

Macquarie Infrastructure CO Trust
Form 10-Q
May 08, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2007

OR

“ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number 001-32385

MACQUARIE INFRASTRUCTURE COMPANY TRUST

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

20-6196808
(IRS Employer
Identification No.)

Commission File Number 001-32384

MACQUARIE INFRASTRUCTURE COMPANY LLC

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

43-2052503
(IRS Employer
Identification No.)

**125 West 55th Street
New York, New York 10019**

(Address of Principal Executive Offices)(Zip Code)

(212) 231-1000

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year if Changed Since Last Report):

N/A

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrants are collectively a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check one): Yes No

Large Accelerated Filer

Accelerated Filer

Non-accelerated Filer

Indicate by check mark whether the registrants are collectively a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

There were 37,562,165 shares of trust stock without par value outstanding at May 1, 2007.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

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Investments in Macquarie Infrastructure Company Trust are not deposits with or other liabilities of Macquarie Bank Limited or any of Macquarie Group company and are subject to investment risk, including possible delays in repayment and loss of income and principal invested. Neither Macquarie Bank Limited nor any other member company of the Macquarie Group guarantees the performance of Macquarie Infrastructure Company Trust or the repayment of capital from Macquarie Infrastructure Company Trust.

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****MACQUARIE INFRASTRUCTURE COMPANY TRUST****CONSOLIDATED CONDENSED BALANCE SHEETS**

As of March 31, 2007 and December 31, 2006

(\$ in thousands, except share amounts)

	March 31, 2007	December 31, 2006
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 146,404	\$ 37,388
Restricted cash	957	1,216
Accounts receivable, less allowance for doubtful accounts of \$1,447 and \$1,435, respectively	62,771	56,785
Dividends receivable	7,000	7,000
Other receivables	900	87,973
Inventories	13,634	12,793
Prepaid expenses	7,813	6,887
Deferred income taxes	2,411	2,411
Income tax receivable		2,913
Other	12,034	15,600
Total current assets	253,924	230,966
Property, equipment, land and leasehold improvements, net	526,262	522,759
Restricted cash	22,915	23,666
Equipment lease receivables	40,712	41,305
Investment in unconsolidated business	236,103	239,632
Goodwill	486,476	485,986
Intangible assets, net	519,844	526,759
Deposits and deferred costs on acquisitions	1,785	579
Deferred financing costs, net of accumulated amortization	19,472	20,875
Fair value of derivative instruments	2,093	2,252
Other	2,303	2,754
Total assets	\$ 2,111,889	\$ 2,097,533

LIABILITIES AND STOCKHOLDERS EQUITY

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Current liabilities:			
Due to manager	\$	5,422	\$ 4,284
Accounts payable		34,595	29,819
Accrued expenses		20,831	19,780
Current portion of notes payable and capital leases		7,107	4,683
Current portion of long-term debt		3,754	3,754
Distributions payable		21,410	
Fair value of derivative instruments		1,434	3,286
Other		8,390	6,533
Total current liabilities		102,943	72,139

See accompanying notes to the consolidated condensed financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

CONSOLIDATED CONDENSED BALANCE SHEETS (continued)

As of March 31, 2007 and December 31, 2006

(\$ in thousands, except share amounts)

	March 31, 2007	December 31, 2006
	(unaudited)	
Capital leases and notes payable, net of current portion	2,727	3,135
Long-term debt, net of current portion	960,867	959,906
Deferred income taxes	158,641	163,923
Fair value of derivative instruments	3,757	453
Other	26,202	25,371
 Total liabilities	 1,255,137	 1,224,927
 Minority interests	 7,888	 8,181
 Stockholders' equity:		
Trust stock, no par value; 500,000,000 authorized; 37,562,165 shares issued and outstanding at March 31, 2007 and December 31, 2006	850,338	864,233
Accumulated other comprehensive (loss) income	(1,474)	192
Accumulated earnings		
 Total stockholders' equity	 848,864	 864,425
 Total liabilities and stockholders' equity	 \$ 2,111,889	 \$ 2,097,533

See accompanying notes to the consolidated condensed financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

CONSOLIDATED CONDENSED STATEMENTS OF INCOME

For the Quarters Ended March 31, 2007 and 2006

(Unaudited)

