MACQUARIE ATLAS ROADS
ANNUAL REPORT 2011

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[1]

Position on ASX
Top 200

Securities on issue
464.3 million

Market capitalisation
A$775 million

Security holders
~23,000

Toll roads in portfolio
Six, across four countries

Total km travelled on MQA roads in 2011
25.1 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.

Portfolio assets

Autoroutes Paris-Rhin-Rhône (APRR)

One of the largest motorway networks in Europe, and the second largest in France, APRR is MQA's flagship asset and represents most of MQA's portfolio by value.

Dulles Greenway

Virginia, USA

M6 Toll

West Midlands, UK

Chicago Skyway

Illinois, USA

Indiana Toll Road

Indiana, USA

Warnow Tunnel

Rostock, Germany

1 As at 29 February 2012.

Letter from the Chairmen and the CEO

Overview

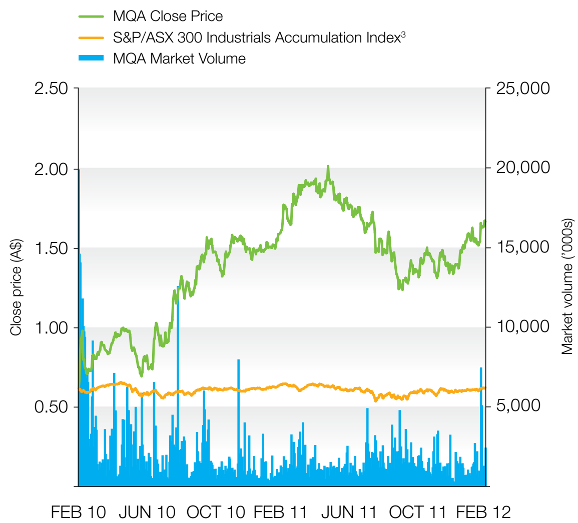
When MQA listed in early 2010 we outlined a strategy of delivering value to investors from our existing portfolio of toll road assets, through improving operational performance, disciplined capital and portfolio management, and transitioning MQA to become a consistent dividend-paying stock.

Over the course of 2011, MQA has continued to make significant progress in delivering against this plan, including the refinancing of debt at Eiffarie, the consortium holding company for the Autoroutes Paris-Rhin-Rhône (APRR) motorway network in France, which was completed in February 2012.

Despite difficult economic conditions, which resulted in lacklustre traffic performance on a number of roads, MQA delivered 3.0% growth in revenue and 4.0% growth in EBITDA[1] across its portfolio. The Chief Financial Officer's report overleaf provides a more detailed review of the operating performance of the portfolio.

Security price performance

MQA's market capitalisation is currently A$775 million[2], an increase since listing of 179%. This is a pleasing performance for investors, especially given the strengthening of the Australian dollar against portfolio currencies, most significantly against the Euro. A chart of MQA's security price performance since listing is set out below.



Successful refinancing of €3.5 billion debt facilities at Eiffarie and APRR – a second milestone transaction for MQA

In the 2010 Annual Report we highlighted Eiffarie's acquisition of minority interests in APRR, to bring its ownership to just over 95%, as a landmark transaction for MQA. This transaction positioned Eiffarie well to address the refinancing of its debt facilities during the course of 2011–12, and represented a major milestone for MQA in delivering against its strategic plan.

Eiffarie's ownership of APRR now stands at 98.9%, with the legal process to increase this ownership to 100% still in progress. Completion is anticipated during the course of 2012, at which point MQA will hold an effective interest in APRR of 19.4%.

MQA management's main objective during 2011 was to progress and complete the refinancing of Eiffarie's bank debt. On 20 February 2012, Eiffarie signed a new €2.8 billion term loan with a group of 17 international banks. The proceeds of this loan and of a large dividend paid by APRR to its shareholders have together been used to fully repay Eiffarie's existing €3.8 billion facility, which was due to mature in February 2013.

In addition, APRR signed a €0.7 billion revolving credit facility which will replace its existing, undrawn, €1.8 billion facility.

Given the prevailing market conditions and uncertainty in Europe, completion of this refinancing represents a significant achievement and demonstrates the strength and quality of the asset. The Eiffarie/APRR group now has a significantly lengthened debt maturity profile.

1 Earnings Before Interest, Tax, Depreciation and Amortisation. Proportionately consolidated numbers aggregate the results of each asset in proportion to MQA's beneficial ownership interest. Pro forma numbers have been normalised for changes in ownership interests and foreign exchange rates.

2 As at 29 February 2012.

3 Benchmark rebased to A$0.615, the MQA close price on the first day of listing (25 January 2010).

Operations

During the year, revised toll schedules were implemented across the majority of MQA's toll road assets, boosting revenue performance. Focus on cost control has also continued across the whole portfolio.

APRR has continued to improve operational efficiency, with ~85% of all toll payments now processed automatically. Progress has also continued on the network developments that APRR agreed with the French State as part of the current management contract, with three new sections of the motorway network opened during the year. More detail about APRR is provided on pages 6 to 11 of this report.

Dulles Greenway has continued to deliver operational cost savings following the internalisation of operations and maintenance in May 2010. A total of US$34.3 million of undistributed surplus cash at the asset has been used to repurchase debt, improving the overall returns of the asset and increasing expected future cash flows.

On the M6 Toll, contactless technology is being developed for credit card users, and tag users are now able to use dedicated 'green lanes' – both initiatives speeding up the time taken at toll booths and improving customer experience.

MQA 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. MQA's available cash position at 29 February 2012 was approximately A$16.1 million.

As previously foreshadowed, MQA did not declare a dividend for the 2011 financial year.

Outlook

Over the coming year we will continue to pursue initiatives that will maximise revenue and improve operational efficiency across MQA's portfolio of assets.

Having now successfully completed the refinancing of the Eiffarie/APRR debt facilities, we look forward to the prospect of commencing dividends to MQA security holders during 2013.

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

YEAR ENDED 31 DECEMBER 2011

Overview

The performance of APRR, MQA's most significant toll road asset, has remained resilient despite signs of an economic slowdown in France, with positive traffic and revenue growth for the 12 months ended 31 December 2011. Elsewhere across the portfolio, economic conditions in the United States and the United Kingdom remained challenging, impacting the performance of MQA's toll roads in those countries.

MQA's asset management teams have continued to deliver improvements in operational efficiency across the portfolio, resulting in an increase in overall portfolio EBITDA margin.

Financial highlights – statutory

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. MQA's share of the results of its non-controlled toll road assets (being APRR, Dulles Greenway, Chicago Skyway, Indiana Toll Road and Warnow Tunnel) is disclosed as 'share of net losses from investments accounted for using the equity method'.

A summary of MQA's statutory financial performance for the periods ended 31 December 2011 and 2010 is set out in the table below. The comparative results presented reflect the ownership of the asset portfolio from 2 February to 31 December 2010.

Statement of comprehensive income

	Year ended 31 Dec 2011 A$m	Period ended 31 Dec 2010 A$m
Loss for the period	(289.5)	(226.9)
Total comprehensive income for the period	(616.9)	(177.9)
Net loss attributable to MQA security holders	(289.5)	(142.5)

Statement of financial position

	As at 31 Dec 2011 A$m	As at 31 Dec 2010 A$m
Total assets	1,629.9	1,852.0
Total liabilities	(2,451.2)	(2,077.3)
Total MQA security holders' interest	(821.3)	(225.3)

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$289.5 million for the year (2010: A$142.5 million), reflecting losses from its controlled and non-controlled assets.

Total comprehensive income for the year is made up of the above loss together with losses of A$327.4 million in MQA's consolidated reserves. These reserve movements relate primarily to a decrease in the fair value of the interest rate swaps hedging the non-recourse debt at the M6 Toll, resulting from a downward shift in the forward interest rate curve.

Consequently, MQA's balance sheet shows a net liability position of A$821.3 million as at 31 December 2011. This has been driven by M6 Toll related balances: its non-recourse liabilities of A$2.4 billion exceed the depreciated carrying value of its toll road related assets of A$0.8 billion. This position is an outcome on application of accounting standards and neither reflects any solvency issue at the MQA level nor impacts on MQA's operating performance or cash flows.

Further information on the statutory results is provided in the discussion and analysis on pages 53 and 54.

Financial highlights – proportionate results from toll road assets

The proportionate results aggregate the financial results of MQA's assets in the relevant proportions that MQA holds beneficial ownership interests. The proportionate results are prepared on a different basis to the statutory results, which are prepared in accordance with Australian Accounting Standards.

Figure 1 on the next page shows the operating performance of MQA's portfolio for the year.

In 2011:

- Revenue weighted average traffic for the year ended 31 December 2011 decreased compared to the prior corresponding period, reflecting weak economic conditions in the US and UK, partially offset by growth in light and heavy vehicle traffic on APRR
- Toll revenue increased for all roads in the portfolio except the M6 Toll, reflecting the positive impact of

changes to tolling structures implemented during 2010 and 2011

- Continued focus on operational efficiency has contributed to growth in EBITDA and an improvement in EBITDA margin.

A summary of MQA's portfolio performance for the last five years is set out in Figure 2 below. Portfolio revenue, EBITDA and EBITDA margin continue to trend positively.

Fig. 1: Summary 2011 pro forma asset performance vs prior corresponding period[1]

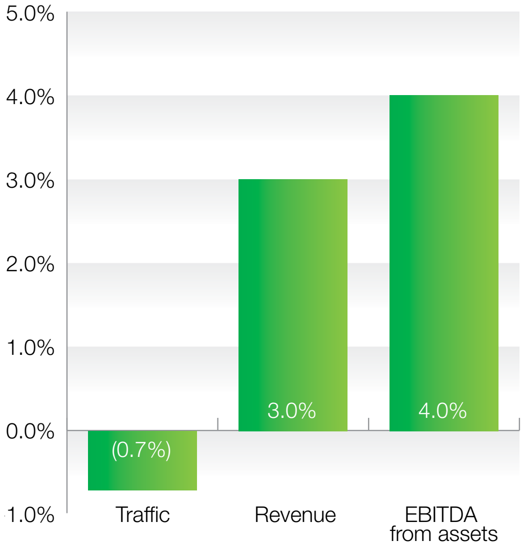
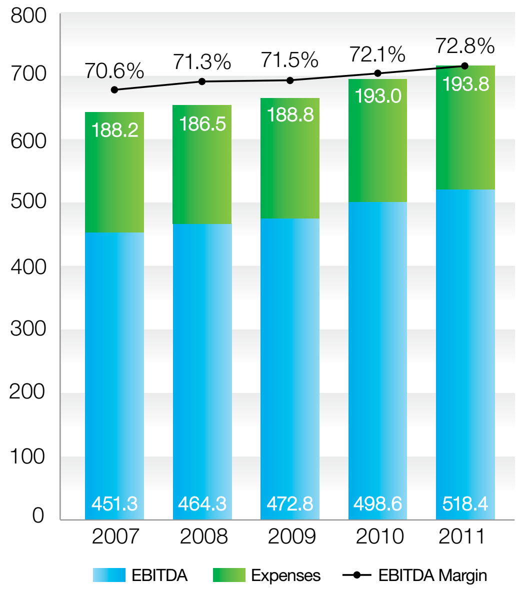


Fig. 2: Pro forma proportionate EBITDA from road assets (A$m)[1], year ended 31 December



Further information, including the basis of preparation of proportionate results and a reconcilliation of these results to the statutory results, is provided in the Management Information Report available on the MQA website.

