MACQUARIE ATLAS ROADS

ANNUAL REPORT 2012

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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 No. 318123) (MFA) is the manager/adviser of MARL and MARIL. MFA is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) (MGL).

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.

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
Telephone (International): 61 2 8232 7455

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.

About Macquarie Atlas Roads

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

Securities on issue
478.5 million

Position on ASX
Top 200

Total km travelled on MQA roads in 2012
24.8 billion

Market capitalisation
A$821 million

Toll roads in portfolio
Six, across four countries

Security holders
~21,000

As at 22 February 2013

Letter from the Chairmen and the CEO

In 2012 Macquarie Atlas Roads (MQA) achieved another major milestone in its objective to become a dividend-paying stock. Along with the progress against its stated objectives of delivering growth in the existing portfolio and improving operational performance to maximise asset value, 2012 saw the completion of a €3.5 billion combined refinancing for Eiffarie and Autoroutes Paris-Rhin-Rhône (APRR). Following the refinancing, we are pleased to report to shareholders that MQA expects to declare its first dividend in March 2013.

Persistent economic challenges in Europe and the USA continue to impact traffic levels across MQA's portfolio; however, as a result of toll increases and a focus on cost controls, MQA's toll roads delivered another year of revenue increase. On a proportionately consolidated basis, revenue and EBITDA[1] increased by 1.9% and 2.9% respectively against the prior corresponding period. Weighted portfolio traffic decreased by 1.2% against 2011 levels. A more detailed review of the portfolio's operating performance can be found in the Chief Financial Officer's report overleaf.

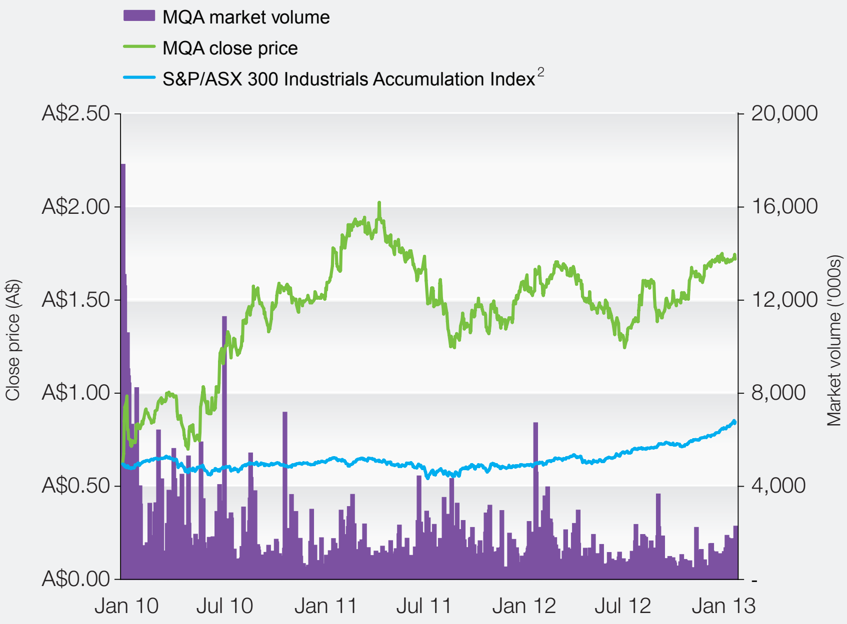
Security price performance

MQA's market capitalisation as at 31 December 2012 was A$797 million, an increase of 27.1% from the previous year end and an increase of 186.4% since listing. This is despite the continued strength of the Australian dollar, especially against the euro. A chart of MQA's security price performance since listing is below.

Operations

APRR recorded a year of negative traffic growth for only the second time in its history, however higher tariffs and continued operational efficiencies led to a record EBITDA of €1.43 billion and an EBITDA margin of 70.0%. The use of automated tolling increased to 89.7% of total transactions during 2012 compared with 84.8% in 2011.

Dulles Greenway traffic showed encouraging signs of stabilising after several years of weak traffic conditions. Overall revenue was up 8.1% and EBITDA was up 11.8%, which was a strong performance for the year. While the improvement has been welcome, cash flows are not anticipated to be sufficient for the project to make any distributions to MQA in the near term.



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

Completion of APRR acquisition

In addition to the February 2012 successful refinancing of €3.5 billion of combined debt facilities at Eiffarie and APRR, Eiffarie was also able to complete its acquisition of the remaining minority shares in APRR. In December 2012, Eiffarie reached 100% ownership of APRR, completing a lengthy legal process which has taken over two years, and APRR was delisted from Euronext Paris.

Dividend

MQA is now in a position to be able to declare its first dividend in March 2013, a little over three years since MQA commenced trading as a listed entity in early 2010. It is particularly pleasing that MQA's first dividend will be significantly earlier than was originally anticipated at the time of listing.

It is expected that APRR's underlying distributions will form the basis of MQA's future dividends to shareholders. APRR retains a proportion of the cash it generates to fund capital expenditure and reduce debt. This should increase the value of MQA's investment in APRR over time.

As with any foreign investment, distributions received by MQA from its assets are affected by fluctuations in foreign exchange rates. As a result, any dividend from MQA to its shareholders may be impacted by foreign exchange rates. MQA will also retain a prudent level of working capital after payment of each dividend.

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 22 February 2013 was approximately A$12.9 million.

Outlook

MQA is well positioned to benefit from any future improvements in underlying economic conditions in France and the USA.

We will continue to pursue our strategy of maximising revenue and improving operational efficiencies over the next 12 months to deliver growth to shareholders.

We look forward to the announcement of MQA's first dividend in March 2013.

On behalf of the boards and management team, we thank shareholders 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 2012

Overview

Global economic conditions have remained challenging this year, with continued weak economic conditions in Europe, the United States and the United Kingdom impacting traffic across MQA's toll road portfolio. However tolling structures and a continued focus on maximising operational efficiency at each asset have delivered overall growth in portfolio revenue, EBITDA and EBITDA margin.

Completion of the refinancing of APRR's holding company debt in February 2012 has allowed distributions to start to flow through to MQA and its co-investors from this most significant of MQA's portfolio assets. This in turn has paved the way for MQA to start paying dividends to shareholders. As reported in the letter from the Chairmen and the CEO, MQA expects to declare its first dividend in March 2013.

Financial highlights – statutory

MQA owns 100% of the M6 Toll in the UK and consolidates the toll road's income, expense, asset and liability items line by line into 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 recorded as a single line item in MQA's results, '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 2012 and 2011 is set out in the table below.

