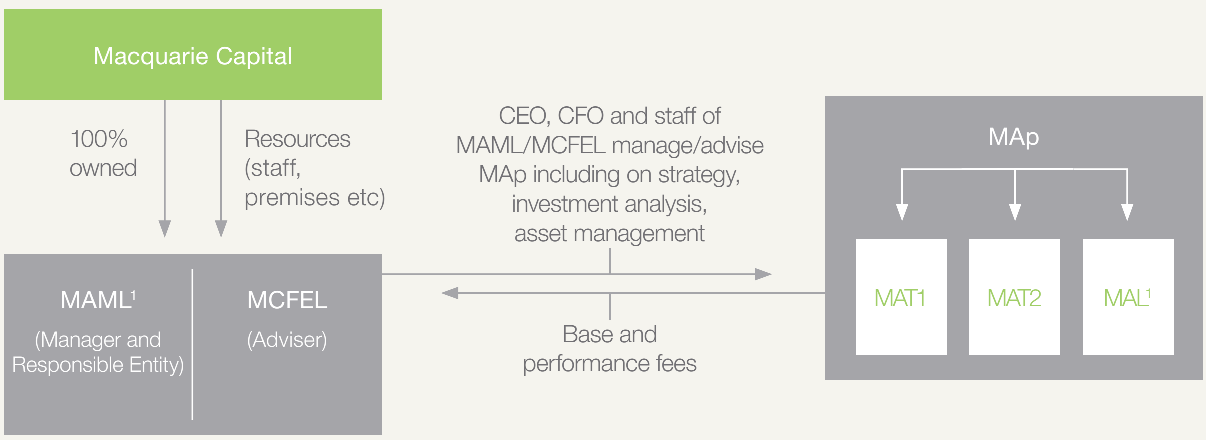
The manager/adviser are two Macquarie companies, Macquarie Airports Management Limited (MAML) for the trusts and Macquarie Capital Funds (Europe) Limited (MCFEL or the adviser) for the company.

The two trusts are ASIC-registered managed investment schemes and their combined trustee/manager, MAML, is known as the responsible entity. Its management role is defined by the trust constitutions, the Corporations Act and the general law. There is no separate management agreement. The Bermudian company MAL has a separate advisory agreement with MCFEL (Advisory Agreement).

There is also a stapling deed in place between all entities and MAML and MCFEL setting out co-operation arrangements for the operation of the stapled structure.

The management arrangements are broadly consistent across the three entities.

Simplified corporate and management structure



[1] Independent/non-executive directors appointed.

The following is a high level summary of the MAp management arrangements addressing the disclosure recommended in ASX Guidance Note 26. We recommend that you also read the Advisory Agreement and trust constitutions, all of which you can find on the MAp website.

MAp management arrangements summary		
Investment Mandate	The principal investment policy is investments in existing and proposed airport assets being: i) Airports together with their related assets (if any); ii) Airport-related assets, the substantial part of whose revenue derives or is expected to derive from the existence of an airport (but excluding investments in airlines or aircraft). MAp's strategy is to invest in airports with the following characteristics: i) a strong market position; ii) under-developed commercial opportunities; iii) where a significant shareholding is available with the opportunity to establish an efficient capital structure; iv) there is surplus capacity; and v) capable operational management. The principal investment policy may be varied from time to time upon giving reasonable notice to security holders.	Trust constitutions clause 1 Advisory Agreement clause 3
Services	Company Adviser The adviser under the terms of the Advisory Agreement is responsible to the company for: ■ Investment and divestment evaluation and recommendations ■ Implementation of investment/divestment instructions given by the board ■ Asset management ■ Asset valuations ■ Capital and financial management recommendations ■ Financial reporting ■ Board reporting ■ Investor communications and meetings ■ General fund administration including company secretarial services – (subject to outsourcing of registry to Computershare Investor Services Pty Limited ABN 48 078 279 277 and company secretarial services in Bermuda to ISIS Fund Services Limited) ■ Monitoring of fund operational risk, insurances and compliance ■ Litigation management ■ Provision of suitably qualified personnel to perform the CEO and CFO roles for the fund	Advisory Agreement clause 3
	Responsible Entity The responsible entity has all the powers of a natural person including contracting, borrowing and investment and carries out all management functions for the trusts subject to outsourcing registry services described above and trust custodial services to Trust Company Limited ABN 59 004 027 749.	Trust constitutions clause 13 Corporations Act s601FB, s601FC

MAp management arrangements summary		
Term	No fixed term for both trusts and company or until the responsible entity/adviser is removed or retires or security holders vote to wind up the stapled entities as provided for in the trust constitutions or by law.	Trust constitutions clauses 14 and 22 Advisory Agreement clause 11
Extension or renewal	There are no extension or renewal provisions in the Advisory Agreement.	
Termination	The trusts and company may terminate the appointment of the responsible entity / adviser, without cause, by security holder vote. For both trusts and company the resolution must be passed by at least 50% of votes cast at a meeting by security holders entitled to vote. Managers and associates may vote their securities on the resolution. The adviser of the company can also be removed for cause being where it is in liquidation, ceases to carry on business or lacks the appropriate licence or authorisation. In the case of the trusts, ASIC or a court may replace the responsible entity where there are solvency issues or members are likely to suffer a loss because the responsible entity has breached the Corporations Act. Pursuant to the Corporations Act the responsible entity of the trusts can retire if it first convenes a unitholders meeting to explain its reason for retirement and to enable unitholders to vote on a resolution to choose a new responsible entity. The adviser of the company may resign by giving written notice. Where removal events have occurred in the case of the company, its directors retain discretion as to whether to terminate the adviser. As the directors must act in the interest of security holders, it is considered unlikely that they would not terminate the agreement in the situation where security holders have voted to remove the responsible entity and the adviser. Base fees and performance fees accrued to the date of termination are payable. There are no other termination fees payable.	Trust constitutions clause 14 Corporations Act s601FL, s601FM, s601FN, s253E Advisory Agreement clause 11 Trust constitutions clause 21 Advisory Agreement clauses 8 and 11

MAp management arrangements summary		
Fees	Base fee Payable quarterly. Base fees are calculated quarterly, with reference to the average market capitalisation of MAp over the last fifteen trading days for the quarter. The base fee is calculated as 1.5% per annum of the market value of MAp at the end of each quarter up to a market value of A$500 million, 1.25% per annum 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, plus - Borrowings less cash or cash equivalents held and determined as at the end of each quarter, plus - Firm commitments for future investment determined as at the end of each quarter. While MAp holds any co-investment in Bristol Airport (Bermuda) Limited (BABL) (previously called Macquarie Airports Group), amounts paid up on BABL shares held by MAp at the end of the quarter will be deducted from the calculation of the above market value. Performance Fee Payable at 30 June and 31 December if earned. Performance fees are calculated six monthly, with reference to the performance of the accumulated security price of MAp over the last 15 ASX trading days of the half year compared with the performance of the MSCI World Transportation Infrastructure Accumulation Index (in local currency) over the last 15 ASX trading days of the half year. 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. 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. Performance fees payable may be reinvested in MAp stapled 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. Waiver of Fees The responsible entity and adviser may accept lower fees or defer fees. Other services provided by Macquarie Group companies Additional fees will be payable for other services such as financial advisory, underwriting, broking and hedging provided on a transactional basis by Macquarie companies and as approved under MAp's related party policy.	Trust constitutions clause 21 Advisory Agreement clause 8

MAp management arrangements summary		
Expenses	The responsible entity and adviser are entitled to be reimbursed for expenses incurred in relation to the proper performance of its duties. Expense reimbursement does not include manager administration costs such as premises, staff and facilities.	Trust constitutions clause 21 Corporations Act s601GA(2) Advisory Agreement clause 9
Exclusivity	The company adviser is engaged on an exclusive basis, although it may act for other parties. The responsible entity of the trusts may act for other parties and outsource its general management responsibilities to other Macquarie or non-Macquarie managers (but remains liable for their actions). Macquarie (including the responsible entity and the adviser) has no obligation to provide investment opportunities and MAp has no obligation to accept any investment opportunities. If investment opportunities are provided to the Macquarie Capital specialist funds business, then MAp has priority in respect of airport investments globally. If MAp does not wish to proceed with investment opportunities offered under the above arrangements then they may be offered to other funds or clients.	Advisory Agreement clauses 2 and 4 Trust constitutions clauses 13 and 18 Corporations Act s601FB 2002 IPO Prospectus Section 1.11
Discretions	The board of the responsible entity of the trusts makes all significant investment/divestment and operational decisions in relation to the trusts. The adviser mandate for the company is non-discretionary. All significant investment/divestment and operational decisions are made by the company board based on adviser recommendations. The performance of management generally is overseen by the independent directors on the responsible entity and company boards.	Trust constitutions clause 13 Advisory Agreement clause 4
Related Party Protocols	The trusts and the company have adopted a detailed related party protocol covering transactions with and services provided by Macquarie companies and managed vehicles. All related party transactions or services must be on arm's length terms and are approved by the MAp independent directors only. Asset acquisition or sale transactions with related parties for 5% or greater of fund value must be supported by an independent valuation. Mandates for the provision of services to MAp stapled entities or their controlled businesses are subject to third party independent review unless the independent directors determine otherwise on the basis of appropriate market information or practice. Third party independent review is mostly carried out by the corporate advisory divisions of large accounting firms. In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Macquarie. For asset sales or acquisitions, the reviewer carries out its own valuation if required. Swap and foreign exchange transactions with Macquarie companies solely for hedging purposes are given standing approval if certain conditions are met. Significant volume securities transactions with a Macquarie broker require independent director approval.	MAp Related Party Policy Corporations Act – Part 5C.7 which governs transactions by trusts

MAp management arrangements summary		
Change of Control	MAp co-invests from time to time with other Macquarie companies or managed vehicles. Co-investment arrangements may include pre-emption and tag-along or drag-along rights in favour of each other including rights which are triggered on removal of the Macquarie manager typical of those agreed with third party co-investors. In relation to Brussels Airport, Copenhagen Airports, Bristol Airport and Japan Airport Terminal, refer to Note 10 in the 2008 Financial Report. In addition, loan facilities for MAp assets may provide for acceleration of loan payments if MAp or the relevant Macquarie consortium vehicle is no longer managed by a Macquarie company. Removal of manager trigger events are typically put in place because counterparties (both equity and debt providers) require ongoing Macquarie involvement in the management of the fund or particular businesses. The MAp independent directors obtain separate legal advice on change of control issues as necessary and the arrangements are approved by the independent directors and disclosed to security holders.	MAp Related Party Policy
	In relation to TICkETS, a trigger event enabling the holder to exchange their TICkETS for MAp stapled securities may arise in certain circumstances where MAREST or MAp is the subject of a takeover bid or a scheme of arrangement or MAML or another Macquarie Group entity ceases to be the responsible entity of the trusts.	MAREST Constitution, TICkETS Terms clause 3
Variation to Management Arrangements	Any variations adverse to security holders' rights or in respect of changes to fee structures to increase fees would involve trust constitution amendments and therefore effectively require approval by 75% by value of votes cast at meeting by security holders entitled to vote. There are, however, no specific requirements in the Advisory Agreement for variations to this agreement to be approved by security holders but given the stapled structure it is unlikely that any changes would result in material inconsistency with the trust provisions, particularly as regards investment policy, manager termination or fees.	Trust constitutions clause 24 Corporations Act s601GC
Director Appointment Rights	MCFEL (as adviser of the company) has director appointment rights for 50% of the board of the company. MAML (as responsible entity of the trusts) has director appointment rights for 25% of the board of the company). Macquarie currently appoints all of the MAML directors, given that it is a Macquarie subsidiary. From December 2008 Macquarie (including MAML) has undertaken to exercise its director appointment rights for the next three years in accordance with a vote by security holders. As a result, security holders will have the right to nominate and vote on the appointment of all directors on a rotational basis across the boards of MAp, beginning with the 2009 AGM.	MAL bye-laws 6, 7 and 54 ASX announcement dated 22 October 2008

What you can find on our website:

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

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 2008. 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.