Cash flow and cash position – fund level

A summarised fund level cash flow statement for the period is set out below.

Available Cash[2]	A$m
Opening balance – 1 January 2011	**19.1**
Cash flows received from assets	13.7
Other operating cash flows, net of foreign exchange movements	(15.3)
Investing and financing cash flows	(0.2)
Closing balance – 31 December 2011	**17.3**
Other operating cash flows, net of foreign exchange movements	(1.2)
Pro forma cash position – 29 February 2012	**16.1**

It is expected that current cash reserves, together with anticipated cash flows from the MQA portfolio, will be sufficient for MQA to meet its fund level cash requirements during 2012. MQA has no fund level debt.

Mary Nicholson
Chief Financial Officer
Macquarie Atlas Roads

1 Pro forma results are normalised for changes in ownership interests and foreign exchange rates. For comparability purposes the results of MQA's portfolio of road assets are presented for the 12 months ended 31 December 2011 and previous years, albeit that MQA did not acquire the assets from MIG until 2 February 2010.

2 Available cash represents cash immediately available for MQA use. In addition, MQA has A$2.2m cash not currently available for use, representing secured cash deposits in relation to outstanding guarantees and letters of credit.

Autoroutes Paris-Rhin-Rhône (APRR)

FRANCE

RESULTS

Revenue
4.2% increase on pcp

Traffic
1.6% increase on pcp

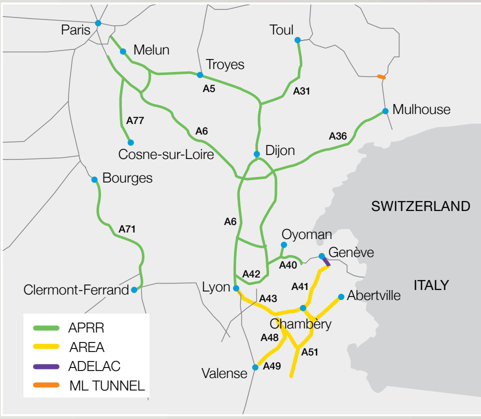
ASSET DESCRIPTION

Overview: APRR is the concessionaire of a 2,264km 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 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 motorways in central France (A77 and A71). The concession provides for a further 18km of motorways to be constructed and opened by 2016.

Opened: March 1970, MIG invested in February 2006

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

MQA's interest: 19.44%[1]



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

Happy 50th Birthday

APRR 1961–2011

APRR reached 50 years of age during 2011, having been established as Société de l'Autoroute Paris-Lyon in 1961, principally to build and operate the A6 motorway linking Paris and Lyon. This motorway became fully operational in 1970.

In addition to building out the network organically, growth has also been achieved by being awarded new concessions such as the Maurice Lemaire tunnel and A41 (ADELAC), and by acquiring the AREA concession covering the Alps region. Today, APRR is the second largest motorway network in France and the fourth largest in Europe with a total of 2,264km in operation.

Over the years, the use of technology has increased. Use of credit cards was widespread by 1988; in 1991 the group established a dedicated radio station to keep drivers informed of network traffic conditions; in 2001 the Liber-t electronic tag payment system was implemented; and in 2009 the first télépéage sans arrêt tag-only no-stop entry/exit point was opened.

Originally government owned, APRR was partially privatised in 2004. In February 2006, the government sold its remaining 70% interest in the group to Eiffarie, a consortium comprising Eiffage and Macquarie-managed funds including MIG (now MQA). Eiffarie has since acquired additional interests in APRR to bring its holding to 98.93% by the end of 2011.

APRR is the flagship asset in MQA's portfolio, and the largest by value.

1961
Société de l'Autoroute Paris-Lyon (SAPL) was established, principally for the purposes of building and operating the A6 motorway linking Paris and Lyon.

S.A.P.L.

1963
The first section of the motorway was opened.

1970
The A6 motorway was fully operational. The Lille-Paris-Marseille motorway was inaugurated by the President, Georges Pompidou. AREA was established as the concessionaire for the Rhône-Alpes region.

AREA
LES AUTOROUTES RHÔNE-ALPES

1975
SAPL changed its name to Société des Autoroutes Paris-Rhin-Rhône (APRR) after having been granted the concession for the new A36 and A31 motorways. The network now connected Paris with Dijon, Lyon and Mulhouse.

1977
The network reached a total length of 500km.

1977–87
The company built the A40, A42, A46, A5 and A71 motorways, and began work on the A39. The total network in service exceeded 1,000km in 1987.

1981
APRR was granted the concession for the Maurice Lemaire tunnel (11km including access roads) in the Vosges mountains.

1991
A dedicated radio station was established to keep motorists informed of traffic conditions on the network and to improve management of traffic flow.

Autoroute INFO 107.7

1994
AREA became a subsidiary of APRR bringing the network length to a total of more than 1,500km.

1995–2000
The group built the A19, A404, A719, A39, A77 and A51. By 2000 the group was operating a network of motorways and tunnels totalling nearly 2,200km.

2001
The Liber-t electronic tag payment system was introduced.

2004
The government disposed of 30% of the capital of APRR in a partial flotation.

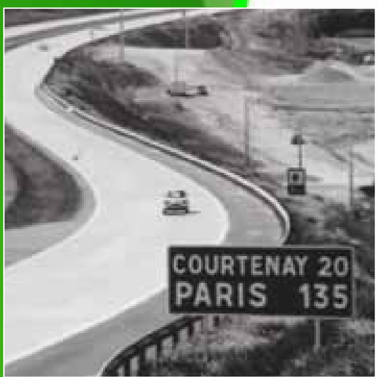
autoroutes PARIS RHIN RHONE

2005
The consortium formed by Eiffage and certain Macquarie-managed funds including MIG was chosen to acquire the French government's remaining holding in APRR. Financial close took place in February 2006.

APRR

2008
The ADELAC concession's Liane autoroute, the 19km Annecy-Genève section of the A41 motorway, was opened.

2011
New sections of the A432, A406 and A714 motorways were opened. By the end of 2011 the network length totalled 2,264km.



Photothèque APRR – Marc Garanger

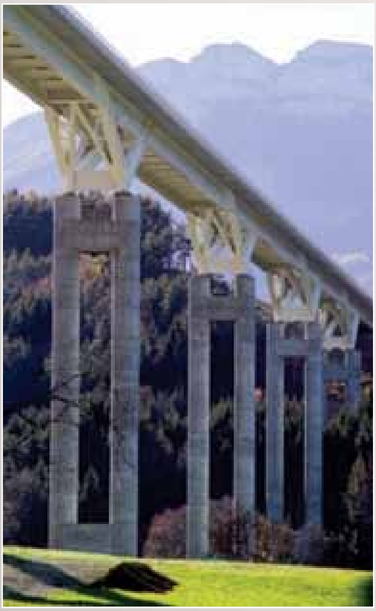
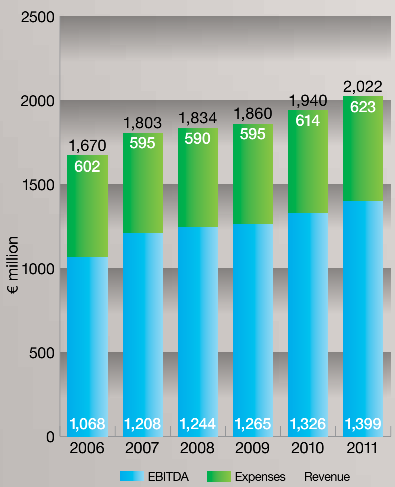


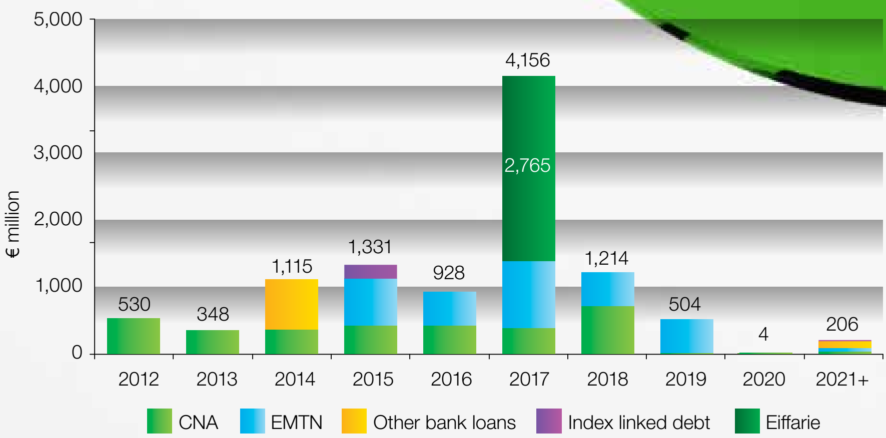
Fig 1: APRR financial performance



OPERATING PERFORMANCE AND INITIATIVES

- APRR has continued to demonstrate its characteristic solid performance, with traffic growth of 1.6%, revenue growth of 4.2% and EBITDA growth of 5.5% for 2011. EBITDA for the year totalled €1.4 billion, another record annual performance.
- During the year light vehicle (car) traffic performed well. Heavy vehicle traffic, after showing initial strong growth in the first half of the year, slowed in the second half reflecting the prevailing deterioration of economic conditions in Europe.
- Scheduled toll increases of 2.12% (APRR) and 2.08% (AREA) were implemented with effect from 1 February 2011. These, combined with continued focus on cost control, led to an improvement in EBITDA margin to 69.2%.
- Figure 1 to the left shows APRR's financial performance over the last six years: throughout very mixed economic conditions APRR has demonstrated revenue and EBITDA growth year on year, as well as an improvement in EBITDA margin.
- APRR continued to expand its network during the year, with the following new motorway sections opened:
  - 10 February 2011: A432 motorway (Les Echets – La Boisse)
  - 7 March 2011: A406 (Mâcon South bypass)
  - 29 June 2011: A714 to Montluçon.
- In addition, continued progress was made in increasing the level of automation across the network, with automated transactions (tag, credit card and coin machine) accounting for 84.8% of total transactions during 2011 compared with 77.5% in 2010. The number of active Liber-t tags increased by 19%, with just over one million now on issue. The level of electronic toll collection, which represented 47.0% total transactions in 2011 (2010: 44.6%), continues to grow rapidly.
- The improved level of automation means that 132 of the 150 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.