(in thousands, except share and per share data)

	Quarter Ended	
	March 31, 2007	March 31, 2006
Revenues		
Revenue from product sales	\$ 110,648	\$ 41,992
Service revenue	57,086	42,904
Financing and equipment lease income	1,248	1,298
Total revenue	168,982	86,194
Costs and expenses		
Cost of product sales	70,484	25,269
Cost of services	23,342	21,032
Selling, general and administrative	38,978	23,950
Fees to manager	5,561	6,478
Depreciation	3,891	1,710
Amortization of intangibles	6,928	3,446
Total operating expenses	149,184	81,885
Operating income	19,798	4,309
Other income (expense)		
Dividend income		2,651
Interest income	1,459	1,702
Interest expense	(17,566)	(15,663)
Equity in earnings and amortization charges of investees	3,465	2,453
(Loss) gain on derivative instruments	(477)	13,686
Other expense, net	(916)	(178)
Net income before income taxes and minority interests	5,763	8,960
Benefit (provision) for income taxes	2,045	(1,393)
Net income before minority interests	7,808	7,567
Minority interests	(69)	6
Net income	\$ 7,877	\$ 7,561

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Basic earnings per share:	\$	0.21	\$	0.28
Weighted average number of shares of trust stock outstanding: basic		37,562,165		27,050,745
Diluted earnings per share:	\$	0.21	\$	0.28
Weighted average number of shares of trust stock outstanding: diluted		37,579,034		27,066,618
Cash dividends declared per share	\$	0.57	\$	0.50

See accompanying notes to the consolidated condensed financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

For the Quarters Ended March 31, 2007 and 2006

(Unaudited)

(\$ in thousands)

	Quarter Ended	
	March 31, 2007	March 31, 2006
Operating activities		
Net income	\$ 7,877	\$ 7,561
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	6,357	3,998
Amortization of intangible assets	6,928	3,446
Loss on disposal of equipment	1	44
Equity in earnings and amortization charges of investee	(3,465)	(2,453)
Equity distribution from investee	3,465	2,397
Amortization of finance charges	1,451	720
Noncash derivative gain, net of noncash interest expense	(1,093)	(9,453)
Performance fees to be settled in stock	957	4,134
Directors' fees to be settled in stock	113	113
Accretion of asset retirement obligation	59	55
Equipment lease receivable, net	708	436
Deferred rent	640	583
Deferred revenue	131	92
Deferred taxes	(3,020)	(1,701)
Minority interests	(69)	6
Noncash compensation	10	543
Post retirement obligations	180	29
Other noncash income	(1)	(8)
Non-operating transactions relating to foreign investments	2,465	(11)
Accrued interest expense on subordinated debt related party		249
Changes in other assets and liabilities:		
Restricted cash	259	(139)
Accounts receivable	(4,015)	(236)
Dividend receivable		(295)
Inventories	(841)	371
Prepaid expenses and other current assets	1,371	330
Accounts payable and accrued expenses	3,355	(1,276)
Income taxes payable	2,838	2,720
Due to manager	181	(225)

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Other	729	(220)
Net cash provided by operating activities	27,571	11,810
Investing activities		
Additional costs of acquisitions and dispositions	(329)	(33)
Deposits and deferred costs on future acquisitions	(136)	(111)
Proceeds from sale of investment in unconsolidated business	84,977	
Settlements of non-hedging derivative instruments	(1,631)	11
Purchases of property and equipment	(7,558)	(1,490)
Return on investment in unconsolidated business	3,535	
Proceeds received on subordinated loan		611
Net cash provided by (used in) investing activities	78,858	(1,012)

See accompanying notes to the consolidated condensed financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS (continued)

For the Quarters Ended March 31, 2007 and 2006

(Unaudited)

(\$ in thousands)