Statement of comprehensive income

	Year ended 31 Dec 2012 A$m	Year ended 31 Dec 2011 A$m
Loss for the period	(124.4)	(289.5)
Total comprehensive income for the period	(180.1)	(616.9)
Net loss attributable to MQA security holders	(124.4)	(289.5)

Statement of financial position

	As at 31 Dec 2012 A$m	As at 31 Dec 2011 A$m
Total assets	1,582.7	1,629.9
Total liabilities	(2,563.3)	(2,451.2)
Total MQA security holders' interest	(980.6)	(821.3)

Consistent with previous years, MQA's balance sheet shows a net liability position as at 31 December 2012. This is driven by M6 Toll related balances: its non-recourse liabilities of A$2.5 billion exceeds the depreciated carrying value of its toll road related assets of A$0.8 billion.

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$124.4 million for the year (2011: A$289.5 million), reflecting consolidated losses from the M6 Toll as well as losses from its non-controlled assets. This improved result has resulted mainly from a reduction in losses recorded in relation to MQA's non-controlled assets as well as one-off charges in 2011 relating to the recording of performance fee instalments.

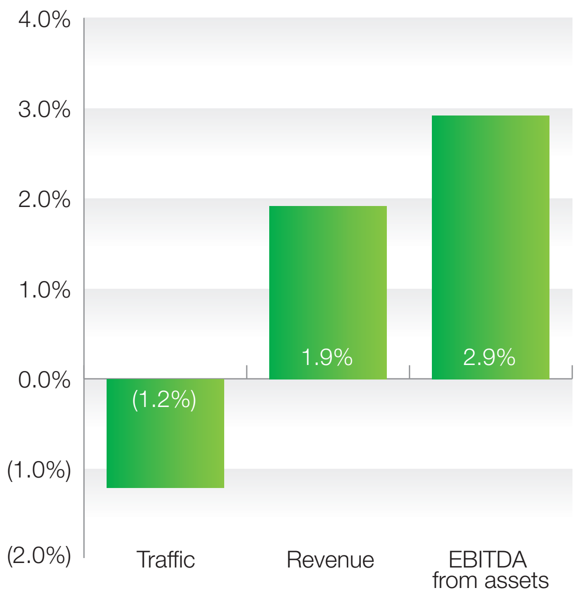
Further information on the statutory results is provided in the Financial Report on pages 41 to 106.

Financial highlights – proportionate results from toll road assets

The proportionate results aggregate the financial results of MQA's assets in the respective proportions of MQA's beneficial ownership interests in each asset. The proportionate results are prepared on a different basis to the MQA Financial Report, which is prepared in accordance with Australian Accounting Standards.

The chart below shows the operating performance of MQA's portfolio as a whole for 2012 compared to 2011.

Fig. 1: Summary 2012 pro forma asset performance vs prior corresponding period[1]

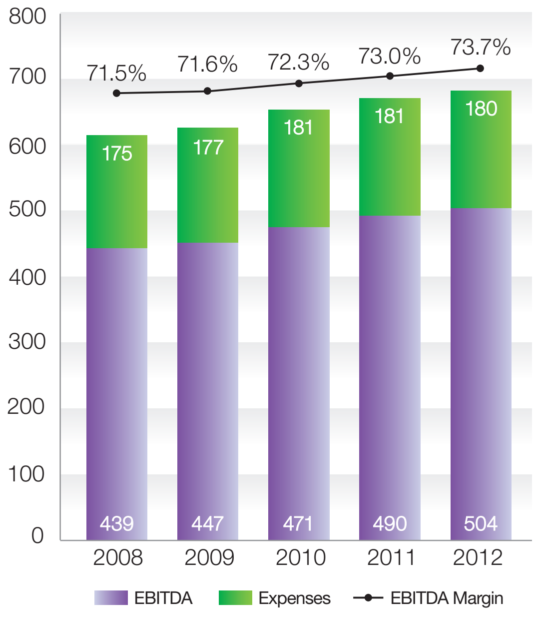


Reflective of the prevailing economic conditions in the countries in which MQA's assets are located, traffic was generally weak across the portfolio. Four roads recorded flat or slightly increased traffic compared to 2011, with the remaining two recording decreased traffic volumes.

However, five of the six assets recorded revenue and EBITDA increases, reflecting the positive impacts of changes to tolling structures and continued focus on cost control at the assets.

A summary of MQA's portfolio performance for the last five years is set out in the graph below. Portfolio revenue, EBITDA and EBITDA margin continue to trend positively. This is a pleasing result in the light of the challenging macroeconomic climate.

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



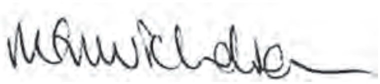
Further information, including the basis of preparation of proportionate results and a reconciliation of these results to the statutory results, is provided in the Management Information Report available on the MQA website.

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 2012	**17.3**
Cash flows received from APRR (via Financière Eiffarie)	10.0
Release of restricted cash	1.5
Other operating cash flows, net of foreign exchange movements	(15.1)
Closing balance – 31 December 2012	**13.7**
Other operating cash flows, net of foreign exchange movements	(0.8)
Pro forma available cash position – 22 February 2013	**12.9**

MQA expects to receive further distributions from APRR (via Financière Eiffarie) in March and September 2013. Together with the cash balance above, these are expected to allow MQA to pay its first dividends to shareholders as well as to maintain a prudent working capital balance, which will enable future fund level cash requirements to be met. MQA continues to have no fund level debt.

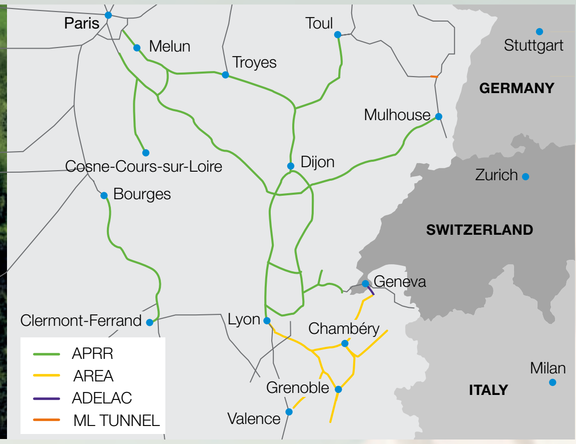


Mary Nicholson
Chief Financial Officer
Macquarie Atlas Roads

1 Pro forma results are normalised for changes in ownership interests and foreign exchange rates. For comparative purposes, the results of MQA's portfolio have been presented for calendar years prior to 2010, notwithstanding that MQA acquired the assets from Macquarie Infrastructure Group (MIG) on 2 February 2010.

2 Available cash represents cash immediately available for MQA use. In addition, MQA has A$1.5m not currently available for use, representing secured cash deposits in relation to outstanding guarantees.