Fig 2: Eiffarie/APRR debt maturity profile (post refinancing)



REFINANCING OF DEBT FACILITIES AT EIFFARIE AND APRR

- Since Eiffarie's acquisition of APRR in 2006 the Eiffarie/APRR group has been financed at both operating company (APRR) and consortium holding company (Eiffarie) levels.
- A major focus for MQA and its co-investors in Eiffarie during 2011 was the refinancing of the €3.8 billion Eiffarie acquisition facility, which had a maturity date of February 2013.
- The first stage was to build up liquidity at the APRR level through the issue of bonds. During 2011 and January 2012 APRR issued a total of €2.55 billion bonds under its Euro Medium-Term Note (EMTN) programme. The proceeds of these bond issues were used to retire maturing APRR debt, to fund a dividend payment to Eiffarie and APRR's minority shareholders of just over €1.0 billion (Eiffarie used its share to reduce its existing loan balance to €2.8 billion) and to provide funds to meet upcoming APRR debt maturities during 2012 and 2013.
- The second stage was to establish a new debt facility at Eiffarie. A €2.8 billion facility, which matures in February 2017, was signed with an international group of banks on 20 February 2012.
- At the same time, a new €0.7 billion five-year revolving credit facility was signed by APRR, to replace its existing undrawn €1.8 billion facility that was also due to mature in February 2013.
- The successful negotiation of these facilities at a time when European bank markets were under pressure was a significant achievement, and has substantially lengthened the debt maturity profile of the Eiffarie/APRR group. In addition, it has positioned Eiffarie to commence payment of distributions, which in turn should position MQA to commence payment of dividends to its investors in 2013.
- Figure 2 sets out the current debt maturity profile of the group. APRR has sufficient cash reserves to meet its upcoming maturities for the next 18 months.

Dulles Greenway

VIRGINIA, USA

ASSET DESCRIPTION

Overview: 22km toll road in Loudoun County, northern Virginia, part of a 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%[1]

1 Estimated economic interest.

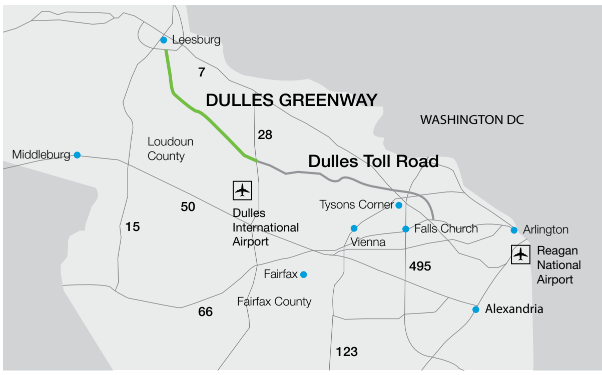
RESULTS

Revenue
2.6% increase on pcp

Traffic
2.6% decrease on pcp

OPERATIONAL UPDATE

- Over the full year, revenue was 2.6% higher than in 2010. This result reflects the impact of increased tolls (effective 1 July 2010) partially offset by generally weak traffic across the corridor.
- 2011 was the first full year in which the Dulles Greenway concessionaire self-performed operations and maintenance on the road. The transition has yielded significant operational efficiencies and improved customer service for the Greenway.
- A scheduled toll increase was implemented on 1 January 2012. The new schedule incorporates toll increases at the mainline toll plaza of approximately 7% for peak period traffic travelling in the peak direction and approximately 8% for traffic travelling in the non-peak direction and during off-peak times. Maximum tolls for two-axle vehicles are now US$4.80 for two-axle vehicles travelling during peak periods in the peak direction and US$4.00 for two-axle vehicles travelling in the non-peak direction and during off-peak periods.



M6 Toll

WEST MIDLANDS, UK

ASSET DESCRIPTION

Overview: 43km motorway that bypasses Birmingham and connects to the existing M6 at both ends

Opened: December 2003

Concession expiry: 31 January 2054

MQA's interest: 100%

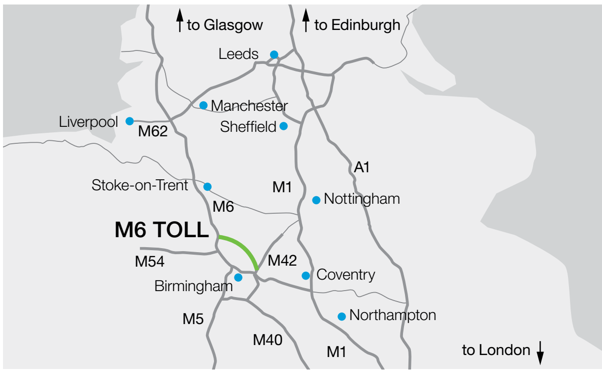
RESULTS

Revenue
7.0% decrease on pcp

Traffic
10.2% decrease on pcp

OPERATIONAL UPDATE

- Traffic conditions in 2011 were impacted by a number of adverse factors including improvements to a competing section of the M6, increasing unemployment, elevated fuel prices and high inflation eroding disposable income. The challenging economic conditions are expected to continue into the foreseeable future.
- M6 Toll continued to enhance its customer service levels during 2011. This included the introduction of a dedicated 'green lane' for electronic tag users, and improved plaza signage to assist correct lane selection and transaction speeds. M6 Toll has also worked towards acceptance of contactless cards as a method of payment. This facility is currently being tested and is expected to be fully active by Easter 2012, allowing for faster payment and reducing card processing fees payable.
- New toll rates came into effect on 1 March 2011, with toll rates for light and heavy vehicles increasing by 30 pence and 60 pence respectively.



Chicago Skyway

ILLINOIS, USA

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, leased to the private sector in January 2005

Concession expiry: 24 January 2104

MQA's interest: 22.5%

OPERATIONAL UPDATE

- A scheduled Skyway toll increase was implemented on 1 January 2011, the first since 1 January 2008. Car tolls increased from US$3.00 to US$3.50.
- 2011 Skyway traffic volumes were negatively impacted by ongoing construction works on the Indiana Toll Road barrier system as well as the recent completion of construction on the major competing route. Traffic also showed some elasticity to the toll increase implemented in January 2011. Construction roadworks on the Indiana Toll Road barrier system were substantially complete in December 2011.

RESULTS

Revenue
13.1% increase on pcp

Traffic
6.5% decrease on pcp

Indiana Toll Road

INDIANA, USA

ASSET DESCRIPTION

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

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

Concession expiry: 29 June 2081

MQA's interest: 25%

OPERATIONAL UPDATE

- A scheduled toll increase was implemented on 1 July 2011. The new schedule increased tolls by approximately 3% for a full-length trip. Cash tolls for a through trip for a light vehicle increased from US$8.80 to US$9.00 and cash tolls for a five-axle vehicle increased from US$35.20 to US$36.20.
- Ticket system trips for the year were down 1.6% compared with 2010. Heavy vehicle traffic for the ticket system increased 2.4% compared to 2010. Barrier system trips were down 5.9% 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. ITR traffic volumes were also impacted by the Skyway toll increase in January 2011 and the ITR toll increase in July 2011.

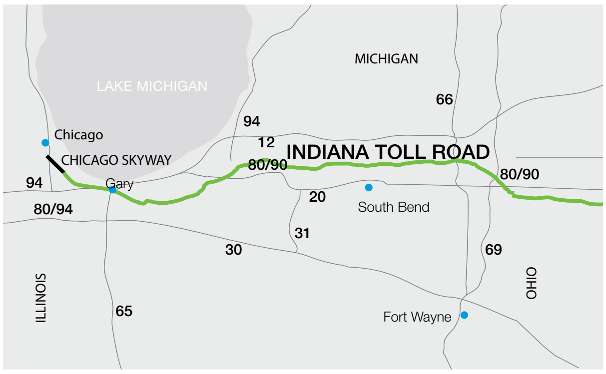
RESULTS

Revenue

7.2% increase on pcp

Traffic

2.8% 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%

OPERATIONAL UPDATE

- An increase in toll prices was implemented for the summer and winter seasons from 1 May 2011 and 1 November 2011 respectively. For cars (~94% of total traffic), the summer cash toll increased by 10.3%, the winter cash toll by 8.0% and the discounted tag tariff by 5.6%.
- Warnow Tunnel's annual tunnel safety system check was successfully completed in November 2011 with no major incidents detected or replacements necessary.

RESULTS

Revenue

9.0% increase on pcp

Traffic

0.9% increase on pcp

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 and information regarding Macquarie's environmental, social and governance performance is published in the Macquarie Group Annual Report.

The commitment to corporate citizenship 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 2011. MQA's governance responsibilities and policies are covered in pages 21 to 43.

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.

ESR-related regulatory requirements

MQA is not aware of any material breaches of relevant ESR-related regulatory standards by its assets during the year ended 31 December 2011.

Environmental and social responsibility (ESR) management

CONTINUED

Environmental initiatives at MQA assets during 2011

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 pollution, visual pollution 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 second solar power-producing roof on a toll gate
- The replacement of tunnel and motorway lighting with LED technology
- The improvement of wildlife crossings on older motorways
- The use of no-stop toll gates, reducing vehicle idling time and minimising greenhouse gas emissions.

In 2009 APRR became the first motorway concession operator in France to obtain ISO 14001 environmental certification. This has been maintained through 2011.

M6 Toll

In 2011, M6 Toll replaced and upgraded its salt spreading vehicles used for winter maintenance of the road surface. The more advanced technology on the vehicles allows for optimal application of salt thus reducing consumption.

M6 Toll continued to implement improvements in automation, which included the introduction of a new dedicated 'green lane' for electronic tag users and promotion of payment by contactless cards. These initiatives will support better traffic flow at the toll plazas and higher fuel efficiency.