	Quarter Ended	
	March 31, 2007	March 31, 2006
Financing activities		
Proceeds from long-term debt	1,000	
Proceeds from line-credit facility	1,750	1,275
Debt financing costs	(54)	(58)
Distributions paid to minority shareholders	(224)	(63)
Payment of long-term debt	(39)	(37)
Restricted cash	751	(79)
Payment of notes and capital lease obligations	(596)	(486)
Net cash provided by financing activities	2,588	552
Effect of exchange rate changes on cash	(1)	(30)
Net change in cash and cash equivalents	109,016	11,320
Cash and cash equivalents, beginning of period	37,388	115,163
Cash and cash equivalents, end of period	\$ 146,404	\$ 126,483
 Supplemental disclosures of cash flow information:		
Noncash investing and financing activities:		
Accrued deposits and deferred costs on acquisition, and equity offering costs	\$ 1,078	\$ 3,695
Accrued purchases of property and equipment	\$ 2,393	\$ 241
Acquisition of property through capital leases	\$ 30	\$ 1,669
Taxes paid	\$ 960	\$ 290
Interest paid	\$ 16,131	\$ 10,263

See accompanying notes to the consolidated condensed financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Unaudited)**

1. Organization and Description of Business

Macquarie Infrastructure Company Trust, or the Trust, a Delaware statutory trust, was formed on April 13, 2004. Macquarie Infrastructure Company LLC, or the Company, a Delaware limited liability company, was also formed on April 13, 2004. Prior to December 21, 2004, the Trust was a wholly-owned subsidiary of Macquarie Infrastructure Management (USA) Inc., or MIMUSA. MIMUSA, the Company's Manager, is a subsidiary of the Macquarie Group of companies, which is comprised of Macquarie Bank Limited and its subsidiaries and affiliates worldwide. Macquarie Bank Limited is headquartered in Australia and is listed on the Australian Stock Exchange.

The Trust and the Company were formed to own, operate and invest in a diversified group of infrastructure businesses in the United States and other developed countries. The Company is the operating entity with a Board of Directors and other corporate governance responsibilities generally consistent with that of a Delaware corporation.

The Company owns airport services, gas production and distribution, district energy and airport parking businesses and an interest in a bulk liquid storage terminal business, through the Company's wholly-owned subsidiary, MIC Inc.

During the year ended December 31, 2006, the Company's major acquisitions were as follows:

(i)

On May 1, 2006, the Company completed its acquisition of 50% of the shares in IMTT Holdings Inc., the holding company for a bulk liquid storage terminal business operating as International-Matex Tank Terminals, or IMTT.

(ii)

On June 7, 2006, the Company acquired The Gas Company, or TGC, a Hawaii limited liability company that owns and operates the sole regulated synthetic natural gas, or SNG, production and distribution business in Hawaii, and distributes and sells liquefied petroleum gas, or LPG, through unregulated operations.

(iii)

On July 11, 2006, the Company completed the acquisition of 100% of the shares of Trajen Holdings, Inc., or Trajen. Trajen is the holding company for a group of companies, limited liability companies and limited partnerships that own and operate 23 fixed based operations or FBOs at airports in 11 states.

During the year ended December 31, 2006, the Company, through its wholly-owned Delaware limited liability companies, sold its interests in non U.S. businesses. On August 17, 2006, the Company completed the sale of all of its 16.5 million stapled securities of the Macquarie Communications Infrastructure Group (ASX:MCG). On October 2, 2006, the Company sold its 17.5% minority interest in the holding company for South East Water, or SEW, a regulated clean water utility located in the U.K. On December 29, 2006, the Company sold Macquarie Yorkshire Limited, the holding company for its 50% interest in Connect M1-A1 Holdings Limited, which is the indirect holder of the Yorkshire Link toll road concession in the U.K.

There were no acquisitions or dispositions of businesses during the quarter ended March 31, 2007.

2. Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X for interim financial information. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The preparation of consolidated financial statements in conformity with GAAP requires estimates and assumptions. Management evaluates these estimates and judgments on an ongoing basis. Actual results may differ from the estimates and assumptions used in the financial statements and notes. Operating results for the quarter ended March 31, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The consolidated balance sheet at December 31, 2006 has been derived from audited financial statements but does not include all of the information and notes required by accounting principles generally accepted in the United States for complete financial statements.

MACQUARIE INFRASTRUCTURE COMPANY TRUST

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

2. Basis of Presentation (continued)

The interim financial information contained herein should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-K, as filed with the SEC on March 1, 2007.

3. Adoption of New Accounting Pronouncement

Uncertain Tax Positions

In June 2006, the FASB issued FIN 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, Accounting for Income Taxes*. This interpretation addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood o