MACQUARIE ATLAS ROADS
ANNUAL REPORT 2010

MACQUARIE

Contents

Macquarie Atlas Roads (MQA) was created out of the reorganisation of Macquarie Infrastructure Group (MIG) into two separately listed toll road businesses, Intoll Group and MQA. MQA began trading on the Australian Securities Exchange (ASX) on a deferred settlement basis on 25 January 2010. On 2 February 2010 MQA was demerged from MIG via an in specie distribution to MIG security holders of one MQA stapled security for every five MIG stapled securities held.

About Macquarie Atlas Roads*

Position on ASX
Top 200

Securities on issue
452.3 million

Market capitalisation
A$751 million

Security holders
~27,000

Toll roads in portfolio
Six, across four countries

Total km travelled on MQA roads in 2010
24.9 billion

MQA's strategy

To deliver value for investors from its existing portfolio of toll road businesses.
Key strategies include:

- Active management of portfolio assets to deliver improved operational performance
- Efficient, disciplined capital and portfolio management
- Refinancing of project debt as suitable opportunities emerge over the medium term
- Transitioning MQA to become a consistent dividend-paying stock.

MQA's structure

MQA's structure is integral to this strategy, allowing maximum value to be derived from each individual investment:

- MQA has no corporate level debt
- Each asset is in a separate holding company structure
- All asset level debt is non-recourse to MQA or any other portfolio asset.

Core portfolio assets

Autoroutes Paris-Rhin-Rhône (APRR)

One of the largest motorway networks in Europe, and the second largest in France.

M6 Toll

A bypass to the heavily congested M6 Motorway in the West Midlands, UK.

Dulles Greenway

A major transportation artery serving northern Virginia, USA.

MQA also has investments in the Chicago Skyway (USA), Indiana Toll Road (USA) and Warnow Tunnel (Germany).

* As at 25 February 2011.

Letter from the Chairmen and the CEO

Overview

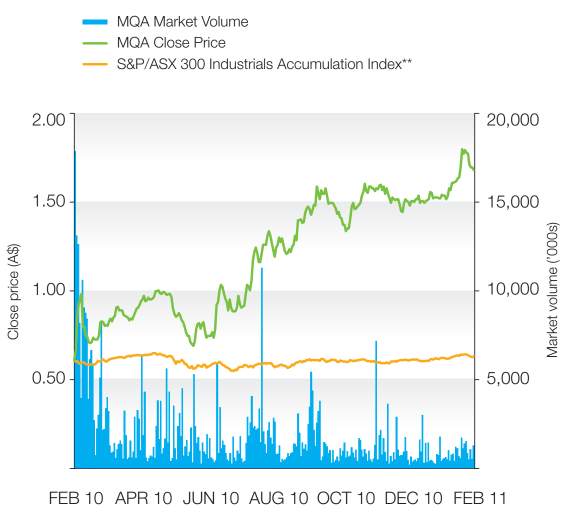
We are pleased to report to security holders that Macquarie Atlas Roads (MQA) has enjoyed a positive debut year, making solid progress against its stated objectives of improving operational performance and delivering value for investors from its portfolio of toll road assets.

While global economic conditions remained challenging for most of 2010, there has been a continued improvement in economic activity in the countries in which MQA's portfolio assets are located. This has been reflected in improved traffic volumes and revenues.

Since MQA listed on the ASX on 25 January 2010, our market capitalisation has grown from A$278 million to over A$750 million* through security price appreciation. As a result of its increased market capitalisation, MQA was included in the S&P/ASX 200 Index from 30 July 2010.

While the improvement in MQA's security price since listing is pleasing, we believe there is still further value in MQA to be recognised.

The harsh winter conditions in the northern hemisphere impacted traffic in both the first and fourth quarters of 2010. Nonetheless MQA's portfolio of assets delivered operational improvement over the year. Traffic, revenue and EBITDA increased by 2.1%, 4.5% and 5.4% respectively on a proportionally consolidated basis. More detail on the portfolio's operational performance is provided in the Chief Financial Officer's report on page 4.



* As at 25 February 2011.

** Benchmark rebased to the opening MQA value of A$0.615 as at 25 Jan 2010.

Acquisition of APRR minorities – a landmark transaction for MQA

In June 2010 Eiffarie, the consortium vehicle for the Autoroutes Paris-Rhin-Rhône (APRR) investment, acquired an additional 13.7% interest in APRR, bringing Eiffarie's ownership of the asset to just over 95%. The acquisition was funded entirely with equity, with MQA's contribution of €155 million sourced from existing cash reserves.

The acquisition delivered a number of benefits to Eiffarie including a de-risking of the investment through an effective reduction in its gearing level and improved financial ratios. In particular, we believe that Eiffarie is now well positioned to address the refinancing of its debt facility, which matures in February 2013. This refinancing is expected to be completed over the course of the next 12 months.

The legal process for increasing Eiffarie's ownership of APRR to 100% is still in progress and, if completed as expected, will result in MQA holding an effective 19.44% interest in APRR.

More detail about APRR is provided on pages 7 to 13 of this report.

Active, disciplined management of portfolio assets

A number of operational initiatives were successfully implemented across the portfolio during the year.

In January 2010 APRR entered into new management contracts with the French state, under which a new toll-setting mechanism for 2010 to 2013 was agreed in return for an estimated €500 million of capital expenditure. The capital expenditure will deliver important improvements to the road network over the next several years, while the new tariff structure will provide enhanced returns to APRR over the longer term.

At the M6 Toll, a toll increase combined with steady traffic growth resulted in 5.8% revenue growth for the year. Additionally, initiatives to increase the use of credit cards and fuel cards for toll payments were implemented, resulting in greater operational efficiency.

During the year the Dulles Greenway internalised operations and maintenance after terminating the previous outsourcing arrangement. This change will result in significant operational cost savings going forward, while maintaining the high level of customer service to road users. In addition, the toll increase implemented on 1 July 2010 resulted in improved revenue performance for the second half of 2010.

In line with its commitment to disciplined operational and capital management, MQA has taken necessary steps to exit from two underperforming assets in its portfolio during the year, with South Bay Expressway (SBX) filing for bankruptcy in March 2010 and Transtoll entering voluntary liquidation in December 2010. Other than continuing letters of credit totalling US$2.5 million with respect to certain SBX environmental obligations, MQA has no contingent or further funding obligations with respect to either asset.

Capital management

MQA continues to maintain a disciplined strategy in relation to capital management. MQA has no corporate level debt, and all debt secured against the assets remains non-recourse to MQA. We have a cash position of approximately A$33 million at 25 February 2011 and expect to remain operating cash flow positive over the year ahead.

APRR issued €200 million bonds under its Euro Medium Term Note program in February 2010, with a further €1,000 million issued in January 2011. The proceeds of both issues were used to retire existing debt at the asset level. The favourable rates obtained on these bonds emphasises the continued attractiveness of APRR to debt investors.

As previously foreshadowed, MQA did not declare a dividend for the 2010 financial year.

Outlook

Our key focus for the year ahead will be to progress initiatives that will maximise revenue and improve operational efficiency across MQA's portfolio of assets.

The MQA management team will be working closely with our Eiffarie co-investors to complete the Eiffarie debt refinancing over the course of the next 12 months. Successful completion of this key initiative will be an important step towards enabling MQA to commence dividend payments to security holders in due course.

On behalf of the boards and management team, we thank security holders for their ongoing support of MQA.

David Walsh
Chairman
Macquarie Atlas Roads Limited

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited

Peter Trent
Chief Executive Officer
Macquarie Atlas Roads

CFO's report

PERIOD ENDED 31 DECEMBER 2010

While global economic conditions remained challenging during 2010, MQA's portfolio of toll road assets continued to demonstrate resilience and has delivered pleasing overall growth in traffic, revenue and EBITDA.

MQA management is committed to enhancing the performance of MQA's toll road assets, with particular focus on the core assets: APRR, M6 Toll and Dulles Greenway. Our asset management teams have continued to improve operational efficiency across the portfolio during 2010.

Financial highlights – proportionate results from toll road assets

The proportionate results show the operational performance of MQA's portfolio of toll road assets. For comparability purposes the results of MQA's portfolio of road assets are presented below for the 12 months ended 31 December 2010 and 2009, albeit that MQA did not acquire the assets from MIG until 2 February 2010.

Proportionally consolidated pro forma traffic and revenue have continued to grow despite the harsh winter conditions in the northern hemisphere in both the first and fourth quarters. A strong focus on cost control has also contributed to continued EBITDA growth and improved EBITDA margin in 2010.

A snapshot of MQA's portfolio performance for 2010 and for the last five years is set out in the graphs below.

Further information, including the basis of preparation of proportionate results, is provided in the Management Information Report available on the MQA website.

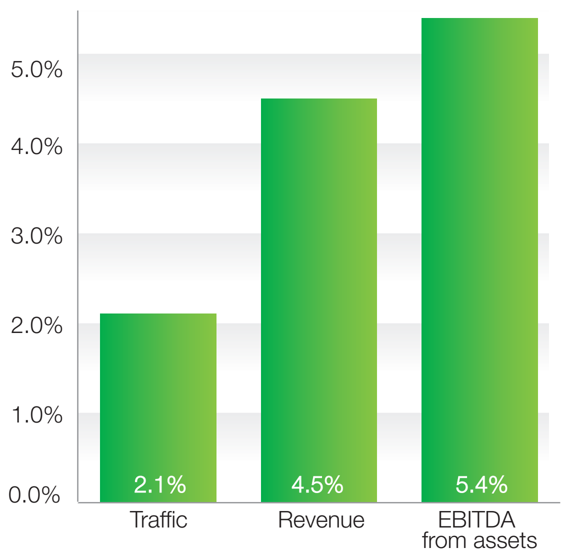
Financial highlights – statutory

The period ended 31 December 2010 was MQA's first full reporting period following its demerger from MIG. Consequently, there are no comparative balances presented for statutory reporting purposes.

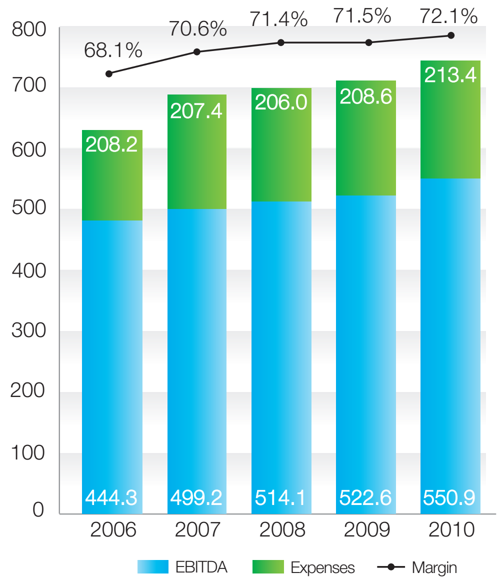
MQA owns 100% of the M6 Toll in the UK and consequently recognises the individual income, expense, asset and liability items for this toll road in its own results. For its non-controlled assets (being APRR, Dulles Greenway, Chicago Skyway, Indiana Toll Road and Warnow Tunnel) MQA records its share of the results of those assets as a single line item.

Toll road concessionaires typically report accounting losses during their early stages of development due primarily to non-cash depreciation and amortisation. On a statutory basis MQA has recorded a net loss attributable to MQA security holders of A$142.5 million for the period, reflecting losses from its controlled and non-controlled assets.

Summary 2010 pro forma asset performance vs prior corresponding period (pcp)



Pro forma proportionate EBITDA (A$m)



Consequently, as foreshadowed in the MQA prospectus (dated 18 December 2009), MQA's balance sheet shows a net liability position of A$225.3 million as at 31 December 2010. This has been driven by M6 Toll related balances: its non-recourse debt of A$1.5 billion exceeds the depreciated carrying value of its toll road related assets of A$0.8 billion.

This is an outcome on application of accounting standards and does not in itself reflect any solvency issues in MQA and it does not impact on MQA's operating performance or cash flows. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on its non-recourse debt.

A snapshot of MQA's statutory financial performance for the period ended 31 December 2010 is set out in the table below, reflecting ownership of the portfolio of toll road assets from 2 February 2010.

		Period to 31 December 2010 A$m
Statement of comprehensive income	Loss for the period	(226.9)
	Net loss attributable to MQA security holders	(142.5)

		As at 31 December 2010 A$m
Balance sheet	Total assets	1,852.0
	Total MQA security holders' interest	(225.3)

Further information on the statutory results is provided in the discussion and analysis on pages 55 and 56.

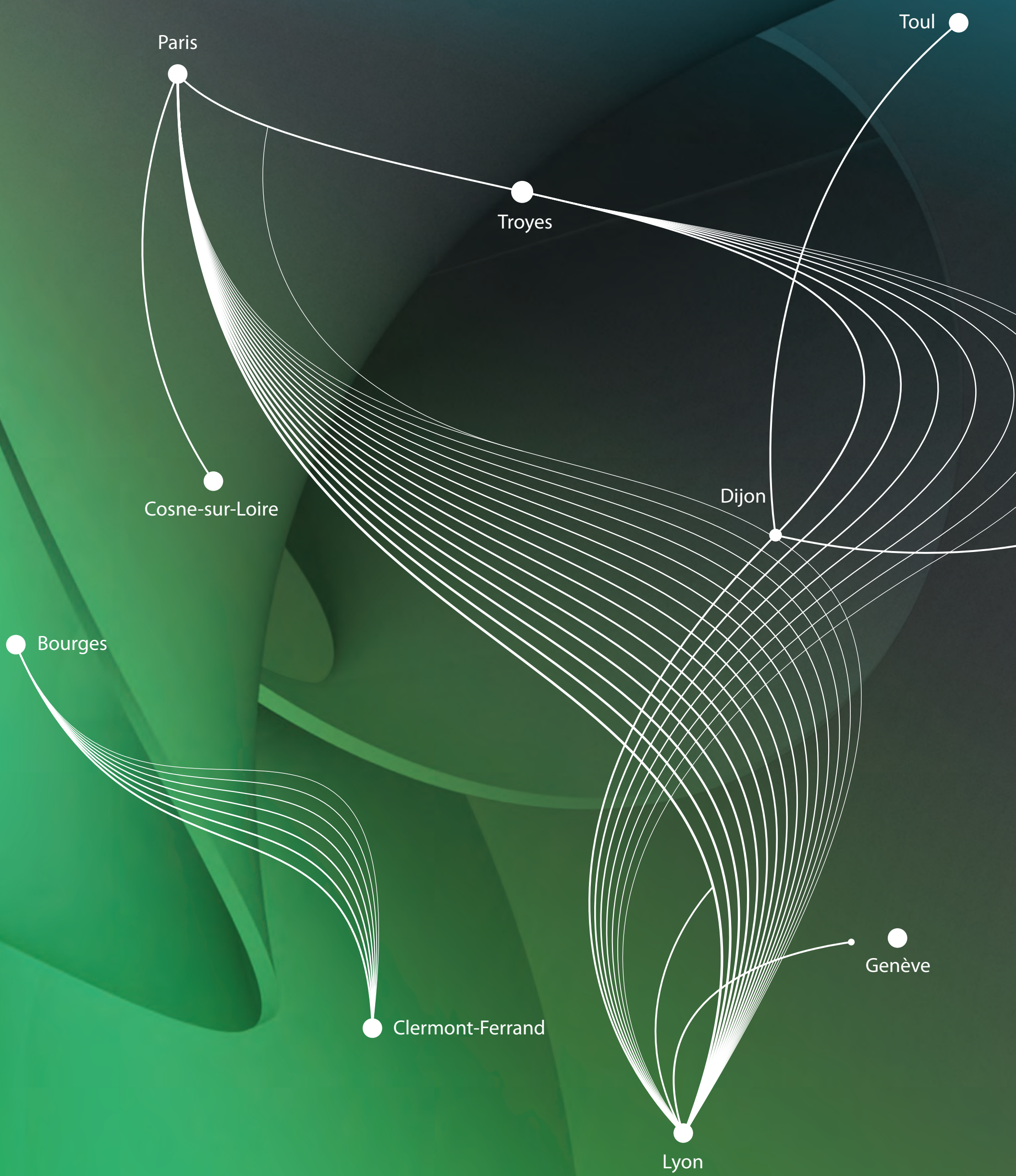
Cash flow and cash position – fund level

MQA was operating cash flow positive during the period. MQA used a substantial portion of its opening cash reserves to fund the acquisition of APRR minority interests in June 2010. A summarised fund level cash flow statement for the period is set out below.

	A$m
Opening balance – 2 February 2010	**228.1**
Cash flows received from assets	26.0
Investing and financing cash flows	(219.5)
Other operating cash flows, net of foreign exchange movements	(11.5)
Closing balance – 31 December 2010	**23.1**
Cash flows received from assets	13.8
Other operating cash flows, net of foreign exchange movements	(3.5)
Pro forma cash position – 25 February 2011	**33.4**

Current cash reserves, together with anticipated cash flows from the MQA portfolio, are expected to provide MQA with sufficient funding to meet its operating requirements. MQA has no fund level debt.

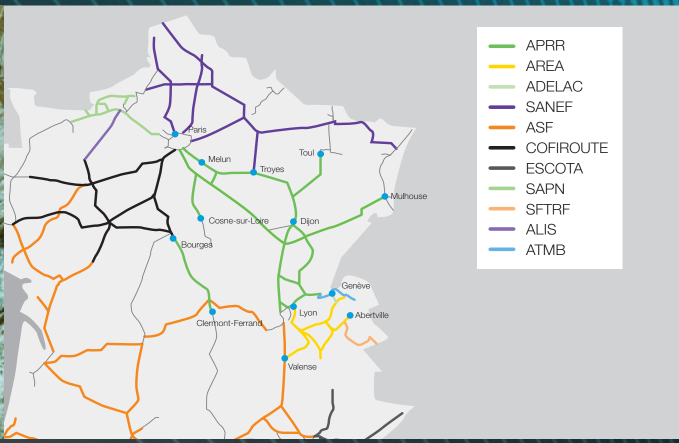
Mary Nicholson
Chief Financial Officer
Macquarie Atlas Roads


Paris
Toul
Troyes
Dijon
Cosne-sur-Loire
Bourges
Clermont-Ferrand
Genève
Lyon

Autoroutes Paris-Rhin-Rhône

FRANCE

Mulhouse



ASSET DESCRIPTION

Overview: APRR is the concessionaire of a 2,246km motorway network located in the east of France. APRR is a listed company on the Euronext and consists of four separate concessions: APRR, Autoroutes Rhône-Alpes (AREA), ADELAC and the Maurice Lemaire Tunnel. APRR is the second largest motorway network in France and the fourth largest in Europe. The concession provides for a further 36km of motorways to be constructed and opened by 2016.