The company has maintained accreditation for its 14001 Environmental Management System, first achieved in 2006. In the past year additional landscaping initiatives have been introduced, including revised grass cutting regimes and the addition of further wildflower areas. Continued sensitive management of the balancing ponds has resulted in an excellent habitat for wildlife. The M6 Toll also continues to conduct specialist surveys and boundary fencing improvements in areas where deer, otter or badger activity is evident.

M6 Toll completed its work with DCT Renewable Energy Projects to assess the suitability of sites adjacent to the road for alternative and renewable energy. However, recent changes in the government feed-in tariff system suggest that the planned schemes remain uneconomic for introduction at this time.

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 (explained in more detail on the next page). Funds raised in 2011 were used to protect the Loudoun County's water supply through the revegetation of several county streams; to support over 100 educational field trips centred on the importance of wildlife; to collect scientific data on the condition of local wildlife; and to provide scholarships for student nature camps.

Indiana Toll Road

ITR Concession Company (ITRCC) has undertaken many initiatives aimed at improving energy efficiency and minimising the environmental footprint of tolling operations. This has included the introduction and encouragement of Electronic Toll Collection (ETC), which allows users to pay tolls without the need to stop at toll booths. This is faster and easier for toll road users while at the same time easing traffic congestion. Introduced along the full length of ITR in 2008, ETC now accounts for almost 70% of all ITR transactions.

Social responsibility initiatives at MQA assets during 2011

M6 Toll

The Midland Expressway Limited (MEL) Student Scholarship was launched in 2011, aimed at awarding students who consistently reflect excellence in character, and who have demonstrated their leadership skills by making a positive contribution to the local community.

The company received numerous applications, which were evaluated in conjunction with the Education Authority. Ten scholarships were awarded to students from Staffordshire schools to further their educational studies through an accredited degree course or equivalent in mathematics, the sciences, technology or engineering. The awards ceremonies were held in January 2012. The company remains committed to continuing with this scholarship indefinitely and maintaining contact with the students.

Dulles Greenway

This is the sixth 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 just the required toll and the road's staff also assist in raising money for the worthy causes.

In 2011 more than US$235,000 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 six years to over US$1,250,000.

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 benefitted from the event in 2009 and 2010 also received 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 scholarships to local students.

About 59,000 drivers paid tolls during the event.

Environmental and social responsibility (ESR) management
CONTINUED

Indiana Toll Road

ITR is active in supporting numerous causes, including homeless shelters, underprivileged youth and local Boys & Girls Clubs.

In 2011 ITRCC made contributions in the form of monetary donations, i-Zoom transponders or other requested items to a number of local organisations, including:

- South Bend Center for the Homeless
- Diabetes Resource Center
- Boy Scouts of America
- Susan G. Komen Foundation
- Food Bank of Northern Indiana.

Warnow Tunnel

Warnow Tunnel actively supports many projects and social organisations in the community. It continues to sponsor Rostock Food for People, an organisation that collects food nearing its expiry date and then distributes it among the disadvantaged people in the region. Warnow Tunnel helped again in 2011 to 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.

In addition to sponsoring young athletes, Warnow Tunnel also provided a reading corner to a secondary school in Rostock Dierkow and is supporting the development and implementation of a youth musical. This will be performed by the Rostock Singer Academy at the Volkstheater in Rostock.

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).

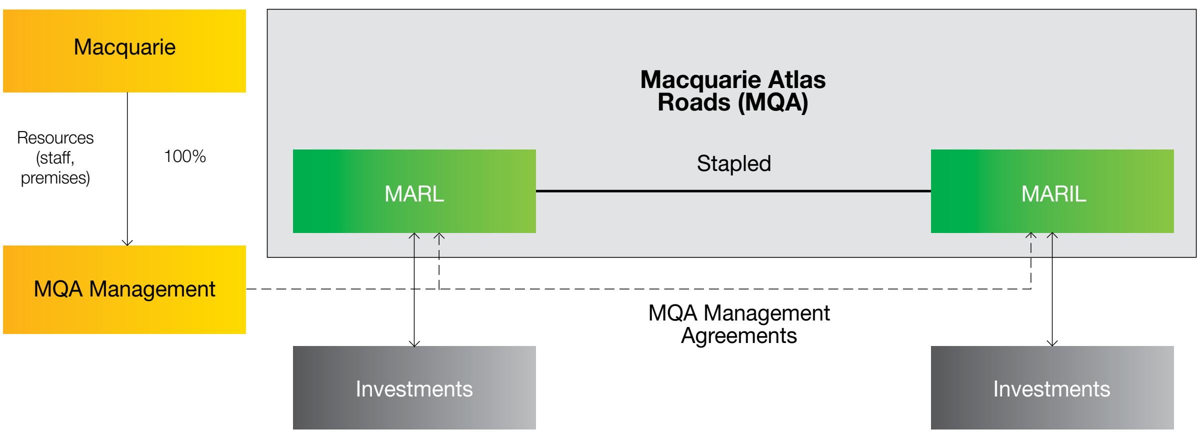
MQA comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL), an Australian public company, and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL), an exempted mutual fund company incorporated in Bermuda. MQA is listed as a stapled structure on the Australian Securities Exchange (ASX). The securities of MARL and MARIL are stapled and must trade and otherwise be dealt with together.

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

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'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.

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[1]	MARL derives its income primarily from returns from its asset portfolio
MARIL	Bermudan exempted mutual fund company	M6 Toll APRR Dulles Greenway[2] Warnow Tunnel	MARIL derives its income primarily from returns from its asset portfolio

1 Holds a 6.7% shareholding.
2 Holds a ~43.3% economic interest through subordinated loans.

Corporate governance statement
CONTINUED

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 MQA Management Agreements 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 Agreements, addressing the disclosure recommended in ASX Guidance Note 26. We recommend that you also read 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 clause 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 clause 11.3(c)
	Base fees accrued to the date of termination are payable, and any future second and/or third instalments of performance fees calculated prior to termination crystallise and become payable.	MQA Management Agreements clauses 8.1(d), 8.2(b)
Fees	**Base fee** Payable quarterly. The parties agree that the MQA Manager and MQA 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 Agreements, the MQA Manager and MQA 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 the performance of MQA securities equals or exceeds that of the Benchmark Return (based on the S&P/ASX 300 Industrials Accumulation Index) in the 12-month period ending on 30 June in each year (Financial 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's performance equals or exceeds that of the index on a cumulative basis over the two- and three-year periods 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 clause 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.

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.

MQA Management Agreements clause 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 a simple majority resolution. Base fees accrued to the date of termination will be payable by MARL and MARIL in those circumstances, and any future second and/or third instalments of performance fees calculated prior to termination will also crystallise and become payable. 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 for the year ended 31 December 2011.

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 issued 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, with 2010 amendments) 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 policies conform to the ASX Principles, taking into account MQA being an externally managed vehicle. We have noted any relevant implications 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 MQA 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 divestments
- 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 each year as part of Macquarie's formal employee performance evaluation process. Employees are assessed against set behavioural and technical competencies. The MQA 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 2011 financial year.

What you can find on our website:

- A summary of the MARL and MARIL Board charters.

Corporate governance statement
CONTINUED

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.

Board of directors

The MARL Board of directors is comprised as follows:

David Walsh
Independent Chairman
Director since establishment on 16 December 2009

David Walsh 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), and Dyno Nobel Limited (2006–2008).

Richard England
Independent Director
Director from 1 June 2010

Richard England, who is also 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, Nanosonics Limited and Chandler McLeod Group. He is a former director of St.George Bank and a former partner of Ernst & Young (Australia).

Marc de Cure
Independent Director
Director from 3 August 2011

Marc de Cure chairs the Australian Institute for Population Ageing Research and is a member of the Advisory Council of UNSW Australian School of Business. He was formerly the Chief Financial Officer of American International Assurance Company Ltd Group in Hong Kong, the Chief Financial Officer of AMP Group Limited, Executive Chair of GIO Australia Group and Executive Director of Henderson plc, and has also held other senior executive positions at AMP Limited. He is a former Principal Advisor to Bain & Company and was a senior partner at PricewaterhouseCoopers until 2000.

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

John Roberts joined Macquarie in 1991 and is Executive Chairman of the Macquarie Funds Group, which has in excess of US$300 billion of funds under management and includes the activity of the Macquarie Infrastructure and Real Assets division. John serves on the Boards and/or Investment Committees of a number of Macquarie-managed international infrastructure entities 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 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

Jeffrey Conyers 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 served on the boards of previously Macquarie-managed vehicles, MAp Airports International Limited and Intoll International Limited, which were part of the MAp Group and Intoll Group respectively, both of which were listed on the Australian Securities Exchange.

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 MQA Boards was made in view of his expertise. The MQA Boards have assessed Jeffrey Conyers' independence and confirmed his independent status.

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

Derek Stapley, who is also 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

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.

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

See biography under MARL above.

Corporate governance statement
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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 nominations committee for election require Board approval
- A majority of the directors must be independent as defined below
- The Board is to comprise 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.

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.

Nominations committee

The MARL and MARIL Boards have each constituted a nominations committee with a similar composition to the respective audit and risk committees i.e. Richard England (Chairman), David Walsh and Marc de Cure for MARL and Derek Stapley (Chairman), Jeffrey Conyers and David Walsh for MARIL, in accordance with the ASX Principles.

The relevant nominations committee in conjunction with the relevant Board will conduct an appropriate review of Board candidates to ascertain that they meet director selection criteria before they are put forward for election.

What you can find on our website:

- The MARL and MARIL nominations committee charters.

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.

Corporate governance statement
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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 MQA 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.

The above evaluation process was carried out by MQA in the 2011 financial year.

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, anti-corruption 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 lodgement 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 (e.g. International Organisation for Standardization, Equator Principles) and make recommendations for improvements where necessary.

Diversity

MQA respects and values diversity in its Boards and workforce at all levels and has established a diversity policy, which can be found on our website.

Macquarie makes management staff available to MQA under formal resourcing arrangements. MQA seeks to influence diversity in the group based on the principles outlined in its diversity policy:

I. At the Board level through prioritising the appointment of women as part of the Board renewal process

II. At MQA management level through consultation with Macquarie. Macquarie has its own diversity policy in place which is based on similar principles to those of MQA's diversity policy

III. At the businesses in which MQA invests, through MQA Board representatives supporting the implementation of appropriate diversity policies in these businesses.

An annual review of diversity and the associated reporting is overseen by the MQA nominations committees. This monitors MQA's progress in influencing diversity at the Board level, in its management team and in the workforces of its businesses.

Corporate governance statement
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The achievement of gender diversity will be measured in the terms of the advancement of women as follows:

- By the increase in the number of women on the MQA Boards over time as part of the Board renewal process
- By the continued strong representation of women in senior management roles within MQA
- By the increase in the number of women in senior management roles at MQA's controlled operating businesses over time.

Currently there are no women on the MQA Boards. On the formal MQA senior management team comprising the CEO, CFO and Company Secretaries, three of the five officers are women (being the CFO, the MARIL Company Secretary and one of the MARL Company Secretaries). Overall there are approximately 50% women in the MQA management team across various levels of seniority.

MQA-appointed board representatives work with MQA's controlled businesses to develop policies that will improve diversity and promote the advancement of women, and support the implementation of appropriate diversity policies in MQA's non-controlled businesses. More detailed reporting will be provided in respect of the diversity of these workforces in the next annual report.

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
- The MQA diversity 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

Marc de Cure
Independent

MARIL

The audit and risk committee, which complies with the requirements of the ASX principles, 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
- 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 that 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, 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.

Corporate governance statement
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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.

Each of MARL and MARIL is required to hold an annual general meeting (AGM). These will usually be held by May each year, with the 2012 AGMs to be held in April 2012. Presentations by the Chairmen and the CEO at the AGMs 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.

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.

Corporate governance statement
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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 an 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 MARL and MARIL Boards 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 Marc de Cure 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 Disclosures*).

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.

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

ASX Principle		2011 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.	28, 29	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	29	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	28, 29	Yes
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	30, 31	Yes
2.2	The chair should be an independent director.	34	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	34	Yes
2.4	The Board should establish a nomination committee.	32	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	34	Yes
2.6	Provide the information indicated in the Guide to reporting in Principle 2.	30-34	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.	34, 35	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	35	Yes
3.3	Disclose the measurable objectives for achieving gender diversity.	36	Yes
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	36	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	34-36	Yes
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	36	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.	36	Yes
4.3	The audit committee should have a formal charter.	37	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	36, 37	Yes

	ASX Principle	2011 Annual Report page reference	Follows ASX recommendation
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.	38	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	38	Yes
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.	38	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	38	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.	39	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.	39	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.	39	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	39	Yes
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	41	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.	41	Yes
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	40, 41	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	40, 41	Yes

Guide to MQA's accounts

MQA is a dual stapled security. The shares of MARIL and MARL are combined and trade as one stapled security on the ASX. 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.

The comparative results presented reflect the ownership of the asset portfolio from 2 February to 31 December 2010.

Accounting for toll road 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. MQA applies 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, primarily APRR, Dulles Greenway and Chicago Skyway. 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 net losses from its non-controlled toll road assets. Consequently, MQA has reported a loss for the period and its statement of financial position shows a net liability position of $821.3 million as at 31 December 2011. This has been driven by M6 Toll-related balances: its non-recourse liabilities of $2.4 billion exceeds the depreciated carrying value of its toll road related assets of $0.8 billion.

Indebtedness

Each of the toll roads in which MQA has an interest is established 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 2011 MQA had guarantees and letters of credit outstanding of A$3 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 2011 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.

The Management Information Report is prepared on a different basis to the MQA Financial Report, which is prepared in accordance with Australian Accounting Standards. The Management Information Report does not, and cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of MQA as in the Financial Report.

Macquarie Atlas Roads

Concise financial report

FOR THE YEAR ENDED 31 DECEMBER 2011

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

Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL) and Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL). 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. MARL is a company limited by shares incorporated and domiciled in Australia and the registered office is Level 11, No 1 Martin Place, Sydney, NSW 2000, Australia. Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFS License No.318123) (MFA) is the adviser/manager of MARIL and MARL. MFA 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.

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

Any arithmetic inconsistencies are due to rounding.

Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors of Macquarie Atlas Roads International Limited (MARIL) submit the following report together with the Consolidated Financial Report of Macquarie Atlas Roads (MQA) for the year ended 31 December 2011. 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 (the Adviser/Manager or MFA) acts as the adviser for MARIL and the manager of MARL.

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 year.

Dividends

No dividend was paid or declared by MARIL for the year ended 31 December 2011.

Review and results of operations

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. 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.

Consequently, the comparative period presented in the Concise Financial Report reflects ownership of the portfolio of toll road assets from 2 February 2010.

Directors

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

Jeffrey Conyers
Chairman

Peter Dyer

David Walsh

Derek Stapley

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

David Walsh
Chairman

John Roberts

Richard England

Jeffrey Conyers
resigned 3 August 2011

Marc de Cure
appointed 3 August 2011

Review and results of operations (continued)

The performance of the Group for the year, as represented by the results of their operations, was as follows:

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Revenue and other income from continuing operations	91,889	103,113
Loss from continuing operations after income tax benefit	(289,489)	(227,646)
Profit from discontinued operations	–	746
Loss for the year/period	**(289,489)**	**(226,900)**
Loss attributable to:		
Equity holders of the parent – MARIL	(227,461)	(68,285)
Equity holders of other stapled entity – MARL (as non controlling interest/parent entity)	(62,028)	(74,203)
Stapled security holders	(289,489)	(142,488)
Other non-controlling interests	–	(84,412)
	(289,489)	(226,900)
	Cents	**Cents**
Basic loss from continuing operations attributable to MQA stapled security holders	(63.43)	(31.66)
Basic loss attributable to MQA stapled security holders	(63.43)	(31.50)

MQA's loss from continuing activities after tax for the year ended 31 December 2011 was $289.5 million (2010: $226.9 million). For further information on the results for the year, please refer to the Discussion and Analysis Section of the Concise Financial Report.

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs during the year under review.

Events occurring after balance sheet date

On 20 February 2012 Eiffarie SAS, the holding company for MQA and its co-investors' interest in the French motorway network Autoroutes Paris-Rhin-Rhône (APRR), signed a €2.765 billion five-year term loan with a syndicate of international banks. Proceeds of the new loan, together with proceeds from the interim dividend declared by APRR on 3 February 2012, will be applied towards the full repayment of Eiffarie's existing €3.8 billion debt facility, due to mature in February 2013.

In addition, APRR signed a €720 million revolving credit facility, which will replace its existing undrawn credit facilities.

These transactions have no impact on the carrying value of MQA's investment in Macquarie Autoroutes de France 2 SA, an associate of MQA, through which it holds its investment in Eiffarie SAS, at 31 December 2011.

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 years subsequent to the year ended 31 December 2011.

Directors' report

FOR THE YEAR ENDED 31 DECEMBER 2011

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 year, MARIL paid premiums of $126,062 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 invest 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
28 February 2012

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
28 February 2012

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Revenue and other income from continuing operations			
Revenue from continuing operations		91,850	103,113
Other income from continuing operations		39	–
Total revenue and other income from continuing operations	2(i)	**91,889**	**103,113**
Operating expenses from continuing operations			
Finance costs		(102,642)	(95,619)
Other operating expenses		(206,679)	(96,399)
Total operating expenses from continuing operations	2(ii)	**(309,321)**	**(192,018)**
Share of net loss of investments accounted for using the equity method		(90,331)	(208,755)
Gain on deconsolidation	2(ii)	–	54,018
Loss from continuing operations before income tax benefit		**(307,763)**	**(243,642)**
Income tax benefit		18,274	15,996
Loss from continuing operations after income tax benefit		**(289,489)**	**(227,646)**
Profit from discontinued operations		–	746
Loss for the year/period		**(289,489)**	**(226,900)**
Other comprehensive income			
Exchange differences on translation of foreign operations		(11,400)	92,849
Cash flow hedges, net of tax		(315,998)	(43,879)
Other comprehensive income for the year/period, net of tax		(327,398)	48,970
Total comprehensive income for the year/period		**(616,887)**	**(177,930)**
Loss attributable to:			
Equity holders of the parent entity – MARIL		(227,461)	(68,285)
Equity holders of other stapled entity – MARL (as non-controlling interest/ parent entity)		(62,028)	(74,203)
Stapled security holders		(289,489)	(142,488)
Other non-controlling interest		–	(84,412)
		(289,489)	**(226,900)**
Total comprehensive income attributable to:			
Equity holders of the parent entity – MARIL		(554,278)	4,526
Equity holder of other stapled entity – MARL (as non-controlling interest/ parent entity)		(62,609)	(85,975)
Stapled security holders		(616,887)	(81,449)
Other non-controlling interest		–	(96,481)
		(616,887)	**(177,930)**
Basic Loss from continuing operations attributable to MQA stapled security holders		(63.43)	(31.66)
Basic Loss attributable to MQA stapled security holders		(63.43)	(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 YEAR ENDED 31 DECEMBER 2011

	Note	MQA As at 31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
Current assets			
Cash and cash equivalents		56,114	66,047
Receivables		6,966	8,343
Prepayments		953	998
Total current assets		**64,033**	**75,388**
Non-current assets			
Investments accounted for using the equity method	3	753,412	931,068
Property, plant and equipment		742,209	773,195
Tolling concessions		70,255	72,317
Total non-current assets		**1,565,876**	**1,776,580**
Total assets		**1,629,909**	**1,851,968**
Current liabilities			
Payables		(51,054)	(34,528)
Interest-bearing financial liabilities	5	(3,803)	–
Derivative financial instruments	4	(34,094)	(34,299)
Total current liabilities		**(88,951)**	**(68,827)**
Non-current liabilities			
Payables		(174,891)	(152,037)
Interest-bearing financial liabilities	5	(1,760,943)	(1,726,056)
Derivative financial instruments	4	(394,580)	(79,188)
Deferred tax liabilities		(31,862)	(51,152)
Total non-current liabilities		**(2,362,276)**	**(2,008,433)**
Total liabilities		**(2,451,227)**	**(2,077,260)**
Net (liabilities)/assets		**(821,318)**	**(225,292)**
Equity			
Equity attributable to equity holders of the parent – MARIL			
Contributed equity		1,335,394	1,316,674
Reserves		(1,909,163)	(1,582,346)
Accumulated losses		(295,746)	(68,285)
MARIL security holders' interest		**(869,515)**	**(333,957)**
Equity attributable to other stapled security holders – MARL			
Contributed equity		196,781	194,640
Reserves		(12,353)	(11,772)
Accumulated losses		(136,231)	(74,203)
Other stapled security holders' interest		**48,197**	**108,665**
Total equity		**(821,318)**	**(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 YEAR ENDED 31 DECEMBER 2011