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
- Appointing 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 2008.

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)	Non-executive	Director for approximately 3 years
Trevor Gerber (director)	Independent	Director for approximately 7 years
Bob Morris (director)	Independent	Director for approximately 6.5 years
Hon. Michael Lee (director)	Independent	Director for approximately 6 years

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 5.5 years
Sharon Beesley (director)	Non-executive	Director for approximately 7 years
Stephen Ward (director)	Independent	Director for approximately 3 years
Max Moore-Wilton (director)	Non-executive	Director for approximately 3 years

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 two non-executive directors 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

ASX has granted listing rule waivers in respect of the rights attaching to the A and B Special Shares (described below) to facilitate Macquarie appointed directors to the Bermudian company in the same way as they are appointed by Macquarie to the responsible entity board (which is a wholly owned subsidiary of Macquarie Group Limited). These director appointment rights were put in place by Macquarie with a view to promoting consistency of management across the stapled entities. However in October 2008, Macquarie announced undertakings to exercise its director appointment rights in respect of MAML and MAL in accordance with a MAp security holder vote and subject to certain conditions. These undertakings will apply in respect of director appointments at the 2009 Annual General Meeting and continue for a minimum three years. The director nomination form by which security holders can put forward candidates for election under these new arrangements is on the MAp website. The form sets out the nomination criteria which are discussed below.

MAML

The following board composition and membership criteria have been adopted by the MAML board:

- 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
- Directors nominated by the board for election require full MAML board approval
- A majority of the directors must be independent as defined in the Macquarie Fund Policy extracted below
- No director may be an employee of the Macquarie Group (although they may be a consultant)
- The board is to be comprised of directors with an appropriate range of qualifications and expertise
- The chairman of the board will be appointed by the MAML board and may be non-executive or independent
- A majority of directors must be resident in Australia
- 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.

The following guidelines apply to director selection and nomination by the board:

- 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 Macquarie Fund Policy definition of independence below) and perceived independence from Macquarie.

Of the present MAML board, Max Moore-Wilton will be subject to re-election at the 2009 AGM as part of the new corporate governance arrangements.

MAL

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.

As noted above, as part of the corporate governance changes announced in October 2008, MCFEL and MAML will exercise their appointment rights under the A and B Special Shares in accordance with a security holder vote. The additional composition criteria that apply to nominees to the board of MAL, which is a Bermuda domiciled company, are:

- At least two directors must be resident of Bermuda at the time of appointment
- No more than two directors may be resident of the same country (other than Bermuda)
- At least 50% of the directors must be independent
- The chairman must be a Bermudian resident.

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. Sharon Beesley will also be subject to re-election at the 2009 AGM as one of the current appointees of MCFEL.

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.

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.

Independence

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
- Is not and has not within the last three years been 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 or within the last three years has been 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.

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

Nomination Committee

Neither the MAML or MAL boards has appointed a nomination committee given the small size of each board but an appropriate review of board candidates to ascertain that they meet director selection criteria will be undertaken by each of the relevant boards in full meeting before they are put forward for election.

3. Chairman

Following the 2009 AGM, the chairman of MAML will be appointed by the full board and may be non-executive or independent. Additionally, the chairman of MAML must concurrently be a director of MAL.

Max Moore-Wilton is the current chairman of MAML. Being a consultant to Macquarie and a former employee, Max Moore-Wilton is a non-executive chairman of MAML and does not satisfy the independence recommendation of the Principles. Max Moore-Wilton was appointed as chairman of MAML at a time when the Macquarie Fund Policy required the chairman to be a Macquarie executive given MAML's status as a Macquarie company and that MAp was 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 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 2008.

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	3 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	3 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:

- External communications policy summary.

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.

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. 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 or faxed.

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
- 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 and designated compliance staff assist 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 including detailed policies and procedures, staff training and supervision and appropriate compliance reporting.

The Compliance Committee is currently comprised as follows:

Name	Position
Ray Kellerman	External chairman
Andy Esteban	External
Kerrie Mather	Executive (David Luboff and Keith Irving as alternates)

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.

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 91 to 93. Responsible Entity and Adviser expenses reimbursed by MAp are set out on page 92.

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 have been paid by MAML in its personal corporate capacity rather than by the trusts. At the 2009 AGM security holder approval will be sought for directors to be paid by the trusts as part of the new governance arrangements facilitating security holder election of MAML directors.

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.

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 small size of the board and that senior executive remuneration is not paid by the fund, the full board undertakes a process to review and benchmark director remuneration and considers that a remuneration committee is not justified.

concise financial report

for the year ended 31 December 2008

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

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

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

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

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in 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.

MAML, as responsible entity of the trusts comprised by Macquarie Airports, and MCFEL as the adviser to Macquarie Airports Limited, are entitled to fees for so acting. Macquarie Group Limited and its related corporations (including MAML and MCFEL) together with their officers and directors and officers and directors of Macquarie Airports Limited may hold stapled securities in Macquarie Airports from time to time.

introduction to the concise financial report

Overview of MAp

Macquarie Airports ("MAp") invests in airports worldwide. MAp currently holds investments in Sydney Airport, Brussels Airport, Copenhagen Airports, Bristol Airport and Japan Airport Terminal. During the year MAp disposed of part of its interests in Copenhagen Airports and Brussels Airport and acquired an interest in Grupo Aeroportuario del Sureste ("ASUR").

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 if they were a single security. A MAp stapled security consists of a unit in Macquarie Airports Trust (1) ("MAT(1)"), a unit in Macquarie Airports Trust (2) ("MAT(2)") and a share in Macquarie Airports Limited ("MAL").

MAp's Airport Investments

MAp's total beneficial interest in each of the underlying airport assets in which it has invested at 31 December 2008 is provided in the table below.

	Sydney Airport %	Brussels Airport %	Copenhagen Airports %	Bristol Airport %	Japan Airport Terminal %	ASUR %
MAp Beneficial Interest[1]						
As at 31 December 2008	**72.1**	**36.0**	**26.9**	**35.5**	**14.9**	**8.7**
As at 31 December 2007	72.1	62.1	53.7	32.1	14.9	3.6

[1] Excluding minority interest.

The following table outlines the fair values of each of MAp's investments as at 31 December 2008. 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] ($m)	Brussels Airport[2] ($m)	Copenhagen Airports[2] ($m)	Bristol Airport ($m)	Japan Airport Terminal ($m)	ASUR[3] ($m)
As at 31 December 2008						
Direct interest	3,621.1	1,114.3	1,054.3	336.8	372.8	127.5
LESS: Minority interest	–	–	–	–	(93.0)	–
MAp beneficial interest	3,621.1	1,114.3	1,054.3	336.8	279.8	127.5
As at 31 December 2008						
Direct interest	4,145.4	1,713.8	1,932.2	545.8	388.6	–
LESS: Minority interest	–	–	–	(195.3)	(96.5)	–
MAp beneficial interest	4,145.4	1,713.8	1,932.2	350.5	292.1	–

[1] As MAp holds a controlling interest in Sydney Airport of 72.1% at 31 December 2008, the financial position and results of this airport are consolidated into the MAp financial report. Accordingly the value of MAp's investment in Sydney Airport does not appear in the MAp financial report at 31 December 2008.

[2] MAp held a controlling interest in Copenhagen Airports of 53.7% and in Brussels Airport of 62.1% up to 5 November 2008, the date MAp partially divested its investments in these airports. MAp therefore consolidated the financial position and results of these airports into the MAp financial report from the beginning of the year up to that date. The value ascribed to MAp's investment in Copenhagen Airports is net of the external debt of Macquarie Airports Copenhagen Holdings A/S.

[3] MAp holds an additional economic interest in ASUR of 8.6% through a series of swap agreements.

directors' report

In respect of the year ended 31 December 2008, the directors of Macquarie Airports Management Limited ("the Responsible Entity") submit the following report on the consolidated financial report of Macquarie Airports Trust (1) ("MAT(1)"). UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement, MAT(1) has been identified as the parent of the consolidated group comprising MAT(1) and its controlled entities, Macquarie Airports Trust (2) ("MAT(2)") and its controlled entities and Macquarie Airports Limited ("MAL") and its controlled entities together acting as Macquarie Airports ("MAp" or "the Group").

Principal Activities

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

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

Directors

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

- Max Moore-Wilton (Chairman)
- Trevor Gerber
- Michael Lee
- Bob Morris

Michael Carapiet was appointed a director on 11 April 2008 and was in office from this date until his resignation on 23 December 2008.

Nicholas Moore was a director from the beginning of the year until his resignation on 11 April 2008.

John Roberts was an alternate director from the beginning of the year until his resignation on 23 December 2008.

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

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

John Roberts was an alternate director from the beginning of the year until his resignation on 23 December 2008.

Distributions

The total distribution for MAp for the year ended 31 December 2008 was 27.00 cents per stapled security (2007: 31.00 cents per stapled security). This distribution was paid entirely by MAT(1). An interim distribution of 13.00 cents per stapled security (2007: 13.00 cents per stapled security) was paid by MAT(1) on 19 August 2008. A final distribution of 14.00 cents (2007: 13.00 cents per stapled security) and a special distribution of nil cents per stapled security (2007: 5.00 cents per stapled security) was paid by MAT(1) on 19 February 2009.

Review and Results of Operations

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

	Consolidated 2008 A$'000	Consolidated 2007 A$'000
Revenue from continuing operations	**2,148,488**	1,533,621
Other income	**2,868,393**	1,900,397
Total revenue and other income from continuing operations	**5,016,881**	3,434,018
Profit from continuing operations after income tax	**2,239,562**	1,530,655
Profit attributable to MAp security holders	**2,070,451**	1,106,176
Basic earnings per stapled security	**120.50c**	64.51c
Diluted earnings per stapled security	**99.37c**	59.95c

Significant Changes in State of Affairs

- **Acquisition of additional interest in MAG**

  During the year MAp acquired an additional 6.7% of Macquarie Airports Group Limited ("MAG") from Colonial First State Super and UniSuper for a total consideration of £21.2 million ($44.2 million). This increased MAp's total interest in MAG to 70.9% and MAp's beneficial interest in Bristol Airport from 32.1% to 35.5%.