Concession expiry: 31 December 2032 (APRR, AREA), 31 December 2042 (Maurice Lemaire), 31 December 2060 (ADELAC)

MQA's interest: 19.44%*

RESULTS

Revenue
4.3% increase on pcp

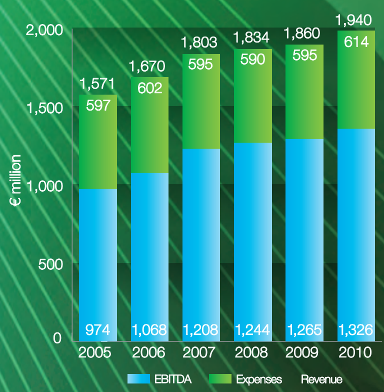
Traffic
2.6% increase on pcp

APRR – A HIGH QUALITY, RESILIENT ROAD NETWORK

- APRR is the flagship asset in MQA's portfolio, and the largest by value.
- As the map shows, the majority of the French motorway network is owned by private concession companies and is tolled, resulting in a high familiarity across the country with paying tolls.

* Estimated interest post compulsory acquisition of remaining APRR shares by Eiffarie.

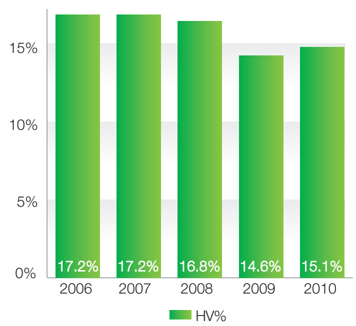
Fig 1: APRR financial performance



- Covering 2,246km across the east of France, the APRR network includes a number of highly travelled routes including the Paris-Lyon route (A5, A6 and A39), the Bourgogne-Northern Europe route (A31 and A36), the Alpine motorways in the Rhône-Alpes region (A40, A41, A42, A43, A48, A49, A51) and the motorways in central France (A77, A71 and A719).
- In 2010 more than 21 billion kilometres were travelled across the APRR network.
- APRR's financial performance has demonstrated its resilience to difficult economic conditions. Figure 1, illustrating APRR's financial performance over the past six years, shows revenue and EBITDA growth each year, including during the economic downturn of 2008–2009.
- The network has a total of 146 entry/exit points and 258 exchange points, including junctions and interchanges. The average daily distance travelled per vehicle (per one toll payment) is relatively long, 80.9 km in 2010. This diversity, combined with a wide range of road users, results in a range of effects on traffic across the network from the same factor. While a recession can lead to lower truck volumes, it may also lead to people choosing to drive within France for their holidays rather than fly overseas, a mitigating impact. Snow can reduce traffic in one part of the network while at the same time attracting skiers to the Alps, etc.
- Looking at traffic patterns in more detail, Figure 2 shows how the mix of traffic (that is, the ratio of light vehicles (eg cars) to heavy vehicles (eg trucks)) has evolved over the last five years. The proportion of heavy vehicles dropped during the economic downturn and, while

there has been some improvement in 2010, heavy vehicles continue to make up a lower percentage of traffic than they did in pre-recession 2006–2007. This suggests that heavy vehicle numbers may grow at a faster rate than light vehicles over the near term.

Fig 2: Heavy vehicles as % of total traffic



OPERATIONAL INITIATIVES

- The operational performance of any toll road involves focus at the levels of traffic (improving driver experience, maximising vehicle throughput at tolling stations), revenue (improving toll paths, increasing non-toll revenue) and operating expenditure (cost control). Through this, growth in traffic can drive higher growth in revenue, which in turn can drive even higher growth in EBITDA.
- APRR has implemented a number of initiatives in each of these areas. Examples include:
  - Continuous investment in the network, including construction of additional lanes, improvements to interchanges and upgrades to service and rest areas. This investment is important to maintain quality of driver experience as well as to improve safety and traffic flow.
  - Progress on construction projects:
    - 29 November 2010: Opening of the Seynod interchange on the A41 motorway
    - 10 February 2011: Opening of the A432 motorway (Les Echets–La Boisse).
  - Configuring toll stations to allow drive-through without stopping for tag customers. The first “télépéage sans arrêt” (TSA) entry/exit point was established in 2009. There are four TSA toll stations as at the end of 2010.



– Negotiation of terms of new management contracts with the French state, under which a new toll setting mechanism applies from 2010 to 2013 in return for an estimated €500 million of capital expenditure. As tolls rise each year using the previous year as a base, an increase in tolls in one year effectively carries through to the end of the concession.

– Increasing the number of tags in use, which keeps costs down (as the cost of processing an electronic tag transaction is less than the cost of processing a manual/cash transaction) while improving driver experience. 209,500 new Liber-t badges were sold during 2010, bringing the total number of active badges to 893,000 by the end of the year. The level of electronic toll collection, which represented 44.6% total transactions in 2010 compared to 42.5% in 2009, continues to grow rapidly. Automated transactions accounted for 77.5% of total transactions in the year ended 31 December 2010 compared with 73.1% in 2009.

– More efficient use of staff. 121 of the 145 toll plazas operated by APRR are now operated either completely or partially remotely. This centralisation of operations has resulted in a more streamlined service delivery as well as improved job satisfaction for staff. In total, APRR currently has approximately 4,000 employees.

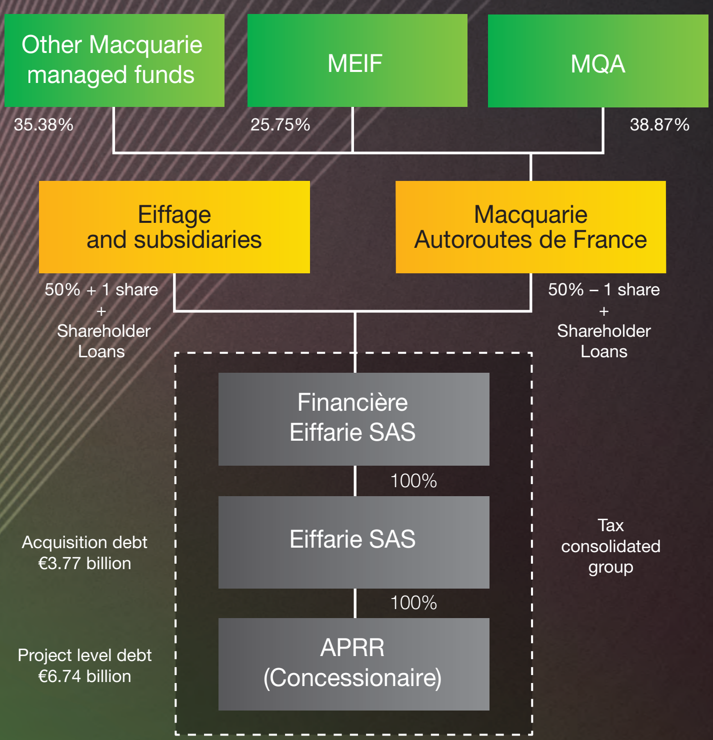
- The continued focus on cost control has held the level of operating expenses constant from 2006 to 2009, with a slight increase in 2010 mainly due to heavy snowfall at the beginning and end of the year. The EBITDA margin has improved from 64.0% in 2006 to 68.4% in 2010.

OWNERSHIP CHANGES

- On 17 June 2010 Eiffarie, the consortium vehicle through which Eiffage, MQA and other Macquarie-managed vehicles invest in APRR, reached agreement to acquire a 13.7% interest in APRR from certain minority holders, bringing the consortium's holding in APRR to just over 95%.
- The total consideration for this additional stake was €853.7 million, reflecting a price of €55 per APRR share. The transaction settled on 23 June 2010, with MQA participating to the extent of its available cash of €155 million.
- In accordance with French law, Eiffarie proceeded to make a compulsory offer for the remaining shares. This process is currently underway and Eiffarie is anticipated to reach 100% ownership of APRR during 2011 (MQA's share will be approximately 19.44%).

- An important consequence of acquiring the additional stake is that the consortium has, with effect from 1 January 2011, formed a consolidated group with APRR for tax purposes. This simplification of taxation arrangements will allow all group income and deductions to be offset for tax purposes, thus improving net cash flows over the remaining life of the concession.
- The overall financial profile and metrics of the group have been materially improved as a result of the transaction.

Fig 3: APRR ownership structure*



* Estimated interest post compulsory acquisition of remaining APRR shares by Eiffarie.


SCANIA
124L
420

FINANCING STRUCTURE

- APRR is financed by a number of different forms of debt, which have a range of maturity dates extending out to 2027 (the majority matures by 2018), as shown in Figures 4 and 5.
- Even when credit markets have been weak, APRR has continued to raise finance as required to replace maturing debt tranches. Most recently, APRR issued €1.05 billion bonds in January 2011, which will cover maturities up to 2012. It is expected that APRR will issue further bonds during 2011.
- At the consortium level, the original €3.8 billion acquisition facility falls due in February 2013. The outstanding amount under this facility is expected to be reduced to approximately €2.7 billion through retained operating cash flows during 2011–2012. The facility will also be refinanced during the same period.

Fig 4: APRR debt split*

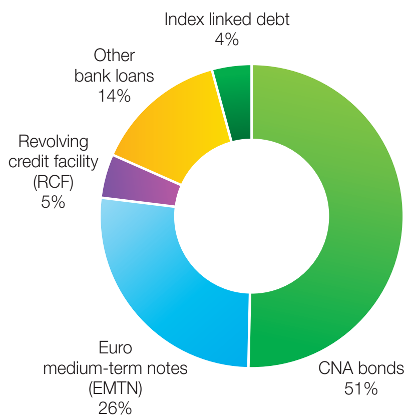
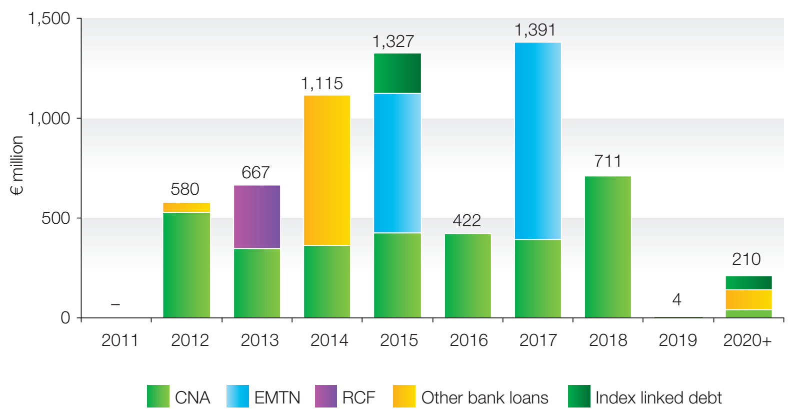
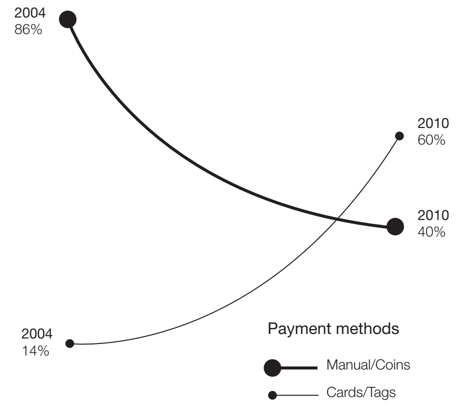


Fig 5: APRR debt maturity profile*

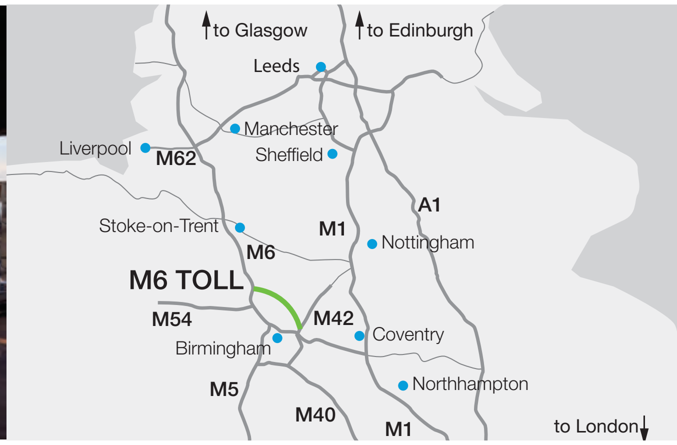


* MQA projected APRR debt maturity profile post January 2011 €1.05 billion bond issue and private placement.



M6 Toll

WEST MIDLANDS, UK



RESULTS

Revenue
5.8% increase on pcp

Traffic
3.2% increase on pcp

ASSET DESCRIPTION

Overview: 42km motorway which bypasses Birmingham and connects to the existing M6 at both ends.

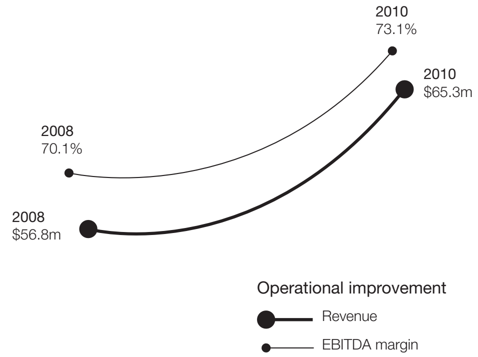
Opened: December 2003

Concession expiry: 31 January 2054

MQA's interest: 100%

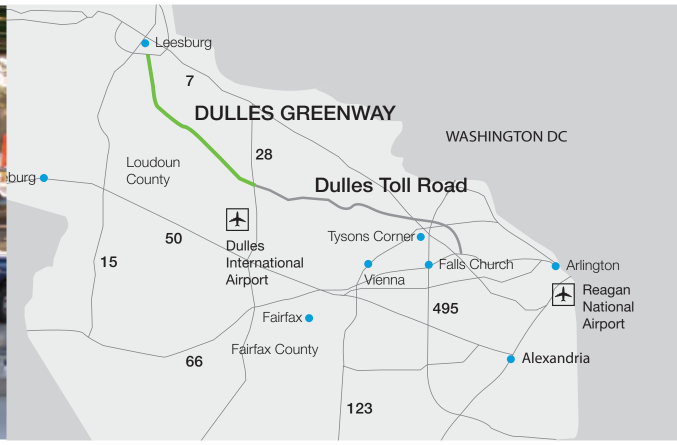
OPERATIONAL UPDATE

- During 2010 a number of initiatives were put into place to improve the already high level of service provided by the M6 Toll and to continue to attract road users, particularly heavy goods vehicles. As an example, the M6 Toll's systems were upgraded in 2010 to accept a number of fuel cards for toll payments. Card payments are faster than coins or manual payments for drivers, improving their ease of travel, and are cheaper to process by the M6 Toll. The chart at the top of the page illustrates how continued focus on driver experience and efficiency has changed payment methods at the M6 Toll since opening.
- On 1 March 2010, a new toll schedule came into effect. The headline toll rate for cars using mainline toll plazas on weekdays increased from £4.70 to £5.00. There was no change in toll rates during nights and weekends or on ramp plazas.
- The first land fund rental payment of £10.2 million was paid to the UK government in October 2010. The land fund is made up of costs incurred by the government to acquire the land on which the road is built, and must be repaid over the life of the concession.



Dulles Greenway

NORTHERN VIRGINIA, US



ASSET DESCRIPTION

Overview: 22km toll road in Loudoun County, northern Virginia, part of road corridor connecting Leesburg and other suburban communities with Washington DC.

Opened: September 1995, MIG invested in September 2005

Concession expiry: 15 February 2056

MQA's interest: 50%*

RESULTS

Revenue
1.8% increase on pcp

Traffic
3.5% decrease on pcp

OPERATIONAL UPDATE

- Over the full year, revenue was 1.8% higher than 2009. This includes the impact of unusually harsh winter weather (50 inches of accumulated snowfall) in the first quarter of 2010.
- In May 2010, the Dulles Greenway concessionaire began self-performing operations and maintenance on the road. The transition has already started to yield significant operational efficiencies for the Greenway while still maintaining the same level of customer service.
- A scheduled toll increase was implemented on 1 July 2010. The new schedule incorporates toll increases at the mainline toll plaza of approximately 13% for peak period traffic travelling in the peak direction and approximately 9% for traffic travelling in the off-peak direction and during off-peak times. Maximum tolls for two-axle vehicles are now US$4.50 for two-axle vehicles travelling during peak periods in the peak direction and US$3.70 for two axle vehicles travelling in the off-peak direction and during off-peak periods.

* Estimated economic interest.

Chicago Skyway

CHICAGO, US

ASSET DESCRIPTION

Overview: 12.5km majority elevated toll road in Chicago, Illinois, connecting the Dan Ryan Expressway to the Indiana Toll Road and providing an important link to downtown Chicago and surrounding communities.

Opened: 1959 and leased to the private sector in January 2005

Concession expiry: 24 January 2104

MQA's interest: 22.5%

RESULTS

Revenue
6.5% decrease on pcp

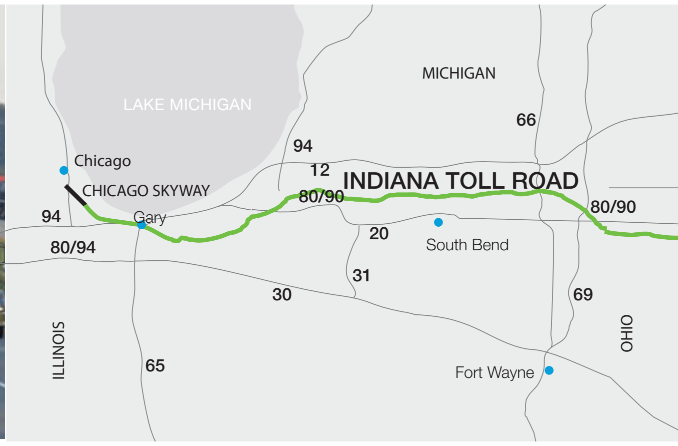
Traffic
4.9% decrease on pcp

OPERATIONAL UPDATE

- Skyway traffic volumes continue to be negatively impacted by ongoing construction works on the Indiana Toll Road barrier system, the closure of the Cline Avenue Bridge on State Road 912, and the completion of construction on the major competing route. Construction roadworks on the Indiana Toll Road barrier system are expected to be completed during 2011.
- A scheduled toll increase took place on 1 January 2011, the first since 1 January 2008. Car tolls have increased from US$3.00 to US$3.50.
- Skyway obtained ISO 9001 certification in 2010. This certification recognises Skyway's quality management processes, as well as compliance with the Concession Lease Agreement and other regulatory obligations.

Indiana Toll Road

INDIANA, US



ASSET DESCRIPTION

Overview: 253km limited access, divided toll road spanning northern Indiana, connecting to Chicago Skyway in the west and Ohio Turnpike in the east. The westernmost 37km operates on a barrier tolling system and acts primarily as a commuter link to Chicago and the surrounding area. The eastern 216km section operates on a ticket tolling system and is primarily an interurban road.