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 1 January 2011	1,316,674	(1,582,346)	(68,285)	**(333,957)**	108,665	–	**(225,292)**
Loss for the year	–	–	(227,461)	**(227,461)**	(62,028)	–	**(289,489)**
Exchange differences on translation of foreign operations	–	(10,819)	–	**(10,819)**	(581)	–	**(11,400)**
Cash flow hedges, net of tax	–	(315,998)	–	**(315,998)**	–	–	**(315,998)**
Total comprehensive income	–	(326,817)	(227,461)	**(554,278)**	(62,609)	-	**(616,887)**
Transactions with equity holders in their capacity as equity holders:							
Application of performance fees to subscription for new securities	18,720	–	–	**18,720**	2,141	–	**20,861**
	18,720	–	–	**18,720**	2,141	–	**20,861**
Total equity at 31 December 2011	1,335,394	(1,909,163)	(295,746)	**(869,515)**	48,197	-	**(821,318)**

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 in their 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 Flow

FOR THE YEAR ENDED 31 DECEMBER 2011

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Cash flows from operating activities		
Toll revenue received	105,374	112,515
Interest received	1,226	4,396
Net indirect taxes (paid)/received	(18,163)	(13,017)
Payments to suppliers and employees (inclusive of GST/VAT)	(16,335)	(22,411)
Manager's and Adviser's base fees paid	(14,717)	(7,101)
Manager's and Adviser's performance fees paid	–	(4,206)
Payments on settlement of derivative financial instruments	–	(3,157)
Reimbursement of bid costs	–	6,504
Operating lease rent paid	(16,725)	(17,008)
Net Income taxes refunded/(paid)	214	(202)
Other income received	4,043	10,639
Net cash flows from operating activities	**44,917**	**66,952**
Cash flows used in investing activities		
Payment for purchase of investments (including transaction costs)	(328)	(219,948)
Proceeds from sale of property, plant and equipment	128	–
Payments for purchase of property, plant and equipment	(1,880)	(1,149)
Proceeds from return of capital from investments	–	315
Deconsolidated cash balance from discontinued operations	–	(509)
Net cash flows used in investing activities	**(2,080)**	**(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	1,980	1,144
Borrowing costs paid	(54,933)	(59,326)
Net cash flows from financing activities	**(52,953)**	**233,799**
Net increase/(decrease) in cash assets held	**(10,116)**	**79,460**
Cash and cash equivalents at the beginning of the year	66,047	–
Effects of exchange rate movements on cash and cash equivalents	183	(13,413)
Cash and cash equivalents at the end of the year/period	**56,114**	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 share of net losses of investments accounted for using the equity method.

The loss for the period ended 31 December 2011 was $289.5 million (2010: $226.9 million) and the loss attributable to MQA stapled security holders for the year ended 31 December 2011 was $289.5 million (2010: $142.5 million). These results are reflective of accounting losses recorded in respect of MQA's toll road assets.

The comparative results reflect ownership of the asset portfolio only from 2 February to 31 December 2010.

Revenue from continuing activities of $91.9 million (2010: $103.1 million)

Revenue from continuing activities primarily comprises tolling and other revenue relating to the M6 Toll of $90.8 million (2010: $99.0 million) and interest income of $1.2 million (2010: $3.9 million). The decrease in MQA revenue of $11.2 million is primarily due to lower traffic at the controlled M6 Toll and the impact of a stronger Australian dollar against the British pound (GBP). There was also a decrease in interest income at the MQA fund level due to the lower average cash balance during the current year following the acquisition of APRR minorities in June 2010.

Finance costs of $102.6 million (2010: $95.6 million)

MQA finance costs of $102.6 million (2010: $95.6 million) comprise solely of interest expense relating to the M6 Toll debt. The increase reflects ownership of the M6 Toll for the full year offset by the impact of the stronger Australian dollar against GBP during the period.

Other operating costs of $206.7 million (2010: $96.4 million)

Other operating expenses include costs associated with operations at the M6 Toll of $71.9 million (2010: $65.5 million), manager's and adviser's base fees and performance fees of $64.5 million (2010: $22.9 million) and a provision for impairment on its non-controlled investments of $67.4 million (2010: $Nil). During the year ended 31 December 2011 MQA recognised the full 30 June 2011 performance fee, including instalments which may become payable in future periods.

Share of net loss of equity accounted investments of $90.3 million (2010: $208.8 million)

The loss for the period includes MQA's share of net losses of investments relating to its non controlled toll road assets of $90.3 million (2010: $208.8 million). These results include fair value losses on interest rate swaps of $70.1 million (2010: $104.6 million). Such movements in fair value are recognised in MQA's profit or loss for the year regardless as to whether the non-controlled asset accounts for these instruments as effective cash flow hedges and recognises these movements through its reserves. This can result in significant volatility in MQA's results in a given period as market expectations of interest rates fluctuate.

MQA's share of net losses is made up as follows:
APRR $21.6 million (2010: $119.1 million),
Dulles Greenway $18.2 million (2010: $20.3 million),
Chicago Skyway $50.5 million (2010: $35.5 million),
Indiana Toll Road $Nil (2010: $32.6 million) and
Warnow Tunnel $Nil (2010: $1.3 million).

The decrease in the share of net losses of investments accounted for using the equity method is primarily due to lower fair value losses on interest rate swaps and a change in the ownership structure of APRR during the prior period. Additionally, no further losses have been recognised during the current period in relation to Indiana Toll Road and Warnow Tunnel as their carrying values were reduced to $Nil at 31 December 2010.

Gain on deconsolidation of $Nil (2010: $54.0 million)

In the prior period a non-recurring gain on deconsolidation of $54.0 million arose as a consequence of the APRR minorities' acquisition in June 2010.

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

Discussion and analysis

CONTINUED

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.

MQA's statement of financial position shows a net liability position of $821.3 million (2010: $225.3 million) as at 31 December 2011. This has been driven by M6 Toll related balances: its non-recourse liabilities of $2.4 billion (2010: $2.1 billion) exceed the depreciated carrying value of its toll road related assets of $0.8 billion (2010: $0.8 billion).

The movement in the net liability position during the year primarily reflects:

- A decrease in the fair value of the interest rate swaps hedging the non-recourse debt at the M6 Toll. The decrease in fair value during the year reflecting the decrease in the forward interest rate curve.
- The recognition of MQA's share of net losses and a provision for impairment in relation to its investments in non controlled toll road assets.

Refer to Note 1(a) for further discussion on the deficiency of net assets.

MQA's investments in its non controlled assets of $753.4 million (2010: $931.1 million) comprises its interests in APRR $596.1 million (2010: $636.5 million) and Dulles Greenway $157.3 million (2010: $243.6 million). MQA's share of losses of Chicago Skyway for the period reduced the carrying value of this investment to $Nil (2010: $51.0 million). MQA's interests in Indiana Toll Road and Warnow Tunnel were $Nil at both 31 December 2011 and 2010.

Discussion and analysis of statement of changes in equity

During the year performance fees totalling $20.9 million were applied to a subscription for 11,933,687 securities. There were no other issues of securities during the current year. In the prior period, as part of the demerger from MIG, MQA issued 452,345,905 securities for the transfer of MQA's portfolio of toll roads assets and cash balances.

At 31 December 2011, reserves comprised a foreign currency translation reserve of $93.5 million (2010: $104.9 million), a negative cash flow hedging reserve of $455.0 million (2010: $139.0 million) and a negative other reserve of $1,560.0 million (2010: $1,560.0 million).

The movement in reserves is primarily attributable to the decrease in the fair value of the interest rate swaps hedging the non-recourse debt at the M6 Toll, reflecting the downward shift in the forward interest rate curve, which have been taken to the cash flow hedging reserve in accordance with Australian Accounting Standards.

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. A net loss of $11.4 million was recognised through the foreign currency translation reserve reflecting the impact of a strengthening Australian dollar against the Euro on MQA's investment in APRR, offset by a gain on translation of M6 Toll related GBP net liabilities.

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

The decrease in the cash position during the year reflects primarily an increase in manager and adviser base fees paid and a decrease in interest received due to the lower average cash balance during the current year.

The decrease in the cash balance during the prior period primarily reflected 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).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011

1 Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these 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.

Below is an extract of the Summary of Significant Accounting Policies. A description of all the accounting policies adopted by MQA may be found in the full financial report.

(a) Basis of preparation

This concise financial report has been prepared in accordance with the *Corporations Act 2001* and the Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

The concise financial report was authorised for issue by the directors of the Macquarie Atlas Roads International Limited (MARIL) Board on 28 February 2012. The Board have the power to amend and reissue the concise financial report.

Presentation currency

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the MARIL.

Going concern and deficiency of net assets

The Financial Reports have been prepared on a going concern basis. At 31 December 2011, MQA had a net current liability position of $24.9 million (31 December 2010: net current asset position of $6.6 million) and MARIL, the parent entity of the Group, had a net current liability position of $13.2 million (31 December 2010: net current asset position of $1.1 million). Included within MQA's and MARIL's current payables are performance fees of $20.8 million (31 December 2010: $4.2 million) and $18.7 million (31 December 2010: $3.7 million) respectively which may become payable at 30 June 2012 (subject to performance criteria continuing to be satisfied).

Management forecasts indicate that MQA will be able to meet its liabilities as and when they become due and payable, including current performance fees which may become payable at 30 June 2012, assuming that Macquarie Fund Advisers Pty Limited (MFA) and MQA's independent directors agree that these fees be applied to a subscription for new MQA securities, as was agreed in relation to the 30 June 2011 performance fee payments. Where no such agreement is reached the Directors consider that other funding alternatives will be available to meet any resulting shortfall of available cash.

As at 31 December 2011 MQA also had a deficiency of capital and reserves of $821.3 million (31 December 2010: $225.3 million). This is primarily driven by M6 Toll related balances: its non-recourse liabilities of $2.4 billion exceed the depreciated carrying value of its toll road related assets of $0.8 billion. 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 for at least the next 12 months from the date of this report. However, the outlook for future economic conditions in the United Kingdom remains uncertain and, as a consequence, the future traffic, revenue performance and ongoing compliance with debt covenants of the M6 Toll will be subject to economic factors outside its control.

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 MARIL and Macquarie Atlas Roads Limited (MARL) are listed on the ASX as stapled securities in MQA. The shares of MARIL and MARL cannot be traded separately and can only be traded as stapled securities.

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. The comparative period for MQA was from 15 December 2009 to 31 December 2010. In addition, the period of ownership of the Group's toll road investments commenced from the MIG demerger on 2 February 2010. Therefore, the results of the current year are not directly comparable to the results of the prior period.

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.

(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 year ended 31 December 2011, 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 year 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 have 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 acquisition 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 year, 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 year, its results are included for that part of the year during which control existed and the subsidiary is de-consolidated from the date that control ceases.