Autoroutes Paris-Rhin-Rhône (APRR)
France



ASSET DESCRIPTION

Overview APRR is the concessionaire of a 2,264km motorway network located in the east of France. APRR 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 (A71 and A77). 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 2060 (ADELAC); 31 December 2068 (Maurice Lemaire)

MQA's interest 19.44%

RESULTS

Revenue
0.8% increase on prior corresponding period (pcp)

Traffic
1.7% decrease on pcp

Autoroutes Paris-Rhin-Rhône (APRR)
France (continued)

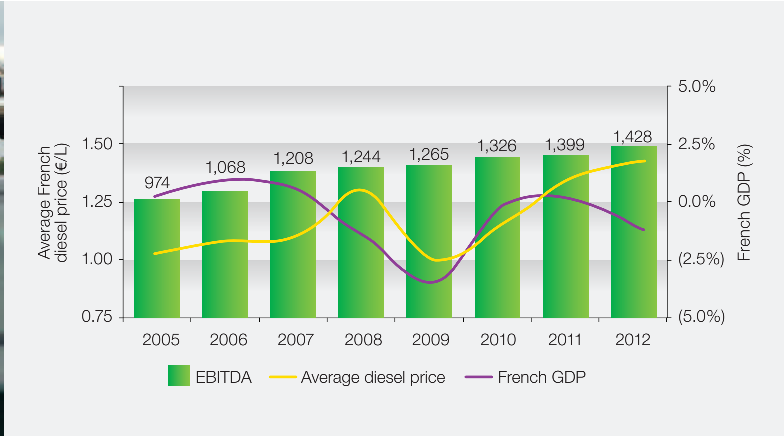


Fig 1: APRR financial performance

OPERATING PERFORMANCE AND INITIATIVES

- APRR has continued to demonstrate solid financial performance despite an overall fall of 1.7% in total vehicle kilometres travelled from 2011. Revenue and EBITDA increased 0.8% and 2.1% on their respective 2011 levels with EBITDA reaching a record €1.4 billion.
- During 2012 both light vehicle (car) and heavy vehicle traffic fell on pcp, down 1.3% and 3.8% respectively for the year. The fall in traffic volumes was spread across all four quarters reflecting the challenging European economic environment.
- Scheduled toll increases of 2.58% (APRR) and 2.55% (AREA) were implemented with effect from 1 February 2012. These, combined with continued focus on cost control, led to an improvement in EBITDA margin to 70.0%.
- Figure 1 above shows APRR's financial performance over the last eight years: throughout very mixed economic conditions APRR has demonstrated growth in revenue and EBITDA (shown in the chart) year on year. The EBITDA margin has also improved since APRR was privatised: it has increased from 62.0% in 2005 to 70.0% in 2012.
- Continued progress was made in increasing the level of automation across the network, with automated transactions (tag, credit card and coin machine) accounting for 89.7% of total transactions during 2012 compared with 84.8% in 2011. The number of active Liber-t tags increased by 16%, with over 1.2 million now on issue. The level of electronic toll collection, which represented 49.4% total transactions in 2012 (2011: 47.0%), continues to grow rapidly.
- The improved level of automation means that 139 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.

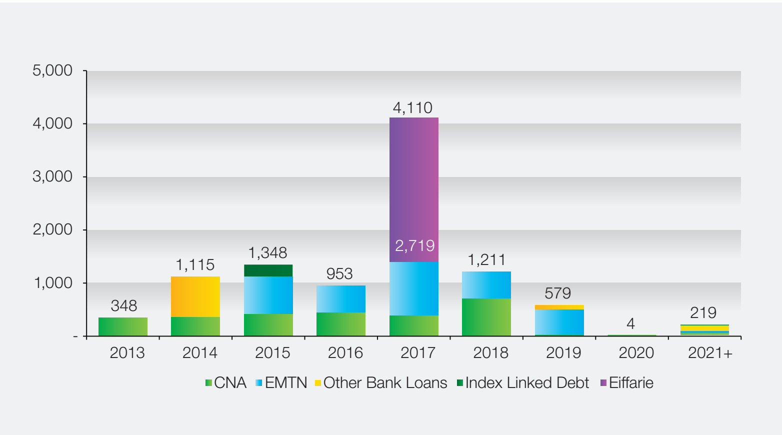


Fig 2: Eiffarie/APRR debt maturity profile as at 31 December 2012 (€m)

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 APRR during 2012 was the refinancing of the €3.8 billion Eiffarie acquisition facility, which was due to mature in February 2013.
- In February 2012, APRR paid a dividend of €1.0 billion to Eiffarie, which was used by Eiffarie to repay a portion of this debt. A new €2.8 billion facility, maturing in February 2017, was then signed with an international group of banks, one year ahead of the initial maturity of the previous facility.
- 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 has positioned MQA to commence payment of dividends to its investors in 2013.
- Figure 2 sets out the current debt maturity profile of the group as of 31 December 2012. APRR has sufficient liquidity to meet its upcoming maturities for the next 18 months.

OWNERSHIP UPDATE

- During 2010 Eiffarie acquired interests in APRR from minority shareholders to bring its shareholding in APRR to more than 95%. Following this, a mandatory offer was launched in respect of the remaining shares in APRR, in accordance with French takeover rules.
- This legal process has now been successfully completed. On 18 December 2012, Eiffarie reached 100% ownership of APRR, which was subsequently delisted from Euronext Paris.

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

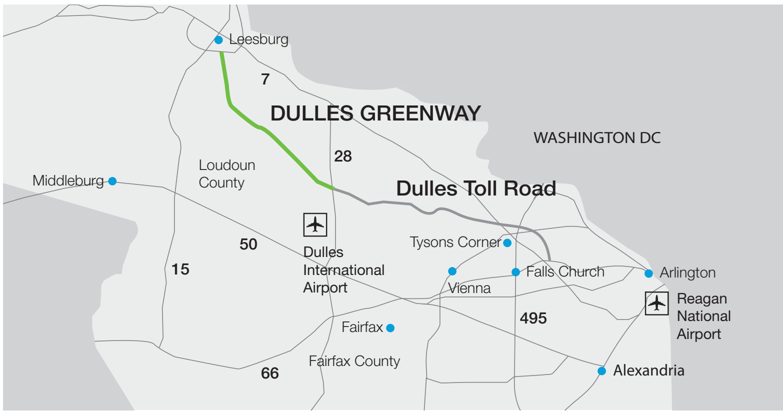
MQA's interest 50%[1]