Opened: 1956 and leased to the private sector in June 2006

Concession expiry: 29 June 2081

MQA's interest: 25%

OPERATIONAL UPDATE

- Ticket system trips for the year were up 2.7% compared with 2009 as nationwide traffic and freight volumes continue to recover. Barrier system trips were down 6.7% for the year, due both to the negative impact of mandatory construction projects along the ITR as well as reduced construction activity on competing routes, which gave a boost to ITR traffic in 2009.
- A scheduled toll increase was implemented on 1 July 2010. The new schedule increased tolls by approximately 10% for a full-length equivalent trip. Cash tolls for a through trip for a light vehicle increased from US$8.00 to US$8.80 and tolls for a 5-axle vehicle increased from US$32.00 to US$35.20.
- All environmental permits have been obtained for the mandatory expansion projects that form part of the ITR concession agreement. ITR will continue working towards completion of these projects in 2011.

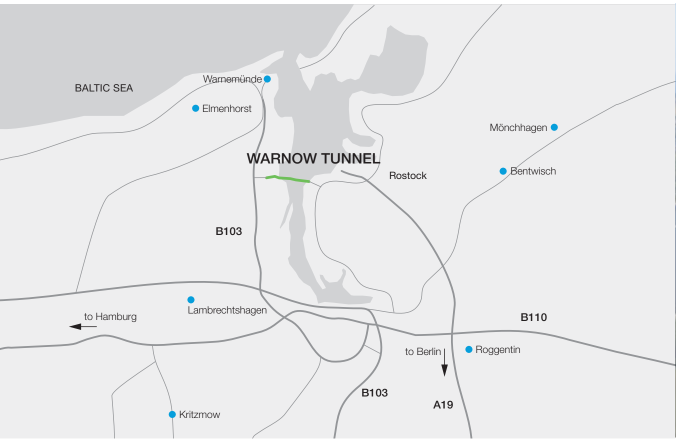
RESULTS

Revenue
9.4% increase on pcp

Traffic
0.1% decrease on pcp

Warnow Tunnel

ROSTOCK, GERMANY



ASSET DESCRIPTION

Overview: 2km toll road and tunnel under the Warnow River in the northern German city of Rostock.

Opened: September 2003

Concession expiry: 15 September 2053

MQA's interest: 70%

RESULTS

Revenue
12.6% increase on pcp

Traffic
8.8% increase on pcp

OPERATIONAL UPDATE

- New winter season toll prices were implemented from 1 November 2010, with car tolls increasing 8.7% to €2.50 (cash) and €2.13 (tag). Summer season tolls will be announced in May 2011.
- Warnow Tunnel was one of the top scorers in the European Tunnel Assessment Programme (EuroTAP), which assessed the safety of 13 different European tunnels.

Environmental and social responsibility (ESR) management

Macquarie Group (Macquarie) manages a range of investment vehicles within the Macquarie Infrastructure and Real Assets division. MQA is one of these investment 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
- A robust framework of policies including those relevant to environmental, social and governance (ESG) responsibilities.

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

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

MQA's environmental, social and governance policies

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

MQA has adopted a policy to manage these risks that is consistent with Macquarie's policies and reflects the risk specifically associated with management of and investment in infrastructure assets. This policy forms part of MQA's overarching risk management framework in accordance with Principle 7 of its corporate governance statement. (See MQA's website for details.)

The framework is applied throughout MQA'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 this section we provide details of MQA's environmental and social responsibilities and initiatives undertaken during 2010. MQA's governance responsibilities and policies are covered in pages 25 to 45.

In addition to MQA'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.

Environmental and social responsibility (ESR) management
CONTINUED

ESR-related regulatory requirements

MQA is not aware of any material breaches of relevant ESR-related regulatory standards by its assets during the period ended 31 December 2010.

Environmental initiatives at MQA assets during 2010

Autoroutes Paris-Rhin-Rhône

The main focus of APRR's environmental policy is to protect surrounding water resources and reduce the impact of various forms of pollution, including noise, visual and vehicle emissions.

Environmental factors are addressed as early as possible in the design phase of new motorways with much consultation surrounding location and special environmental measures designed to protect water, flora and fauna, and to limit noise pollution.

For new motorways, more than 10% of investment is spent on landscaping and environmental integration, including the construction of environmental-protection systems such as retention basins and noise barriers. Wildlife is also protected, with the addition of large-fauna passages and the re-creation of biological corridors.

Other environmental projects include:

- The construction of a new solar power-producing roof on a toll gate
- The improvement of wildlife crossings on older motorways
- The use of no-stop toll gates, reducing vehicle idling time and minimising greenhouse gases emissions.

In 2009 APRR became the first motorway concession operator in France to obtain ISO 14001 environmental certification and maintained this through 2010.

M6 Toll

In 2009 M6 Toll commissioned a report on carbon emissions from Staffordshire University and the Carbon Trust.

Based on the report's recommendations, the company is now working alongside DCT Renewable Energy Projects Ltd to assess the suitability of alternative and renewable energy sources. A number of options are being considered, including solar, wind, hydro and ground heat source. DCT will produce a feasibility report outlining possible projects and initiatives. The work has been welcomed by the Highways Agency.

The company has maintained accreditation for its ISO 14001 Environmental Management System, first achieved in 2006. In the past year several landscaping initiatives have been introduced, including wildflower areas and sensitive management of balance pond areas. The balance ponds are now very well established and offer an excellent habitat for wildlife. Further, due to the rural nature of the road, specialist surveys have been completed and boundary fencing improvements made in areas where otter or badger activity is evident.

Drainage stone replacement has recently been carried out by in-house works teams. The contaminated material that has been removed will be cleaned and recycled by a specialist contractor. All waste sources are continually monitored and controlled and wherever possible recycling is encouraged.

Dulles Greenway

Dulles Greenway has continued to support the Loudoun Wildlife Conservancy by donating a portion of funds received from its annual Drive for Charity. In 2010 one of the initiatives made possible by the Greenway's support was the establishment of a rain garden at Freedom Park in the town of Leesburg. A rain garden is a landscaped area that captures and filters pollutants from stormwater that runs off impervious surfaces such as parking lots and rooftops. The plants in the garden also slow the flow of stormwater, lessening its potential to create sediment and cause erosion.

Indiana Toll Road

ITR Concession Company (ITRCC) has undertaken many initiatives aimed at improving energy efficiency and minimising the environmental footprint of tolling operations. One of the primary initiatives being pursued is the reduction of vehicle idling and, as a result, vehicle emissions. A two-pronged approach has been taken:

- Renovations have been undertaken at many of ITR's plazas to add additional lanes and booths for more efficient processing of traffic
- The introduction and encouragement of Electronic Toll Collection (ETC). ITR issues i-Zoom transponders that allow users to pay tolls without the need to stop at toll booths. It is faster and easier for toll road users while at the same time easing traffic congestion. Introduced in 2008, ETC now accounts for over 60% of total transactions.

2010 was also the first year ITRCC employees actively participated in Earth Hour. Earth Hour is a global sustainability movement that encourages businesses and individuals to turn off the lights for one hour, to take a stand against climate change.

Social responsibility initiatives at MQA assets during 2010

M6 Toll

2011 will be the inaugural year of the Midland Expressway Limited (MEL) Student Scholarship, which is aimed to commend and award those students who constantly reflect excellence in character, and who have demonstrated their leadership skills by making a positive contribution to the local community.

MEL is providing funding towards scholarships for students from Staffordshire schools. The Scholarships will support students as they progress from their school at the age of 18–19 to further their educational studies through an accredited degree course or equivalent in mathematics, the sciences, technology or engineering.

Dulles Greenway

This is the fifth year that Dulles Greenway has participated in an annual Drive for Charity. This is an initiative where, each year, a day's toll proceeds are collected and distributed to charitable and not-for-profit organisations that provide assistance and services to the communities in which the Dulles Greenway operates. A strong sense of goodwill has developed around the initiative, with drivers often donating more money than the normal toll, and the road's staff join in to raise money for the worthy causes.

In 2010 more than US$226,000 was donated to six local organisations through tolls and the assistance of Greenway sponsors within the local business community, bringing the total amount raised through the event during the last five years to over US$1,000,000.

Drive for Charity is built around three-year funding associations with selected organisations. This ongoing relationship ensures stability of cash flows for these organisations and allows them to plan multi-year projects. The parties that have benefitted from the event in 2009 and 2010 will again receive contributions in 2011. These organisations are:

- The March of Dimes, whose mission is to improve the health of babies by preventing birth defects
- Every Citizen Has Opportunities (ECHOworks), which offers comprehensive, individualised employment, vocational training and community integration opportunities for persons with disabilities in the northern Virginia area
- Loudoun Abused Women's Shelter, which provides emergency accommodation, food and emotional support to women and their children escaping domestic violence and abuse
- Fresh Air/Full Care, which provides funding for summer camps for at-risk youth
- Loudoun Wildlife Conservancy, which promotes the preservation and proliferation of healthy wildlife habitats
- Dulles Greenway Scholarship Program, which provides 13 US$1,000 scholarships to local students.

About 63,000 drivers paid tolls during the event. This is the second year in a row the Drive for Charity event has been the highest traffic day on the Dulles Greenway.

Environmental and social responsibility (ESR) management

CONTINUED

Indiana Toll Road

ITR is active in supporting numerous causes, including children's sports teams, underprivileged youth, local Boys & Girls Clubs and more.

In 2010 ITRCC donated funds to the local South Bend Schools in order to help provide school uniforms to families in need. Further contributions were also made to local organisations such as:

- The Diabetes Resource Center
- Boys & Girls Club Emerge Literacy Project
- The Economic Development Corp. of Elkhart County
- IN*SOURCE, a service provided to families of children with disabilities.

A food drive was also held in which employees were encouraged to donate non-perishable food items over a period of three weeks. The final result was almost 350 pounds of food donations that went to the Food Bank of Northern Indiana and assisted needy families in the communities along the ITR corridor.

Chicago Skyway

In 2010 Skyway Concession Co. (SCC) contributed over US$10,000 to supporting numerous causes in the Chicago area, particularly underprivileged youth.

SCC donated US$10,000 to After School Matters, a non-profit organisation for teens to become paid apprentices or club members in arts, sports, technology, and communications programs.

Additionally, over the holidays SCC 'adopted' an underprivileged family in the city through The Children's Place, a local organisation serving vulnerable children and their families in the Chicago area who are infected with or affected by the HIV/AIDS epidemic. The family of three was gifted items from their 'wishlist' as well as a gift card for Jewel-Osco.

Warnow Tunnel

Warnow Tunnel has actively supported many projects and social organisations in the community, helping not only the less fortunate but students and senior citizens as well.

For the seventh consecutive year Warnow has sponsored Rostock Food for People, an organisation that collects food nearing its expiry date and then distributes it among the disadvantaged people in the region.

The key focus though remains supporting the youth of Rostock. In 2010 Warnow not only sponsored many talented young athletes but also provided choir robes to the Rostock Singer Academy and donated various prizes to a national student competition.

Warnow's support, however, goes beyond that of financial assistance. During the year Warnow helped organise and run the Rostock Marathon Night and was represented in various committees and working groups aimed at strengthening the cultural and economic underpinnings of the region.

Corporate governance statement

Legal framework and management arrangements

Macquarie Atlas Roads (MQA) is a dual stapled vehicle externally managed by Macquarie Group Limited (Macquarie). It was established in early February 2010 as a result of a security holder approved restructure of Macquarie Infrastructure Group (MIG).

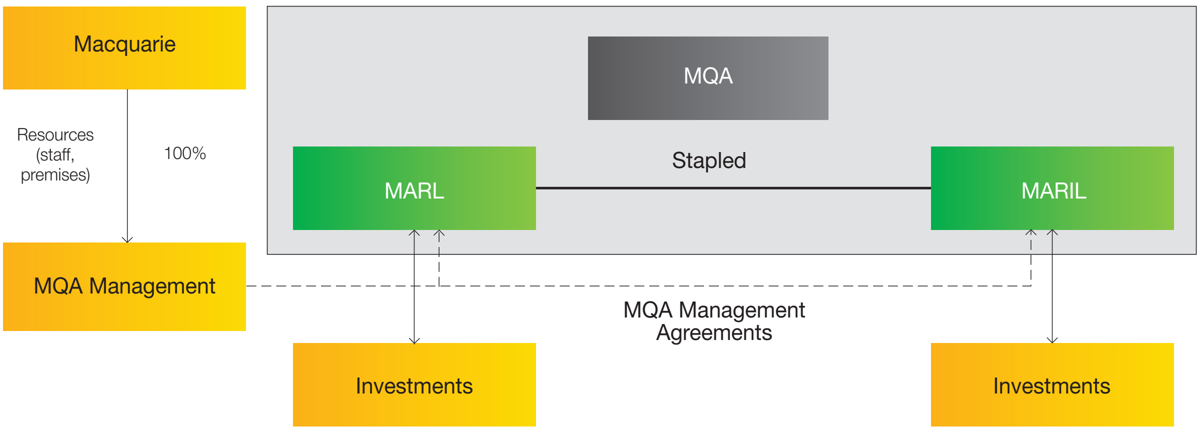
The restructure was undertaken by way of reorganising the assets within the MIG portfolio so that two new MIG controlled entities, Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL), an Australian public company and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL), an exempted mutual fund company incorporated in Bermuda, between them owned all MIG assets apart from MIG's stakes in Westlink M7 and the 407 ETR.

An 'in specie' distribution of the shares in MARL and MARIL was made to existing MIG investors and the two companies were listed as a stapled structure on the Australian Securities Exchange (ASX). The securities of MARL and MARIL are stapled and must trade and otherwise be dealt with together.

Management and advisory agreements with Macquarie Fund Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 318 123) (the MQA Manager) were entered into respectively by MARL and MARIL (MQA Management Agreements) at the time of the 'in specie' distribution.

MARL and MARIL have also entered into a cooperation deed which provides for sharing of information, adoption of consistent accounting policies and coordination of reporting to security holders (MQA Cooperation Deed).

Macquarie Atlas Roads Structure



Entity	Type of entity	Asset (various % holdings)	Source of income
MARL	Australian public company	Chicago Skyway Indiana Toll Road Dulles Greenway*	MARL derives its income primarily from returns from its investments in the MQA portfolio
MARIL	Bermudan exempted mutual fund company	M6 Toll APRR Dulles Greenway** Warnow Tunnel	MARIL derives its income primarily from returns from its investments in the MQA portfolio

* Holds a 6.7% shareholding.
** Holds subordinated loans.

Corporate governance statement
CONTINUED

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, 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.

In the case of MQA, the primary focus currently is to deliver growth in the value of the existing MQA assets. Priorities include active management of project operations to improve earnings, efficient capital management and the refinancing of project debt as suitable opportunities emerge over the medium term.

MARL and MARIL have no employed staff at the stapled company level. The management and advisory agreements respectively entered into with the MQA Manager are non-discretionary and substantially similar in their terms. They require the MQA Manager to assist with the general administration of the companies, to provide active management of the MQA assets and to make investment and divestment recommendations.

Key decision making is reserved to the MQA Boards. The MQA Boards have no obligation to act on the recommendations of the MQA Manager and can appoint other advisers if they wish.

The MQA Manager has sub-advisory agreements with appropriately licensed or registered Macquarie Group companies in various non-Australian jurisdictions to assist with its management and advisory functions at no additional cost to MQA. All staff are supplied to these Macquarie management and advisory entities via resourcing arrangements with the Macquarie employing entity in the relevant jurisdiction.

The following is a high level summary of the MQA management arrangements, addressing the disclosure recommended in ASX Guidance Note 26. We recommend that you also read the Advisory Deed and the constituent documents on the MQA website. References to 'Macquarie' throughout this statement are references to Macquarie Group Limited and its affiliates.

Parties	MARL and MQA Manager to the MARL Management Agreement. MARIL and MQA Manager to the MARIL Advisory Agreement.	
Investment mandate	The investment policy is to invest in infrastructure assets in OECD and OECD equivalent countries; and non-infrastructure assets where ancillary to a major infrastructure investment or acquisitions but with focus on toll road investments, both greenfield and mature. The investment policy may be varied from time to time on reasonable notice to MQA security holders.	MQA Management Agreements clause 3.3
Services	Subject to the instruction and supervision of the relevant MQA Board, the MQA Manager is responsible to MARL and MARIL for: • Advice on any proposed investment or divestment • If the MARL Board and MARIL Board approve an investment, acquisition and management of the investment on behalf of MARL and MARIL • Provision of Macquarie executives as nominees of MARL and MARIL to act as directors of subsidiary entities that hold investments and, where appropriate, making recommendations to the MQA Boards to appoint non-Macquarie nominees to these boards • Capital management and financial management recommendations • Recommendations to the MQA Boards in respect of various matters (including but not limited to changes to the MARL Constitution and MARIL Bye-Laws, any capital reductions, appointment and dismissal of staff and consultants, and the payment of dividends and interim dividends) • General fund administration including company secretarial services subject to outsourcing company secretarial services in Bermuda to Butterfield Fulcrum Group Limited • Asset valuations • Assistance with financial reporting and budgets • Board reporting in connection with matters on which it provides advice • Assistance with litigation management • Investor communications and meetings • Provision of suitably qualified personnel to perform the CEO and CFO roles for MQA and the company secretary role for MARL.	MQA Management Agreements clause 3
Term	No fixed term or until the MQA Manager is removed or resigns.	MQA Management Agreements clause 11.1
Extension or removal	There are no extension or renewal provisions in the MARL Management Agreement and MARIL Advisory Agreement.	MQA Management Agreements clause 11
Termination	The appointment of the MQA Manager will automatically terminate on an MQA security holder vote. The resolution must be passed by at least 50% of votes cast at a meeting by MQA security holders entitled to vote to terminate the MARL Management Agreement and MARIL Advisory Agreement. The MQA Manager and its associates (including Macquarie) may vote their securities on the resolution.	MQA Management Agreements clause 11.3(b)
	The MQA Manager can also be removed for cause, being where the MQA Manager is in liquidation, ceases to carry on business, lacks the appropriate licence or authorisation, or commits a material breach which cannot be remedied.	MQA Management Agreements clause 11.3(a)
	The MQA Manager may resign by giving not less than 90 days' written notice.	MQA Management Agreements 11.2