- **MAG Restructure**

  On 15 May 2008 MAG was restructured from a limited life investment fund into a holding company. MAG's only airport investment at the time of the restructure was a 50% stake in Bristol Airport. The purpose of the restructure was to remove any risk of a potential sale of the investment in Bristol Airport upon the winding up of MAG, which would have been required by 2011.

  As part of the restructure MAG was renamed Bristol Airport (Bermuda) Limited ("BABL"). As a result of the restructure and the changes made to the relevant constituent documents, MAp no longer controlled BABL and therefore deconsolidated BABL from 15 May 2008 when control ceased.

- **Acquisition of interest in ASUR**

  On 20 August 2008, MAp announced its holding of a 5.6% interest in B shares of Grupo Aeroportuario del Sureste ("ASUR"). ASUR is a Mexican airport group, listed on the New York and Mexican Stock Exchanges. ASUR operates nine airports in the southeast of Mexico under 50 year concession contracts. The investment was funded from cash reserves. From 20 August to 29 December 2008, the holding was increased to 8.7%.

  Separately, through a series of swap agreements, MAp has economic exposure to ASUR's B shares. At 31 December 2008, MAp had economic exposure to 8.6% of ASUR's B shares.

- **TICkETS Withdrawal**

  On 20 August 2008, as part of the capital management and portfolio review, MAp announced a withdrawal offer for Tradeable Interest-bearing Convertible to Equity Trust Securities ("TICkETS"). As the TICkETS terms do not allow for an early redemption, MAp offered to provide liquidity to TICkETS holders by making a withdrawal offer for up to $250 million of TICkETS.

  The withdrawal offer was completed on 19 September 2008 with 1,463,574 TICkETS being withdrawn at a total cost of $151.4 million at an offer price of $103.45 per TICkETS.

  The withdrawal was funded by MAp through the partial repayment of the First On-Lending Agreement ("FOLA").

- **TICkETS Defeasance**

  On 20 August 2008, MAp announced an intention to defease TICkETS in order to enhance capital flexibility.

  As part of the defeasance arrangement, a new trust, the TICkETS Defeasance Trust ("TDT") was established and funded sufficiently by MAp to ensure all future obligations under the TICkETS are covered. The TDT has invested in bank bonds, term deposits and a guaranteed investment contract.

  Implementation of the defeasance followed the Supreme Court of New South Wales' decision, and subsequent granting of orders, that it was in the commercial interest of TICkETS holders to release the previous security package for TICkETS and substitute it with security over the investments of the TDT. The implementation completed on 12 November 2008.

- **Partial divestments of Copenhagen Airports and Brussels Airport**

  On 20 August 2008, MAp announced its intention to dispose of 50% of its interest in Copenhagen Airports and 42.0% of its interest in Brussels Airport through the partial disposal of its interests in Macquarie Airports (Europe) No. 2 S.A ("MAESA2") and Macquarie Airports (Brussels) S.A. ("MABSA") to Macquarie European Infrastructure Fund III ("MEIF3"). The financial close of the transaction occurred on 5 November 2008 and the total cash consideration for the partial divestments was €941.1 million ($1,810.2 million).

  As a result of the divestment, from 5 November 2008 MAp no longer controls MAESA2 and MABSA, and consequently MAp deconsolidated MAESA2 and MABSA from the date it lost control.

  MAp retains a 26.9% beneficial interest in Copenhagen Airports and a 36.0% beneficial interest in Brussels Airport. Refer to Note 9 to the financial report for further details on the divestments.

- **Buyback of MAp securities**

  On 20 August 2008, MAp announced that it was in the best interest of MAp security holders to commence a buyback of MAp stapled securities, utilising existing cash reserves.

  On 17 October 2008, MAp sought security holder approval at a Special General Meeting for an on-market buyback of up to $1 billion MAp stapled securities utilising existing cash reserves following the TICkETS defeasance. Approval was granted and the on-market buyback commenced on 27 November 2008. From 27 November 2008 to 31 December 2008, 5.0 million stapled securities were bought back for consideration of $9.7 million.

- **Recapitalisation of Sydney Airport**

  On 12 December 2008 Southern Cross Airports Corporation Holdings Limited ("SCACH"), the holding company for Sydney Airport, issued new stapled securities to existing shareholders to raise $250.0 million in new capital of which MAp contributed $182.0 million. On 27 November 2008, MAp also paid $144.4 million to SCACH as an early contribution for a further equity issue completed on 13 January 2009.

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

Events Occurring after Balance Sheet Date

A final distribution of 14.00 cents (2007: 13.00 cents) per stapled security and a special distribution of nil cents (2007: 5.00 cents) per stapled security was paid by MAT(1) on 19 February 2009.

On 13 January 2009 SCACH issued additional stapled securities to existing shareholders to raise $263.0 million in new capital. On that date the early contributions previously made by the Group converted into SCACH stapled securities and a further payment of $70.7 million was made by MAp.

On 23 February 2009 MAp announced that Sydney Airport will repay term debt of $870.0 million maturing at the end of 2009, funded through an equity issue to its existing shareholders. It is expected that MAp will take up its full pro-rata share of $629.5 million funded from existing cash reserves.

To the extent that other direct and indirect shareholders will not fully participate in the equity subscription, MAp will take up its entitlement of any such shortfall.

MAp also announced that it will cease its current buyback program for up to $1.0 billion of MAp securities.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in years subsequent to the year ended 31 December 2008.

Likely Developments and Expected Results of Operations

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

Indemnification and Insurance of Officers and Auditors

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

Fees Paid to the Responsible Entity, the Adviser and Associates

Fees paid to the Responsible Entity, the Adviser and their associates out of the Group's property during the year are disclosed in the full financial report (refer also Note 11).

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

Interests in the Group held by the Responsible Entity and its associates during the year are disclosed in the full financial report (refer Note 11).

Interests in the Group Issued During the Financial Year

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

MAp	Consolidated 2008 A$'000	Consolidated 2007 A$'000
Securities on issue at the beginning of the year	**1,718,654**	1,690,302
Securities issued during the year	**–**	28,352
Securities cancelled during the year	**(5,018)**	–
Securities on issue at the end of the year	**1,713,636**	1,718,654

Value of Assets

MAp	Consolidated 2008 A$'000	Consolidated 2007 A$'000
Book value of Group assets at 31 December	**17,533,488**	24,189,351

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

Environmental Regulation

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

- Sydney Airport

  The primary piece of environmental legislation applicable to Sydney Airport is the *Airports Act 1996* ("the Act 1996") and regulations made under it, including the Airports (Environment Protection) Regulations 1997. The main environmental requirements of the Act 1996 and the Regulations include:

  - The development and implementation of an environment strategy;
  - The monitoring and remediation of air, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Act 1996 and Regulations); and
  - The enforcement of the provisions of the Act 1996 and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers ("AEO's").

  As required under the Act 1996, an Environment Strategy was approved by the Minister for Transport and Regional Services on 18 January 2005. The strategy outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2005 to 2010. Sydney Airport's aim, reflected in the strategy, is to continually improve environmental performance and minimise the impact of Sydney Airports operations on the environment. The strategy supports world-class initiatives in environmental management beyond regulatory requirements.

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

Auditor's Independence Declaration

A copy of the auditors' independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 57.

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

The Group is of a kind referred to in Class Order 98/0100 (as amended), issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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

Max Moore-Wilton, AC

Sydney
24 February 2009

Trevor Gerber

Sydney
24 February 2009

auditor's independence declaration

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

As lead auditor for the audit of Macquarie Airports Trust (1) for the year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Macquarie Airports Trust (1) and the entities it controlled during the year.

EA Barron
Partner

PricewaterhouseCoopers

Sydney
24 February 2009

Liability limited by a scheme approved under Professional Standards Legislation.

consolidated income statement

	Note	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Revenue from continuing operations	2	**2,148,488**	1,533,621
Other income	2	**2,868,393**	1,900,397
Total revenue and other income from continuing operations		**5,016,881**	3,434,018
Finance costs	2	**(794,573)**	(682,258)
Administration expenses	2	**(175,972)**	(300,619)
Other operating expenses	2	**(1,811,512)**	(1,090,593)
Operating expenses from continuing operations		**(2,782,057)**	(2,073,470)
Profit from continuing operations before income tax expense		**2,234,824**	1,360,548
Income tax benefit		**4,738**	170,107
Profit from continuing operations after income tax expense		**2,239,562**	1,530,655
Attributable to:			
MAp security holders		**2,070,451**	1,106,176
Minority interest		**169,111**	424,479
		2,239,562	1,530,655
Earnings per security for profit from continuing operations attributable to MAp security holders			
Basic earnings per stapled security*	7	**120.50c**	64.51c
Diluted earnings per stapled security*	7	**99.37c**	59.95c

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

* Earnings used in the calculation of earnings per stapled security includes unrealised income and expense from revaluation of some investments and other financial instruments. Consequently, earnings per stapled security reflects the impact of unrealised revaluation increments and decrements.

consolidated balance sheet

	Note	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Current assets			
Cash and cash equivalents		**2,313,985**	2,566,601
Other financial assets		**838,492**	–
Receivables		**570,793**	632,479
Other assets		**16,393**	19,901
Derivative financial instruments		**4,212**	632
Total current assets		**3,743,875**	3,219,613
Non-current assets			
Receivables		**29,070**	143,177
Derivative financial instruments		**3,309**	212,245
Investments in financial assets	4	**3,010,739**	1,244,748
Property, plant and equipment	5	**2,457,566**	8,383,339
Investment property	5	**–**	45,668
Intangible assets	6	**8,271,407**	10,888,188
Deferred tax assets		**–**	12,960
Other assets		**17,522**	39,413
Total non-current assets		**13,789,613**	20,969,738
Total assets		**17,533,488**	24,189,351
Current liabilities			
Distribution payable		**239,935**	309,391
Payables		**668,964**	868,323
Deferred income		**25,038**	72,854
Prepayments from customers		**–**	7,628
Derivative financial instruments		**16,467**	–
Financial liabilities at fair value		**96,770**	420,767
Interest bearing liabilities		**1,616,857**	114,906
Provisions		**3,983**	4,306
Current tax liabilities		**11,184**	37,704
Total current liabilities		**2,679,198**	1,835,879

	Note	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Non-current liabilities			
Derivative financial instruments		**285,765**	85,622
Interest bearing liabilities		**5,988,637**	11,472,282
Payables		**–**	130,481
Provisions		**6,302**	1,403
Deferred tax liabilities		**2,021,174**	3,613,482
Total non-current liabilities		**8,301,878**	15,303,270
Total liabilities		**10,981,076**	17,139,149
Net assets		**6,552,412**	7,050,202
Equity			
MAp Security Holders' Interest			
Contributed equity		**3,610,110**	3,619,852
Retained profits		**2,643,495**	572,138
Reserves		**(60,293)**	473,682
Total MAp security holders' interest		**6,193,312**	4,665,672
Minority interest in controlled entities		**359,100**	2,384,530
Total equity		**6,552,412**	7,050,202

