



Macquarie Infrastructure Group

Aggregated Management Report For the Year Ended 30 June 2005

The aggregated management report should be read in conjunction with the full annual report of Macquarie Infrastructure Group.

Macquarie Infrastructure Group (MIG) comprises Macquarie Infrastructure Trust (I) ARSN 092 863 780 (MIT(I)), Macquarie Infrastructure Trust (II) ARSN 092 863 548 (MIT(II)) and Macquarie Infrastructure Bermuda Limited ARBN 112 684 885 (MIBL).

Macquarie Infrastructure Investment Management Limited ACN 072 609 271 (MIIML) is the responsible entity of MIT(I) and MIT(II). MIIML is a wholly owned subsidiary of Macquarie Bank Limited ACN 008 583 542.

Macquarie Investment Management (UK) Limited (MIM UK) registered number 3976881 is the manager for MIBL. MIMUK is a wholly owned subsidiary of MBL.

Investments in MIG are not deposits with or other liabilities of MBL, or any entity in the Macquarie Bank Group and are subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither MBL, nor any member of the Macquarie Bank Group, including MIIML and MIM UK, guarantees the performance of MIG, the repayment of capital or the payment of a particular rate of return on MIG stapled securities.

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 MIG, 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.

MIIML, as responsible entity of the trusts comprised by MIG and MIM UK as the manager for MIBL are entitled to fees for so acting. MBL and its related corporations (including MIIML and MIM UK) together with their officers and directors and officers and directors of MIBL may hold stapled securities in MIG from time to time.

Aggregated financial statements combine the consolidated financial statements of MIT(I), MIT(II) and MIBL (adjusted to Australian Accounting Standards), excluding the financial position and performance of the controlled entities Airport Motorway Group, Statewide Roads Limited, San Diego Expressway Limited Partnership and Midland Expressway Limited for the year ended 30 June 2005.

The accounting policies adopted in preparing this report are consistent with the full financial report except for the full application of AASB1024: Consolidated Accounts. This aggregated management report has been derived from the full financial report for the year ended 30 June 2005. The full financial report and auditor's report will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 000 982 and a copy will be forwarded to you.

The aggregated management report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of MIG as the full financial report.

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Aggregated Statement of Financial Performance

	2005	2004
	\$'000	\$'000
Revenue from ordinary activities		
Revaluation of investments		
Stapled securities in Hills Motorway Group	49,590	22,800
Stapled securities in Horizon Energy Investment Group	-	(4,069)
Stapled securities in Transurban Group	1,019	-
Shares in Statewide Roads Limited	(7,899)	1,653
Shares in Interlink Roads Pty Limited	51,053	(4,162)
Shares in Transtoll Australia Pty Limited	818	3,705
Investment in Airport Motorway Group	150,026	24,958
Investment in WestLink Construction phase Loan Notes (WestLink)	73,476	5,897
Investment in San Diego Expressway Limited Partnership (South Bay Expressway)	55,418	115,332
Shares in Skyway Concession Company Holdings LLC (Skyway)	80,300	-
Investment in Cintra Concesiones de Infraestructuras de Transporte, S.A. (Cintra)	-	106,924
Investment in 407 International Inc. (407ETR)	607,842	123,774
Investment in Midland Expressway Limited	606,209	110,405
Investment in Connect M1-A1 Limited (Connect M1-A1)	(3,109)	14,222
Investment in Lusoponte Concessionária para a Travessia do Tejo S.A. (Lusoponte)	48,239	(22,628)
Partnership interest in Warnowquerung GmbH & Co. KG (Rostock)	-	(149,068)
Foreign exchange effects of revaluations	(325,738)	170,076
	1,387,244	519,819
Income from investments		
Distribution and dividend income	89,197	114,539
Interest income	104,743	64,755
Gain on sale of Transurban Group securities	-	(18,867)
Loss on sale of Cintra	(4,908)	-
Gain on exchange of Hills Motorway Group securities	3,750	-
Gain on cancellation of Horizon Energy Investment Group securities	171	-
Gain on sale of Macquarie Yorkshirelink Limited	56,884	-
	249,837	160,427
Other revenue		
Foreign exchange gain/(loss)	51,447	(51,329)
Management and secondment fees	1,659	2,803
Fee income	50	330
Other income	-	38
	53,156	(48,158)
Total revenue from ordinary activities	1,690,237	632,088
Expenses		
Responsible Entity's and Advisor's base fees	(83,283)	(73,978)
Responsible Entity's and Advisor's performance fees	(92,521)	(6,150)
Employment costs	(2,543)	(2,996)
Borrowing costs expense	(55,987)	(41,557)
Option premium paid	(8,252)	-
Other operating expenses	(15,525)	(11,041)
Revaluation of Airport Motorway Trust (AMT) debenture	(2,991)	1,663
Total operating expenses from ordinary activities	(261,102)	(134,059)
Net result from ordinary activities before income tax expense	1,429,135	498,029
Income tax expense	(112,523)	(113,643)
Net result from ordinary activities after income tax expense attributable to security holders of MIG	1,316,612	384,386