Corporate governance statement
CONTINUED

Termination *continued*	Where the agreement terminates, all directors, executives, employees, representatives, assignees and delegates of the MQA Manager and its associates (including Macquarie) will cease to work under the agreement at the date of termination or at any other time determined by MQA.	MQA Management Agreements 11.3(c)
	Base fees and performance fees accrued to the date of termination are payable.	MQA Management Agreements 8.1(d), 8.2(b)
Fees	**Base fee** Payable quarterly. The parties agree that the MQA Manager and MARL may agree from time to time to a base fee which is less than the amount determined below. At the commencement date for the MQA Management Agreement, the MQA Manager and MARL have agreed to a base fee calculated as follows: • 2.00% per annum of the Market Value of MQA at the end of each Calendar Quarter up to A$1 billion or less, plus • 1.25% per annum of the Market Value of MQA at the end of each Calendar Quarter in excess of A$1 billion but less than or equal to A$3 billion plus • 1.00% per annum of the Market Value of MQA at the end of each Calendar Quarter in excess of A$3 billion. 'Market Value' at the end of a calendar quarter means the aggregate of the market value of the MQA securities calculated on the basis of the average number of MQA securities on issue during the last 10 trading days of the ASX in the relevant calendar quarter multiplied by the volume weighted average price (VWAP) of all MQA securities traded on the ASX over those 10 trading days. The MQA Manager and its associates (including Macquarie) may, where the non-executive directors of MARL and MARIL so determine, apply the base fee in subscription for MQA securities. The price of the MQA securities is the VWAP of the MQA securities traded on ASX during the last 10 trading days in the relevant calendar quarter.	MQA Management Agreements clause 8.1
	Performance fee A performance fee is payable at 30 June each year in the event that MQA securities outperform the Benchmark Return (based on the S&P/ASX 300 Industrials Accumulation Index) in the financial year (being the 12-month period ending on 30 June in each year) having made up for underperformance in previous years. Any underperformance deficit from prior periods must be made up before future performance fees can be earned. Performance fee = 15% of the dollar amount of outperformance and is payable in three equal annual instalments. The second and third instalments are only paid if MQA continues to outperform the index on a cumulative basis over the two- and three-year period to each respective instalment date. The performance fee to be calculated in respect of any given financial year means: • Subject to paragraph 3 below, 15% of the amount (if any) by which the Annual Return for the financial year exceeds the Benchmark Return of the financial year or • Nil if the Annual Return for the financial year does not exceed the Benchmark Return for the financial year, but • If the Annual Return in any prior financial year is less than the Benchmark Return for that financial year the deficit is to be carried forward on a cumulative basis until offset on a dollar for dollar basis against a surplus or surpluses of the Annual Return over the Benchmark Return in any succeeding financial year or financial years. The MQA Manager must allocate any deficit between MARL and MARIL based on the net assets of the companies (adjusted for the net market value of its assets).	MQA Management Agreements 8.2

Fees
continued

Annual Return means:

$$AR = A \times \frac{B - C}{C}$$

Where:

AR = the Annual Return for the financial year

A = in respect of each financial year is the average number of MQA securities on issue during the last 10 ASX trading days in the previous financial year multiplied by the VWAP of all MQA securities traded on the ASX during that 10 trading days period or in the case of the initial financial year using the 30 trading days following Listing for the calculations

B = the average of the daily closing accumulation indices for the MQA securities over the last 10 trading days of the financial year as calculated by a person reasonably approved or selected by the MQA Manager and reported by Bloomberg

C = the average of the daily closing accumulation indices for the MQA securities over the last 10 trading days of the previous financial year as calculated by a person reasonably approved or selected by the MQA Manager and reported by Bloomberg, or in the case of the initial financial year over the 30 trading days following Listing.

Benchmark Return means:

$$BR = X \times \frac{Y - Z}{Z}$$

Where:

BR = the Benchmark Return for the financial year

X = in respect of each financial year is the average number of MQA securities (as used in the determination of 'A' for the purposes of determining the Annual Return for the financial year) on issue during the last 10 ASX trading days in the previous financial year multiplied by the VWAP of all MQA securities (as used in the determination of 'A' for the purposes of determining the Annual Return for the financial year) traded on the ASX during that 10 trading days period or in the case of the initial financial year using the 30 trading days following Listing for the calculations

Y = the average of the daily closing S&P/ASX 300 Industrials Accumulation Indices over the last 10 trading days of the financial year as reported by Bloomberg

Z = the average of the daily closing S&P/ASX 300 Industrials Accumulation Indices over the last 10 trading days of the previous financial year or in the case of the initial financial year, the 30 trading days following Listing as reported by Bloomberg.

If the MQA Manager's appointment is terminated, any future second and third performance fee instalments will be crystallised and paid on termination.

The MQA Manager and its associates (including Macquarie) may, where the non-executive directors of MARL and MARIL so agree, apply the performance fee in subscription for MQA securities. The price of the MQA securities is the VWAP of the MQA securities traded on ASX during the last 10 trading days of that financial year.

The same base fee and performance fee provisions apply for the MARIL Advisory Agreement.

MQA Management Agreements 1.1

Corporate governance statement
CONTINUED

Fees *continued*	**Apportionment of fees** The MQA Manager acknowledges that in respect of the performance fees that are earned under the MQA Management Agreements for the relevant period while stapling applies, the amount calculated under each of the MQA Manager Management Agreements are representative of the aggregate fees payable to the MQA Manager in respect of MQA. Unless agreed in writing to the contrary by MARL, MARIL and the MQA Manager, the allocation of the base fee and the performance fee between MARL and MARIL is to be at the ratio of that amount of the aggregate net assets (adjusted for the net market value of its investments) of MARL or MARIL as the case may be at the end of the relevant period bears to the amount of the aggregate net assets of the MQA group (adjusted for the net market value of its investments) at the end of the relevant period on the basis that in respect of the performance fee, the allocation will apply for each of the three instalments in the same ratio.	MQA Management Agreements clause 8.4 and Schedule 2
Expenses	The MQA Manager is entitled to be reimbursed for expenses incurred in relation to the proper performance of its duties. Expense reimbursement does not include administration costs such as premises, staff and facilities or any costs, commissions, charges, fees, expenses and taxes arising as a result of any gross negligence, fraud, wilful misconduct or dishonesty by the MQA Manager or any officer, employee, delegate, agent or contractor of the MQA Manager.	MQA Management Agreements clause 9
Exclusivity	The MQA Manager is not engaged by MQA on an exclusive basis, and MARL and MARIL can appoint additional managers or advisers.	MQA Management Agreements clause 4.5
	The MQA Manager may from time to time perform services for itself and other parties the same as or similar to services performed under the MQA Management Agreements.	MQA Management Agreements clause 4.7
	The MQA Manager and its associates have no obligation to provide investment opportunities, and MARL and MARIL have no obligation to accept any investment opportunities. MARL and MARIL will not have any priority in respect of investment opportunities sourced by the MQA Manager and its associates.	MQA Management Agreements clause 4.9
Discretions	The advisory mandate for MARL and MARIL is non-discretionary. All significant investment/divestment and operational decisions are made by the MARL Board and MARIL Board based on recommendations by the MQA Manager. The MQA Boards are not obliged to accept the recommendations of the MQA Manager.	MQA Management Agreements clause 4.1

Related party protocols	MQA has approved a detailed related party protocol covering transactions with and services provided by Macquarie Group companies and managed vehicles. All related party transactions or services must be on arm's length terms and approved by the MQA independent directors only. Asset acquisition or sale transactions with related parties for 5% or greater of fund value are supported by an independent valuation. Mandates for the provision of services to MQA or its controlled businesses are subject to third party independent review unless the independent directors determine otherwise on the basis of appropriate market information or practice. MQA independent directors have available a panel of reviewers (which does not include the MQA auditor), and the reviewer for a particular service or transaction is usually chosen by them on a rotational basis. Swap and foreign exchange transactions with Macquarie Group companies solely for hedging purposes are given standing approval if certain conditions are met. Significant volume securities transactions with a Macquarie Group broker require independent director approval. Fees paid or payable by MQA group entities for related party services will be disclosed in the MQA financial statements.	MQA Management Agreements clause 7.1
Change of control	A party may not assign any of its rights and obligations under the MQA Management Agreements without the prior written consent of the other party except to an associate the MQA Manager, provided the MQA Manager has demonstrated to the reasonable satisfaction of MARL and MARIL (as the case may be) that the relevant associate has or has access to all necessary expertise, experience and resources for it to perform the MQA Manager's obligations under the MQA Management Agreements. The MQA Manager may also delegate its rights and obligations under the MQA Management Agreements to an associate but remains liable for the actions of the associate. The MQA Management Agreements are not able to be terminated by either the MQA Manager or MARL and MARIL (as the case may be) in the event of a change of control of MARL or MARIL. However, as noted above under 'Termination', the agreement will terminate if MQA security holders so determine by 50% majority resolution. Base fees and performance fees accrued to the date of termination will be payable by MARL and MARIL in those circumstances. MQA 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. 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.	MQA Management Agreements clause 19

Corporate governance statement
CONTINUED

What you can find on our website:
- MARIL Advisory Agreement
- MARIL Bye-Laws
- MARL Management Agreement
- MARL Constitution
- MQA Cooperation Deed.

MQA's approach to corporate governance

The MQA boards are committed to MQA's achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This statement outlines MQA's main corporate governance practices commencing 2 February 2010.

The boards determine the corporate governance arrangements for MQA. As with all its business activities, MQA is proactive in respect of corporate governance and puts in place those arrangements it considers are in the best interests of MQA and its investors, and consistent with its responsibilities to other stakeholders. It actively reviews Australian and international developments in corporate governance.

In particular, the MQA boards have determined that MQA will be managed and operated consistently with the ASX Corporate Governance Principles and Recommendations as well as relevant and applicable provisions of the Macquarie Funds Management Policy, the principles of which can be viewed on the Macquarie website (www.macquarie.com.au).

ASX Corporate Governance Principles

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

The ASX Principles (being those under ASX's 2nd edition of Corporate Governance Principles and Recommendations dated August 2007) can be viewed at www.asx.com.au. The ASX Principles are not prescriptive; however listed entities (including MQA) are required to disclose the extent of their compliance with the ASX Principles, and to explain why they have not adopted one of the ASX Principles if they consider it inappropriate in their particular circumstances.

MQA's corporate governance statement is in the form of a report against the ASX Principles. 2010 amendments to the ASX Principles have recently been introduced. MQA has elected to disclose against these updated ASX Principles in this statement notwithstanding the change in reporting requirements for the recent amendments will only apply to financial years commencing on or after 1 January 2011.

MQA's corporate governance policies largely conform to the ASX Principles. Any deviation relates mainly to MQA being an externally managed vehicle. We have noted the differences in our reporting.

Principle 1
Lay solid foundations for management and oversight

Responsibility for corporate governance and the internal workings of MARL and MARIL rests with their respective boards. Each company has adopted a formal charter of directors' functions and matters to be delegated to management, having regard to the recommendations in the ASX Principles.

An outline of the boards' responsibilities as set out in each company's charter is set out below:
- Setting objectives, goals and strategic direction for management, with a view to maximising investor wealth
- Determining and monitoring the implementation of MQA'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
- Approving the appointment of the CEO and CFO in accordance with the MQA Management Agreements
- 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 in accordance with the MQA Management Agreements
- Monitoring the MQA Manager's performance, implementation of strategy, and resources
- Reviewing, ratifying and monitoring systems of risk management, compliance and codes of conduct
- Approving and monitoring financial and other reporting
- Setting appropriate business standards and codes for ethical behaviour and monitoring compliance with them.

In addition to the matters outlined above, the MQA boards make all decisions in respect of investments and divestments, any further funding or security required for existing investments, managed vehicle level capital management and restructuring, significant related party transactions (in accordance with the MQA related party protocol), approval of financial accounts, auditors, budgets for the managed vehicle and controlled assets, distributions, annual reports and any significant changes to policies or debt facilities.

The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of managed vehicle level day-to-day administration up to certain delegated levels and day-to-day matters for asset administration including appointment of advisers, approvals of asset business plans, budgets for non-controlled assets, capital expenditure, refinancings, hedging and valuations.

Full Board meetings are held at least bi-monthly for both MARL and MARIL, and 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 new director of MARL and MARIL is to be provided with a letter of appointment that details the key terms of his or her appointment, which include all of the recommended matters in the ASX Principles.

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

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

- The CEO and CFO are Macquarie employees seconded to MARL and MARIL as required. Their performance is assessed by Macquarie in March each year as part of Macquarie's formal employee performance evaluation process. Employees are assessed against set behavioural and technical competencies. The relevant boards annually review the performance of the CEO and CFO
- Reviewing the performance of the MQA Manager against its contractual obligations by the MARL and MARIL independent directors, with external assistance if required
- A formal induction program to allow senior executives to participate fully and actively in management decision making
- Access to continuing education to update and enhance their skills and knowledge.

Unless otherwise noted in this statement, the above procedures were carried out for the 2010 financial year.

What you can find on our website:

- A summary of the MARL and MARIL Board charters.

Principle 2
Structure the Board to add value

1. Composition

MARL

The MARL Board comprises four directors each with broad industry experience. Three members of the MARL Board are independent directors, and one is a non-independent non-executive director. The MARL Board composition is in compliance with the ASX Principles and all the directors of MARL will stand for re-election on a three-year rotational basis as required by the Listing Rules.

Corporate governance statement

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Board of directors

The MARL Board of directors is comprised as follows:

David Walsh
Independent Chairman
Director since establishment on 16 December 2009

David is an experienced corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jaques from 1962 to 2004. Currently, he is the chairman of Templeton Global Growth Fund Limited. During the last three years he has also served as a director of Intoll Management Limited, formerly Macquarie Infrastructure Investment Management Limited (2004–2010), PaperlinX Limited (2000–2007) and Dyno Nobel Limited (2006–2008).

Richard England
Independent Director
Director from 1 June 2010

Richard England, who has also been appointed as the Chairman of the Audit and Risk Committee of MARL, is a Fellow of the Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors. He is a director of a number of other ASX-listed companies including Ruralco Holdings (Chairman), Chandler McLeod Group (Chairman) and Nanosonics Limited. He is a former director of St George Bank, Healthscope Limited and Choiseul Investment Limited. Richard is also a former partner of Ernst & Young (Australia).

Jeffrey Conyers
Independent Director
Director from 1 November 2010

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 acts as a consultant to (and is the former 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 also serves on the Board of a previously Macquarie-managed vehicle, MAp Airports International Limited which is part of MAp Group listed on the Australian Securities Exchange. Macquarie ceased to manage MAp in October 2009 but Macquarie remains a substantial security holder in the vehicle. Jeffrey is also a former director of Intoll International Limited, formerly Macquarie Infrastructure Investment Management Limited.

Jeffrey Conyers is married to Edith Conyers, who is Executive Director, Chief Executive Officer and a shareholder in ISIS Fund Services Limited, a Bermuda-based firm that provides company secretarial and funds administration services to clients including other Macquarie managed vehicles. Jeffrey Conyers has no involvement with the operations of ISIS Fund Services Limited but is a beneficiary of his wife's investment in the business. Edith Conyers is an independent businesswoman of 30 years standing as a fund administrator in Bermuda. She is not involved with the day-to-day provision of services to MQA. Jeffrey Conyers' initial appointment to the MIG Board, and subsequently the MQA boards, was made in view of his expertise. The MQA boards have assessed Jeffrey Conyers' independence and confirmed his independent status.

John Roberts
Non-Executive Director
Director since restructure implementation on 2 February 2010

John joined Macquarie in 1991 and is based in Sydney, Australia.

John is Executive Chairman of the Macquarie Funds Group which has US$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). John is on all investment committees or boards of directors in MIRA to provide oversight and strategic direction to individual fund management executive teams.

Previous roles within Macquarie include Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds.

John has a Bachelor of Laws degree from the University of Canterbury in New Zealand.

MARIL

The MARIL Board comprises four directors, each with broad industry experience. Three members are independent directors and one is a non-independent, non-executive director. It is a requirement of the MARIL Bye-Laws that no more than two directors must be resident in the same jurisdiction (other than Bermuda), and no person may be appointed as a director if it would cause a majority of the MARIL Board to be resident for tax purposes in a single jurisdiction other than Bermuda. The MARIL Board composition is in compliance with the ASX Principles and all the directors of MARIL will stand for re-election on a three-year rotational basis as required by the Listing Rules.

Board of directors

The MARIL Board of directors is comprised as follows:

Jeffrey Conyers
Independent Chairman

Bermuda-based – director since establishment on 16 December 2009

See biography under MARL above.

Derek Stapley
Independent Director

Bermuda-based – director from 1 June 2010

Derek Stapley, who has also been appointed as the Chairman of the Audit and Risk Committee of MARIL, is a Scottish Chartered Accountant with 23 years' experience and is a former partner and industry group leader with Ernst & Young in financial services. He was the chair of Ernst & Young's Global Hedge Fund Steering Committee which was responsible for providing strategic direction to Ernst & Young's global hedge fund practice. He is currently an independent director on the boards of several investment funds and management companies.

Peter Dyer
Non-Executive Director

United Kingdom-based – director since establishment on 16 December 2009

Peter was previously executive director of Kværner Corporate Development Limited (now Macquarie Infrastructure (UK) Limited). Peter gained extensive experience in the development of Kværner's UK-based PFI projects, including the Birmingham Northern Relief Road (now M6 Toll) and the A1-M1 Road in Yorkshire. Peter was employed by the Kværner Group from 1981 and became a director of Macquarie European Infrastructure plc (which was replaced by Intoll International Limited), following the acquisition of Kværner Corporate Development Limited.

David Walsh
Independent Director

Australia-based – director since restructure implementation on 2 February 2010

See biography under MARL above.

2. Appointment to the boards

The following Board composition and membership criteria have been adopted by each of the MQA Boards:

- The Board is to comprise at least four directors, but not more than five directors
- Directors nominated by the Board for election require full MQA Board approval
- A majority of the directors must be independent as defined below
- 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 MARL or MARIL Board as the case may be and must be independent as defined below
- In the case of the MARL Board a majority of directors must be resident in Australia
- In the case of the MARIL Board, no more than two directors must be resident in the same jurisdiction (other than Bermuda), and no person may be appointed as a director if it would cause a majority of the MARIL Board to be resident for tax purposes in a single jurisdiction other than Bermuda
- 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.

Corporate governance statement

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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 independent directors, actual (and perceived independence) from Macquarie.

Nomination Committee

Neither of the MARL or MARIL 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 boards in full meeting before they are put forward for election.

Independence

The independence of directors as determined by objective criteria is acknowledged as being desirable to protect investor interests and optimise the financial performance of the fund and returns to investors.

In determining the status of a director, MQA has adopted standards of independence that are similar to but not the same as the ASX Principles. These are incorporated in the MARL and MARIL Board charters. The full details of MQA's independence criteria are as follows;

An independent director is a director who is not a member of management (a non-executive director) and who (to the satisfaction of the relevant MQA Board) meets the following criteria:

- Is not a substantial shareholder of MGL or MQA or a company holding more than 5% of the voting securities of MGL or MQA
- Is not an officer or otherwise associated directly with a shareholder holding more than 5% of the voting securities of MGL or MQA
- Has not, within the last three years, been:
  - Employed in an executive capacity by MQA or any Macquarie-managed vehicle or 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 material professional adviser to MQA, Macquarie or other Macquarie managed vehicles. A director who is or within the last three years has been a principal or employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and will not participate in the provision of any service to MQA, Macquarie or another Macquarie-managed vehicle
- Is not a material supplier or customer of MQA, Macquarie or other Macquarie-managed vehicles, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has no material contractual relationship with Macquarie other than as a director of a responsible entity and/or managed vehicle head Board
- Is not a director of more than two Macquarie-related responsible entities or other Macquarie-managed vehicle head boards
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of the Macquarie-managed vehicle and independently of management of Macquarie and MQA.