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

consolidated statement of changes in equity

	Note	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Total equity at the beginning of the year		**7,050,202**	7,012,338
Adjustment to retained profits on acquisition of subsidiary		**–**	(714,747)
Exchange differences on translation of foreign operations		**552,322**	(44,364)
Cash flow hedges, net of tax		**(356,853)**	124,603
Income recognised directly in equity		**195,469**	(634,508)
Profit for the year		**2,239,562**	1,530,655
Total recognised income and expense for the year		**2,435,031**	896,147
Transactions with equity holders in their capacity as equity holders:			
Contributions of equity by security holders		**–**	101,860
Contributions of equity by minority interests		**52,854**	175,870
Securities cancelled pursuant to security buy-back (including transaction costs)		**(9,729)**	–
Transaction costs paid in relation to contributions to equity (net of tax effect)		**(13)**	(64)
Minority interest on (disposal)/acquisition of subsidiaries		**(2,071,758)**	37,771
(Increase)/decrease of interest in subsidiaries during the year		**(76,787)**	185,895
Distributions provided for or paid to security holders	3	**(463,334)**	(532,783)
Distributions, dividends and returns of capital provided for or paid to minority interest		**(364,054)**	(826,832)
		(2,932,821)	(858,283)
Total equity at the end of the year		**6,552,412**	7,050,202
Total recognised income and expenses for the year is attributable to:			
Security Holders		**2,126,256**	439,207
Minority interest		**308,775**	456,940
		2,435,031	896,147

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

consolidated cash flow statement

	Note	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Cash flows from operating activities			
Rome Airport – dividend received on ordinary shares		**–**	36,399
ASUR – dividend received		**7,444**	–
Birmingham Airport – dividend received on ordinary shares		**–**	3,226
Bristol Airport – interest received on loans		**13,747**	11,626
Brussels Airport – investment income received on convertible loans		**–**	221,241
Other distributions and dividend income received		**574**	–
Other interest received		**169,364**	119,192
Copenhagen Airports associates – distribution and dividend income received		**2,360**	4,691
Japan Airport Terminal – distribution and dividend income received		**3,481**	621
Fee income received		**646**	478
Airport revenue received (inclusive of goods and services tax)		**2,074,439**	1,464,499
Responsible Entity and Adviser base fees paid (inclusive of goods and services tax)		**(57,270)**	(90,079)
Adviser's performance fees paid*		**(91,191)**	(53,910)
Operating expenses paid (inclusive of goods and services tax)		**(14,381)**	(10,472)
Operating expenses paid by airport operating entities (inclusive of goods and services tax)		**(878,986)**	(544,813)
Income taxes paid		**(76,898)**	(51,821)
Net indirect taxes (paid)/received		**(9,259)**	9,123
Other income received		**6,877**	4,512
Net cash flows from operating activities		**1,150,947**	1,124,513
Cash flows from investing activities			
Brussels Airport – repayment received of loan to Macquarie Airports (Brussels) S.A.		**–**	70,032
Payments for purchase of subsidiaries, net of cash acquired		**–**	245,023
Payments for purchase of investments		**(203,945)**	(1,596,307)
Investment transaction costs paid		**(6,312)**	(57,138)
Proceeds received upon sale of investments (net of transaction costs)		**–**	2,607,029
Proceeds received upon sale of subsidiaries, net of cash disposed		**1,367,467**	–
Proceeds from maturation of short term investments		**–**	617,000
Payments for short term investments		**(838,492)**	–
Payments for purchase of fixed assets		**(549,910)**	(309,079)
Proceeds from disposal of fixed assets		**606**	–
Net cash flows from investing activities		**(230,586)**	1,576,560

* The performance fee paid by Bristol Airport (Bermuda) Limited ("BABL") (formerly Macquarie Airports Group Limited) during the current period was incurred during the financial year ended 31 December 2007 and was based on the performance of BABL over its seven years since inception.

	Note	Consolidated 2008 A$'000	Consolidated 2007 A$'000
Cash flows from financing activities			
Proceeds received from issue of securities to and borrowings from minority interests		**68,149**	233,007
Capital raising costs paid		**–**	(41)
Payments for security buyback		**(9,729)**	–
Proceeds received from borrowings		**1,098,376**	1,977,324
Repayment of borrowings made		**(806,520)**	(1,762,691)
Borrowing costs paid		**(710,258)**	(530,257)
Distributions paid to MAp security holders		**(532,791)**	(324,393)
Distributions, dividends and returns of capital paid to minority interest		**(364,054)**	(826,832)
Net cash flows from financing activities		**(1,256,827)**	(1,233,883)
Net (decrease)/increase in cash and cash equivalents held		**(336,466)**	1,467,190
Cash and cash equivalents at the beginning of the year		**2,566,601**	1,076,956
Exchange rate movements on cash denominated in foreign currency		**83,850**	22,455
Cash and cash equivalents at the end of the year		**2,313,985**	2,566,601

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

discussion and analysis

In addition to the discussion below, an outline of the major transactions and events is provided in the Significant Changes in State of Affairs in the Directors' Report.

Discussion and Analysis of Financial Performance

Operating performance

The profit from continuing operations after income tax expense and finance costs attributable to security holders of $2,239.6 million (2007: $1,530.7 million) primarily reflects the impact of the following:

- Airport operating revenue of $1,956.4 million (2007: $1,385.3 million) and airport operating costs of $1,278.1 million (2007: $962.7 million); the increase is primarily due to the consolidation of Brussels Airport from 1 January 2008 to 5 November 2008. Brussels Airport was consolidated with effect from 31 December 2007, as noted in the financial report for the 12 months to 31 December 2007.
- Income from the revaluation of MAp's investments of $1,317.2 million (2007: $1,874.0 million) which comprised:
  - revaluation increment of MAp's interest in Brussels Airport of $561.2 million (2007: $364.1 million) which represents the change from historical cost to fair value following the deconsolidation of Brussels Airport on 5 November 2008;
  - revaluation increment of MAp's interests in Copenhagen Airports of $753.2 million, which represents the change from historical cost to fair value following the deconsolidation of Copenhagen Airports on 5 November 2008. There is no corresponding figure in the prior year as Copenhagen Airports was previously consolidated;
  - revaluation increment of MAp's interest in other airports of $2.8 million (2007: $44.2 million);
  - the prior year included revaluation increments of MAp's interest in Rome Airport of $956.9 million and Birmingham airport of $195.0 million up to the date MAp sold these investments in 2007;
  - the prior year also included a revaluation increment of MAp's interests in Bristol Airport of $313.8 million – the value of this investment decreased this year by $3.0 million and has been included in operating expenses.
- Interest revenue of $146.4 million (2007: $124.9 million) and finance costs of $794.6 million (2007: $682.3 million).
- Other income in the year of $1,596.9 million (2007: $49.9 million); the increase is primarily due to the disposal of 50% of MAp's interest in Macquarie Airports (Europe) No.2 S.A. ("MAESA2"), the holding entity for the Copenhagen Airports investment, and 42% of MAp's interest in Macquarie Airports (Brussels) S.A. ("MABSA"), the holding entity for the investment in Brussels Airport. The intention to dispose of these interests was originally announced on 20 August 2008 and completion of the transactions was announced on 6 November 2008 including confirmation of a consideration received of €941.1 million ($1,810.2 million).
- Responsible Entity and Adviser base and performance fees of $44.6 million (2007: $230.2 million).
- A termination fee of $118.9 million in lieu of any and all future performance fees following the restructure of Bristol Airports (Bermuda) Limited ("BABL", formerly Macquarie Airports Group Limited).
- Operating expenses from the revaluation of MAp's investments of $338.6 million (2007: $77.7 million) which comprised:
  - revaluation decrement of MAp's interest in Japan Airport Terminal $189.3 million (2007: $77.7 million);
  - revaluation decrement of MAp's interests in ASUR of $54.4 million (2007: $nil);
  - revaluation decrement of MAp's interest in Bristol airport of $3.0 million – the revaluation increment in the prior year was included in income $313.8 million;
  - revaluation decrement of MAp's interest in other airports of $91.9 million (2007: $nil).
- A loss on deconsolidation of BABL of $146.7 million, representing the foreign currency translation reserve previously recognised in equity and released to profit or loss as part of the deconsolidation.

Deconsolidation of Copenhagen Airports, Brussels Airport and BABL

During the financial year MAp partially divested its investments in Copenhagen Airports and Brussels Airport for a combined total cash consideration of €941.1 million ($1,810.2 million). As a result of the divestment, from 5 November 2008 MAp no longer controls MAESA2 and MABSA, the holding entities for the Copenhagen and Brussels airports investments, and consequently MAp deconsolidated MAESA2 and MABSA from the date it lost control.

On 15 May 2008 MAG was restructured and renamed Bristol Airport (Bermuda) Limited ("BABL"). As a result of the restructure and the changes made to the relevant constituent documents, MAp no longer controlled BABL and therefore deconsolidated BABL from 15 May 2008 when control ceased.

Income tax

Under the Income Tax Assessment Acts, MAT(1) is not liable for income tax provided that the taxable income of MAT(1) is fully distributed to stapled security holders each year. MAT(2) is taxed in a similar way to a company for income tax purposes. MAT(2) recognises income tax in its accounts using the liability method of tax effect accounting.

The income tax benefit of $4.7 million primarily represents reductions in the deferred tax liabilities recognised on fair value uplifts in relation the assets and liabilities of Sydney Airport.

Minority interests

Minority interest in the profit from ordinary activities of $169.1 million represents the net results of Southern Cross Australian Airports Trust, Southern Cross Airports Corporations Holdings Limited, International Infrastructure Holdings Limited, BABL, MABSA (including its subsidiaries) and Copenhagen Airports A/S attributable to minority interests for the year ended 31 December 2008 (2007: $424.5 million). In relation to BABL, MABSA and Copenhagen Airports A/S net results were only included up to the date MAp lost control and consequently minority interest has been included up to those dates only.

Discussion and Analysis of Financial Position

Total assets have decreased from $24,189.4 million in the prior year to $17,533.5 million at 31 December 2008. This decrease relates primarily to the deconsolidation of BABL, Copenhagen Airports and Brussels Airport.

Total liabilities have decreased from $17,139.1 million in the prior year to $10,981.1 million at 31 December 2008. This decrease relates primarily to the deconsolidation of BABL, Copenhagen Airports and Brussels Airport.

At 31 December 2008, total consolidated equity of MAp was $6,552.4 million (2007: $7,050.2 million), of which $345.0 million represents minority interests in SCAAT, IIHL and Sydney Airports (2007: $2,384.5 million). Total securities cancelled in the year pursuant to a buyback of stapled securities was 5.0 million ($9.7 million net of transaction costs).

Discussion and Analysis of Cash Flows

Cash flows from operating activities have increased from $1,124.5 million in the prior year to $1,150.9 million for the year ended 31 December 2008. The slight increase is due to increased cash flow from airport operating activities due to Brussels Airport being consolidated for the first time up to 5 November 2008, this increase is largely offset by reduced distribution income from non-controlled assets, namely Brussels Airport.