The above Aggregated Statement of Financial Performance should be read in conjunction with the basis of preparation note

Aggregated Statement of Financial Position

	Note	2005 \$'000	2004 \$'000
Current Assets			
Cash assets		1,082,268	325,447
Receivables		90,330	105,232
Prepayments		675	1,370
Other		620	616
Total Current Assets		1,173,893	432,665
Non-Current Assets			
Investments	2	8,014,806	7,948,387
Other		32,205	4,773
Total Non-Current Assets		8,047,011	7,953,160
Total Assets		9,220,904	8,385,825
Current Liabilities			
Payables		127,861	160,561
Distribution payable		297,673	72,395
Tax liabilities		351	386
Total Current Liabilities		425,885	233,342
Non-Current Liabilities			
Interest-bearing liabilities		453,359	419,509
Payables		-	67,096
Tax liabilities		1,217,062	1,165,879
Other		31,690	3,169
Total Non-Current Liabilities		1,702,111	1,655,653
Total Liabilities		2,127,996	1,888,995
Net Assets		7,092,908	6,496,830
Equity			
MIG Security Holders' Interest			
Contributed equity		7,063,559	3,821,789
Reserves		(3,467,792)	-
Undistributed operating surplus	3	3,497,141	2,675,041
Total MIG Security Holders' Interest		7,092,908	6,496,830
Total Equity		7,092,908	6,496,830

The above Aggregated Statement of Financial Position should be read in conjunction with the basis of preparation note

Aggregated Statement of Cash Flows

	2005 \$'000	2004 \$'000
Cash flow from operating activities		
Interest received	84,060	92,759
Management and secondment fees received	1,934	4,028
Indirect taxes received	10,690	17,105
Payments to suppliers and employees (inclusive of GST)	(17,654)	(14,590)
Responsible Entity and Advisor base fees paid	(85,056)	(84,953)
Responsible Entity and Advisor performance fees paid	(2,076)	(89,011)
Distributions and dividends received	104,117	94,622
Income taxes (paid)/received	(1,362)	1,734
Fee income received	-	330
Other income received	3,012	2,013
Net cash flows from operating activities	97,665	24,037
Cash flows from investing activities		
Proceeds from sale of Transurban Group securities	-	230,365
Proceeds from repayments of interest bearing financial assets	4,239	3,128
Proceeds from sale of Cintra	1,738,834	-
Proceeds from sale of Connect M1-M4	104,040	-
Proceeds from exchange of Hills Motorway Group securities	3,750	-
Proceeds from return of capital from Lusoponte	1,636	-
Payments for purchase of investments	(653,398)	(297,812)
Net cash flows from investing activities	1,199,101	(64,319)
Cash flows from financing activities		
Proceeds from issue of Reset Convertible Notes	-	192,000
Costs of raising capital	-	(16)
Distributions paid	(1,307,194)	(143,537)
Borrowing costs paid	(2,935)	(1,177)
DRP proceeds received	805,853	30,962
Net cash flows from financing activities	(504,276)	78,232
Net increase in cash assets held	792,490	37,950
Cash assets at the beginning of the year	325,447	282,140
Exchange rate movements	(35,669)	5,357
Cash assets at the end of the year	1,082,268	325,447