The boards believe that independence is evidenced by an ability to constructively challenge and independently contribute to the work of the boards. Accordingly, the above criteria are satisfied if any interest or relationship does not materially interfere with the exercise of a director's independent judgment. Materiality is assessed having regard to each individual director's circumstances, the circumstances of the supplier, customer or adviser and any other significant relationships with Macquarie or its subsidiaries.

The main areas of difference from the independence criteria set out in the ASX Principles are:

- The independence criteria are designed to ensure that directors are not only independent from MQA but that they are also independent from Macquarie and its other managed vehicles. Accordingly, the independence criteria must be satisfied in respect of relationships with each of MQA, Macquarie and other Macquarie-managed vehicles. By way of example a partner of a professional services firm who is a director of MQA would not be able to provide services to MQA or any Macquarie entities or managed vehicles and would not be able to vote on the appointment of his firm by MQA. Additionally, the firm must not have been a material professional adviser to MQA, Macquarie or other Macquarie managed vehicles for three years prior to the appointment of the director and on an ongoing basis during the currency of the directorship
- The MQA Boards have a general discretion to determine that the criteria are satisfied if they form the view that any interest or relationship a director may have does not materially interfere with or otherwise disqualify the exercise of the director's independent judgment.

The ability of independent directors to serve on up to two separate Macquarie-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.

If any independent director serves on two Macquarie-managed vehicle boards or has been determined by the MQA Boards as independent despite not satisfying all of the criteria, they will be noted as such in their descriptions in any MQA public disclosures. Reasons will be provided for any independence determination in this statement.

Each year independent directors are required to provide MQA with written confirmation of their independence status and they have each undertaken to inform MQA if they cease to satisfy the MQA independence criteria at any time. The MARL company secretary also monitors compliance with the MQA independence criteria and seeks information from the independent directors in this regard, if necessary, and reports to the MQA Boards.

3. Chairman

MARL has an independent chairman, David Walsh, in compliance with the ASX principles and the MARL Board Charter.

MARIL has an independent chairman, Jeffrey Conyers, in compliance with the ASX principles and the MARIL Board Charter.

In both cases, the chairman does not exercise the role of CEO. That role is performed by Peter Trent, who was appointed as CEO on establishment of MQA.

The MARL Board charters provide that all independent directors will meet at least once per year in the absence of management and at other times as they determine. The convener of the meetings will be the independent chairman or lead independent director in the absence of the independent chairman.

4. Independent professional advice

The directors of MARL and MARIL are entitled to obtain independent professional advice at the cost of the relevant company, subject to the estimated costs being first approved by the chairman as reasonable.

5. Board performance

To ensure that the directors of MARL and MARIL are properly performing their duties, the following procedures have been put 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 provide feedback on performance with the chairman and 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 meetings with the non-executive and independent directors.

Corporate governance statement

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As the MQA Boards have been undergoing a renewal process following the MIG restructure, the above evaluation process will be carried out by MQA in June 2011, subsequent to release of the annual results and completion of the MQA AGM.

Principle 3
Promote ethical and responsible decision making

MQA is committed to being a good corporate citizen and has a robust framework of policies to achieve this.

Managing conflicts

MQA has established protocols for identifying and managing conflicts.

In the case of the MQA Boards:

- Board members declare their interests as required under the Corporations Act, Companies Act Bermuda, ASX Listing Rules and other general law requirements
- Board members with a material personal interest in a matter are not present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

MQA also has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that the MQA Manager is part of Macquarie and that MQA may transact from time to time or share staff or information with other Macquarie companies or managed vehicles. In particular there is a comprehensive related party protocol. This requires Macquarie executives who are Board members to absent themselves during voting on transactions with Macquarie entities or managed vehicles.

Personal conflicts that might arise generally for directors and staff are covered by the Code of Conduct referred to below.

Ethical conduct

MQA's code of conduct is similar to that of Macquarie and covers MQA's dealing with external parties and how it operates internally. The code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The code includes whistleblower, anticorruption and dealing with governments and anti-money laundering policies.

The code is periodically reviewed and endorsed by the MQA Boards and the MQA Manager. The code is distributed to all directors and staff and reinforced at induction and other training programs.

Staff and director trading

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

If the trading window is not opened as scheduled for any reason, a special four-week trading window may be permitted at a later date.

Special arrangements apply for the trading by the MQA Manager and associates of MQA securities issued in connection with base fees and performance fees. Standing instructions must be given to a Macquarie broker during a designated directors and staff 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.

Environmental and social responsibility

MQA's approach to environmental and social responsibility management is set out in a formal environmental and social responsibility management policy. In general, the regulatory/governing framework and minimum standards under which MQA's assets operate are set out by local laws and regulations and so are not controlled by MQA or its businesses. It is MQA's policy to confirm compliance by assets with such minimal standards and, in addition, to assess the environmental risk management framework against accepted good practice (eg International Organisation for Standardization, Equator Principles) and make recommendations for improvements where necessary.

Diversity

MQA notes the 2010 amendments to the ASX Principles that will require listed companies to:

(i) Establish a diversity policy that includes measureable objectives relating to gender

(ii) Disclose their achievement against the gender objectives, and

(iii) Disclose the proportion of women employees in the whole organisation, in senior management and on the Board

with effect from financial years commencing on or after 1 January 2011.

MQA is in the process of developing a diversity policy covering Board composition. It will provide detailed disclosure in the next MQA Annual Report together with disclosure of the diversity policy for Macquarie which supplies the staff working for MQA.

Currently there are no women on the MQA Boards.

What you can find on our website:

- A summary of the code of conduct
- The MQA securities (windows) trading policy
- A description of MQA's environmental and social responsibility management policy.

Principle 4
Safeguard integrity in financial reporting

1. Audit and risk committees

Each of MARL and MARIL has appointed an audit and risk committee.

MARL

The audit and risk committee, which complies with the requirements of the ASX Principles, is currently comprised as follows:

Richard England, Chairman
Independent

David Walsh
Independent

Jeffrey Conyers
Independent

MARIL

The audit and risk committee which complies with the requirements of the ASX principles and is currently comprised as follows:

Derek Stapley, Chairman
Independent

Jeffrey Conyers
Independent

David Walsh
Independent

The qualifications of the members of both audit and risk committees can be found on our website.

2. Audit and risk committee charters

In establishing its audit and risk committee, each of MARL and MARIL has established a charter under which the committee is to operate. 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:

- Monitor the quality and reliability of the financial information prepared by the MQA Manager for approval by the MQA Boards
- 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 its accompanying report

Corporate governance statement

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- Recommend to the Board the appointment and removal of the external auditor, review the terms of its 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 auditor 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 committees have adopted a policy which includes the following to ensure the independence of the external auditor:

- The external auditor must remain independent from Macquarie and MQA 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 committees (or the chairman between meetings)
- All non-audit assignments are to be reported to the audit and risk committees every six months
- The MQA audit engagement partner and review partner must be rotated every five years.

The MARL and MARIL boards and audit and risk committees are of the view that, at the present time, PwC is best placed to provide MQA's audit services. PwC is a top tier professional services firm and has provided audit services to MQA since its establishment and is familiar with its structure and businesses. The auditor is required to be independent from MQA and Macquarie. PwC meets this requirement.

The auditor will attend MQA's annual general meetings and be 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:

- The audit and risk committee charters for MARL and MARIL
- Details of the procedure 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 MQA's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. Under the terms of the Cooperation Deed, MARL and MARIL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

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

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

What you can find on our website:

- External communications policy summary.

Principle 6
Respect the rights of shareholders

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

Investors are provided with an annual report and financial statements, either by accessing MQA's website, or in hard copy if specifically requested, which keep them informed of MQA's performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.

MQA's policy is to lodge market-sensitive information with the ASX and place it on its website, including annual and interim result announcements and analyst presentations, as soon as practically possible. MQA's website (www.macquarie.com/mqa) contains recent announcements, presentations, past and current reports to security holders, answers to frequently asked questions and at least a three-year summary of key financial data. Investors may also register here to receive email copies of MQA's significant ASX announcements.

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

MQA has produced an analyst package which will be updated periodically. This comprehensive guide aims to provide transparency of MQA's investments and structure. The analyst package is released to the ASX and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

MARL and MARIL are required to hold an annual general meeting (AGM) each year and will usually be held by May each year, with the first AGM to be held in April 2011. Presentations by the Chairmen and the CEO at the AGM will be 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 Bermudan Companies Act, as applicable. Proxy forms can be mailed or lodged by facsimile.

What you can find on our website:

- External communications policy summary
- The latest annual report and full financial statements.

Principle 7
Recognise and manage risk

Both MARL and MARIL have formalised risk management policies. Compliance with these policies is monitored by their respective audit and risk committees.

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

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

Corporate governance statement
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As part of its risk monitoring duties, each audit and risk committee is required to:

(i) Enquire of the MQA Manager and the external auditor about significant risks or exposures and assess the steps the MQA Manager has taken to minimise such risk to the trusts or company, as applicable

(ii) Consider and review with the external auditor:

   a. The adequacy of the internal controls for each company including computerised information system controls and security

   b. 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 each 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.

The MQA Manager as part of Macquarie is subject to periodic review conducted by Macquarie's internal audit division.

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

The MQA Manager must report at least half yearly to the audit and risk committees as to the effectiveness of MQA's management of its material risks. In addition, the CEO and CFO must provide assurance to MARL 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 MQA's risk management policies and framework
- A description of MQA's environmental and social responsibility management policy
- A description of MQA'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 the MQA Manager remuneration arrangements in relation to Macquarie staff who work on MQA (whose remuneration is paid by Macquarie, not MQA) and also the fees paid to MQA external directors. Full details and a discussion of MQA remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report included with MQA's annual financial statements.

1. MQA Manager fees

The MQA Manager as manager of MARL and adviser to MARIL is entitled to be paid base management fees and also performance fees for discharging its management/advisory functions.

These fees are calculated in accordance with a defined formula under the management and advisory agreements. The fee arrangements were fully disclosed to investors on fund inception and were voted on and approved by security holders at the time as part of the MIG restructure proposal. They will continue to be disclosed on the MQA website and in annual reports. 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 would need to be approved by investors.

2. Reimbursement of responsible entity and adviser expenses

The MQA Manager is entitled to be reimbursed for expenses incurred by it in relation to the proper performance of its duties, out of the assets of MQA. This includes routine ongoing expenses such as the third party costs of acquiring businesses and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the MQA Management Agreements.

3. Staff remuneration

The MQA Manager makes available employees, including senior executives, to discharge their obligations to the relevant MQA entity. These staff are employed by entities in Macquarie and made available through resourcing arrangements with the MQA Manager or the Macquarie entities who are sub-advisers to the MQA Manager. Their remuneration is not a MQA expense. It is paid by Macquarie. Instead MQA pays management fees to Macquarie for providing management and advisory services. These fees are MQA expenses and will be disclosed in the remuneration report. Neither MARL nor MARIL have employees at the parent level and rely on the MQA management staff under the management and advisory agreement arrangements to implement operational decisions and carry out administrative functions.

MQA holds its toll road businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where MQA Manager staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to MQA.

4. Director remuneration

MQA independent and non-executive director fees are paid by the relevant company. No director fees are paid to John Roberts, the director originally nominated by Macquarie.

None of the MQA directors is entitled to MQA options or securities or to retirement benefits as part of their remuneration package.

5. Remuneration committee

The boards of MARL and MARIL have each constituted a remuneration committee with a similar composition to the respective audit and risk committees i.e. Richard England (Chairman), David Walsh and Jeffrey Conyers for MARL and Derek Stapley (Chairman), Jeffrey Conyers and David Walsh for MARIL. The MARL and MARIL remuneration committees have each adopted a formal remuneration committee charter in accordance with the requirements of ASX Listing Rule 12.8 and for the purpose of discharging the responsibilities of the boards relating to the compensation of MQA's key management personnel (as defined in Accounting Standard AASB 124 Related party Disclosure).

In particular the remuneration committees have overall responsibility for recommending the remuneration, if any, of the MQA directors in their role as a director and chairman or member of any committee or subcommittee of the Board, as the case may be.

What you can find on our website:

- The MARL and MARIL remuneration committee charters
- The MQA remuneration report.

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MQA and the ASX Corporate Governance Council's Principles and Recommendations

ASX Principle		2010 Annual Report page reference	Follows ASX recommendation
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	32	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	33	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	32–33	Yes
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	33, 35	Yes
2.2	The chair should be an independent director.	37	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	37	Yes
2.4	The Board should establish a nomination committee.	36	No
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	37	Yes
2.6	Provide the information indicated in the Guide to reporting in Principle 2.	33–38	Yes
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	38	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	39	No
3.3	Disclose the measurable objectives for achieving gender diversity.	39	No
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	39	No
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	38–39	Yes
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	39	Yes
4.2	The audit committee should be structured so that it: • Consists of only non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the Board • Has at least three members.	39	Yes
4.3	The audit committee should have a formal charter.	39	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	39–40	Yes
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	40	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	40	Yes

ASX Principle		2010 Annual Report page reference	Follows ASX recommendation
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	41	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	41	Yes
Principle 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	41	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	42	Yes
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	42	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	41–42	Yes
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	43	Yes
8.2	The remuneration committee should be structured so that it: • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members.	43	Yes
8.3	Clearly distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives.	43	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	42–43	Yes

Guide to MQA's accounts

The period ended 31 December 2010 is MQA's first full reporting period following its demerger from MIG. Consequently, there are no comparative balances presented for statutory reporting purposes.

Under Australian Accounting Standards stapled groups must identify one of the stapled entities as the accounting parent. MARIL has been identified as the parent entity for the MQA group.

Accounting for toll roads interests

MQA holds interests in both controlled and non-controlled toll road assets. Where MQA has a controlling interest in a toll road it is required to consolidate the profit or loss and the assets and liabilities of that toll road into the results of MQA. On its initial adoption of accounting policies MQA has elected to apply equity accounting for its investments in non-controlled toll roads. Application of equity accounting for its associates results in MQA recognising its share of the results and net assets of those toll roads as a single line item in both the statement of comprehensive income and the statement of financial position.

Consequently, the results of MQA comprise:

- The individual income, expense, assets and liability items of its wholly owned M6 Toll
- Its share of the profit or loss and net assets of its non controlled toll road assets, comprising primarily of APRR, Dulles Greenway, Chicago Skyway and Indiana Toll Road. These results are presented as a single line item in both the statement of comprehensive income (Share of net loss of investments accounted for using the equity method) and the statement of financial position (Investments accounted for using the equity method)
- Corporate or MQA fund level income, expenses, assets and liabilities.

As toll road concessionaires typically report losses during their early stages of development (due primarily to non-cash depreciation and amortisation), MQA will recognise losses from the wholly owned M6 Toll and its share of losses from its non-controlled toll road assets. Consequently, and as foreshadowed in the MQA prospectus (dated 18 December 2009), MQA has reported a loss for the period and its statement of financial position shows a net liability position of $225.3 million as at 31 December 2010. This has been driven by M6 Toll-related balances: its non-recourse debt of $1.5 billion exceeds the depreciated carrying value of its toll road related assets of $0.8 billion.

This is an outcome on application of accounting standards and does not in itself reflect any solvency issues in MQA and it does not impact on MQA's operating performance or cash flows. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on its non-recourse debt.

Indebtedness

Each of the toll roads in which MQA has an interest is set up as a separate legal entity in which MQA is simply a shareholder. The debt borrowed by these separate legal entities is limited-recourse debt, i.e. project finance, where the lenders only have recourse to the cash flows of that project other than, in some cases, where MQA has provided limited support to the project. At 31 December 2010 MQA had guarantees and letters of credit outstanding of A$4 million. Refer to note 8 of the concise financial report for further details.

Under Australian Accounting Standards MQA consolidates only the debt liabilities of interests that it controls, so the balance sheet at 31 December 2010 includes only the debt at the M6 Toll.

MQA discloses the levels of debt at all its assets on a proportionally consolidated basis in the Management Information Report.

Supplementary information

MQA's Management Information Report provides information on the proportionally consolidated results of MQA's operations and other relevant information. The Management Information Report is available from the MQA website at http://www.macquarie.com/mgl/com/mqa/investor-centre/investor-reports.

Macquarie Atlas Roads

Concise financial report

for the period ended 31 December 2010

THIS REPORT COMPRISES: MACQUARIE ATLAS ROADS INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL) and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL). MARL is a company limited by shares incorporated and domiciled in Australia and the registered office is C/– Company Secretarial, Mezzanine Level, No 1 Martin Place, Sydney, NSW 2000, Australia. MARIL is an exempted mutual fund company incorporated in Bermuda with limited liability and the registered office is C/– Rosebank Centre, 11 Bermudiana Road, Pembroke, HM 08, Bermuda. Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFS License No.318123) (MFAPL) (formerly Macquarie Capital Fund Advisory Services Pty Limited) is the manager/adviser of MARL and MARIL. MFAPL is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) (MGL).

None of the entities noted in this report 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 MQA, 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.

MFAPL as manager/adviser of MARL and MARIL is entitled to fees for so acting. MGL and its related corporations (including MFAPL) together with their officers and directors and officers and directors of MARL and MARIL may hold stapled securities in MQA from time to time.

Directors' report

FOR THE PERIOD ENDED 31 DECEMBER 2010

The directors of Macquarie Atlas Roads International Limited (MARIL) submit the following report on the Consolidated Financial Report of Macquarie Atlas Roads (MQA) for the period from 15 December 2009 to 31 December 2010. AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its controlled entities and Macquarie Atlas Roads Limited (MARL) and its controlled entities (the MARL Group), together comprising Macquarie Atlas Roads (MQA or the Group).

Macquarie Fund Advisers Pty Ltd formerly known as Macquarie Capital Fund Advisory Services Pty Ltd (the Adviser/Manager) acts as the adviser for MARIL and the manager of MARL.

Restructure of Macquarie Infrastructure Group

On 2 February 2010, MQA was demerged from Macquarie Infrastructure Group (MIG) following its restructure into two separate Australian Securities Exchange (ASX) listed toll road groups, being MQA and Intoll. The demerger was effected through an in specie distribution to MIG security holders of one share in each of MARIL and MARL for every five MIG stapled securities. MARIL and MARL were stapled and listed on the ASX as Macquarie Atlas Roads (ASX: MQA). As part of this restructure the interests in the M6 Toll, Chicago Skyway, Indiana Toll Road, Dulles Greenway, Autoroutes Paris-Rhine-Rhône (APRR), South Bay Expressway, Warnow Tunnel and Transtoll were transferred to MQA.