Net cash outflows from investing activities of $230.6 million (2007: inflow of $1,576.6 million) primarily reflect cash proceeds from the MAp's divestments in Copenhagen Airports and Brussels Airport, $1,367.5 net of cash disposed less outflows on additional investments of $1,042.4 million ($838.5 million in short term investments mainly relating to the TICkETS Defeasance Trust) and a further $540.4 million on additional fixed assets purchases at the operating airport entities level.

During the year, MAp had net cash outflows from financing activities of $1,256.8 million (2007: outflows of $1,233.9 million) from financing activities. The outflows primarily reflect distributions paid to MAp security holders of $532.8 million, repayment of borrowings of $806.5 million, payment of borrowing cost of $710.3 million and distributions of $364.1 million that were paid to minority interests. These outflows are partially offset by proceeds from new borrowings of $1,098.4 million and proceeds from the issue of new securities to minority interests, net of costs paid, of $68.1 million.

notes to the financial statements

1 Summary of Significant Accounting Policies

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

(a) Basis of preparation

This concise financial report has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 1039: *Concise Financial Reports.* The concise financial report has been derived from the MAp full financial report for the year. Other information included in the concise financial report is consistent with MAp's full financial report. The concise financial report does not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of MAp as the full financial report. Further financial information can be obtained from the full financial report which is available, free of charge, on request. A copy may be requested by calling Computershare Investor Services Pty Limited on 1800 102 368.

The financial report was authorised for issue by the directors of the Responsible Entity on 24 February 2009. The Responsible Entity has the power to amend and reissue the financial report.

Compliance with IFRSs

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

Presentation of currency

The presentation currency used in this concise financial report is Australian dollars.

Historical cost convention

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

Stapled Security

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

This financial report consists of the consolidated financial statements of MAT(1), which comprises MAT(1) and its controlled entities, MAT(2) and its controlled entities and MAL and its controlled entities, together acting as MAp.

(b) Consolidated accounts

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement MAT(1) has been identified as the parent of the consolidated group comprising MAT(1) and its controlled entities, MAT(2) and its controlled entities and MAL and its controlled entities.

(c) Principles of consolidation

The consolidated financial statements of MAp incorporate the assets and liabilities of the entities controlled by MAT(1) at 31 December 2008, including those deemed to be controlled by MAT(1) by identifying it as the parent of MAp, and the results of those controlled entities for the year then ended. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Income Statement and the Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MAT(1), MAT(2) or MAL.

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

During the financial year MAp lost control of Bristol Airport (Bermuda) Limited ("BABL") (formerly Macquarie Airports Group Limited ("MAG")), and of Macquarie Airports (Europe) No.2 S.A ("MAESA2") and Macquarie Airports (Brussels) S.A. ("MABSA"). The results for the entities from the beginning of the financial year to the date control ceased are included in the Income Statement. Refer to Note 9 for more details.

(d) Investments in airport assets

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

Investments have been brought to account by the Group as follows:

Interests in unlisted securities in companies and trusts

Interests in unlisted companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing airports and the basis upon which market participants have derived valuations for airport transactions.

Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset comprises the risk free interest rate appropriate to the country in which the asset is located and a risk premium, reflecting the uncertainty associated with the cash flows. The risk premium represents a critical accounting estimate.

The risk premia applied to the discounted cash flow forecasts of the Group's interests in securities in companies and trusts are listed in the table below.

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

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

Interests in listed securities in companies and trusts

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

Interests in other financial assets

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

Investment transaction costs are expensed as incurred.

MAp	Copenhagen Airports[1] %	Brussels Airport %	Bristol Airport %	Newcastle Airport[2] %
As at 31 December 2008				
Risk free rate[3]	4.0	4.2	4.0	–
Risk premium	9.4	8.0	10.3	–
Total discount rate	**13.4**	**12.2**	**14.3**	**–**
As at 31 December 2007				
Risk free rate[3]	–	4.4	4.5	4.5
Risk premium	–	6.6	9.0	10.0
Total discount rate	**–**	**11.0**	**13.5**	**14.5**

1 No discount rate is shown for Copenhagen Airports for 2007 as Copenhagen Airports was consolidated into the MAp financial report in 2007.

2 Newcastle Airport is no longer an associate of MAp, therefore it is no longer reflected in the MAp financial report.

3 The risk free rate for each airport asset is determined using the yields on 10 year nominal government bonds in the relevant jurisdiction at the valuation date.

(e) Intangible assets

Goodwill

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

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in the respective airports to which the goodwill relates.

Computer software

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

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

Technical service agreements, concessions and customer contracts

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

Leasehold land

Leasehold land at Sydney Airport represents the right to use the land at Sydney Airport. It has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of the intangible asset over its useful life, which is 99 years from 1 July 1998.

Airport operator licence

Airport operator licence at Sydney Airport represents the right to use and operate Sydney Airport. It has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of the intangible assets over its useful life, which is 99 years from 1 July 1998.

(f) Property, plant and equipment

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

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are ready for use.

Land is not depreciated.

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

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

(g) Investment property

Investment properties are measured at cost less accumulated depreciation. Residual values are stated separately for each investment property. Investment property is depreciated over its useful life like other property, plant and equipment of a similar nature.

(h) Distributions

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

(i) Amortisation and depreciation

Amortisation and depreciation comprise the year's charges for this purpose on MAp's intangible assets with a finite life and property, plant and equipment (refer to Notes 1(e) and 1(f)).

(j) Earnings per stapled security

Basic earnings per stapled security

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

Diluted earnings per stapled security

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

(k) Segment reporting

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

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

(l) Comparative figures

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

(m) Rounding of amounts

The Group is of a kind referred to in Class Order 98/0100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

2 Profit for the Year

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

	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Revenue from continuing operations		
Interest income from related parties	**90,734**	50,773
Interest income from other persons and corporations	**55,663**	74,168
Fee income	**10,806**	11,104
Aeronautical revenue	**1,084,509**	707,238
Retail revenue	**364,567**	338,325
Property revenue	**206,967**	150,532
Revenue from rendering of services	**300,366**	189,157
Other	**34,876**	12,324
Total revenue from continuing operations	**2,148,488**	1,533,621
Other income – revaluation of investments		
Revaluation of Rome Airports	**–**	956,891
Revaluation of Brussels Airport	**561,244**	364,067
Revaluation of Copenhagen Airports	**753,158**	–
Revaluation of Bristol Airport	**–**	313,845
Revaluation of Birmingham Airport	**–**	194,958
Revaluation of other airports	**2,792**	44,206
	1,317,194	1,873,967
Other income – other		
Fair value movement on derivative contracts	**–**	3,502
Gain from disposal of subsidiaries (MABSA and MAESA2)	**1,551,055**	–
Net gain from sale of property, plant and equipment	**–**	21,102
Other	**144**	1,826
	1,551,199	26,430
Total other income	**2,868,393**	1,900,397
Total revenue and other income from continuing operations	**5,016,881**	3,434,018

2 Profit for the Year (continued)

	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Operating expenses from continuing operations		
Finance costs		
Interest expense (TICkETS)	**59,394**	63,987
Interest expense (Bridge debt facility)	**–**	9,967
Interest expense (MACH debt facility)	**65,441**	63,726
Interest expense (Brussels)	**111,169**	–
Interest expense (Copenhagen)	**40,500**	24,672
Interest expense (Sydney)	**509,450**	476,076
Interest expense other	**3,067**	–
Fair value movement on convertible loans	**5,552**	43,830
Total finance costs from continuing operations	**794,573**	682,258
Administration expenses		
Auditor's remuneration	**2,019**	3,195
Custodian's fees	**489**	344
Directors' fees	**431**	403
Investment transaction expenses	**3,373**	55,953
Investor communication expenses	**635**	779
Legal fees	**2,121**	1,216
Registry fees	**979**	805
Responsible Entity's and Adviser's base fees	**42,595**	82,773
Adviser's performance fee	**1,972**	147,423
Adviser's termination fee in relation to MAG restructure*	**118,955**	–
Other administration expenses	**2,403**	7,728
Total administration expenses	**175,972**	300,619

2 Profit for the Year (continued)

	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
Other operating expenses		
Revaluation of Japan Airport Terminal	**189,336**	77,656
Revaluation of Bristol Airport	**2,973**	–
Revaluation of ASUR	**54,383**	–
Revaluation of other airports	**91,887**	–
Foreign exchange losses	**33,332**	50,236
Fair value movement on derivative contracts	**14,727**	–
Loss from deconsolidation of subsidiary (BABL)	**146,744**	–
Staff costs	**298,412**	231,147
Amortisation and depreciation	**595,914**	516,318
Operating and maintenance	**287,997**	144,516
Energy and utilities	**36,253**	27,619
Technology	**3,798**	3,579
Other external costs	**55,756**	39,522
Total other operating expenses	**1,811,512**	1,090,593
Total operating expenses from continuing operations	**2,782,057**	2,073,470

* During the year MAG terminated the Advisory Agreement with Macquarie Capital Funds (Europe) Limited and in accordance with the terms of the Termination Deed a termination fee in lieu of any and all future performance fees became payable. The terms of the termination deed were negotiated between the Adviser and the shareholders of Bristol Airports (Bermuda) Limited (formerly Macquarie Airports Group Limited) excluding MAp. MAp's share of the termination fee paid was $76.4 million.

3 Distributions Paid and Proposed

	Consolidated 31 Dec 2008 A$'000	Consolidated 31 Dec 2007 A$'000
The distributions were paid/payable as follows:		
Interim distribution paid for the period ended 30 June	**223,425**	223,425
Final distribution proposed and subsequently paid for the year ended 31 December	**239,909**	309,358
	463,334	532,783

	Cents per stapled security	Cents per stapled security
Interim distribution paid for the period ended 30 June (100% unfranked)	**13.0**	13.0
Final distribution proposed and subsequently paid for the year ended 31 December (100% unfranked)		
Distribution	**14.0**	13.0
Special distribution	**–**	5.0
	27.0	31.0

The distributions are paid or are payable by MAT(1).

4 Investments in Financial Assets

The table below summarises the movements in MAp's significant investments during the year ended 31 December 2008.

Consolidated 2008	Brussels Airport $'000 4(i)	Copenhagen Airports* $'000 4(ii)	Bristol Airport $'000 4(iii)	Japan Airport Terminal $'000 4(iv)	ASUR $'000 4(v)
Balance at 1 January 2008	–	–	545,881	388,637	74,775
Acquisitions	–	–	–	–	77,708
Income received from investments	–	–	(13,747)	(3,481)	(7,444)
Deconsolidation adjustment **	553,058	301,126	(145,112)	–	–
Revaluation increment/(decrement) to 31 December 2008	561,244	753,158	(2,973)	(189,336)	(54,383)
Disposals	–	–	–	–	–
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2008	–	–	(47,256)	176,972	36,863
Balance at 31 December 2008	**1,114,302**	**1,054,284**	**336,793**	**372,792**	**127,519**

* Copenhagen Airports represents MAp's investment in MAESA2 the holding entity through which the Copenhagen Airports investment was held.