Associates

Associates are entities over which the Group have 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 their 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 historical amounts at which the assets and liabilities are recorded is recognised directly in equity in the other reserve.

(e) Impairment of assets

The carrying amount of tolling concessions, non controlled investments, leasehold improvements and property, plant and equipment is assessed every reporting year 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.

The recoverable amount of the asset is determined as the higher of the fair value less cost to sell and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets which generate cash inflows that are largely independent of those from other assets or groups of assets.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Discounted cash flow analysis is the methodology applied in determining recoverable amount. Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset is reflective of the uncertainty associated with the future cash flows. Independent traffic forecasting experts provide a view on the most likely level of traffic to use the toll road having regard to a wide range of factors including development of the surrounding road network and economic growth in the traffic corridor.

(f) Critical accounting estimates and judgements

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 they have 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 their understanding of the current tax law.

In addition, the Group has recognised deferred tax assets relating to carried forward losses to the extent these 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(e) 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.

2 Loss for the year/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 Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Revenue from continuing operations		
Toll revenue	87,460	94,724
Other revenue	3,165	4,491
Interest Income:		
Related parties	183	163
Other persons and corporations	1,042	3,735
Total Interest income	**1,225**	**3,898**
Total revenue from continuing operations	**91,850**	**103,113**
Other income from continuing operations		
Gain on derivative financial instruments	39	–
Total Other income from continuing operations	**39**	**–**
Total revenue & Other income from continuing operations	**91,889**	**103,113**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

2 Loss for the year/period (continued)

(ii) Operating expenses from continuing operations

Consolidated	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Operating expenses from continuing operations		
Finance costs:		
Interest expense:		
Other persons and corporations	102,642	95,619
Total Finance Costs	**102,642**	**95,619**
Other operating expenses:		
Loss on derivative financial instruments	–	490
Amortisation of tolling concessions	1,698	1,668
Depreciation:		
Plant and machinery	3,921	3,624
Land and buildings	714	705
Toll road	24,230	20,356
	28,865	**24,685**
Cost of operations:		
Employment costs	7,047	6,987
Operating expenses	5,168	5,202
Operating lease rentals	29,161	26,816
	41,376	**39,005**
Other operating expenses:		
Consulting and administration fees	1,526	1,551
Manager's and Adviser's base fees	14,392	10,425
Manager's and Adviser's performance fees	50,106	12,476
Net Foreign exchange loss/(gain)	254	2,490
Provision for impairment[1]	67,373	–
Other expenses	1,089	3,609
	134,740	**30,551**
Total other operating expenses	**206,679**	**96,399**
Total operating expenses from continuing operations	**309,321**	**192,018**
Gain on deconsolidation[2]	**–**	**54,018**

1 The provision for impairment in MQA relates to Dulles Greenway. Refer to Note 3(b).

2 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 recognised a gain on deconsolidation of subsidiaries of $54.0 million. Refer to Note 3(b).

3 Investments accounted for using the equity method

	MQA As at 31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
Shares in associates – equity method	753,412	931,068
	753,412	**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 2011 and 31 Dec 2010 %	MQA As at 31 Dec 2011 $'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	596,100	636,446
Dulles Greenway Partnership[1]	USA	Investment in toll road located in northern Virginia, USA	50.0	157,312	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)[2]	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0	-	-
				753,412	**931,068**

1 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.

2 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 owned 50% of SBX, which was transferred at zero value as part of the MIG restructure. On 29 April 2011, the Courts approved SBX's corporate reorganisation and MQA no longer has any equity interest in SBX.

3 Investments accounted for using the equity method (continued)

(b) Movement in carrying amounts

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Carrying amount at the beginning of the year	931,068	–
Associates acquired during MIG Demerger	–	1,336,183
Disposal of associates[1]	–	(663,781)
Associates acquired/equity invested[1]	71	646,586
Share of losses after income tax[2]	(90,331)	(208,755)
Provision for impairment[3]	(67,373)	–
Distributions received/receivable	–	(297)
Foreign exchange movement	(20,023)	(178,868)
Carrying amount at the end of the year	**753,412**	**931,068**

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

2 Included in the share of losses after income tax are fair value losses on interest rate swaps of $70.1 million (2010: fair value losses of $104.6 million) for which hedge accounting has not been applied.

3 The provision for impairment of $67.4 million arose in relation to its economic interests in Toll Road Investors Partnership II LP, the concessionaire for Dulles Greenway. The provision reflects uncertainty in the outlook for economic and traffic conditions.The recoverable amount has been determined on a value in use basis. A discount rate of 12.5% was used in determining the value in use. (30 June 2011: 12.5%).

(c) Share of associates' profits or losses

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Group's share of:		
Revenue	671,430	1,072,189
Expenses	(1,083,906)	(1,368,316)
Loss before income tax	(412,476)	(296,127)
Income tax (expense)/benefit	(13,443)	(27,893)
Loss after income tax	**(425,909)**	**(324,020)**

(d) Share of associates' assets and liabilities

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Group's share of:		
Assets	6,317,945	6,460,658
Liabilities	(5,935,376)	(5,630,140)
Net assets/(liabilities)	**382,569**	**830,518**

(e) Share of contingent liabilities of associates

As at 31 December 2011 and at 31 December 2010, there was no share of contingent liabilities incurred jointly with other investors and no contingent liabilities relating to liabilities of the associates for which MARIL is severally liable. Refer to Note 8 for details of contingent liabilities relating to associates.

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

	MQA Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Carrying amount at the beginning of the year/period	(115,265)	–
Share of associates' losses not brought to account	(335,578)	(115,265)
Carrying amount at the end of the year/period	**(450,843)**	**(115,265)**

4 Derivative financial instruments

Consolidated	MQA As at 31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
Current liabilities		
Interest rate swap contracts	34,094	34,299
Total current derivative financial instrument liabilities	**34,094**	**34,299**
Non-current liabilities		
Interest rate swap contracts	394,580	79,188
Total non-current derivative financial instrument liabilities	**394,580**	**79,188**

Instruments used by MQA

At 31 December 2011, 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), a subsidiary of MQA, entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1.0 billion ($1.5 billion) term loan (refer to Note 5) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from year to year. 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 31 December 2011 these contracts were liabilities with a fair value of £283.1 million ($428.7 million) (2010: £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 year was a loss of £208.6 million ($316.0 million) (2010: £21.8 million ($44.4 million)). Of this movement a loss of £208.6 million ($316.0 million) (2010: £21.6 million ($43.9 million)) has been recognised in the Statement of Changes in Equity in the cash flow hedging reserve and a gain of £0.02 million ($0.04 million) (2010: Loss of £0.2 million ($0.5 million)) has been recognised in profit or loss.

A liability of £147.2 million ($222.8 million) (2010: £116.2 million ($176.9 million)) has been recognised in interest bearing financial liabilities to reflect the low rates of fixed payments currently being paid under the swap contracts.

At 31 December 2011, the notional principal amounts and years of expiry of MMG's interest rate swap contracts are:

Consolidated	MQA As at 31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
1 - 5 years	–	–
20 - 25 years	1,514,067	1,522,363

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

5 Interest bearing financial liabilities

Consolidated	Note	MQA As at31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
Current			
Non-recourse loans	(i)	3,803	–
		3,803	**–**
Non-current			
Non-recourse loans	(i)	1,538,144	1,549,111
Accrued interest rate swap liability	(ii)	222,799	176,945
		1,760,943	**1,726,056**
The maturity profile of the above interest bearing financial liabilities is:			
Due within one year		3,803	–
Due between one and five years		1,538,144	1,549,111
Due after five years		222,799	176,945
		1,764,746	**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 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.

The non-recourse loans represent debt facilities of £1.03 billion ($1.5 billion) (31 December 2010: £1.03 billion ($1.5 billion)) of MMG, a subsidiary of MQA, which relate to the M6 Toll.

The facilities are due for repayment in August 2015, with a cash sweep of £2.5 million ($3.8 million) commencing in 2012 and included in the current non-recourse loan balance. The facilities comprise a £1.0 billion ($1.5 billion) (31 December 2010: £1.0 billion ($1.5 billion)) term loan and a £30.0 million ($45.4 million) (31 December 2010: £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 2011 the interest rate was 2.73% (31 December 2010: 2.22%).

At 31 December 2011, the term loan was fully drawn down and £10.14 million ($15.4 million) (31 December 2010: £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 MEL's 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 5.82% (31 December 2010: 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 2011, this element incurs fixed interest at 7.12% (31 December 2010: 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.

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 year ended 31 December 2011 and segment assets at 31 December 2011 by individual portfolio asset. The Board is provided with performance information on each asset, in their capacity as chief operating decision maker, to monitor the operating performance of each asset.

(b) Segment information provided to the MQA Boards

The segment information provided to the MQA Boards for the reportable segments for the year ended 31 December 2011 and period ended 31 December 2010, based on MQA's effective ownership interest is as follows:

	Indiana Toll Road Year ended 31 Dec 2011 $'000	Chicago Skyway Year ended 31 Dec 2011 $'000	Dulles Greenway Year ended 31 Dec 2011 $'000	M6 Toll Year ended 31 Dec 2011 $'000	APRR Year ended 31 Dec 2011 $'000	Warnow Tunnel Year ended 31 Dec 2011 $'000	Total Continuing operations Year ended 31 Dec 2011 $'000
Segment Result							
Segment Revenue	44,482	14,498	32,047	90,591	517,640	8,232	**707,490**
Segment Expenses	(8,264)	(1,915)	(8,081)	(11,540)	(160,331)	(2,680)	**(192,811)**
Segment EBITDA	36,218	12,583	23,966	79,051	357,309	5,552	**514,679**
EBITDA Margin	81%	87%	75%	87%	69%	67%	73%

	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000	As at 31 Dec 2011 $'000
Segment assets	932,870	513,120	844,983	849,515	3,877,454	149,518	**7,167,460**

	Indiana Toll Road Period ended 31 Dec 2010 $'000	Chicago Skyway Period ended 31 Dec 2010 $'000	Dulles Greenway Period ended 31 Dec 2010 $'000	M6 Toll Period ended 31 Dec 2010 $'000	APRR Period ended 31 Dec 2010 $'000	Warnow Tunnel Period ended 31 Dec 2010 $'000	Total Continuing operations Period ended 31 Dec 2010 $'000
Segment Result							
Segment Revenue	43,892	13,514	32,775	94,724	507,201	7,597	**699,703**
Segment Expenses	(8,412)	(1,950)	(8,701)	(11,475)	(160,873)	(2,522)	**(193,933)**
Segment EBITDA	35,480	11,564	24,074	83,249	346,328	5,075	**505,770**
EBITDA Margin	81%	86%	73%	88%	68%	67%	72%