Principal activities

The principal activity of the Group is the development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector. Other than as disclosed elsewhere in this report, there were no significant changes in the nature of the Group's activities during the period.

Directors

The following persons were directors of MARIL during the whole of the period and up to the date of this report (unless otherwise stated):

Jeffrey Conyers
Chairman
appointed 16 December 2009

Dr Peter Dyer
appointed 16 December 2009

Alison Guilfoyle
appointed 15 December 2009; resigned 16 December 2009

Charles Collis
appointed 15 December 2009; resigned 16 December 2009

Mark Johnson
appointed 16 December 2009; resigned 2 February 2010

Robert Mulderig
appointed 16 December 2009; resigned 1 June 2010

David Walsh
appointed 2 February 2010

Derek Stapley
appointed 1 June 2010

The following persons were directors of MARL during the whole of the period and up to the date of this report (unless otherwise stated):

David Walsh
Chairman
appointed 16 December 2009

Paul McClintock
appointed 16 December 2009; resigned 2 February 2010

Mark Johnson
appointed 16 December 2009; resigned 1 June 2010

David Mortimer
appointed 16 December 2009; resigned 1 June 2010

John Roberts
appointed 2 February 2010

Richard England
appointed 1 June 2010

Marc de Cure
appointed 1 June 2010; resigned 1 November 2010

Jeffrey Conyers
appointed 1 November 2010

Dividends

No dividend was paid or declared by MARIL for the period ended 31 December 2010.

Review and results of operations

The performance of the Group for the period, as represented by the results of its operations, was as follows:

	MQA Period to 31 Dec 2010 $'000
Revenue from continuing operations	103,113
Loss from continuing operations after income tax benefit	(227,646)
Profit from discontinued operations	746
Loss for the period	**(226,900)**
Loss attributable to:	
Equity holders of the parent – MARIL	(68,285)
Equity holders of other stapled entity – MARL (as non controlling interest/parent entity)	(74,203)
Stapled security holders	(142,488)
Other non-controlling interests	(84,412)
	(226,900)
	Cents
Basic loss from continuing operations attributable to MQA stapled security holders	(31.66)
Basic loss attributable to MQA stapled security holders	(31.50)

Significant changes in state of affairs

Autoroutes Paris-Rhin-Rhône (APRR)

On 17 June 2010, MQA announced that an agreement had been reached by Eiffarie SAS (Eiffarie) to acquire a further 13.73% interest in APRR from minority shareholders for €55.00 per APRR share. Eiffarie, an associate of MQA, previously owned 81.48% interest in APRR. The total acquisition price was €853.7 million. MQA contributed a total of €155.0 million, funded from its existing cash reserves. The balance of funds was contributed by Macquarie European Infrastructure Fund II and Eiffage SA.

Eiffarie launched a repurchase offer for the remaining shares in APRR, followed by a compulsory acquisition. The completion of this acquisition has not yet occurred at the date of this report. MQA will not contribute additional funds for this purchase. Following completion of the compulsory acquisition, Eiffarie's ownership interest in APRR would increase to 100% and MQA would hold an estimated 19.4% interest in Eiffarie.

South Bay Expressway (SBX)

On 23 March 2010, MQA announced that SBX had filed for bankruptcy by making a voluntary petition for relief under Chapter 11 of the US Bankruptcy code. This was foreshadowed as a possible outcome for SBX in MQA's December 2009 prospectus.

MQA owns 50% of SBX which was transferred at zero value as part of the MIG restructure.

Other than a US$2.5 million letter of credit regarding environmental obligations, which is not expected to be called, MQA has no further contingent or other funding obligations with regards to SBX.

In the opinion of the directors, there were no significant changes in the state of affairs of the Group other than those disclosed in this report, that occurred during the period under review.

Events occurring after balance sheet date

Since balance date, the directors of MARIL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' 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 periods subsequent to the period ended 31 December 2010.

Directors' report

FOR THE PERIOD ENDED 31 DECEMBER 2010

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 have not been included in this report because the directors of MARIL believe it would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors

During the period, MARIL paid a premium of $108,885 to insure the directors and officers of MARIL. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of MARIL and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use by the directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to MARIL. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. So long as the directors and officers of MARIL act in accordance with the Constitutions and the law, the directors and 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.

Environmental regulation

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

The following environmental regulations apply to MQA's controlled assets:

United Kingdom

Midland Expressway Limited constructed the M6 Toll road under a series of orders made in 1998 by the Secretary of State for Transport pursuant to his powers under the Highways Act 1980 and the New Roads and Street Works Act 1991. Prior to that, the M6 Toll had been the subject of a full environmental impact assessment that was considered in detail at a public inquiry held in 1994 and 1995. The public inquiry produced a list of specific environmental commitments and undertakings. There have been no significant breaches of the environmental legislation, commitments or undertakings.

Rounding of amounts in the Directors' Report and the Concise Financial Report

The Group is of a kind referred to in Class Order 98/100 as amended by Class Order 04/667 and Class Order 05/641, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Concise Financial Report. Amounts in the Directors' Report and Concise Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Signed in accordance with a resolution of the directors of Macquarie Atlas Roads International Limited.

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
24 February 2011

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
24 February 2011

Consolidated Statement of Comprehensive Income

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Note	MQA period to 31 Dec 2010 $'000
Revenue from continuing operations		
Revenue from continuing operations		103,113
Total revenue from continuing operations	2(i)	**103,113**
Operating expenses from continuing operations		
Finance costs		(95,619)
Other operating expenses		(96,399)
Total operating expenses from continuing operations	2(ii)	**(192,018)**
Share of net loss of investments accounted for using the equity method		(208,755)
Gain on deconsolidation	2(ii)	54,018
Loss from continuing operations before income tax benefit		**(243,642)**
Income tax benefit		15,996
Loss from continuing operations after income tax benefit		**(227,646)**
Profit from discontinued operations		746
Loss for the period		**(226,900)**
Other comprehensive income		
Exchange differences on translation of foreign operations		92,849
Cash flow hedges, net of tax		(43,879)
Other comprehensive income for the period, net of tax		48,970
Total comprehensive income for the period		**(177,930)**
Loss attributable to:		
Equity holders of the parent entity – MARIL		(68,285)
Equity holders of other stapled entity – MARL (as non-controlling interest/ parent entity)		(74,203)
Stapled security holders		(142,488)
Other non-controlling interest		(84,412)
		(226,900)
Total comprehensive income attributable to:		
Equity holders of the parent entity – MARIL		4,526
Equity holder of other stapled entity – MARL (as non-controlling interest/ parent entity)		(85,975)
Stapled security holders		(81,449)
Other non-controlling interest		(96,481)
		(177,930)
		Cents
Basic Loss from continuing operations attributable to MQA stapled security holders		(31.66)
Basic Loss attributable to MQA stapled security holders		(31.50)

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

Consolidated Statement of Financial Position

FOR THE PERIOD ENDED 31 DECEMBER 2010

	Note	MQA as at 31 Dec 2010 $'000
Current assets		
Cash and cash equivalents		66,047
Receivables		8,343
Prepayments		998
Total current assets		**75,388**
Non-current assets		
Investments accounted for using the equity method	3	931,068
Property, plant and equipment		773,195
Tolling concessions		72,317
Total non-current assets		**1,776,580**
Total assets		**1,851,968**
Current liabilities		
Payables		(34,528)
Derivative financial instruments	4	(34,299)
Total current liabilities		**(68,827)**
Non-current liabilities		
Payables		(152,037)
Interest-bearing financial liabilities	5	(1,726,056)
Derivative financial instruments	4	(79,188)
Deferred tax liabilities		(51,152)
Total non-current liabilities		**(2,008,433)**
Total liabilities		**(2,077,260)**
Net liabilities		**(225,292)**
Equity		
Equity attributable to equity holders of the parent – MARIL		
Contributed equity		1,316,674
Reserves		(1,582,346)
Accumulated losses		(68,285)
MARIL security holders' interest		**(333,957)**
Equity attributable to other stapled security holders – MARL		
Contributed equity		194,640
Reserves		(11,772)
Accumulated losses		(74,203)
Other stapled security holders' interest		**108,665**
Other non-controlling interest		**–**
Total equity		**(225,292)**

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

Consolidated Statement of Changes in Equity

FOR THE PERIOD ENDED 31 DECEMBER 2010

MQA	Attributable to MARIL security holders						
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Attributable to MARL security holders $'000	Other Non-controlling interest $'000	Total equity $'000
Total equity at 15 December 2009	–	–	–	–	–	–	–
Loss for the period	–	–	(68,285)	(68,285)	(74,203)	(84,412)	(226,900)
Exchange differences on translation of foreign operations	–	116,690	–	116,690	(11,772)	(12,069)	92,849
Cash flow hedges, net of tax	–	(43,879)	–	(43,879)	–	–	(43,879)
Total comprehensive income	**–**	**72,811**	**(68,285)**	**4,526**	**(85,975)**	**(96,481)**	**(177,930)**
Transactions with equity holders intheir capacity as equity holders:							
Demerger of MIG	1,316,674	(1,655,157)	–	(338,483)	194,640	175,702	31,859
Distribution provided for or paid	–	–	–	–	–	(287)	(287)
Deconsolidation of subsidiaries	–	–	–	–	–	(78,934)	(78,934)
	1,316,674	**(1,655,157)**	**–**	**(338,483)**	**194,640**	**96,481**	**(47,362)**
Total equity at 31 December 2010	**1,316,674**	**(1,582,346)**	**(68,285)**	**(333,957)**	**108,665**	**–**	**(225,292)**

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

Consolidated Statement of Cash Flows

FOR THE PERIOD ENDED 31 DECEMBER 2010

	MQA period to 31 Dec 2010 $'000
Cash flows from operating activities	
Toll revenue received	112,515
Interest received	4,396
Net indirect taxes (paid)/received	(13,017)
Payments to suppliers and employees (inclusive of GST/VAT)	(22,411)
Management and Advisory base fees paid	(7,101)
Management and Advisory performance fees paid	(4,206)
Payments on settlement of derivative financial instruments	(3,157)
Reimbursement of bid costs	6,504
Operating lease rent paid	(17,008)
Income taxes paid	(202)
Other income received	10,639
Net cash flows from operating activities	**66,952**
Cash flows used in investing activities	
Payment for purchase of investments (including transaction costs)	(219,948)
Payments for purchase of property, plant and equipment	(1,149)
Proceeds from return of capital from investments	315
Deconsolidated cash balance from discontinued operations	(509)
Net cash flows used in investing activities	**(221,291)**
Cash flows from financing activities	
Proceeds from issue of equity prior to demerger of MIG	151,722
Cash acquired on the acquisition of subsidiaries	140,259
Proceeds from bank borrowings	1,144
Borrowing costs paid	(59,326)
Net cash flows from financing activities	**233,799**
Net increase in cash assets held	**79,460**
Cash and cash equivalents at the beginning of the period	–
Effects of exchange rate movements on cash and cash equivalents	(13,413)
Cash and cash equivalents at the end of the period	**66,047**

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

Discussion and analysis

Overview of operating performance

MQA consolidates the wholly owned M6 Toll's income and expense items into in its statutory financial statements. MQA's share of results of its non-controlled toll road assets are disclosed as investments accounted for using the equity method.

The loss for the period ended 31 December 2010 was $226.9 million and the loss attributable to MQA stapled security holders for the period ended 31 December 2010 was $142.5 million. These results are reflective of accounting losses recorded in respect of MQA's toll road assets.

Revenue from continuing activities of $103.1 million

Revenue from continuing activities primarily comprises tolling and other revenue relating to the M6 Toll of $99.0 million and MQA interest income of $3.9 million.

Finance costs of $95.6 million

Finance costs consist mainly of interest expense relating to the M6 Toll debt of $90.2 million.

Other operating costs of $96.4 million

Other operating expenses include costs associated with operations at the M6 Toll of $65.5 million and Manager's and Adviser's base fees/performance fees of $22.9 million.

Share of net loss of equity accounted investments of $208.8 million

MQA's statutory net loss for the period of $226.9 million includes MQA's share of net losses of investments accounted for using the equity method of $208.8 million. These losses include fair value losses on interest rate swaps of $104.6 million, which are not accounted for as effective hedges under Australian Accounting Standards albeit that they represent commercially economic hedges. Derivative instruments are recorded at fair value which can result in significant volatility in a given period as market expectations of interest rates fluctuate.

MQA's share of net losses is made up as follows: Autoroutes Paris-Rhine-Rhône (APRR) $119.1 million, Dulles Greenway $20.3 million, Chicago Skyway $35.5 million, Indiana Toll Road $32.6 million and Warnow Tunnel $1.3 million.

Losses brought to account in relation to both Indiana Toll Road and Warnow Tunnel have resulted in investment carrying values of $Nil. No further losses have been brought to account in relation to these investments.

Gain on deconsolidation of $54.0 million

On 17 June 2010 MQA announced that agreement had been reached by Eiffarie SAS, an associate of MQA, to acquire a further 13.73% interest in APRR from minority shareholders. The total acquisition price was €853.7 million. MQA contributed a total of €155 million, funded from its existing cash reserves. As a consequence of this transaction, on 21 June 2010 MQA ceased to control certain subsidiaries and recognised a gain on deconsolidation of $54.0 million.

Income tax benefit of $16.0 million

The MQA income tax benefit relates primarily to the reversal of deferred tax liabilities relating to the M6 Toll of $14.7 million.

Components of other comprehensive income are discussed in the discussion and analysis of statement of changes in equity.

Discussion and analysis of financial position

MQA consolidates the wholly owned M6 Toll's assets and non-recourse liabilities in its statutory financial statements. MQA's investments in its non controlled toll road assets are disclosed as investments accounted for using the equity method.

As foreshadowed in the MQA prospectus (dated 18 December 2009), MQA's statement of financial position shows a net liability position of $225.3 million as at 31 December 2010. This has been driven by M6 Toll related balances: its non-recourse debt of $1.5 billion exceeds the depreciated carrying value of its toll road related assets of $0.8 billion.

This deficiency does not reflect any solvency issues in MQA and it does not impact on MQA's operating performance or cash flows. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on its non-recourse debt. The head stapled entities within MQA have positive net current assets and generated positive net cash flows from operating activities during the period.

Discussion and analysis

CONTINUED

MQA's investments in its non controlled assets of $931.1 million comprises its interests in APRR $636.5 million, Dulles Greenway $243.6 million and Chicago Skyway $51.0 million. At 31 December 2010 MQA's interests in Indiana Toll Road and Warnow Tunnel were $Nil.

Discussion and analysis of statement of changes in equity

As part of the demerger from MIG, MQA issued 452,345,905 securities for the transfer of MIG's interests in APRR, M6 Toll, Dulles Greenway, Chicago Skyway, Indiana Toll Road, Warnow Tunnel, South Bay Expressway and cash balances. The demerger was effected through an in specie distribution to MIG security holders of one share in each of MARIL and MARL for every five MIG stapled securities.

At 31 December 2010, reserves comprised a foreign currency translation reserve of $104.9 million, a negative cash flow hedging reserve of $139.0 million and a negative other reserve of $1,560.0 million.

Where an investment in a toll road company is held by a group entity having a non Australian dollar functional currency, but the same functional currency as the assets, the effects of foreign exchange that result from the translation of that group entity's assets and liabilities are taken to the foreign currency translation reserve. As noted in the discussion of financial position, MQA is recognising net liabilities in relation to the consolidated M6 Toll, whose assets and liabilities are denominated in pounds sterling. Consequently, the strengthening of the Australian dollar during the period has resulted in a net foreign exchange gain. This gain is in part offset by foreign currency losses on MQA's non controlled investments.

The cash flow hedging reserve balance reflects movements in the fair market value of the interest rate swaps hedging the non-recourse debt at the M6 Toll. The increase in the fair value liability during the period, reflecting the downward shift in the forward interest rate curve, has been taken to a separate reserve in accordance with the hedge accounting rules of Australian Accounting Standards.

The other reserve balance represents the difference between the fair value of securities issued on the demerger from MIG, as noted above, and the historical cost carrying values of certain assets transferred as part of the transaction.

Discussion and analysis of statement of cash flows

MQA's initial cash balance on demerger from MIG was $292.0 million. The decrease in the cash position during the period primarily reflects MQA's participation in the acquisition of a further interest in APRR from minority shareholders. MQA contributed a total of €155.0 million (excluding transaction costs).

MQA generated positive net cash flows from operating activities of $67.0 million. Operating cash flows of the M6 Toll during the period were sufficient to service borrowing costs on its non-recourse loans. As already noted the Australian dollar strengthened against all portfolio currencies and consequently MQA recorded a loss on its foreign currency cash balances of $13.4 million due to exchange rate movements.

Notes to the Consolidated Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2010

1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of the consolidated financial statements are stated to assist in a general understanding of this concise 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 Corporations Act 2001 and Australian Accounting Standard AASB 1039 Concise Financial Reports.

The concise financial report was authorised for issue by the directors of the MARIL Board on 24 February 2011. The Board has the power to amend and reissue the concise financial report.

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 financial instruments) at fair value.

Stapled security

The shares of MARL and MARIL are listed on the ASX as stapled securities in MQA. The shares of MARL and MARIL cannot be traded separately and can only be traded as stapled securities.

The concise financial report consists of consolidated financial statements of MARIL which comprises of MARIL and its controlled entities and MARL and its controlled entities, together acting as MQA.

Comparative figures

There are no comparatives as this is the first financial reporting period of MQA.

Business combinations under common control

Business combinations under common control have been accounted for in the consolidated accounts prospectively from the date the Group obtains the ownership interest. The transfer of MQA Investments Limited (formerly MIG Investments Limited) and its subsidiaries, which included Midland Expressway Limited (MEL) (the concessionaire for the M6 Toll), was treated as a common controlled transaction on acquisition by MARIL prior to the demerger from MIG. The difference between the fair value of the consideration paid by MARIL and the amounts at which the assets and liabilities are recorded in the consolidated MQA financial statements, being at historical cost, has been recognised directly in equity in the other reserve.

Going concern

The Financial Report has been prepared on a going concern basis. As at 31 December 2010, MQA has a deficiency of capital and reserves of $225.3 million. This includes non-current liabilities of $1.5 billion relating to the non-recourse M6 Toll loans (refer to Note 5). These project related liabilities are non-recourse beyond the M6 Toll assets and MQA has no commitments to provide further debt or equity funding to the M6 Toll in order to meet these liabilities. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on the non-recourse loans.

At 31 December 2010 MQA has positive net current assets of $6.6 million and MQA generated positive net cash flows from its operating activities for the period ended 31 December 2010 after servicing its financial obligations.