** Amounts for Brussels and Copenhagen Airports represent values of retained investments at historic cost.

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

At 31 December 2008, the value of MAp's investments in non-controlled airport assets is $3,010.7 million (including minority interests). The value of these investments which are unlisted has been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specified risk premia as outlined in Note 1(d). The investment valuation sensitivity to movements in the risk premia and revenue forecasts are disclosed in the table on the next page.

4 Investments in Financial Assets (continued)

MAp Consolidated	2008 1% lower $ million	2008 1% higher $ million	2007 1% lower $ million	2007 1% higher $ million
Change in valuation of investments due to movement in the risk premia				
Brussels Airport	**127.1**	**(108.9)**	–	–
Copenhagen Airports	**124.9**	**(105.4)**	–	–
Bristol Airport	**44.0**	**(37.5)**	65.0	(55.6)
Newcastle Airport	**–**	**–**	10.8	(9.1)
	296.0	**(251.8)**	75.8	(64.7)
Change in the valuation of investments due to movement in revenue forecasts				
Brussels Airport	**(30.3)**	**30.1**	–	–
Copenhagen Airports	**(29.2)**	**26.4**	–	–
Bristol Airport	**(7.5)**	**7.3**	(13.8)	14.2
Newcastle Airport	**–**	**–**	(2.4)	1.3
	(67.0)	**63.8**	(16.2)	15.5

	Consolidated 31 Dec 2008 $'000	Consolidated 31 Dec 2007 $'000
Brussels Airport (i)		
Interests in unlisted securities in companies and trusts		
Investment in Macquarie Airports (Brussels) S.A.	**1,114,302**	–
Copenhagen Airports (ii)		
Interests in unlisted securities in companies and trusts		
Investment in Macquarie Airports (Europe) S.A.	**1,054,284**	–
Bristol Airport (iii)		
Interests in unlisted securities in companies and trusts		
Investment in South West Airports Limited	**–**	545,881
Investment in Bristol Airport (Bermuda) Limited	**336,793**	–
Japan Airport Terminal (iv)		
Interests in listed securities in companies and trusts		
Investment in Japan Airport Terminal Co Ltd	**372,792**	388,637
ASUR (v)		
Interests in listed securities in companies and trusts	**127,519**	–
Other Investments (vi)		
Other airport investments	**–**	306,100
Other investments	**5,049**	4,130
	5,049	310,230
Total investments	**3,010,739**	1,244,748

4 Investments in Financial Assets (continued)

(i) Brussels Airport

MAp's investment in Brussels Airport is held through Macquarie Airports (Brussels) S.A. ("MABSA"), a special purpose vehicle established by a MAp led consortium to acquire an interest in The Brussels Airport Company ("Brussels Airport"). MABSA holds a 75.0% controlling interest in Brussels Airport.

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

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

At 31 December 2008, MAp held a 48.0% interest in MABSA following the disposal of 42.0% of MAp's investment in MABSA to Macquarie European Infrastructure Fund III ("MEIF3") on 5 November 2008. MAp's beneficial interest in Brussels Airport at 31 December 2008 is 36.0%.

As a result of the disposal of 42.0% of the interest in MABSA to MEIF3, MAp lost the power to govern the financial and operating policies of MABSA on 5 November 2008 and therefore deconsolidated MABSA and Brussels Airport from the MAp consolidated financial statements from that date.

MAp's interest in Brussels Airport is held via a 48.0% interest in MABSA. The other shareholders are Macquarie European Infrastructure Fund LP (MEIF) with a 13.3% interest, Macquarie European Infrastructure Fund III (MEIF3) with a 34.7% interest and Macquarie Global Infrastructure Fund 2 (GIF2) with a 4.0% interest. MAp's interest in MABSA is subject to call options granted in favour of the other shareholders. In the event of a change of control of MAp, including where a Macquarie Group entity ceases to be the manager of MAp the other shareholders have the option to purchase MAp's interest in MABSA at fair value. MAp has a corresponding right if there is a change of control of the other shareholders. The call option may be exercised by another Macquarie Group entity or managed fund. Additionally, GIF2 has put option rights in respect of its interests in MABSA which entitle it to sell its interest in MAp at fair value in the event that there is a change of control of MAp, including where a Macquarie Group entity ceases to be the manager of MAp.

(ii) Copenhagen Airports

MAp's investment in Copenhagen Airports is held through Macquarie Airports (Europe) No. 2 S.A. ("MAESA2"). MAESA2 holds a 53.7% controlling interest in Copenhagen Airports.

MAp's investment in MAESA2 is comprised of ordinary shares, shareholder loans and convertible loans.

The shareholder loans issued by MAESA2 have a term of 51 years, unless terminated earlier in accordance with the terms of the Shareholder Loan Agreement. Under the Shareholder Loan Agreement, MAp may at any time prior to the expiry term apply to convert the outstanding loan into MAESA2 Ordinary Preference Shares (OPS).

The convertible loans issued by MAESA2 have a term of 51 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreement. Under the Convertible Loan Agreement, MAp may at any time prior to the expiry term apply to convert the outstanding loan into MAESA2 OPS.

At 31 December 2008, MAp held a 50.0% interest in MAESA2 following the disposal of 50.0% of MAESA2 to Macquarie European Infrastructure Fund III ("MEIF3") on 5 November 2008. MAp's beneficial interest in Copenhagen Airports at 31 December 2008 is 26.9%.

As a result of the disposal of 50.0% of its interest in MAESA2 to MEIF3, MAp lost the power to govern the financial and operating policies of MAESA2 on 5 November 2008 and therefore deconsolidated MAESA2 and Copenhagen Airports from the MAp consolidated financial statements from that date.

MAp's interest in Copenhagen Airports is held via a 50% interest in MAESA2. MAp's interest in MAESA2 is subject to a call option granted in favour of MEIF3. In the event of change of control of MAp, including where a Macquarie Group entity ceases to be the manager of MAp, MEIF3 has an option to purchase MAp's interest in MAESA2 at fair value. MAp has a corresponding right if there is a change of control of MEIF3. The call option may be exercised by another Macquarie Group entity or managed fund.

4 Investments in Financial Assets (continued)

(iii) Bristol Airport

MAp has a 35.5% interest in Bristol Airport through its investment in Bristol Airport (Bermuda) Limited (BABL) which owns 50% of Bristol Airport. MEIF owns the other 50% interest. MAp and MEIF have agreed that in the event of a change of control including where a Macquarie Group entity ceases to be the manager of either of them, the other party shall, subject to any pre-emptive rights, have a call option in respect of the other party's interest in Bristol Airport exercisable at fair value. The call option may be exercised by another Macquarie Group entity or managed fund.

At 31 December 2008, MAp's beneficial interest in Bristol Airport excluding minority interests is 35.5%.

(iv) Japan Airport Terminal

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

JAT's shares are listed on the Tokyo Stock Exchange. At 31 December 2008, MAp's beneficial interest in JAT is 14.9%.

(v) ASUR

MAp's beneficial interest in Grupo Aeroportuario del Sureste ("ASUR") is 8.71%. ASUR is a Mexican airport group, listed on the New York and Mexican Exchanges. ASUR operates nine airports in the southeast of Mexico under 50 year concession contracts.

(vi) Other Investments

Other investments comprises investments in other airports and other airport related investments and in the prior year included the investments of Copenhagen Airports in Newcastle International Airport Limited, Inversiones y Technicas Aeroportuarias S.A. de C.V. and other smaller investments.

5 Property, Plant and Equipment and Investment Property

On 5 November 2008, MAp lost control of Copenhagen Airports and Brussels Airport. AASB127: *Consolidated and Separate Financial Statements* requires the assets and liabilities of a subsidiary to be derecognised from the date control ceased. Accordingly, the property, plant and equipment of Copenhagen Airports and Brussels Airport were deconsolidated from the date MAp lost control.

MAp Consolidated	Land and buildings $'000	Plant and machinery $'000	Other fixtures and fittings, tools and equipment $'000	Property, plant and equipment under construction $'000	Total property, plant and equipment $'000
Net book amount at 1 January 2008	**5,581,924**	**2,344,278**	**155,509**	**301,628**	**8,383,339**
Additions	148,855	96,194	28,780	619,596	893,425
Disposals / Transfers	(52,816)	15,291	(9,173)	(222,127)	(268,825)
Disposals due to loss of control	(5,319,654)	(1,172,907)	(89,322)	(387,982)	(6,969,865)
Depreciation	(183,392)	(167,128)	(44,535)	–	(395,055)
Exchange differences	618,711	143,019	11,644	41,173	814,547
Net book amount at 31 December 2008	**793,628**	**1,258,747**	**52,903**	**352,288**	**2,457,566**
At 31 December 2008					
Cost	1,013,811	1,556,843	136,316	352,288	3,059,258
Accumulated depreciation	(220,183)	(298,096)	(83,413)	–	(601,692)
Net book amount at 31 December 2008	**793,628**	**1,258,747**	**52,903**	**352,288**	**2,457,566**
Net book amount at 1 January 2007	3,577,667	1,845,975	117,542	239,801	5,780,985
Additions	217,560	112,932	63,554	361,316	755,362
Book value of additions through control obtained in subsidiary on 31 December 2007	1,965,842	500,451	12,195	90,066	2,568,554
Disposals / Transfers	(16,240)	(4,775)	(530)	(388,463)	(410,008)
Depreciation	(151,638)	(108,512)	(37,028)	–	(297,178)
Exchange differences	(11,267)	(1,793)	(224)	(1,092)	(14,376)
Net book amount at 31 December 2007	5,581,924	2,344,278	155,509	301,628	8,383,339
At 31 December 2007					
Cost	6,245,933	3,107,975	428,489	301,628	10,084,025
Accumulated depreciation	(664,009)	(763,697)	(272,980)	–	(1,700,686)
Net book amount at 31 December 2007	5,581,924	2,344,278	155,509	301,628	8,383,339

5 Property, Plant and Equipment and Investment Property (continued)

MAp Consolidated	MAp $'000
Investment property	
Net book amount at 1 January 2008	**45,668**
Additions	–
Disposals	–
Disposals due to loss of control	(51,544)
Depreciation	–
Exchange differences	5,876
Net book amount at 31 December 2008	–
At 31 December 2008	
Cost	–
Accumulated depreciation	–
Net book amount at 31 December 2008	–
Net book amount at 1 January 2007	45,850
Additions	–
Disposals	–
Depreciation	–
Exchange differences	(182)
Net book amount at 31 December 2007	45,668
At 31 December 2007	
Cost	45,668
Accumulated depreciation	–
Net book amount at 31 December 2007	45,668

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

6 Intangible Assets

On 5 November 2008, MAp lost control of Copenhagen Airports and Brussels Airport. AASB127: *Consolidated and Separate Financial Statements* requires the assets and liabilities of a subsidiary to be derecognised from the date control ceased. Accordingly, the intangibles of Copenhagen Airports and Brussels Airport were deconsolidated from the date MAp lost control.

MAp Consolidated	Technical Service Agreements $'000	Concession and Customer Contracts $'000	Computer Software $'000	Airport Operator Licence $'000	Leasehold Land* $'000	Goodwill $'000	Total $'000
Net book amount at 1 January 2008	**58,498**	**1,398,381**	**32,016**	**5,545,775**	**2,015,564**	**1,837,954**	**10,888,188**
Additions	–	–	14,593	–	–	–	14,593
Disposals	–	–	(6,208)	–	–	–	(6,208)
Disposals due to loss of control	(66,005)	(1,268,436)	(37,662)	–	–	(1,333,216)	(2,705,319)
Amortisation charge for the year	(17)	(111,540)	(6,947)	(59,905)	(22,450)	–	(200,859)
Exchange differences	7,524	104,297	4,208	–	–	164,983	281,012
Net book amount at 31 December 2008	**–**	**122,702**	**–**	**5,485,870**	**1,993,114**	**669,721**	**8,271,407**
At 31 December 2008							
Cost	–	169,813	–	5,705,216	2,116,073	669,721	8,660,823
Accumulated amortisation	–	(47,111)	–	(219,346)	(122,959)	–	(389,416)
Net book amount at 31 December 2008	**–**	**122,702**	**–**	**5,485,870**	**1,993,114**	**669,721**	**8,271,407**
Net book amount at 1 January 2007	66,815	1,157,573	12,609	5,607,737	2,038,000	693,531	9,576,265
Additions	–	–	47,205	–	–	–	47,205
Book value of additions through control obtained in subsidiary on 31 December 2007	–	368,229	–	–	–	1,144,577	1,512,806
Disposals	–	–	(23,111)	–	–	–	(23,111)
Amortisation charge for the year	(7,909)	(121,728)	(5,105)	(61,962)	(22,436)	–	(219,140)
Exchange differences	(408)	(5,693)	418	–	–	(154)	(5,837)
Net book amount at 31 December 2007	58,498	1,398,381	32,016	5,545,775	2,015,564	1,837,954	10,888,188
At 31 December 2007							
Cost	74,867	1,624,630	61,828	5,705,216	2,116,073	1,837,954	11,420,568
Accumulated amortisation	(16,369)	(226,249)	(29,812)	(159,441)	(100,509)	–	(532,380)
Net book amount at 31 December 2007	58,498	1,398,381	32,016	5,545,775	2,015,564	1,837,954	10,888,188

* Leasehold land represents the right to use the land in relation to Sydney Airport.

6 Intangible Assets (continued)

Impairment test for goodwill

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

MAp Consolidated	31 Dec 2008 $'000	31 Dec 2007 $'000
Sydney Airport	**669,721**	669,721
Brussels Airport	**–**	1,144,577
Copenhagen Airports	**–**	23,656
Total Goodwill	**669,721**	1,837,954

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

Key assumption used for fair value less cost to sell calculation

The key assumption used in the calculation to determine the fair value less cost to sell is the discount rate used in the discounted cash flow model. For Sydney Airport the discount rate used is 15.1%.

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

Investment valuation sensitivity to an increase in the risk premium of 1% or a decrease in revenue forecasts of 1% would not result in an impairment of goodwill.

7 Earnings per Stapled Security

	Consolidated 31 Dec 2008 $'000	Consolidated 31 Dec 2007 $'000
Basic earnings per stapled security	**120.50c**	64.51c
Diluted earnings per stapled security	**99.37c**	59.95c
Basic earnings per stapled security		
Profit from continuing operations after income tax expense	**$2,239,561,564**	$1,530,655,142
Minority interest	**($169,110,122)**	($424,479,360)
Earnings used in calculation of basic earnings per stapled security	**$2,070,451,442**	$1,106,175,782
Diluted earnings per stapled security		
Earnings used in calculation of basic earnings per stapled security	**$2,070,451,442**	$1,106,175,782
Interest expense savings on loans from MAREST	**$59,394,300**	$63,986,830
Interest income reduction on investment in TDT	**($4,562,906)**	–
Earnings used in calculation of diluted earnings per stapled security	**$2,125,282,836**	$1,170,162,612
Weighted average number of securities on issue		
Weighted average number of ordinary securities used in calculation of basic earnings per stapled security	**1,718,254,532**	1,714,769,828
Conversion of TICkETS	**420,489,778**	237,210,218
Weighted average number of ordinary securities used in calculation of diluted earnings per stapled security	**2,138,744,310**	1,951,980,046

8 Segment Reporting

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

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

MAp	Bermuda $'000	UK and Europe $'000	Australia $'000	Other $'000	Total $'000
Consolidated Geographical segments 31 December 2008					
Segment revenue from continuing operations	56,511	1,000,801	1,091,176	–	2,148,488
Segment other income	–	2,865,583	2,810	–	2,868,393
Total revenue and other income from continuing operations					5,016,881
Segment profit/(loss) from continuing operations before tax	35,864	2,429,228	57,542	(283,035)	2,239,599
Unallocated expenses					(4,775)
Profit from continuing operations before income tax					2,234,824
Segment assets	**539,572**	**2,847,286**	**13,646,320**	**500,310**	**17,533,488**
Total assets					17,533,488
Segment liabilities	(117,420)	(143,984)	(10,719,247)	(425)	(10,981,076)
Total liabilities					(10,981,076)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	–	–	618,494	–	618,494
Depreciation and amortisation expense	–	330,424	265,490	–	595,914
Doubtful debts related to trade receivables	–	–	(406)	–	(406)
Other non-cash expenses	–	–	–	–	–

8 Segment Reporting (continued)

MAp	Bermuda $'000	UK and Europe $'000	Australia $'000	Other $'000	Total $'000
Consolidated Geographical segments 31 December 2007					
Segment revenue from continuing operations	39,080	669,621	824,920	–	1,533,621
Segment other income	119	1,865,893	(2,836)	37,221	1,900,397
Total revenue and other income from continuing operations					3,434,018
Segment profit from continuing operations before tax	(395,471)	1,422,204	383,603	(44,118)	1,366,218
Unallocated expenses					(5,670)
Profit from continuing operations before income tax					1,360,548
Segment assets	1,415,727	10,855,817	11,192,514	725,293	24,189,351
Total assets					24,189,351
Segment liabilities	(104,442)	(6,492,147)	(10,542,560)	–	(17,139,149)
Total liabilities					(17,139,149)
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	–	2,484,303	–	–	2,484,303
Depreciation and amortisation expense	–	77,831	436,845	–	514,676
Doubtful debts related to trade receivables	–	(1,549)	(5)	–	(1,554)
Other non-cash expenses	–	–	–	–	–

8 Segment Reporting (continued)

MAp	Airports $'000	Unallocated $'000	Total $'000
Consolidated Business segments 31 December 2008			
Segment revenue from continuing operations	2,002,091	146,397	2,148,488
Segment other income	2,868,393	–	2,868,393
Total revenue and other income from continuing operations			5,016,881
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	618,494	–	618,494
Segment assets	17,001,437	532,051	17,533,488
Total assets			17,533,488
Consolidated Business segments 31 December 2007			
Segment revenue from continuing operations	1,408,680	124,941	1,553,621
Segment other income	1,896,895	3,502	1,900,397
Total revenue and other income from continuing operations			3,434,018
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	2,484,303	–	2,484,303
Segment assets	22,350,115	1,839,236	24,189,351

9 Deconsolidation of Subsidiaries due to Loss of Control

MAG Restructure

On 15 May 2008 MAG was restructured from a limited life investment fund into a holding company. MAG's only airport investment at the time of the restructure was a 50% stake in Bristol Airport. The purpose of the restructure was to remove any risk of a potential sale of the investment in Bristol Airport upon the winding up of MAG, which would have been required by 2011.

As part of the restructure MAG was renamed Bristol Airport (Bermuda) Limited ("BABL"). As a result of the restructure and the changes made to the relevant constituent documents, MAp no longer had the power to govern the financial and operating policies of BABL from 15 May 2008, and therefore did not control the entity.

The loss of control was triggered by a change in the shareholders agreement however there was no change to the shareholding and no cash was exchanged.

As per the requirements of AASB 127: *Consolidated and Separate Financial Statements*, MAp deconsolidated BABL from the date it lost control. The total loss realised on the deconsolidation of MAG was $146.7 million.

The net assets of MAG at the time of loss of control were as follows:

	MAG $'000
Current assets	
Cash and cash equivalents	131,479
Total current assets	**131,479**
Non-current assets	
Receivables	2,451
Investments in financial assets	547,520
Total non-current assets	**549,971**
Total assets	**681,450**
Current liabilities	
Payables	119,764
Current tax liabilities	21
Total current liabilities	**119,785**
Total liabilities	**119,785**
Net Assets	**561,665**

9 Deconsolidation of Subsidiaries due to Loss of Control (continued)

Partial divestment of Copenhagen Airports

On 20 August 2008, MAp announced that it had agreed to dispose 50% of its interest in Copenhagen Airports through the disposal of its interests in Macquarie Airports (Europe) S.A ("MAESA2") to Macquarie European Infrastructure Fund III. The financial close of the transaction occurred on 5 November 2008 and the total cash consideration for the partial investments was €532.8m ($1,024.7m).

As a result of the divestment, MAp no longer had the power to govern the financial and operating policies of MAESA2 from 5 November 2008, and therefore did not control Copenhagen Airports. As per the requirements of AASB 127: *Consolidated and Separate Financial Statements,* MAp deconsolidated MAESA2 from the date it lost control. The total gain realised on the deconsolidation of MAESA2 was $1,119.6 million.

MAp retains a 26.9% economic interest in Copenhagen Airports.

The net assets of MAESA2 at the time of loss of control were as follows:

	MAESA2 $'000
Current assets	
Cash and cash equivalents	110,399
Receivables	68,259
Other assets	8,699
Derivative financial instruments	7,849
Total current assets	195,206
Non-current assets	
Derivative financial instruments	22,892
Investments in financial assets	190,854
Property, plant and equipment	4,083,045
Investment property	51,544
Intangible assets	1,024,024
Total non-current assets	5,372,359
Total assets	**5,567,565**
Current liabilities	
Payables	93,728
Deferred income	14,088
Prepayments from customers	7,625
Interest bearing liabilities	4,420
Current tax liabilities	54,437
Total current liabilities	174,298
Non-current liabilities	
Derivative financial instruments	34,930
Interest bearing liabilities	2,168,384
Provisions	13,035
Deferred tax liabilities	1,003,274
Total non-current liabilities	3,219,623
Total liabilities	**3,393,921**
Net Assets	**2,173,644**

9 Deconsolidation of Subsidiaries due to Loss of Control (continued)

Partial divestment of Brussels Airport

On 20 August 2008, MAp announced that it had agreed to dispose 42.0% of its interest in Brussels Airport through the disposal of its interests Macquarie Airports (Brussels) S.A. ("MABSA") to Macquarie European Infrastructure Fund III. The financial close of the transaction occurred on 5 November 2008 and the total cash consideration for the partial investments was €408.3m ($785.5m).

As a result of the divestment, MAp no longer had the power to govern the financial and operating policies of MABSA from 5 November 2008, and therefore did not control Brussels Airport. As per the requirements of AASB 127: Consolidated and Separate Financial Statements, MAp deconsolidated MABSA from the date it lost control. The total gain realised on the deconsolidation of MABSA was $431.4 million.

MAp retains a 36.0% economic interest in Brussels Airport.

The net assets of MABSA at the time of loss of control were as follows:

	MABSA $'000
Current assets	
Cash and cash equivalents	198,907
Receivables	394,311
Other assets	8,453
Total current assets	601,671
Non-current assets	
Investments in financial assets	18,171
Property, plant and equipment	2,886,820
Intangible assets	1,681,295
Total non-current assets	4,586,286
Total assets	**5,187,957**
Current liabilities	
Payables	422,157
Deferred income	51,382
Financial liabilities	381,392
Provisions	19,079
Total current liabilities	874,010
Non-current liabilities	
Derivative financial instruments	101,043
Interest bearing liabilities	2,722,745
Provisions	44,070
Deferred tax liabilities	415,644
Total non-current liabilities	3,283,502
Total liabilities	**4,157,512**
Net Assets	**1,030,445**

10 Events Occurring after Balance Sheet Date

A final distribution of 14.00 cents (2007: 13.00 cents per stapled security) and a special distribution of nil cents per stapled security (2007: 5.00 cents per stapled security) was paid by MAT(1) on 19 February 2009.

On 13 January 2009 Southern Cross Airports Corporation Holdings Limited ("SCACH") issued additional stapled securities to existing shareholders to raise $263.0 million in new capital. On that date the early contributions previously made by the Group converted into SCACH stapled securities and a further payment of $70.7 million was made by MAp.

On 23 February 2009 MAp announced that Sydney Airport will repay term debt of $870.0 million maturing at the end of 2009, funded through an equity issue to its existing shareholders. It is expected that MAp will take up its full pro-rata share of $629.5 million funded from existing cash reserves.

To the extent that other direct and indirect shareholders will not fully participate in the equity subscription, MAp will take up its entitlement of any such shortfall.

MAp also announced that it will cease its current buyback program for up to $1.0 billion of MAp securities.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in years subsequent to the year ended 31 December 2008.

11 Full Financial Report

Further financial information can be obtained from the full financial report which is available free of charge, on request. A copy may be requested by phoning Computershare Investor Services Pty Limited on 1800 102 368.

statement by the directors of the responsible entity of the trust

In the opinion of the directors of Macquarie Airports Management Limited, the Responsible Entity of MAT(1), the consolidated concise financial report of Macquarie Airports Trust (1) (as defined in Note 1(a)) for the year ended 31 December 2008, as set out on pages 58 to 87, complies with the Accounting Standard AASB 1039: *Concise Financial Reports.*

The financial statements and specific disclosures included in the concise financial report have been derived from the financial report for the year ended 31 December 2008.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Macquarie Airports as the full financial report which, as indicated in Note 11, is available on request.

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

Max Moore-Wilton, AC

Sydney
24 February 2009

Trevor Gerber

Sydney
24 February 2009

independent auditor's report to the unitholders of macquarie airports trust (1)

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
www.pwc.com/au
Telephone +61 2 8266 0000
Facsimile +61 2 8266 9999

Report on the concise financial report

The accompanying concise financial report of Macquarie Airports Trust (1) comprises the balance sheet as at 31 December 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Macquarie Airports Trust (1) for the year ended 31 December 2008. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors of Macquarie Airports Management Limited, the Responsible Entity of Macquarie Airports Trust (1), are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Macquarie Airports Trust (1) for the year ended 31 December 2008. Our audit report on the financial report for the year was signed on 24 February 2009 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

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

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Macquarie Airports Trust (1) on 24 February 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's opinion on the financial report

In our opinion, the concise financial report of Macquarie Airports Trust (1) for the year ended 31 December 2008 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

PricewaterhouseCoopers

EA Barron
Partner

Sydney
24 February 2009

Liability limited by a scheme approved under Professional Standards Legislation.

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 2008 were:

Base fee, including non-recoverable GST	A$42.0 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% per annum of the market value of MAp at the end of each quarter up to a market value of A$500 million, 1.25% per annum 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, plus
- Borrowings at the end of each quarter, plus
- Firm commitments for future investment at the end of each quarter, less
- Cash or cash equivalents at the end of each quarter.

While MAp holds any co-investment in Bristol Airport (Bermuda) Limited (BABL) (previously called Macquarie Airports Group Limited), 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 2008 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. In 2009, the chairman receives a fee of $125,000. At the 2009 AGM security holder approval will be sought for MAML directors to be paid by the trusts as part of the new governance arrangements facilitating security holder election of MAML directors.

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.

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 only 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.

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 27 February 2009, Macquarie held a relevant interest of approximately A$606.7 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$12.7 million in MAp securities as at 27 February 2009.

stapled security holder information

at 28 February 2009

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 – 1,000	6,334	3,176,134	0.19
1,001 – 5,000	14,946	43,450,263	2.55
5,001 – 10,000	7,583	56,777,978	3.33
10,001 – 100,000	6,690	147,773,145	8.66
100,001 and over	292	1,454,947,775	85.28
Total	**35,845**	**1,706,125,295**	**100.0%**

Unmarketable parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $1.55 per stapled security	323	2,448	385,709

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

Top 20 holders of stapled securities as at 28 February 2009

Rank	Investor	Number of stapled securities	% of stapled securities
1	Macquarie LAH Pty Ltd	357,549,524	20.96
2	HSBC Custody Nominees	341,459,152	20.01
3	J P Morgan Nominees Australia Ltd	284,407,827	16.67
4	National Nominees Ltd	98,429,878	5.77
5	National Nominees Ltd	76,915,853	4.51
6	ANZ Nominees Ltd	49,767,671	2.92
7	J P Morgan Nominees Australia Ltd	45,288,968	2.65
8	Citicorp Nominees Pty Ltd	36,909,950	2.16
9	AMP Life Ltd	10,266,649	0.60
10	Argo Investments Ltd	8,734,743	0.51
11	Cogent Nominees Pty Ltd	8,207,886	0.48
12	Queensland Investment Corporation	7,373,481	0.43
13	Neweconomy Com Au Nominees Pty Ltd	7,053,795	0.41
14	Macquarie Investment Management Ltd	5,993,252	0.35
15	RBC Dexia Investor Services Australia Nominees Pty Ltd	4,919,327	0.29
16	RBC Dexia Investor Services Australia Nominees Pty Ltd	4,795,092	0.28
17	Ecapital Nominees Pty Ltd	4,600,676	0.27
18	Ms Kerrie Mather	3,258,311	0.19
19	BNP Paribas	3,103,640	0.18
20	Brispot Nominees Pty Ltd	2,981,074	0.17
Total		**1,362,016,749**	**79.81**

Details of substantial stapled security holders

Name	Number of stapled securities	% of stapled securities
Macquarie Group	379,794,566	22.09
The Capital Group	152,608,583	8.88
The AXA Group	124,076,906	7.22

director profiles

MAML directors

Max Moore-Wilton AC, BEc
Non-executive Chairman

Max was appointed in April 2006 as chairman. He is also a director of MAL and chairman of Sydney Airport and a director of Copenhagen Airports. Prior to this appointment, 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.

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:

Current

- Valad Property Group (chair) (appointed 2002)
- Everest Financial Group (chair) (appointed 2005)

Previous

- Macquarie Prologis Management Limited (until July 2007)
- Everest Babcock & Brown Alternative Investment Trust (until 2009).

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:

- Director, Country Energy (appointed 2002)
- Director, DUET Group (appointed 2004)
- Chairperson, NSW TAFE Commission (appointed 2008)
- Director, Superpartners (appointed 2009).

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 First Bermuda Group provides an advisory and execution service on worldwide offshore mutual funds to individuals and local companies based in Bermuda.

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

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

Sharon Beesley is one of the co-founders of the ISIS Group which is principally based in Bermuda. Sharon serves as CEO of ISIS Limited, Senior Counsel of ISIS Law, a director of ISIS Asia Pacific and ISIS Fund Services.

The ISIS Group was established in 1998 with ISIS Limited as a Bermuda-based specialised consultancy and corporate finance business and with the aim of the business generating revenue to assist with funding an active not for profit organisation, The ISIS Foundation, a Bermuda registered charity, which provides health and education services, and works in partnership with local community groups, in Nepal and Uganda.

Prior to establishing ISIS, Sharon spent eight years with Linklaters, based in London and Hong Kong, working primarily on banking and capital market transactions. Sharon also worked in South Africa with Denys Reitz, advising on corporate cross border transactions. In Bermuda, Sharon was head of banking at one of Bermuda's leading law firms.

Sharon is the chairman of the Investment Funds Committee for the Bermuda International Business Association, director of the Association of Bermuda International Companies and a member of the International Business Forum.

She is also a director of the following publicly listed funds:

- Director, Macquarie Equinox Limited (appointed 2001)
- Director, Martin Currie Sino-American A Share Corporation Limited (appointed 2005).

Stephen Ward LLB
Independent Director

Stephen is an independent director of MAL and chairman of the audit and risk committee. Stephen 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. Stephen 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.

Stephen 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. Stephen is also a member of the New Zealand Rugby Union Appeal Council.

Max Moore-Wilton AC, BEc
Executive Director

See previous page under MAML directors.

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 of investment banking experience, primarily in 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 adviser to HM Treasury. He joined the Macquarie Group in October 2000 when Macquarie acquired the Portland Group, the international consulting business which Martyn co-founded in 1994.

David Luboff BComm (Actuarial), BAppFin
Chief Financial Officer

David was appointed CFO of MAp on 3 February 2009. He is a division director of Macquarie Capital and has managed investments for a number of Macquarie's unlisted infrastructure funds. David joined Macquarie Group in 2000.

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

Keith joined Macquarie in 2006. He is a division director of Macquarie Capital, 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 12 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 25 years, including 16 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 14 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 nine 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 Islands 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

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

Registered office
Level 10, 135 King Street
Sydney NSW 2000
Telephone: 61 2 8232 9634
Facsimile: 61 2 8232 4713

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

Macquarie Airports Management Limited
ABN 85 075 295 760
AFSL 236875

Directors of the Responsible Entity

Max Moore-Wilton (Chairman)
Trevor Gerber
Bob Morris
Michael Lee

Chief Executive Officer of MAp

Kerrie Mather

Secretaries of the Responsible Entity

Sally Webb
Christine Williams
Dennis Leong

Directors of Macquarie Airports Limited

Jeff Conyers (Chairman)
Sharon Beesley
Stephen Ward
Max Moore-Wilton

Secretary of Macquarie Airports Limited

Anne Bennett-Smith

Head of Investor Relations

Keith Irving
Telephone: 61 2 8232 9634

Registrar

Computershare Investor Services Pty Ltd
Level 2, 60 Carrington Street
Sydney NSW 2000
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 Financial Ombudsman Service 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 2008 is available on the MAp website: www.macquarie.com/map www.macquarie.com/map