The above Aggregated Statement of Cash Flows should be read in conjunction with the basis of preparation note

Notes to the Aggregated Management Report

1 Summary of Significant Accounting Policies

(a) Aggregated Accounts

The units of Macquarie Infrastructure Trust (I) (MIT(I)), the units of Macquarie Infrastructure Trust (II) (MIT(II)) and the shares of Macquarie Infrastructure Bermuda Limited (MIBL) are combined and issued as stapled securities in Macquarie Infrastructure Group (MIG). The units of the Trusts and shares of the Company cannot be traded separately and can only be traded as stapled securities. None of the entities has acquired or controls the others.

This management report has been prepared as a set of aggregated financial statements combining the consolidated financial statements of MIT(I), MIT(II) and MIBL (adjusted to Australian Accounting Standards) and excluding the financial position and performance of the controlled entities Airport Motorway Group (AMG), Statewide Roads Limited (SWR), San Diego Expressway Limited Partnership (SDELP) and Midland Expressway Limited (MEL) for the year ended 30 June 2005.

This management report should be read in conjunction with the full financial reports of MIT(I), MIT(II), MIBL and MIG.

(b) Basis of Preparation

This management 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 MIG as the full financial report. The accounting policies adopted in preparing this report are consistent with the full financial report except for the full application of AASB1024: Consolidated Accounts as noted above. As a result of the non-application of AASB1024 in relation to AMG, SWR, SDELP and MEL, the accounting policy adopted for all investments in this management report is:

Investments

Investments are revalued at each reporting date to their net market values. Changes in the net market values of investments (both positive and negative) have been recognised in investment revenue from ordinary activities as shown in the Statement of Financial Performance for the year.

Investments have been brought to account as follows:

— Interests in listed securities in companies and trusts

Listed interests in companies and trusts are brought to account at net market value, after deducting selling costs and allowing for any specific risks or circumstances such as liquidity risk, credit risk, or escrow periods. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

— Interests in unlisted securities in companies and trusts

Unlisted interests in companies and trusts are brought to account at directors' estimates of net market value determined in accordance with either a discounted cash flow analysis, option pricing model, or by reference to the current market value of substantially similar interests, as appropriate. Dividends and other distributions are recognised in the Statement of Financial Performance when receivable.

— Interest bearing financial assets

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

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

(c) Review

This report was prepared for Macquarie Infrastructure Investment Management Limited, the responsible entity of MIT(I) and MIT(II) and has been subject to review by PricewaterhouseCoopers in accordance with the basis of preparation set out above.

Aggregated Management Report

For the year ended 30 June 2005

2 Investments

	Balance at 30 June 2004 \$'000	Investments \$'000	Divestments/ Repayments \$'000	Foreign Exchange Effects \$'000	Revaluations \$'000	Balance at 30 June 2005 \$'000
Interests in listed securities in companies and trusts						
Stapled securities in Hills Motorway Group Note (i)	105,450	-	(155,040)	-	49,590	-
Stapled securities in Transurban Group Note (i)	-	155,040	-	-	1,019	156,059
	105,450	155,040	(155,040)	-	50,609	156,059
Interests in unlisted securities in companies and trusts						
Shares in Statewide Roads Limited Note (ii)	77,822	-	-	-	(7,899)	69,923
Shares in Interlink Roads Pty Limited	489,730	-	-	-	51,053	540,783
Shares in Transtoll Pty Limited Note (ii)	4,365	-	-	-	818	5,183
Stapled securities in Horizon Energy Investment Group Note (iii)	680	-	(680)	-	-	-
Investment in Airport Motorway Group Note (iv)	620,157	-	-	-	150,026	770,183
Shares in Skyway Concession Company Holdings LLC (Skyway) Note (v)	-	526,811	-	(3,912)	80,300	603,199
Investment in SR125 South	156,507	8,167	-	(11,724)	55,418	208,368
Investment in Cintra Note (vi)	2,709,809	-	(2,652,791)	(57,018)	-	-
Investment in 407ETR Note (vii)	1,043,563	917,066	-	(18,772)	607,842	2,549,699
Shares in Midland Expressway Limited Note (viii)	1,637,739	-	-	(171,405)	606,209	2,072,543
Shares in Connect M1-A1 Note (ix)	92,595	-	(85,750)	(3,736)	(3,109)	-
Shares in Lusoponte	211,030	-	(1,636)	(21,000)	48,239	236,633
Partnership interest in Rostock	-	-	-	-	-	-
	7,043,997	1,452,044	(2,740,857)	(287,567)	1,588,897	7,056,514
Interest bearing financial assets and accrued interest						
Investment in WestLink	385,867	-	-	-	73,476	459,343
Loans to Midland Expressway Limited Note (viii)	379,021	-	-	(36,131)	-	342,890
Loans to Connect M1-A1	28,051	1,257	(27,322)	(1,986)	-	-
Loans to Lusoponte	6,001	132	(6,079)	(54)	-	-
	798,940	1,389	(33,401)	(38,171)	73,476	802,233
Total investments	7,948,387	1,608,473	(2,929,298)	(325,738)	1,712,982	8,014,806

Aggregated Management Report

For the year ended 30 June 2005

Notes

(i) Hills Motorway Group and Transurban Group

On 31 January 2005, MIG entered into an agreement with Transurban Group (Transurban) in relation to the 15 million securities MIG held in Hills Motorway Group (Hills), prior to Transurban making a takeover bid for Hills.

The agreement stated if Transurban were to secure a minimum level of acceptance of its takeover bid, MIG would exchange its 15 million securities for securities in Transurban (\$155.0 million) at a rate of 1.47 securities for each Hills security held. This condition was met. Subsequently Transurban added a cash component of \$0.25 per Hills security to their takeover offer.

On 19 April 2005, MIG was issued with 22.05 million Transurban securities in exchange for its 15 million Hills securities. The cash component of \$3.8 million was received on 11 May 2005.

(ii) Statewide Roads Limited

MIG's total interest in Statewide Roads Limited includes Statewide Roads Limited's 40.5% interest in Transtoll Pty Limited.

(iii) Horizon Energy Investment Group

On 31 March 2005 a final distribution of \$0.9 million was received from Horizon Energy Investment Trust. This distribution was wholly a return of capital and the units were cancelled on the same date.

(iv) Airport Motorway Group

	2005	2004
	\$'000	\$'000
Airport Motorway Group		
Investment in Airport Motorway Group	770,183	620,157
Debentures at present value (included within receivables in the Aggregated Statement of Financial Position)	75,753	94,034
Total interest in Airport Motorway Group	845,936	714,191

(v) Skyway Concession Company Holdings LLC (Skyway)

On 28 October 2004, Skyway Concession Company LLC, a company 100% owned by Skyway Concession Company Holdings LLC, the bid vehicle for a MIG-Cintra consortium, signed the Chicago Skyway Concession and Lease Agreement for the 99 year lease of Skyway with the City of Chicago.

The City of Chicago approved the sale of Skyway to the consortium for US\$1.83 billion (\$2.3 billion).

MIG was committed to make a contribution of equity of US\$373.5 million and a contribution towards development costs of US\$23.5 million (\$526.8 million) being a 45% interest in Skyway Concession Company Holdings LLC. This amount was paid on financial close, achieved on 25 January 2005.

Skyway has been in operation since 1959 and has an established traffic and revenue history. It is a 12.5 kilometre divided elevated roadway, with a significant bridge over the Calumet River and connects the Indiana East-West Toll Road and Dan Ryan Expressway in Chicago, USA.

(vi) Cintra

The valuation of MIG's investment in Cintra at year end can be attributed as follows:

	2005	2004
	\$'000	\$'000
Shares in Cintra		
Investment in 407ETR	-	1,672,684
Investments in other roads and net assets	-	1,037,125
Total interest in Cintra	-	2,709,809

Aggregated Management Report

For the year ended 30 June 2005

Notes (cont'd)

On 25 October 2004, MIG and Grupo Ferrovial finalised and executed binding underwriting documentation for the initial public offering (IPO) of Cintra at a price of €8.24 per share. The divestment was transacted in two separate parts:

- the exchange of 11.99% (53.82 million shares) of Cintra for a 13.87% (107.49 million shares) equity interest in 407 International on 26 October 2004;
- the sale of the remaining 28.01% (125.73 million shares) through an IPO when Cintra listed on the Spanish Stock Exchanges on 27 October 2004. MIG raised net funds of €1.02 billion (\$1.74 billion) through the IPO.

MIG's interest in Cintra was held through Macquarie Infrastructure (Luxembourg) S.A. (MILSA). On 2 November 2004, MEI acquired the remaining 50% interest of MILSA from MIT(I) and MIT(II).

On 9 September 2004, MILSA established a 100% subsidiary, Macquarie Infrastructure Canada Inc. (MICI), a company incorporated in Canada, with an initial share capital of C\$2.

On 26 October 2004, MILSA sold 53.82 million shares in Cintra (11.99% interest) to MICI in exchange for C\$824,629,000 issued share capital of MICI. MICI subsequently exchanged these Cintra shares for a 13.87% (107.49 million shares) equity interest in 407 International.

On 2 November 2004, Macquarie European Infrastructure plc (MEI) acquired the remaining share capital of Macquarie Infrastructure (Toll Route) S.A. (MITRSA), the holding company for MIG's initial investment in 407 International, from MIT(I) and MIT(II).

Following the exchange for Cintra shares, the Group owns 30% of 407 International directly, representing MIG's entire investment in 407 International. The indirect ownership held through Cintra was sold down through the IPO.

(vii) 407ETR (direct and indirect)

MIG's 42.97% direct and indirect interest in 407ETR is valued as follows:

	2005	2004
	\$'000	\$'000
Direct investment in 407ETR	2,549,699	1,043,563
Indirect interest in 407ETR (via Cintra)	-	1,672,684
Total interest in 407ETR	2,549,699	2,716,247

In October 2003, a new government was elected in the Province of Ontario (Province), Canada, with an election campaign statement that it intended to "roll back" tolls on the 407ETR. In December 2003, the concession company gave notice of a one cent per kilometre (approximately 7.7%) increase in tolls effective 1 February 2004. In January 2004, the Government stated that it opposed the increase, on the basis that its consent was required prior to any toll increase, and that it intended to invoke the concession contract's dispute resolution process. The Government has also disputed the concession company's interpretation of the Province's obligations in respect of Plate Denial and the establishment of Base Year under the concession agreement. It seems likely that these disputes will continue for some time as the dispute resolution process is pursued to completion.

407ETR and MIG have legal advice in relation to interpretation of the concession contract and believe that the concession company's position on each of these issues is strong.

Following an independent Arbitrator's decision in favour of 407ETR on all issues put before him on 10 July 2004, the Province lodged an appeal. On 6 January 2005, the Ontario Superior Court of Justice ruled in favour of 407ETR and dismissed the appeal. On 13 June 2005, the Ontario Court of Appeal gave the Province leave to appeal the decision of the Ontario Superior Court of Justice.

The concession company has taken action to expedite resolution of the other matters under dispute. On 16 August 2005, an independent panel of arbitrators ruled that the conditions required to establish 2002 as the base year were achieved. The achievement of Base Year permits 407ETR to raise tolls above the toll threshold without incurring congestion payments to the province as long as traffic thresholds are met. 407ETR designated Base Year in 2002 and has operated accordingly since that time.

Aggregated Management Report

For the year ended 30 June 2005

Notes (cont'd)

MIG's valuation of 407ETR assumes that the concession company has the right to set toll levels throughout the concession without seeking the consent of the Government of Ontario. The directors of the Responsible Entity believe that this approach is appropriate, as it is consistent with their view of the contract terms, 407ETR's experience in relation to four previous toll increases since privatisation in 1999, legal advice provided to MIG and both the independent Arbitrator's decision and the decision of the Ontario Superior Court.

If the Province were to succeed in requiring that toll levels on 407ETR be reduced or that future toll increases be limited, MIG's valuation of 407ETR would be materially reduced.

(viii) Midland Expressway Limited (M6 Toll)

MIG's total interest in the M6 Toll comprises shares, a loan and a payable to Autostrade Participations SA that is disclosed within current payables on the Statement of Financial Position. Accordingly, MIG's total interest in M6 Toll is valued as follows:

	2005	2004
	\$'000	\$'000
M6 Toll		
Shares in M6 Toll	2,072,543	1,637,739
Loan to M6 Toll	342,890	379,021
Payable to Autostrade Participations SA*	-	(127,525)
Total interest in M6 Toll	2,415,433	1,889,235

* On 20 June 2005, the Group exercised its call option over the remaining 25% of Midland Expressway Limited (MEL) held by Autostrade Participations S.A (Autostrade) for a fixed price of £49,000,000. The option had previously been accounted for as exercised for deferred consideration.

MEL has the concession to develop, operate and maintain the M6 Toll in the UK. The concession runs for 53 years from 26 January 2001 and MEL has the exclusive right to set tolls for the entire concession period. Following the exercise of the option, the Group owns 100% of the equity in MEL.

(ix) Connect M1-A1 (formerly Yorkshire Link Limited)

MIG's total interest in Connect M1-A1 comprises shares, loans and two 'upstream' loans from Connect M1-A1 to MIG. The upstream loans are shown at their face value of \$66.1 million (2003: \$62.4 million) within non-current payables on the Statement of Financial Position. They have a present value of \$10.4 million (2003: \$9.7 million). Accordingly, MIG's total interest in Connect M1-A1 is valued as follows:

	2005	2004
	\$'000	\$'000
Shares in Connect M1-A1	-	92,595
Loan to Connect M1-A1	-	28,051
Loans from Connect M1-A1	-	(10,369)
Total interest in Connect M1-A1	-	110,277

On 22 December 2004, the Company completed the sale of Macquarie Yorkshire Limited (MYL) to Macquarie Infrastructure Company Trust (MIC) for a cash consideration of £44.1 million (\$107.2 million). The increase from £43.3 million as originally expected on entering into the conditional share purchase agreement on 7 June 2004, reflects an adjustment to compensate for the completion date occurring after 30 September 2004. The sale was confirmed by an independent third party to be on an arm's length basis at a value above the carrying value of the asset.

MYL was largely debt funded on sale including a £26.1 million (\$64.0 million) loan from its new parent, MIC, and loans from Connect M1-A1 Limited amounting to £25.3 million (\$62.0 million) as offset by £1.2 million (\$2.9 million) of cash. This had the effect of reducing the funds received by the Company on sale of MYL.

MYL held a 50% equity interest in Connect M1-A1 Limited which owns a 30 year concession to operate the M1-A1 Link shadow toll road. The M1-A1 Link road is a motorway link of almost thirty kilometres in length, which provides a strategic connection between the M1 and M62 motorways south of Leeds and the A1 Trunk Road south of Wetherby in the UK.

3 Undistributed Operating Surplus

	2005	2004
	\$'000	\$'000
Balance at the beginning of the period	2,675,041	2,435,289
Net result attributable to security holders of MIG	1,316,612	384,386
Transfer from contributed equity	782,409	-
Distributions paid and proposed	(1,276,921)	(144,634)
Balance at the end of the period	3,497,141	2,675,041

4 Asset Backing per Stapled Security

	2005	2004
	\$	\$
Net asset backing of each stapled security as per full consolidated financial report		
Net asset backing of each stapled security before deferred tax balances	3.81	3.96
Net asset backing of each stapled security after deferred tax balances	3.24	3.35
Net asset backing of each stapled security as per aggregated management report		
Net asset backing of each stapled security before deferred tax balances	3.84	3.97
Net asset backing of each stapled security after deferred tax balances	3.28	3.37
	2005	2004
	'000	'000
Number of stapled securities on issue	2,164,890	1,930,528

The difference in the net asset backing per stapled security between MIG as per the full financial report, and MIG as per the aggregated management report is primarily the result of income earned by MIBL on loans to MEL which eliminate on consolidation in the full financial report.