Change in accounting methodolgy

MQA elected on a prospective basis to change the accounting policy for the depreciation of certain toll road assets from the straight line basis applied by MIG to a usage based methodology. The impact of this change on the results of MQA for the period ended 31 December 2010 is considered immaterial.

(b) Consolidated accounts and stapling arrangements

AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its subsidiaries and MARL and its subsidiaries, together comprising MQA.

(c) Principles of consolidation

The consolidated financial statements of MQA incorporate the assets and liabilities of the entities controlled by MARIL for the period from 15 December 2009 to 31 December 2010, including those deemed to be controlled by MARIL by identifying it as the parent of MQA, and the results of those controlled entities for the period then ended. The effects of all transactions between entities in the consolidated entities are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and the Statement of Financial Position. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MARIL.

Subsidiaries

Subsidiaries, other than those that MARIL has been deemed to have directly acquired through stapling arrangements, are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Where control of an entity is obtained during a financial period, its results are included in the Statement of Comprehensive Income 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 and subsidiary is de-consolidated from the date that control ceases.

Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes the fair value of goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling parties

Equity transactions with non-controlling entities are recognised in the Group's financial statements using the economic entity method, whereby transactions with non-controlling parties are treated as transactions with equity participants.

(d) Business combinations

The acquisition method of accounting is used to account for all business combinations other than those under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts have been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the Group obtains the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate parent entity at the time. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in the other reserve.

(e) Critical accounting estimates and judgments

The preparation of the Financial Report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. The directors believe the estimates used in the preparation of the Financial Report are reasonable. Actual results in the future may differ from those reported.

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Derivative financial instruments

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the directors with assumptions that are based on market conditions existing at each balance date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows.

Income tax

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises anticipated tax liabilities based on its understanding of the current tax law.

In addition, the Group has recognised deferred tax assets relating to carried forward losses to the extent there are sufficient taxable temporary differences (deferred tax liabilities) relating to the same taxation authority against which the unused tax losses can be utilised. The utilisation of tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

Impairment testing

In accordance with the accounting policy stated in Note 1(i) to the full financial report the carrying amount of tolling concessions, non controlled investments, leasehold improvements and property, plant and equipment is assessed every reporting period to determine whether there are indications of any impairment of the carrying value. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount. There are also judgements involved in assessing impairment indicators.

Notes to the Consolidated Financial Statements

FOR THE PERIOD ENDED 31 DECEMBER 2010 (CONTINUED)

2 Loss for the period

The loss from continuing operations before income tax includes the following specific items of revenue and expense:

(i) Revenue from continuing operations

Consolidated	MQA Period to 31 Dec 2010 $'000
Revenue from continuing operations	
Toll revenue	94,724
Other revenue	4,491
Interest Income:	
Related parties	163
Other persons and corporations	3,735
Total Interest income	**3,898**
Total revenue from continuing operations	**103,113**

(ii) Operating expenses from continuing operations

Consolidated	MQA Period to 31 Dec 2010 $'000
Operating expenses from continuing operations	
Finance costs :	
Interest expense:	
Other persons and corporations	95,619
Total Finance Costs	**95,619**
Other operating expenses:	
Loss on derivative financial instruments	490
Amortisation of tolling concessions	1,668
Depreciation:	
Plant and machinery	3,624
Land and buildings	705
Toll road	20,356
	24,685
Cost of operations:	
Employment costs	6,987
Operating expenses	5,202
Operating lease rentals	26,816
	39,005
Other operating expenses:	
Consulting and administration fees	1,551
Manager's and Adviser's base fees	10,425
Manager's and Adviser's performance fees	12,476
Foreign exchange loss	2,490
Other expenses	3,609
	30,551
Total other operating expenses	**96,399**
Total operating expenses from continuing operations	**192,018**
Gain on deconsolidation*	**54,018**

* On 17 June 2010, MQA announced that an agreement had been reached by Eiffarie SAS (Eiffarie) to acquire a further 13.73% interest in APRR from minority shareholders for €55.00 per APRR share. Eiffarie is a wholly owned subsidiary of Financiere Eiffarie SAS (FE). The total acquisition price was €853.7 million. MQA contributed a total of €155.0 million, funded from its existing cash reserves. As a consequence of this transaction, on 21 June 2010 MQA ceased to control Macquarie Autoroutes de France SAS (MAF), MAF Finance Sarl (MAF Finance), MARI SAS and MARE SAS and MQA has recognised a gain on deconsolidation of $54.0 million. MAF and MAF Finance hold MQA's interests in FE. Refer to Note 3 (b).

3 Investments accounted for using the equity method

	MQA As at 31 Dec 2010 $'000
Shares in associates – equity method	931,068
Total revenue from continuing operations	**931,068**

Information relating to associates is set out below:

(a) Carrying amounts

Name of company	Country of incorporation	Principal Activity	Ownership Interest as at 31 Dec 2010 $'000	MQA as at 31 Dec 2010 $'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	38.9	636,446
Dulles Greenway Partnership*	USA	Investment in toll road located in northern Virginia, USA	50.0	243,608
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	50.0	51,014
Indiana Toll Road Partnership	USA	Investment in toll road located in northern Indiana, USA	49.0	–
Warnowquerung GmbH & Co KG (WKG) (limited partnership)**	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0	–
				931,068

* The MARL Group holds a 6.7% equity interest in Toll Road Investors Partnership II LP (TRIP II), the concessionaire for Dulles Greenway, through its associate Dulles Greenway Partnership (DGP). Along with MARIL's interest bearing financial assets, MQA's estimated overall economic interest in TRIP II is 50%. Dulles Greenway Partnership holds a 100% interest in the General Partner, Shenandoah Greenway Corporation.

** A subsidiary of MARIL, European Transport Investments (UK) Limited (ETIUK), beneficially owns 70% of both the WKG Limited partnership and the General Partner (GP) of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. Per the agreement any decision made in regard to the financial and operational policies requires 75% of the voting members to proceed. As a result MQA does not control WKG.

South Bay Expressway

On 23 March 2010, MQA announced that South Bay Expressway L.P. (SBX) had filed for bankruptcy by making a voluntary petition for relief under Chapter 11 of the US Bankruptcy code. MQA owns 50% of SBX, which was transferred at zero value as part of the MIG restructure. The impending restructure process is expected to result in MQA losing significant influence over the asset. MQA does not expect to receive any further economic benefit from SBX.

(b) Movement in carrying amounts

	MQA Period to 31 Dec 2010 $'000
Carrying amount at the beginning of the period	–
Associates acquired during MIG Demerger	1,336,183
Disposal of associates*	(663,781)
Associates acquired/equity invested*	646,586
Share of losses after income tax**	(208,755)
Distributions received/receivable	(297)
Foreign exchange movement	(178,868)
Carrying amount at the end of the period	**931,068**

* On 21 June 2010 MQA disposed of its interests in its associate Financiere Eiffarie SAS (FE) and acquired additional interests in Macquarie Autoroutes de France 2 SA (MAF2). FE is an associate of MAF 2. As a consequence, certain entities were deconsolidated on 21 June 2010 and a gain of $54.0 million recognised.

** Included in the share of losses after income tax for MQA are fair value losses on interest rate swaps of $104.6 million for which hedge accounting has not been applied.

(c) Share of associates' profits or losses

Revenue	1,072,189
Expenses	(1,368,316)
Loss before income tax	(296,127)
Income tax expense	(27,893)
Loss after income tax	**(324,020)**

(d) Share of associates assets and liabilities

Group's share of:	
Assets	6,460,658
Liabilities	(5,630,140)
Net assets	**830,518**

(e) Share of contingent liabilities of associates

Share of contingent liabilities incurred jointly with other investors	–
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	–
	–

Refer to Note 8 for details of contingent liabilities relating to Toll Road Investors Partnership II LP, an associate of Dulles Greenway Partnership. 3 Investments Accounted for using the Equity Method

(f) Share of associates' losses not brought to account

Carrying amount at the beginning of the period	–
Share of associates' losses not brought to account	(115,265)
Carrying amount at the end of the period	**(115,265)**

4 Derivative financial instruments

Consolidated	MQA As at 31 Dec 2010 $'000
Current liabilities	
Interest rate swap contracts	34,299
Total current derivative financial instrument liabilities	**34,299**
Non-current liabilities	
Interest rate swap contracts	79,188
Total non-current derivative financial instrument liabilities	**79,188**

Instruments used by MQA

At 31 December 2010, the MQA is party to derivative financial instruments entered into in the normal course of business, in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies.

Interest rate swap contracts – cash flow hedges

In 2006, Macquarie Motorways Group Limited (MMG) entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1.00 billion term loan (refer to Note 5) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from period to period. The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term. The swap contracts are currently being settled on a six monthly basis.

The interest rate swap contracts have been designated and qualify as a cash flow hedge. The gain or loss arising from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into the profit or loss when the hedged interest expense is recognised.

At the 31 December 2010 these contracts were liabilities with a fair value of £74.5 million ($113.5 million) and have been disclosed as derivative financial instrument liabilities in the Statement of Financial Position. The fair value movement of the swaps in the period was a loss of £21.8 million ($44.4 million). Of this movement a loss of £21.6 million ($43.9 million) has been recognised in the Statement of Changes in Equity in the cash flow hedging reserve and a loss of £0.2 million ($0.5 million) has been recognised in profit or loss.

A liability of £116.2 million ($176.9 million) has been recognised in interest bearing financial liabilities (refer to Note 5) to reflect the low rates of fixed payments currently being paid under the swap contracts.

At 31 December 2010, the notional principal amounts and periods of expiry of MMG'S interest rate swap contracts are:

Consolidated	MQA As at 31 Dec 2010 $'000
1 – 5 years	–
25 – 27 years	1,522,363

5 Interest bearing financial liabilities

Consolidated	Note	MQA As at 31 Dec 2010 $'000
Non-current		
Non-recourse loans	(i)	1,549,111
Accrued interest rate swap liability	(ii)	176,945
		1,726,056
The maturity profile of the above interest bearing financial liabilities is:		
Due within one year		–
Due between one and five years		1,549,111
Due after five years		176,945
		1,726,056

(i) Non-recourse loans

The MQA consolidated financial statements incorporate interest bearing financial liabilities raised by controlled project entities to finance the construction of infrastructure assets. These project-related liabilities are non-recourse to MQA.

The non-recourse loans represent Macquarie Motorway Group Limited's (MMG), a subsidiary of MQA, debt facilities of £1.03 billion ($1.5 billion) relating to the M6 Toll.

The facilities are due for repayment in August 2015, with a cash sweep commencing in 2012, and comprise a £1.00 billion ($1.5 billion) term loan and a £30.0 million ($45.7 million) capital expenditure facility. Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR).
At 31 December 2010 the interest rate was 2.22%.

At 31 December 2010, the term loan was fully drawn down and £8.86 million ($13.5 million) of the capital expenditure facility had been utilised. The facilities have certain covenants attached and are secured by way of a debentures over Midland Expressway Limited's (MEL) assets.

Interest rate hedging has been put in place in relation to 100% of the face value of the term loan and future refinancing to 2036. Interest expense on the term loan is calculated by applying the effective fixed interest rate of 5.67%.

(ii) Accrued interest rate swap liability

The swap liability represents a separate element associated with the MMG 30 year interest rate hedge. This reflects the low rates of fixed payments currently being paid under the swap contracts being less than the effective swap rate over the term of the swap. As at 31 December 2010, this element incurs fixed interest at 7.12% per annum.

6 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker, being the MARIL Board of Directors (MARIL Board).

The MARIL Board consider the business from the aspect of each of the toll roads and has identified six operating segments for MQA. The segments of MQA are the investments in M6 Toll, APRR, Warnow Tunnel, Indiana Toll Road, Chicago Skyway and Dulles Greenway

The operating segment note discloses the segment revenue and segment EBITDA for the 11 months to 31 December 2010, being the period of ownership following the MIG demerger, and segment assets at 31 December 2010 by individual portfolio asset. The Board is provided on a monthly basis with performance information on each asset, in its capacity as chief operating decision maker, to monitor the operating performance of each asset.

(b) Segment information provided to the MARIL Board

The segment information provided to the MARIL Board for the reportable segments for the period ended 31 December 2010, based on MQA'S effective ownership interest is as follows:

	Indiana Toll Road Period to 31 Dec 2010 $'000	Chicago Skyway Period to 31 Dec 2010 $'000	Dulles Greenway Period to 31 Dec 2010 $'000	M6 Toll Period to 31 Dec 2010 $'000	APRR Period to 31 Dec 2010 $'000	Warnow Tunnel Period to 31 Dec 2010 $'000	Total Continuing operations Period to 31 Dec 2010 $'000	Transtoll Discontinued operations Period to 31 Dec 2010 $'000	Total Discontinued operations Period to 31 Dec 2010 $'000	Total MQA Period to 31 Dec 2010 $'000
Segment Result										
Segment Revenue	43,892	13,514	32,775	94,724	507,201	7,597	**699,703**	5,803	**5,803**	**705,506**
Segment Expenses	(8,412)	(1,950)	(8,701)	(11,475)	(160,873)	(2,522)	**(193,933)**	(5.938)	**(5,938)**	**(199,871)**
Segment EBITDA	35,480	11,564	24,074	83,249	346,328	5,075	**505,770**	(135)	**(135)**	**505,635**
EBITDA Margin	81%	86%	73%	88%	68%	67%		(2)%	**(2)%**	
	As at 31 Dec 2010 $'000	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**	**As at 31 Dec 2010 $'000**
Segment assets	976,487	515,943	867,668	889,802	3,941,838	158,722	**7,350,460**	–	**–**	**7,350,460**

6 Segment information (continued)

(b) Segment information provided to the MQA Boards (continued)

A reconcilation of MQA segment revenue and EBITDA to its total revenue and loss from continuing activities before income tax, and of segment assets to total assets is provided as follows:

	MQA Period to 31 Dec 2010 $'000
Reconciliation of Segment Revenue to MQA Revenue	
Segment Revenue	699,703
Revenue attributable to investments accounted for under the equity method*	(604,979)
Unallocated revenue	8,389
Total revenue	**103,113**
Reconciliation of Segment EBITDA to MQA Loss Before Income Tax Benefit	
Segment EBITDA	505,770
EBITDA attributable to investments accounted for under the equity method*	(422,521)
Operating expenses from consolidated toll road assets	(144,191)
Unallocated revenue	8,389
Unallocated expenses	(36,352)
Share of net loss of investments accounted for using the equity method	(208,755)
Gain on deconsolidation of subsidiaries	54,018
Loss from continuing operations before income tax benefit	**(243,642)**

	MQA As at 31 Dec 2010 $'000
Reconciliation of Segment Assets to MQA Total Assets	
Segment assets	7,350,460
Other cash assets	23,102
Other assets	7,998
Liabilities included in investments accounted for using the equity method	(5,529,592)
Total assets	**1,851,968**

* Revenue and EBITDA attributable to investments accounted for under the equity method is included within the "Share of net losses of investments accounted for using the equity method" line in the Statement of Comprehensive Income. Proportionate revenue and EBITDA relating to investments accounted for under the equity method is included in the information reported to the MARIL Board

7 Commitments for expenditure

Consolidated	MQA Period to 31 Dec 2010 $'000
Operating leases commitments	
Commitments in relation to land leased by MEL from the Highways Agency in the UK and other non cancellable operating leases are payable as follows:	
Within one year	15,521
Later than one year but not later than five years	65,019
Later than five years	1,263,034
Loss from continuing operations before income tax benefit	**1,343,574**

MQA leases land from the Highways Agency in respect of the M6 Toll. The lease payments are established via a formula set out by the Highways Agency, which settles all costs associated with the purchase by the Highways Agency of that land, and interest on those costs at 6% real per annum. Lease payments commenced in 2010 and will be made through to 2054.

Other commitments

As part of the debt refinancing of the M6 Toll in August 2006, Macquarie European Infrastructure Limited, a subsidiary of MARIL made a commitment to contribute up to a maximum of £70 million ($124.3 million) towards a road enhancement project which would provide a link to the M6 Toll. This commitment amount is indexed according to the Road and Construction Tender Index from May 2006. As this contribution is conditional upon the project being undertaken at a future date, the Group believes that no provisions are necessary in the financial statements at 31 December 2010.

8 Contingent liabilities

MQA had the following contingent liabilities at 31 December 2010. No provisions have been raised against these items unless stated below.

Warnow Tunnel

European Transport Investments (UK) Limited (ETI), a subsidiary of MARIL, has made two separate guarantees, totalling €1.19 million ($1.55 million), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co. KG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.19 million ($1.55 million) has been deposited. These funds are restricted and are not accessible.

South Bay Expressway

Macquarie Infrastructure US Pty Limited, a subsidiary of MARIL has provided letters of credit totalling US$2.5 million ($2.4 million) (June 2010 – US$3.6 million ($4.3 million)) to several agencies which have granted environmental permits for the construction of the SBX. An amount of US$ 1.1 million has been repaid in the period. The Group believes it unlikely that there has been or will be any violation of the relevant environmental requirements which would require the letters of credit to be drawn.

The letters of credit are backed by an on-demand guarantee, provided through a secured cash deposit of US$2.5 million ($2.4 million).

Toll Road Investors Partnership II LP (TRIP II)

MQA holds an estimated 50% economic interest in Toll Road Investors Partnership II LP (TRIP II). In May 2010 TRIP II terminated its toll road operation and maintenance service provider's contract. The service provider is seeking damages alleging wrongful termination. At 31 December 2010 no liability has been recognised by TRIP II on the basis that TRIP II is expected to defend the claims successfully.

Macquarie Autoroutes de France SAS (MAF)

The French Tax Authority (FTA) has undertaken a review of Macquarie Autoroutes de France SAS (MAF), a subsidiary of Macquarie Autoroutes de France 2 SA (MAF 2), an associate of MQA, through which MQA holds its interest in APRR. The FTA has issued a notice of re-assessment to MAF seeking additional taxes. MAF, in consultation with its tax advisers, has submitted its response to the FTA and is awaiting the FTA's reply. At 31 December 2010 no liability has been recognised by MQA on the basis that MAF is expected to defend the claims successfully without material adverse re-assessment or costs.

9 Events occurring after balance sheet date

Since balance date, there are no other matters or circumstances 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 periods subsequent to the period ended 31 December 2010.

Statement by the Directors of Macquarie Atlas Roads International Limited

In the opinion of the directors of Macquarie Atlas Roads Infrastructure Limited (MARIL), the consolidated concise financial report of MQA for the period ended 31 December 2010, as set out on pages 51 to 69, complies with Australian Accounting Standard AASB 1039 Concise Financial Reports.

The concise financial report is an extract from the full financial report for the period ended 31 December 2010. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the period ended 31 December 2010.

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 the consolidated entity as the full financial report, which is available on request.

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

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
24 February 2011

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
24 February 2011

Independent auditor's report to the members of Macquarie Atlas Roads International Limited

Report on the concise financial report

The accompanying concise financial report of Macquarie Atlas Roads International Limited comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 15 December 2009 to 31 December 2010 and related notes, derived from the audited financial report of Macquarie Atlas Roads International Limited for the period from 15 December 2009 to 31 December 2010. Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads International Limited and the entities it controlled during the period, and Macquarie Atlas Roads Limited and the entities it controlled during the period. 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 are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports. This responsibility includes establishing and maintaining internal controls 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 Atlas Roads International Limited for the period from 15 December 2009 to 31 December 2010. Our audit report on the financial report for the period was signed on 25 February 2011 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 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 period, 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 period. 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.

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 opinion.

Auditor's opinion

In our opinion, the concise financial report of Macquarie Atlas Roads International Limited for the period ended 31 December 2010 complies with Australian Accounting Standard AASB 1039: Concise Financial Reports.

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner
Sydney
25 February 2011

Liability limited by a scheme approved under Professional Standards Legislation.

Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2010

As noted in the corporate governance statement, MQA is an externally managed vehicle comprising Macquarie Atlas Roads Limited (MARL), an Australian public company, and Macquarie Atlas Roads International Limited (MARIL), a Bermudan exempted mutual fund company.

MARL and MARIL have entered into management and advisory agreements (the MQA Management Agreements) respectively with Macquarie Funds Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 318123) (the MQA Manager).

The MQA Manager makes available employees (including senior executives) to discharge its obligations to the relevant MQA entity. These staff are employed by entities in the Macquarie Group and made available to MQA through formalised resourcing arrangements. Their remuneration is not an MQA expense. It is paid by Macquarie Group. Instead, MQA pays management fees to the MQA Manager (and therefore the Macquarie Group) for providing management and advisory services. These fees are an MQA expense and are therefore disclosed below.

Under the Corporations Act it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, the remuneration report that appears in the MARL directors' report (which forms part of the full financial report) is only for MARL, and only MARL security holders participate in a non-binding advisory vote in respect of it. MARIL and MQA as a whole are not required to prepare a remuneration report.

However, consistent with what is referred to above as an actual expense to MQA, set out below are details of the management fees paid by MQA together with qualitative disclosure detailing how staff of the MQA Manager are incentivised and their interests aligned with MQA.

Management fees

Under the terms of the MQA Management Agreements, the MQA Manager is entitled to base and performance fees for acting as manager and adviser to the stapled entities that comprise MQA.

Base and performance fees are calculated in accordance with defined formulae under the MQA Management Agreements. The management fee structure is linked to MQA's market performance and, in the case of performance fees, ongoing MQA outperformance against a market benchmark.

The management fees paid or payable by MQA to the MQA Manager for the financial period ended 31 December 2010 were:

Base fee	A$10.4 million
Performance fee	A$4.2 million

All base and performance fees for the financial period ended 31 December 2010 were paid in cash.

The structure and level of the fee arrangements were fully disclosed to investors on fund inception and continue to be disclosed on the MQA website and in annual reports. Investors originally invested and continue to invest with this knowledge. Any changes to the structure of the fee provisions which would have the effect of increasing the fees would need to be approved by MQA stapled security holders.

Base fees

Base fees are calculated quarterly as follows:

- 2.00% per annum of the Market Value of MQA at the end of each calendar quarter up to A$1 billion or less; plus
- 1.25% per annum of the Market Value of MQA at the end of each calendar quarter in excess of A$1 billion but less than or equal to A$3 billion; plus
- 1.00% per annum of the Market Value of MQA at the end of each calendar quarter in excess of A$3 billion.

For the purposes of calculating the base fee, 'Market Value' means the market capitalisation of MQA calculated on the basis of the average number of MQA securities on issue during the last 10 trading days of the ASX in the relevant calendar quarter multiplied by the volume weighted average sale price (VWAP) of all MQA securities over those 10 trading days.

The quantum of the base management fee can increase or decrease as a result of both the movement in MQA securities on issue and any movement in the security price.

Performance fees

A performance fee is payable at 30 June each year in the event that the MQA accumulation index outperforms its benchmark, the S&P/ASX 300 Industrials Accumulation Index, in the year to that date having made up for any previous underperformance.

The performance fee is 15% of the dollar amount of the net outperformance for the period and is payable in three equal annual instalments. The first instalment is payable immediately. The second instalment is payable on the first anniversary of the calculation date, only if MQA has outperformed the benchmark over the two-year period to that date. The third instalment is payable on the second anniversary of the calculation date, only if MQA has outperformed the benchmark over the three-year period to that date.

Where MQA 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 the MQA Manager and MQA security holders.

Fees are apportioned between MARL and MARIL based on each entity's share of the value of MQA's net assets.

Oversight of fee payments

There is independent oversight in respect of the calculation and payment of management fees as follows:

- The calculation and payment of management fees (both base and performance fees) are audited as part of the annual financial statement audit
- The performance fee calculation is subject to review by MQA's auditors, PricewaterhouseCoopers, at the time the fee is calculated
- The performance fee calculation is checked by an actuarial firm
- MQA's independent directors review the certification process prior to payment of the performance fee.

Reinvestment of fees

Under MQA's constituent documents and the MQA Management Agreements, the MQA Manager has the ability to request the application of base or performance fees payable to it for a subscription in new MQA securities, subject to the approval of MQA's independent directors.

In this event, the issue price for the new MQA stapled securities is the VWAP of all MQA stapled securities traded on the ASX during the last 10 trading days of the relevant period.

Expense reimbursement

The MQA Manager is also entitled to be reimbursed for expenses incurred by it in relation to the proper performance of its duties, out of the assets of MQA.

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 MQA Management Agreements.

Fees paid or payable by MQA group entities for related party services are disclosed in the MQA financial statements.

Directors

The independent and non-executive directors of MARL and MARIL are remunerated by MQA. David Walsh and Richard England as independent directors of MARL each receive fees of A$125,000 per annum, with David Walsh receiving an additional A$60,000 per annum for his role as chairman and Richard England receiving an additional A$15,000 per annum as chairman of the audit and risk committee. Jeffrey Conyers receives US$50,000 per annum as an independent director of MARL. John Roberts as a director on the MARL Board originally nominated by Macquarie is employed and remunerated by the Macquarie Group.

Jeffrey Conyers and Derek Stapley as independent directors of MARIL each receive fees of US$60,000 per annum, with Jeffrey Conyers receiving an additional US$15,000 per annum for his role as chairman and Derek Stapley receiving an additional US$10,000 as the chairman of the audit and risk committee. David Walsh is also an independent director of MARIL and receives fees of A$65,000 per annum in this capacity and Peter Dyer as a non-executive director of MARIL receives a fee of £40,000 per annum.

The fees paid to the independent and non-executive directors of MARL and MARIL are determined by reference to current market rates for directorships. The level of fees is not related to the performance of MQA. The boards of MARL and MARIL 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. Under the MARL constitution, aggregate MARL director fees are capped at A$1,000,000 and under the MARIL Bye-Laws, aggregate MARIL director fees are capped at US$500,000. Any increase to this cap requires shareholder approval.

None of the MARL or MARIL independent and non-executive directors are entitled to MQA options or securities or to retirement benefits as part of their remuneration package.

Set out below are details of the total remuneration paid by MQA to independent and non-executive directors for the financial year 2010:

Name	Director fees MARL	Director fees MARIL
Jeffrey Conyers	US$8,152	US$68,527
Marc de Cure	A$52,422	–
Peter Dyer	–	£36,795
Richard England	A$81,538	–
Mark Johnson	A$41,087	–
David Mortimer	A$46,017	–
Robert Mulderig	–	US$23,009
Derek Stapley	–	US$40,769
David Walsh	A$168,556	A$59,222

Executives

The remuneration of executives that are involved in the management of MQA (including the CEO and CFO of MQA) is not disclosed because these executives are employed by Macquarie Group and not by MQA.

The remuneration of these executives is determined and paid by the Macquarie Group and is not recharged to MQA. The boards and remuneration committees of MARL and MARIL do not determine the remuneration of MQA management executives.

Macquarie Group's approach to employee remuneration, which is detailed in the Macquarie Group Annual Report, produces a strong alignment of interest between MQA management executives and MQA investors.

As detailed in that report, Macquarie Group's remuneration system ensures that a significant amount of remuneration is at risk and solely dependent on performance. The remuneration package of all Macquarie Group 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 assessment of Macquarie Group employees takes place half-yearly. The MQA boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of performance of the MQA 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 MQA management team is driven predominantly by their individual contribution to the performance of MQA, taking into account the following elements:

- MQA's overall performance as a listed entity
- Strong operational performance of MQA's underlying assets
- Management and leadership of MQA and the assets controlled by MQA
- Acquisitions and subsequent management of the assets purchased to ensure performance is in line with the business plans
- Effective risk management and capital management
- Maintenance of Macquarie's reputation and track record in respect of its branded funds.

There is no formulaic approach to determining MQA management's profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the MQA boards in the case of the MQA CEO and CFO. Deferral and restriction arrangements apply to a portion of allocated profit share to encourage a long-term perspective and commitment from Macquarie employees.

A further alignment of interests

Further to the remuneration matters discussed above, alignment between MQA security holders and Peter Trent, the CEO of MQA (and an executive director of Macquarie Group) is reflected in his profit share arrangements.

Under these arrangements 40% is retained from Mr Trent's profit share allocation (the retention amount). 50% of the retention amount is notionally invested in MQA securities and the remainder in fully paid ordinary Macquarie shares through an employee retention share plan.

The investment in MQA securities from Mr Trent's profit share is described as 'notional' because Mr Trent may not directly hold securities in relation to this specific investment. However, the value of the retained amounts varies as if these amounts were directly invested in MQA securities.

All retained amounts vest and are released from three to five years after the year retained.

The retained amounts are subject to forfeiture on leaving Macquarie, except in limited exceptional circumstances.

Alignment between the Macquarie Group and MQA security holders is also demonstrated through the interest the Macquarie Group holds in MQA. At 25 February 2011 the Macquarie Group held a 14.04% principal holding in MQA.

Stapled security holder information

AS AT 25 FEBRUARY 2011

Distribution of securities

Investor Ranges	Holders	Total securities	% of issued securities
1 – 1,000	18,053	7,084,252	1.57
1,001 – 5,000	7,766	16,176,473	3.58
5,001 – 10,000	805	5,595,238	1.24
10,001 – 100,000	490	12,527,955	2.77
100,001 and over	77	410,961,989	90.85
Total	**27,191**	**452, 345, 907**	**100.00**
Investors with less than the minimum marketable parcel	8,234	1,020,904	0.23

Twenty largest investors

Investor		Number of securities	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	64,659,766	14.29
2	Macquarie Capital Group Ltd	63,490,773	14.04
3	National Nominees Limited	50,852,766	11.24
4	JP Morgan Nominees Australia Limited	49,457,909	10.93
5	HSBC Custody Nominees (Australia) Limited	47,362,909	10.47
6	HSBC Custody Nominees (Australia) Limited	34,915,828	7.72
7	Citicorp Nominees Pty Limited	32,149,823	7.11
8	JP Morgan Nominees Australia Limited	25,281,525	5.59
9	Smallco Investment Manager Ltd	3,873,252	0.86
10	Cogent Nominees Pty Limited	3,275,127	0.72
11	Australian Reward Investment Alliance	2,564,087	0.57
12	RBC Dexia Investor Services Australia Nominees Pty Limited	2,075,312	0.46
13	Citicorp Nominees Pty Ltd	2,074,983	0.46
14	Perron Investments Pty Ltd	2,057,059	0.45
15	AMP Life Limited	1,822,817	0.40
16	Macquarie Investment Mgt Limited	1,717,663	0.38
17	Macquarie Investment Management Ltd	1,710,854	0.38
18	Mr Peter Trent & Mrs Cathy Trent	1,400,000	0.31
19	Queensland Investment Corporation	1,266,388	0.28
20	Mr Peter Trent	1,123,412	0.25
Total		**393,132,253**	**86.91**

Details of substantial stapled security holders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities
Macquarie Group Limited	4 February 2010	74,733,185	16.52
Lazard Asset Management Pacific	13 December 2010	64,629,673	14.29
Octavian Advisers	24 May 2010	34,256,732	7.57
Allen Global Partners	4 February 2011	22,896,435	5.06

Directors' profiles

MQA comprises Macquarie Atlas Roads Limited (MARL) and Macquarie Atlas Roads International Limited (MARIL). Macquarie Fund Advisers Pty Limited, a wholly owned subsidiary of Macquarie Group Limited, is the Manager of MARL and the adviser to MARIL. Each of the MARL and MARIL boards is made up of four directors with a diverse range of backgrounds and experience. The directors take an active role in the management of MQA, meeting on a regular basis to review MQA's affairs and to carry out their statutory and fiduciary duties. Where required, the boards convene at short notice to consider matters as they arise.

David Walsh
Independent Chairman (MARL)

David is an experienced corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jaques from 1962 to 2004. Currently, he is the chairman of Templeton Global Growth Fund Limited. During the last three years he has also served as a director of Intoll Management Limited, formerly Macquarie Infrastructure Investment Management Limited (2004–2010), PaperlinX Limited (2000–2007) and Dyno Nobel Limited (2006–2008).

Jeffrey Conyers*
Independent Chairman (MARIL)

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 acts as a consultant to (and is the former 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 also serves on the Board of a previously Macquarie-managed vehicle, MAp Airports International Limited, which is part of MAp Group listed on the Australian Securities Exchange. Macquarie ceased to manage MAp in October 2009 but Macquarie remains a substantial security holder in MAp. Jeffrey also served as a director of Intoll International Limited, formerly Macquarie Infrastructure Group International Limited..

* Please see corporate governance statement for discussion on independence.

Directors' profiles
CONTINUED

The MARL Board of directors is made up as follows:

David Walsh
Independent Chairman
Director since establishment on 16 December 2009

See biography above.

Jeffrey Conyers
Independent Director
Director from 1 November 2010

See biography above.

Richard England
Independent Director
Director from 1 June 2010

Richard England, who has also been appointed as the Chairman of the Audit and Risk Committee of MARL, is a Fellow of the Institute of Chartered Accountants and a Member of the Australian Institute of Company Directors. He is a director of a number of other ASX-listed companies including Ruralco Holdings, (Chairman) Chandler McLeod Group (Chairman) and Nanosonic Limited. He is a former director of St George Bank, Healthscope Limited and Choiseul Investment Limited, and a former partner of Ernst & Young (Australia).

John Roberts
Non-Executive Director
Director since restructure implementation on 2 February 2010

John joined Macquarie in 1991 and is based in Sydney, Australia. John is Executive Chairman of the Macquarie Funds Group which has US$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). John is on all investment committees or boards of directors in MIRA to provide oversight and strategic direction to individual fund management executive teams. Previous roles within Macquarie include Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds. John has a Bachelor of Laws degree from the University of Canterbury in New Zealand.

The MARIL Board of directors is made up as follows:

Jeffrey Conyers*
Independent Chairman
Bermuda-based – director since establishment on 16 December 2009

See biography above.

Derek Stapley
Independent Director
Bermuda-based – director from 1 June 2010

Derek Stapley, who has also been appointed as the Chairman of the Audit and Risk Committee of MARIL, is a Scottish Chartered Accountant with 23 years' experience and is a former partner and industry group leader with Ernst & Young in financial services. He was the chair of Ernst & Young's Global Hedge Fund Steering Committee which was responsible for providing strategic direction to Ernst & Young's global hedge fund practice. He is currently an independent director on the boards of several investment funds and management companies.

David Walsh
Independent Director
Australia-based – director since restructure implementation on 2 February 2010

See biography above.

Peter Dyer
Non-Executive Director
United Kingdom-based – director since establishment on 16 December 2009

Dr Peter Dyer was previously executive director of Kværner Corporate Development Limited (now Macquarie Infrastructure (UK) Limited). Peter gained extensive experience in the development of Kværner's UK-based PFI projects, including the Birmingham Northern Relief Road (now M6 Toll) and the A1-M1 Road in Yorkshire. Peter was employed by the Kværner Group from 1981 and became a director of Macquarie European Infrastructure plc (and subsequently Intoll International Limited), following the acquisition of Kværner Corporate Development Limited.

* Please see corporate governance statement for discussion on independence.

Special notice

Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL) and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL). Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFSL 318123) (MFA) is the manager/adviser of MARL and MARIL. MFA is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279).

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove either or both of MARL and MARIL from the official list of ASX if, while the stapling arrangements apply, the securities in one of the entities ceases to be stapled to the securities in the other entity.

Takeover provisions

Unlike MARL, MARIL is not subject to takeover provisions of Chapters 6, 6A, 6B and 6C of the Corporations Act. However, as the takeover provisions of the Corporations Act apply to MARL and its shareholders, by virtue of the stapling arrangements, the takeover provisions will apply to the holders of MQA stapled securities. This is notwithstanding that MARIL and its shareholders are not subject to the takeover provisions of the Corporations Act.

Disclaimer

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. Investments in MQA are subject to investment risk, including possible delays in repayment and loss of income and capital invested.

Advice warning

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 MQA or its officers.

This annual 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 MQA, 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.

Manager fees

MFA as manager of MARL and adviser to MARIL is entitled to fees for so acting. Macquarie Group Limited and its related corporations (including MFA), together with their officers and directors, may hold stapled securities in MQA from time to time.

Special notice
CONTINUED

Financial report

This concise financial report has been derived from the full financial report for the period ended 31 December 2010. The full financial report and auditor's report is available on the MQA website at www.macquarie.com/mqa and will be sent to security holders on request, free of charge. Please call Computershare Investor Services Pty Limited on 1800 267 108 (within Australia) or 61 3 9415 4053 (outside Australia) if you would like a copy to be forwarded to you.

Complaint handling

A formal complaint handling procedure is in place for MQA. MFA is a member of the Financial Ombudsman Service. Complaints should in the first instance be directed to Macquarie Atlas Roads.

If you have any enquiries or complaints please contact:

Macquarie Atlas Roads Investor Relations
Level 11, No. 1 Martin Place
Sydney, NSW, 2000
Telephone (Australia): 1800 621 694

MQA's ongoing commitment to your 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. MQA's privacy policy is available on the MQA website at www.macquarie.com/mqa or you can contact our investor relations team on 1800 621 694.

Corporate directory

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Manager of Macquarie Atlas Roads Limited and Adviser to Macquarie Atlas Roads International Limited

Macquarie Fund Advisers Pty Limited
ABN 84 127 735 960
AFS Licence No. 318123

Macquarie Atlas Roads Limited

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Australia

Directors

David Walsh (Chairman)
Jeffrey Conyers
Richard England
John Roberts

Secretaries

Kean Hao Lim
Christine Williams

Macquarie Atlas Roads International Limited

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Directors

Jeffrey Conyers (Chairman)
Peter Dyer
Derek Stapley
David Walsh

Secretary

Donna Phillips

Registry

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