1 Estimated economic interest.

RESULTS

Revenue
8.1% increase on pcp

Traffic
0.2% decrease on pcp



OPERATIONAL UPDATE

- Over the full year, revenue was 8.1% higher than in 2011. This result largely reflects the impact of increased tolls (effective 1 January 2012 tolls were increased by an average of approximately 8%) and an improved traffic mix.
- 2012 traffic was 0.2% below 2011 levels. Excluding the effects of Hurricane Sandy, 2012 traffic would have been flat compared to 2011 notwithstanding the significant toll increase.
- EBITDA for the year increased by 11.8% driven by higher revenue and a decrease of ~US$0.7m (4.9%) in operating expenses compared to pcp. The lower operating expenses reflect the continued efficiencies achieved from bringing operations and maintenance 'in house' in May 2010.
- A scheduled toll increase was implemented on 21 January 2013. The new schedule represents toll increases at the mainline plaza of approximately 3%. Maximum tolls are now US$4.90 for two-axle vehicles travelling in the peak direction during peak periods and US$4.10 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
3.8% increase on pcp

Traffic
No change on pcp

OPERATIONAL UPDATE

- Roadworks that commenced on a competing section of the free M6 Motorway in April had a positive effect on traffic and are expected to continue throughout 2013. However, underlying performance continues to be impacted by the continuing weak economic conditions in the United Kingdom.
- The impact of these roadworks mitigated soft traffic in the early part of the year, with traffic for the full 2012 year being similar to 2011 levels.
- The introduction of contactless cards, allowing for faster payment and reducing card processing fees payable, has been received positively with 8.9% of customers now choosing to use this payment method.
- Tolls were adjusted on 1 March 2012, with toll rates for light and heavy vehicles increasing by 20 pence and 40 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%

RESULTS

Revenue
3.9% increase on pcp

Traffic
0.4% increase on pcp

OPERATIONAL UPDATE

- Skyway benefited from higher heavy vehicle traffic volumes, which were up 15.2% on pcp for the year. This increase has resulted from the completion of roadworks on the section of the Indiana Toll Road that connects to Skyway.
- 3.9% higher revenue, combined with strong cost control, contributed to a 5.2% EBITDA increase in 2012.
- A scheduled Skyway toll increase was implemented on 1 January 2013 in accordance with the concession agreement. Toll rates for light vehicles increased from US$3.50 to US$4.00 (14% increase) and for heavy vehicles from US$16.80 to US$21.00 (25% increase). During peak periods a 40% premium applies.

Indana 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

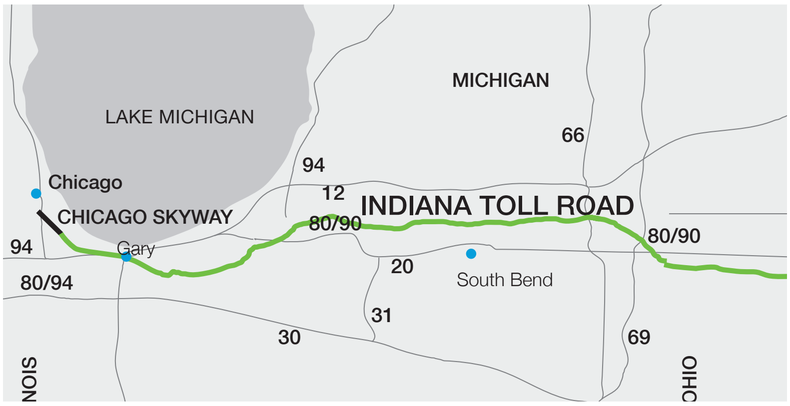
Concession expiry
29 June 2081

MQA's interest 25%

RESULTS

Revenue
5.0% increase on pcp

Traffic
1.2% increase on pcp



OPERATIONAL UPDATE

- Ticket system trips for the year were up 0.4% compared with 2011. Heavy vehicle traffic for the ticket system increased 1.3% compared to 2011.
- Barrier system trips were up 3.5% for the year. Heavy vehicle traffic for the barrier system increased 15.7% compared to 2011. The completion of the mandatory construction program in December 2011 and the subsequent increase in speed limits on the barrier system have contributed to these higher traffic volumes.
- ITR increased toll rates on 1 July 2012. The toll charged for a through trip increased by ~4.4%, with the cash-paying passenger vehicle toll increasing to US$9.40 from US$9.00. Passenger vehicles using ETC continued to pay US$4.65 as a result of a state subsidised "toll freeze" which is currently scheduled to remain in place until 2016. During this period, the State of Indiana will reimburse ITR for the difference between the actual toll paid by each ETC passenger vehicle and the higher toll applicable to cash users.

Warnow Tunnel
Rostock, Germany

ASSET DESCRIPTION

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

Opened September 2003

Concession expiry
15 September 2053

MQA's interest 70%

RESULTS

Revenue
4.0% decrease on pcp

Traffic
8.8% decrease on pcp

OPERATIONAL UPDATE

- An increase in toll prices became effective from 1 November 2012, with cash tolls for cars (~94% of total traffic) increasing by 3.7% and the discounted tag tariff by 2.2%. A summer season cash toll increase is scheduled for 1 May 2013.
- In October 2012, a little over nine years after opening, Warnow Tunnel celebrated its 33 millionth user.

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, as well as the risk management group.

Macquarie staff also contribute their time, expertise and finances to community organisations through the Macquarie Group Foundation. The Foundation matches charitable donations made by staff and enables payroll giving.

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. MQA promotes good environmental and social practices within each asset
- 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 2012. MQA's governance responsibilities and policies are covered in pages 21 to 39.

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 2012.

Environmental and social responsibility (ESR) management
CONTINUED

The following is a selection of environmental and social responsibility initiatives at MQA's assets. A more comprehensive summary is available on MQA's website (www.macquarie.com/mqa).

Environmental initiatives at MQA assets during 2012

Autoroutes Paris-Rhin-Rhône (APRR)

Over the past 30 years, APRR has shown an ongoing recognition of its environmental responsibilities by developing policies and a body of expertise that allow it to minimise its environmental footprint. The main focus of APRR's environmental policy is to protect surrounding water resources, fauna and flora, and reduce the impact of various forms of pollution, including noise pollution, visual pollution and vehicle emissions.

For new motorways, spending on landscaping and environmental integration represents more than 10% of investment. New motorways are equipped with high-performance environmental protection systems such as retention basins and noise barriers. Biodiversity is also protected, with the integration of large-fauna passages and the re-creation of biological corridors.

Other environmental initiatives include:

- Maintenance of more than 10,000 hectares of green space adjacent to its motorways, including more than 10 million trees planted throughout the network and its surrounding areas
- Replacement of traditional lighting with more efficient LED technology in two of the network's tunnels
- The use of no-stop toll gates, reducing idling time and minimising greenhouse gas emissions
- Studies and inventories of flora and fauna
- Construction of the Haute Qualité Environnementale (HQE) L'aire de la Chaponne, a highway rest area on the A6. HQE is a standard for environmentally friendly buildings in France
- AREA's use of locally sourced salt to prevent and alleviate snow and ice on roads during the winter. This has reduced costs by 80%, heavy vehicle travel by 19,000km and carbon dioxide emissions by 17 tonnes. In November, AREA was awarded the "Industrial Ecology" prize as part of the "Business and Environment Awards 2012" organised by the Ministry for Ecology, Sustainable Development and Energy and the Agency for Environment and Energy Management in recognition of its efforts.