	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**

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

6 Segment information (continued)

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

A reconciliation 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 Year ended 31 Dec 2011 $'000	MQA Period ended 31 Dec 2010 $'000
Reconciliation of Segment Revenue to Revenue		
Segment Revenue	707,490	699,703
Revenue attributable to investments accounted for under the equity method[1]	(616,899)	(604,979)
Unallocated revenue	1,298	8,389
Total revenue from continuing operations	**91,889**	**103,113**
Reconciliation of Segment EBITDA to Loss Before Income Tax Benefit		
Segment EBITDA	514,679	505,770
EBITDA attributable to investments accounted for under the equity method[1]	(435,628)	(422,521)
Other expenses from consolidated toll road assets	(162,954)	(144,191)
Unallocated revenue	1,298	8,389
Unallocated expenses	(67,454)	(36,352)
Share of net loss of investments accounted for using the equity method	(90,331)	(208,755)
Impairment provision for investments accounted for using the equity method	(67,373)	–
Gain on deconsolidation of subsidiaries	–	54,018
Loss from continuing operations before income tax benefit	**(307,763)**	**(243,642)**

	MQA As at 31 Dec 2011 $'000	MQA As at 31 Dec 2010 $'000
Reconciliation of Segment Assets to Total Assets		
Segment assets	7,167,473	7,350,460
Other cash assets	20,330	23,102
Other assets	6,653	7,998
Impairment provision for investments accounted for using the equity method	(67,373)	–
Liabilities included in investments accounted for using the equity method	(5,497,161)	(5,529,592)
Total assets	**1,629,909**	**1,851,968**

1 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 Statements 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 As at 31 Dec 2011 $'000	MQA As at 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	17,066	15,521
Later than one year but not later than five years	73,356	65,019
Later than five years	1,304,731	1,263,034
	1,395,153	**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 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 ($106 million) (2010: £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 2011.

8 Contingent liabilities

MQA had the following contingent liabilities at 31 December 2011 and 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 €1.2 million ($1.5 million) (2010: €1.2 million ($1.6 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 €1.2 million ($1.5 million) (2010: €1.2 million ($1.6 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$1.5 million ($1.5 million) (2010: US$2.5 million ($2.4 million)) to several agencies which have granted environmental permits for the construction of the SBX. An amount of US$1.0 million (2010: US$1.1 million) has been repaid in the year. 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$1.5 million ($1.5 million) (2010: US$2.5 million ($2.4 million)).

9 Events occurring after balance sheet date

On 20 February 2012 Eiffarie SAS, the holding company for MQA and its co-investors' interest in the French motorway network Autoroutes Paris-Rhin-Rhône (APRR), signed a €2.765 billion five-year term loan with a syndicate of international banks. Proceeds of the new loan, together with proceeds from the interim dividend declared by APRR on 3 February 2012, will be applied towards the full repayment of Eiffarie's existing €3.8 billion debt facility, due to mature in February 2013.

In addition, APRR signed a €720 million revolving credit facility, which will replace its existing undrawn credit facilities.

These transactions have no impact on the carrying value of MQA's investment in Macquarie Autoroutes de France 2 SA, an associate of MQA, through which it holds its investment in Eiffarie SAS, at 31 December 2011.

Since balance date, there are no other matters or circumstances not otherwise dealt with in the Financial Reports that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in years subsequent to the year ended 31 December 2011.

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 year ended 31 December 2011, as set out on pages 49 to 67, complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the year ended 31 December 2011. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the year ended 31 December 2011.

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
28 February 2012

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
28 February 2012

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

Report on the financial reports

We have audited the accompanying concise financial report of Macquarie Atlas Roads International Limited which comprises the consolidated statement of financial position as at 31 December 2011, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and related notes, derived from the audited financial report of Macquarie Atlas Roads International Limited for the year ended 31 December 2011. Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads International Limited and the entities it controlled during the year, and Macquarie Atlas Roads Limited and the entities it controlled during the year. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Macquarie Atlas Roads International Limited for the year ended 31 December 2011. We expressed an unmodified audit opinion on that financial report in our report dated 29 February 2012. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

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 year ended 31 December 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Wayne Andrews

Wayne Andrews
Partner
Sydney
29 February 2012

Liability limited by a scheme approved under Professional Standards Legislation.

Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2011

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 vote in respect of it. MARIL and MQA as a whole are not required to prepare a remuneration report.

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 year ended 31 December 2011 were:

Base fee	A$14.4 million
Performance fee	A$20.9 million

All base fees for the financial year ended 31 December 2011 were paid in cash.

As permitted under the terms of the MQA Management Agreements, all performance fees paid in the financial year ended 31 December 2011, being the first instalment of the 2011 performance fee and the second instalment of the 2010 performance fee, were applied by the MQA Manager to a subscription for new MQA securities.

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 ASX trading days in the relevant Calendar Quarter multiplied by the volume weighted average price (VWAP) of all MQA securities traded on the ASX during 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's performance equals or exceeds that of 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's performance equals or exceeds that of 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.

Remuneration report
CONTINUED

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, Richard England and Marc de Cure 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, who was a director of MARL until 3 August 2011, received US$50,000 per annum pro rated for the time of his appointment 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 MARL and MARIL Boards 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 is 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 2011:

	MARL			MARIL		
Name	Director fees	Superannuation	Total	Director fees	Superannuation	Total
Jeffrey Conyers	US$29,620	–	US$29,620	US$75,000	–	US$75,000
Marc de Cure	A$47,056	A$4,235	A$51,291	–	–	–
Peter Dyer	–	–	–	£40,000	–	£40,000
Richard England	A$128,440	A$11,560	A$140,000	–	–	–
Derek Stapley	–	–	–	US$70,000	–	US$70,000
David Walsh	A$174,880	A$10,120	A$185,000	A$59,633	A$5,367	A$65,000

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
- Management and leadership of MQA and the management of MQA's investments
- 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.

Remuneration report
CONTINUED

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 cases of genuine retirement, redundancy and other 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 29 February 2012 the Macquarie Group held a 16.25% principal holding in MQA.

Stapled security holder information

AS AT 29 FEBRUARY 2012

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	15,768	5,959,501	1.28
1,001 – 5,000	6,306	13,137,369	2.83
5,001 – 10,000	675	4,733,804	1.02
10,001 – 100,000	411	10,683,759	2.30
100,001 and over	84	429,765,161	92.57
Total	**23,244**	**464,279,594**	**100.00**
Investors with less than the minimum marketable parcel	7,262	829,721	0.18

Twenty largest investors

Investor		Number of securities	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	75,734,891	16.31
2.	Macquarie Capital Group Limited	75,424,460	16.25
3.	National Nominees Limited	74,614,401	16.07
4.	JP Morgan Nominees Australia Limited	44,203,127	9.52
5.	HSBC Custody Nominees (Australia) Limited	37,148,114	8.00
6.	Citicorp Nominees Pty Limited	32,820,129	7.07
7.	HSBC Custody Nominees (Australia) Limited	31,982,951	6.89
8.	JP Morgan Nominees Australia Limited	18,769,542	4.04
9.	Cogent Nominees Pty Limited	2,746,955	0.59
10.	Citicorp Nominees Pty Limited	2,615,503	0.56
11.	UBS Nominees Pty Ltd	2,434,348	0.52
12.	Perron Investments Pty Ltd	2,057,059	0.44
13.	RBC Dexia Investor Services Australia Nominees Pty Limited	2,042,596	0.44
14.	AMP Life Limited	1,894,217	0.41
15.	ABN AMRO Clearing Sydney Nominees Pty Ltd	1,698,067	0.37
16.	RBC Dexia Investor Services Australia Nominees Pty Limited	1,576,987	0.34
17.	SmallCo Investment Manager Ltd	1,562,835	0.34
18.	HSBC Custody Nominees (Australia) Limited	1,265,923	0.27
19.	Mr Peter Trent & Mrs Cathy Trent	1,250,000	0.27
20.	Mr Peter Trent	971,537	0.21
Total		**412,813,642**	**88.91**

Details of substantial stapled security holders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities[1]
Macquarie Group Limited	18 October 2011	90,215,404	19.43
Lazard Asset Management Pacific Co	9 December 2010	64,629,673	13.92
Octavian Advisors, LP	31 March 2011	29,658,900	6.36

1 For substantial notices prior to 30 August 2011, the % of issued securities shown in the table above has been adjusted to reflect the 11,933,687 new MQA securities issued on this date.

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 Walsh 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) and Dyno Nobel Limited (2006–2008).

Jeffrey Conyers[1]
Independent Chairman (MARIL)

Jeffrey Conyers 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 served on the boards of previously Macquarie-managed vehicles, MAp Airports International Limited and Intoll International Limited, which were part of the MAp Group and Intoll Group respectively, both of which were listed on the Australian Securities Exchange.

The **MARL** Board of directors is made up as follows:

David Walsh
Independent Chairman
Director since establishment on 16 December 2009

See biography above.

Richard England
Independent Director
Director from 1 June 2010

Richard England, who is also 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, Nanosonics Limited and Chandler McLeod Group. He is a former director of St.George Bank and a former partner of Ernst & Young (Australia).

Marc de Cure
Independent Director
Director from 3 August 2011

Marc de Cure chairs the Australian Institute for Population Ageing Research and is a member of the Advisory Council of UNSW Australian School of Business. He was formerly the Chief Financial Officer of American International Assurance Company Ltd Group in Hong Kong, the Chief Financial Officer of AMP Group Limited, Executive Chair of GIO Australia Group and Executive Director of Henderson plc, and has also held other senior executive positions at AMP Limited. He is a former Principal Advisor to Bain & Co and was a senior partner at PricewaterhouseCoopers until 2000.

1 Please see corporate governance statement for discussion on independence.

John Roberts
Non-Executive Director

Director since restructure implementation on 2 February 2010

John Roberts joined Macquarie in 1991 and is Executive Chairman of the Macquarie Funds Group which has in excess of US$300 billion of funds under management, and includes the activity of the Macquarie Infrastructure and Real Assets division. John serves on the Boards and/or Investment Committees of a number of Macquarie-managed international infrastructure entities 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 New Zealand.

The **MARIL** Board of directors is made up as follows:

Jeffrey Conyers[1]
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 is also 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.

1 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.

Financial report

This concise financial report has been derived from the full financial report for the period ended 31 December 2011. 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

Level 11, No. 1 Martin Place
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Directors

David Walsh (Chairman)
Marc de Cure
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

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