In 2009 APRR became the first motorway concession operator in France to obtain ISO 14001 environmental certification. This has been maintained through 2012.

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. Funds raised in 2012 were used to protect 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.

M6 Toll

Environmental initiatives at the M6 Toll in 2012 included:

- The purchase of a new Incident Support Unit with a more efficient Euro 5 diesel engine
- Revised landscape arrangements to increase areas of wild flowers and grasses to encourage insects, small mammals and birds
- Recycling of filter drain materials as part of the drainage cleansing programme
- Replacement of the mainline plaza's lane pictograms with the latest more energy-efficient LED technology
- Improvement of IT infrastructure through adopting virtualisation on server estate, reducing power requirements.

The company's environmental consultants, Creswell, have completed the boundary fence line inspections, which monitored the road's impact on badger and otter activity; the survey results have shown no significant defects or concerns.

The M6 Toll has maintained its ISO 14001 certification through 2012.

Social responsibility at MQA assets during 2012

Autoroutes Paris-Rhin-Rhône (APRR)

During 2012, APRR continued to support the training and education of students by welcoming nearly 60 trainees and 125 employees through its 'alternating education' programme, which combines part-time study with practical experience.

APRR has supported the development of "SOS AUTOROUTE", an emergency call application for smartphones, which has been downloaded by more than 187,000 customers.

To optimise the safety of its employees, APRR has created a training centre dedicated to safety activities in all seasons, including winter. The training programmes – which are aimed at personnel involved in network surveillance and maintenance – are attended by 700 people annually, and help further enhance the high degree of professionalism among APRR's employees.

APRR promotes diversity by providing each of its ~3,800 employees equal opportunities irrespective of gender, age, ethnicity, sexual orientation or any non-merit based characteristics. APRR's values of open-mindedness, diversity and anti-discrimination are expressed through its three commitments:

I. Reinforce diversity and equal opportunity during the hiring process
II. Maintain equal opportunity throughout an employee's career with APRR
III. Attempt to preserve employment by offering additional training and mentoring to employees experiencing difficulty in performing their role.

APRR has released a short film exploring themes including equal opportunity in hiring, the integration of young workers and disabled workers, professional mobility, knowledge sharing and gender equality. Employees actively participated in the process by volunteering to take the lead roles. The film can be found on the APRR website (www.aprr.com).

Dulles Greenway

This is the seventh year that Dulles Greenway has participated in an annual Drive for Charity. In 2012 more than US$261,000 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 seven years to over US$1,500,000.

The Dulles Greenway was nominated for the Loudoun County Chamber 2013 Community Leadership Awards for its efforts by the Loudoun Abused Women's Shelter. This award honours organisations that demonstrate superior commitment to providing exemplary leadership and support to address the needs of the Loudoun County community and its citizens.

Greenway employees also held a food drive in the month of December that netted 100lbs of food for a local charity.

Environmental and social responsibility (ESR) management

CONTINUED

M6 Toll

The M6 Toll awarded a further seven Student Scholarships in 2012. The scholarships are 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 M6 Toll has also committed to supporting local primary schools, offering grants for specific projects that aid the development of their students, as well as providing free passage on the M6 Toll for local school minibuses.

The M6 Toll's work health and safety management system was recertified against British Standard OHSAS 18001 in March 2012. OHSAS 18001 is widely seen as the world's most recognised health and safety management systems standard and promotes a safe and healthy working environment by providing a framework that helps organisations to consistently identify and control health and safety risks; reduce the potential for accidents; aid legislative compliance; and improve overall performance.

The M6 Toll is committed to diversity and equality in its operations. The M6 Toll's diversity, recruitment and selection, and training and development policies ensure that applicants and employees are treated in a fair and consistent manner. Women currently make up 44% of the M6 Toll's workforce.

Chicago Skyway and Indiana Toll Road

The Indiana Toll Road is active in supporting numerous causes, including homeless shelters, underprivileged youth and local Boys & Girls Clubs. In 2012 it made contributions in the form of monetary donations, i-Zoom transponders or other requested items to a number of local organisations.

Both the Chicago Skyway and Indiana Toll Road are committed to equal employment opportunities. Both assets' employee handbooks pledge not to discriminate and not to tolerate discrimination by others against employees or applicants. This policy covers all aspects of employment including recruiting, hiring, promotion and transfer, work assignment, compensation, discipline, termination and all other employment-related decisions.

At 31 December 2012, women made up 62% of Chicago Skyway's workforce and 45% of Indiana Toll Road's workforce.

Warnow Tunnel

During 2012, Warnow Tunnel continued its sponsorship of Rostock Food for People, an organisation that collects food nearing its expiry date and distributes it to people in need within the region. Warnow Tunnel again partnered with the Rostock Marathon Night organising team, providing assistance in organising the event in 2012. It has also provided support through sponsorship and donations to a number of local organisations.

Corporate governance statement

Legal framework and management arrangements

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

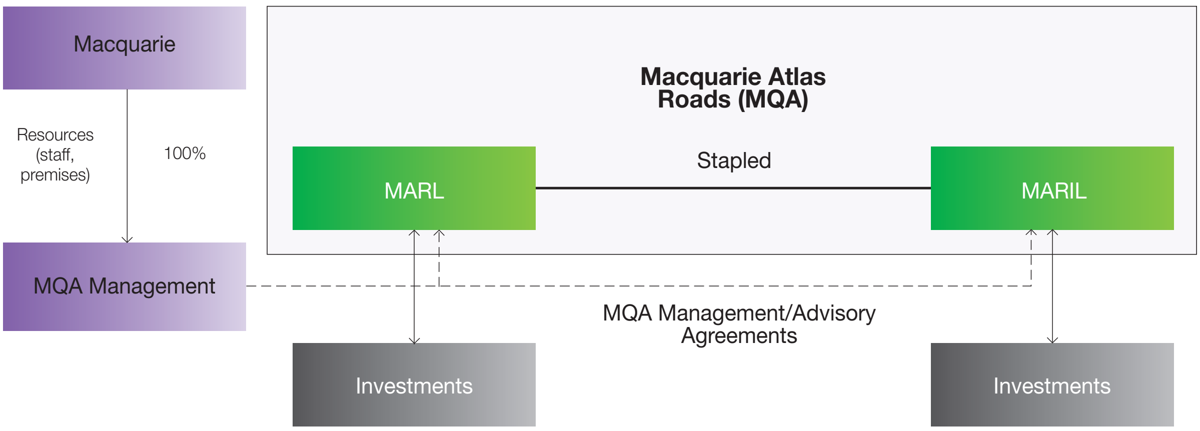
MQA comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL), an Australian public company, and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL), an exempted mutual fund company incorporated in Bermuda. MQA is listed as a stapled structure on the Australian Securities 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) (AFSL No. 318123) (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.

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 MARL Board and the MARIL board (together 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	MQA Management Agreements clause 3

Services *continued*	• 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.	
Term	No fixed term or until the MQA Manager is removed or resigns.	MQA Management Agreements clause 11.1
Extension or renewal	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
	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

Fees *continued*	**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 the 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
	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	MQA Management Agreements clause 1.1

Fees *continued*	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.	
	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

Corporate governance statement
CONTINUED

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 of 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. There are removal of manager trigger events in the M6 Toll debt arrangements and APRR shareholder arrangements. Details are set out in the ASIC 231 Regulatory Guide disclosure on the MQA website.	MQA Management Agreements clause 19

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 2012.

The MQA 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.

Corporate governance statement
CONTINUED

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 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 2012 financial year.

What you can find on our website:

- A summary of the MARL and MARIL Board charters.

Principle 2
Structure the Board to add value

1. Composition

MARL

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

The MARL Board of directors is comprised as follows (refer page 113 of this report for director profiles):

David Walsh
Independent Chairman
Director since establishment on 16 December 2009

Richard England
Independent Director
Director from 1 June 2010

Marc de Cure
Independent Director
Director from 3 August 2011

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

What you can find on our website:

- MARL director profiles.

MARIL

The MARIL Board comprises four directors, each with broad industry experience. Until February 2013 three members were independent directors and there was one non-independent, non-executive director. The non-independent, non-executive director retired in February 2013 and was replaced with an independent director taking the board composition to four independent directors. 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.

The MARIL Board of directors is comprised as follows (refer page 114 of this report for director profiles):

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

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

James Keyes
Independent Director
Bermuda-based – director from 21 February 2013

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

What you can find on our website:

- MARIL director profiles.

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.

Corporate governance statement
CONTINUED

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.

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 2012 financial year.

Corporate governance statement
CONTINUED

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.

1. 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.

2. Ethical conduct

MQA's Code of Conduct is similar to that of Macquarie's 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.

3. 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.

4. 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) and make recommendations for improvements where necessary.

5. 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:

- At the Board level through the appointment of women as part of the Board renewal process
- 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
- At the businesses in which MQA invests, through MQA appointed portfolio company directors 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.

Progress towards achievement of gender diversity will be measured by reference to:

- The number of women who over time are appointed to the MQA Boards as part of the Board renewal process
- Continued strong representation of women in senior management roles within MQA
- Relative number of women in senior management roles at MQA's operating businesses over time.

Currently there are no women on the MQA Boards. Female representation increased during the year in the formal MQA senior management team comprising the CEO, CFO and MARL and MARIL company secretaries. Three of the four officers are now women (being the CFO, and the two company secretaries). Overall there are approximately 51% (2011: 50%) women in the MQA management team across various levels of seniority.

More detail in respect of the diversity in the workforces of the businesses in which MQA invests can be found in the environmental and social responsibility (ESR) management section of this annual report.

What you can find on our website:

- A summary of the code of conduct
- The MQA securities (windows) trading policy
- 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.

Corporate governance statement
CONTINUED

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 Committees meet 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 Committees 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, PricewaterhouseCoopers (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.

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, CFO 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 historical 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 is 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 2013 AGMs to be held in April 2013. 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.

Corporate governance statement
CONTINUED

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 companies, 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. Ensure that matters identified by internal audits are appropriately assessed and acted upon.

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:

- MQA's risk management policies and framework
- MQA's environmental and social responsibility management policy
- MQA's occupational health and safety risk management policy.

Principle 8
Remunerate fairly and responsibly

Below is a brief description of management and performance fee arrangements for the MQA Manager, remuneration arrangements in relation to Macquarie staff who work on MQA (whose remuneration is paid by Macquarie, not MQA), and also the fees paid to MQA external directors. Full details and a discussion of MQA remuneration arrangements, alignment of interest and manager and staff incentives are set out in the remuneration report included with MQA's annual financial statements.

1. MQA Manager fees

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

These fees are calculated in accordance with a defined formula under the management and advisory agreements. The fee arrangements were fully disclosed to investors on fund inception and were voted on and approved by security holders at the time as part of the MIG restructure proposal. They will continue to be disclosed on the MQA website and in annual reports. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

Any changes to the fee provisions which would have the effect of increasing the fees would need to be approved by investors.

2. Reimbursement of responsible entity and adviser expenses

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

3. Staff remuneration

The MQA Manager makes available employees, including senior executives, to discharge their obligations to the relevant MQA entity. These staff are employed by entities in Macquarie and made available through resourcing arrangements with the MQA Manager or the Macquarie entities who are sub-advisers to the MQA Manager. Their remuneration is not an MQA expense as 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 Committee, 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
CONTINUED

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

ASX Principle		2012 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.	27-28	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	28	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	27-28	Yes
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	28-29	Yes
2.2	The chair should be an independent director.	31	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	31	Yes
2.4	The Board should establish a nomination committee.	29-30	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	31	Yes
2.6	Provide the information indicated in the Guide to reporting in Principle 2.	28-31	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.	32	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	33	Yes
3.3	Disclose the measurable objectives for achieving gender diversity.	33	Yes
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	33	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	32-33	Yes
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	33	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.	33	Yes
4.3	The audit committee should have a formal charter.	34	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	33-34	Yes

ASX Principle		2012 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.	35	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	35	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.	35	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	35	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.	36	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.	36	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.	36	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	36	Yes
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	37	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.	37	Yes
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	37	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	37	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.

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 the wholly owned M6 Toll
- MQA's share of the profit or loss and net assets of its non-controlled toll road assets, primarily APRR and Dulles Greenway. 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 A$980.6 million as at 31 December 2012. This has been driven by M6 Toll-related balances: its non-recourse liabilities of A$2.5 billion exceeds the depreciated carrying value of its toll road related assets of A$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 the case of Warnow Tunnel, where MQA has provided limited support to the project in the form of guarantees totalling A$1.5 million at 31 December 2012. Refer to Note 27 of the 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 2012 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 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

Financial report

FOR THE YEAR ENDED 31 DECEMBER 2012

THIS REPORT COMPRISES:

MACQUARIE ATLAS ROADS INTERNATIONAL LIMITED AND ITS CONTROLLED ENTITIES

MACQUARIE ATLAS ROADS LIMITED AND ITS CONTROLLED ENTITIES

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Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2012

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the Financial Report of Macquarie Atlas Roads ("MQA" or "the Group") for the year ended 31 December 2012. 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 MQA.

The directors of MARL submit the following report for the MARL Group for the year ended 31 December 2012.

Macquarie Fund Advisers Pty Limited ("the Adviser/ Manager" or "MFA") acts as the adviser for MARIL and the manager of MARL.

Principal activities

The principal activity of the Group and the MARL Group (together "the Groups") 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 Groups' activities during the year.

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
- Marc de Cure

Dividends

No dividend was paid or declared by MARIL or MARL for the year ended 31 December 2012.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Review and results of operations

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

	MQA Year ended 31 Dec 2012 $'000	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Revenue and other income from continuing operations	**93,479**	91,889	**1,681**	1,800
Loss for the year	**(124,435)**	(289,489)	**(3,073)**	(62,028)
Loss attributable to:				
Equity holders of the parent – MARIL	**(121,362)**	(227,461)	**-**	-
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)	**(3,073)**	(62,028)	**(3,073)**	62,028)
Stapled security holders	**(124,435)**	(289,489)	**(3,073)**	(62,028)
	Cents	Cents	**Cents**	Cents
Basic loss from continuing operations per MARIL/MARL share	**(25.75)**	(49.84)	**(0.65)**	(13.59)

MQA consolidates the wholly owned M6 Toll's income and expense items into 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.

MQA's loss from continuing activities after tax for the year ended 31 December 2012 was $124.4 million (2011: $289.5 million). The decrease in the loss for the period reflects the following significant movements:

- Other operating costs of $88.6 million (2011: $206.7 million) have decreased due to no new performance fees being incurred during the year ended 31 December 2012. For the year ended 31 December 2011, total performance fees of $50.1 million (excluding GST) were determined and recognised by MQA. Also, a provision for impairment on non-controlled investments of $67.4 million was created in the previous year. No such provision has been recognised in the current year.
- Share of net losses of investments accounted for using the equity method has decreased to $40.6 million (2011: $90.3 million). MQA's share of net losses comprises the following: Autoroutes Paris-Rhine-Rhône ("APRR") loss of $26.0 million (2011: loss of $21.6 million), Dulles Greenway loss of $14.6 million (2011: loss of $18.2 million), Chicago Skyway loss of $nil (2011: loss of $50.5 million).

  The decrease in the share of net losses of investments accounted for using the equity method is primarily due to the following:

  I. The results include fair value losses on interest rate swaps of $27.0 million for the year ended 31 December 2012 compared to fair value losses of $70.1 million in the year ended 31 December 2011. The majority of the fair value gains/losses on interest rate swaps are taken through reserves (accounted for as effective hedges) at the non-controlled asset level. Derivative instruments are recorded at fair value which can result in significant volatility in a given period as market expectations of interest rates fluctuate.

  II. No further losses have been brought to account with regard to Chicago Skyway (2011: loss of $50.5 million) because the carrying value of this asset has been reduced to nil.

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

Since balance date, the directors of MARIL and MARL 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 Groups, the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2012.

Likely developments and expected results of operations

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

Indemnification and insurance of officers and auditors

During the year, MARL and MARIL paid premiums of $116,991 each to insure the directors and officers of MARL and MARIL. The liabilities insured are legal and defence 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 MARL and 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 MARL or 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 MARL and MARIL act in accordance with the company Constitution or Bye-Laws (as applicable) as well as the law, the directors and officers remain indemnified out of the assets of the Groups against any losses incurred while acting on behalf of the Groups.

The auditors of the Groups are in no way indemnified out of the assets of the Groups.

Environmental regulation

The operations of the underlying assets in which the Groups invest are subject to environmental regulations particular to the countries in which they are located. The following environmental regulation applies to MQA's controlled asset:

Midland Expressway Limited constructed the M6 Toll road under a series of orders made in 1998 by the UK 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 financial reports

The Groups are 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 Financial Reports. Amounts in the Directors' Report and Financial Reports have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Application of class order

The Directors' Reports and Financial Reports for MQA and the MARL Group have been presented in the one report, as permitted by ASIC Class Order 05/642 as amended by Class Order 10/655.

Additional specific MARL disclosures

The following information is only required to be disclosed for the directors of MARL as MARL is an Australian entity that is required to comply with the Corporations Act 2001. The Corporations Act 2001 does not apply to MARIL, a Bermudian entity, and consequently information is not provided for MARIL.

Directors' Report
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Information on directors

	Experience and Directorships	Special Responsibilities	Particulars of director's interests in MQA stapled securities as at 31 Dec 2012	31 Dec 2011
David Walsh LLB Independent Director	**Experience:** David Walsh is a corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jaques from 1962 to 2004, and the senior partner from 1991. He established the firm's Hong Kong office and was resident in Hong Kong from 1988 to 1991. David had a wide-ranging corporate and commercial practice which included mergers and acquisitions, cross-border investment and international trade, anti-trust law, industrial property, insurance, telecommunications, civil engineering and construction, and commercial litigation. From 2005-2011 he was a senior legal consultant to Telstra. **Other current Directorships:** MARIL **Former Directorships in last 3 years:** Templeton Global Growth Fund Limited (Chairman) and Intoll Management Limited, formerly Macquarie Infrastructure Investment Management Limited.	Chairman of Board	**7,000***	7,000*
John Roberts LLB Non-Executive Director	**Experience:** John Roberts joined Macquarie in 1991 and is Executive Chairman of the Macquarie Funds Group, which has over A$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division ("MIRA"). 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. **Other current directorships:** Sydney Airports Limited, DUET group entities and Macquarie Infrastructure Company Inc. **Former directorships in last 3 years:** Southern Cross Media Group Limited and Macquarie International Infrastructure Fund Limited.	-	**46,108***	46,108*
Richard England FCA MAICD Independent Director	**Experience:** Richard England, who is also the Chairman of the Audit and Risk Committee of MARL, is a former partner of Ernst & Young (Australia) where he was national director of the Corporate Recovery and Insolvency practice. Since 1994, in addition to past consulting roles with Ernst & Young and Sims Partners, Richard has held a number of chairmanships and directorships. **Other current Directorships:** Other current directorships include Ruralco Holdings Limited, Nanosonics Limited, Chandler Macleod Group Limited. **Former Directorships in last 3 years:** Healthscope Limited and Choiseul Investment Limited (delisted).	Chairman of Audit and Risk Committee, Remuneration Committee and Nominations Committee	**40,000**	30,000
Marc de Cure BCom (Hons) MWQ FCA Independent Director	**Experience:** Marc de Cure is a company director and advisor. He is a member of the Advisory Council of the Australian School of Business at University of New South Wales. He was formerly the Group Chief Financial Officer of American International Assurance Company Ltd in Hong Kong during its IPO/listing and was an executive director of a number of AIA group companies including AIA Australia. He was the Group Chief Financial Officer and General Manager Strategy and Development of AMP Limited, Executive Chair of GIO Australia Group and Executive Director of Henderson plc, and also held other senior executive and executive director positions at AMP Limited. He was a Principal Advisor to Bain & Company and a senior partner and practice leader at PricewaterhouseCoopers specialising in M&A, initial public offerings/capital raisings, risk management and assurance. **Other current Directorships:** No other listed entities. **Former Directorships in last 3 years:** MARL (1 June 2010 to 1 November 2010).	-	**-**	-

* Acquired on demerger of MIG.

MARL Company Secretary

The Company Secretary of MARL is Ms Christine Williams, a practising solicitor. Ms Christine Williams is an Executive Director of MGL. Mr Kean Hao Lim who is an Associate Director of MGL was also a Company Secretary of MARL but resigned with effect from 27 April 2012.

Meetings of MARL Directors

The number of meetings of the MARL Board of directors, Audit and Risk Committee, Nominations Committee and Remuneration Committee held during the year ended 31 December 2012, and the numbers of meetings attended by each director were:

	Board		Audit and Risk Committee		Nominations and Remuneration Committees	
MARL Director	**Meetings held**	**Meetings attended**	**Meetings held**	**Meetings attended**	**Meetings held**	**Meetings attended**
David Walsh (Chairman)	8	8	4	4	1	1
John Roberts	8	4	N/A	N/A	N/A	N/A
Richard England	8	8	4	4	1	1
Marc de Cure	8	8	4	4	1	1

MARL Remuneration Report (audited)

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements

The information provided under the headings listed above includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

The information provided in this remuneration report has been audited as required by s308(3c) of the *Corporations Act 2001.*

Principles used to determine the nature and amount of remuneration (audited)

The remuneration paid to directors who are not employees of Macquarie Group is determined by reference to current market rates for directorships of similar entities. The level of remuneration is not related to the performance of MARL. Refer to remuneration of non-executive directors for further information.

Non-executive directors

The MARL constitution provides that directors (other than the managing or executive directors) are entitled to remuneration in aggregate not exceeding $1,000,000 per annum. For the year ended 31 December 2012 independent directors were entitled to director's fees per the remuneration table on page 48.

MARL non-executive directors are not entitled to MQA options or securities or to retirement benefits as part of their remuneration package.

Executives

MARL has no company executives.

Details of remuneration (audited)

Remuneration of Directors	**MARL Group Year ended 31 Dec 2012 Directors Fees $**	MARL Group Year ended 31 Dec 2011 Directors Fees $
MARL Independent Directors		
David Walsh (Chairman)	**185,000**	185,000
Richard England	**140,000**	140,000
Marc de Cure	**125,000**	51,291
Jeffrey Conyers	**-**	28,085
	450,000	**404,376**

Except for reimbursements, no payments other than those disclosed in the table above were made by the MARL Group to any of the MARL directors during their year/period of director's service.

Service agreements (audited)

Remuneration for the directors is formalised in service agreements. Upon termination of the service agreements, directors are not entitled to any payments, other than directors' fees payable up until the date of termination. Termination is governed by the terms of the service agreement and the constitution of MARL.

Loans to directors and executives

There were no loans to directors and executives.

Share options granted to directors

No options over unissued ordinary securities of MQA exist nor were granted to directors at 31 December 2012.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 46.

MARL non-audit services

The MARL Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with MARL and/or the MARL Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out on page 49.

The board of directors has considered the position and in accordance with the advice received from the Audit and Risk Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

MARL non-audit services	MARL Group Year ended 31 Dec 2012 $	MARL Group Year ended 31 Dec 2011 $
Taxation services		
PricewaterhouseCoopers Australian firm	-	14,600
PricewaterhouseCoopers Overseas firm	**70,869**	154,777
Total remuneration for taxation services	**70,869**	169,377
Other services		
PricewaterhouseCoopers Australian firm	**6,163**	14,500
Total remuneration for other services	**6,163**	14,500
Total	**77,032**	183,877

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the Corporations Act 2001 for MARL is set out on page 50.

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

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
21 February 2013

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
21 February 2013

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

David Walsh
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
22 February 2013

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
22 February 2013

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Atlas Roads Limited for the year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of Macquarie Atlas Roads Limited and the entities it controlled during the year.

Wayne Andrews

Wayne Andrews
Partner
PricewaterhouseCoopers
Sydney
22 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

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Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Revenue and other income from continuing operations					
Revenue from continuing operations		**93,384**	91,850	**1,681**	1,800
Other income from continuing operations		**95**	39	**-**	-
Total revenue and other income from continuing operations	2(i)	**93,479**	91,889	**1,681**	1,800
Operating expenses from continuing operations					
Finance costs		**(104,629)**	(102,642)	**-**	-
Other operating expenses		**(88,568)**	(206,679)	**(2,742)**	(10,970)
Total operating expenses from continuing operations	2(ii)	**(193,197)**	(309,321)	**(2,742)**	(10,970)
Share of net loss of investments accounted for using the equity method	8	**(40,644)**	(90,331)	**(1,951)**	(52,970)
Loss from continuing operations before income tax benefit		**(140,362)**	(307,763)	**(3,012)**	(62,140)
Income tax benefit	3	**15,927**	18,274	**(61)**	112
Loss for the year		**(124,435)**	(289,489)	**(3,073)**	(62,028)
Other comprehensive income					
Exchange differences on translation of foreign operations		**(48,982)**	(11,400)	**(304)**	(581)
Cash flow hedges, net of tax		**(6,712)**	(315,998)	**-**	-
Other comprehensive income for the year, net of tax		**(55,694)**	(327,398)	**(304)**	(581)
Total comprehensive income for the year		**(180,129)**	(616,887)	**(3,377)**	(62,609)
Loss attributable to:					
Equity holders of the parent entity – MARIL		**(121,362)**	(227,461)	**-**	-
Equity holders of other stapled entity – MARL (as non-controlling interest/ parent entity)		**(3,073)**	(62,028)	**(3,073)**	(62,028)
Stapled security holders		**(124,435)**	(289,489)	**(3,073)**	(62,028)
Total comprehensive income attributable to:					
Equity holders of the parent entity – MARIL		**(176,752)**	(554,278)	**-**	-
Equity holder of other stapled entity – MARL (as non-controlling interest/ parent entity)		**(3,377)**	(62,609)	**(3,377)**	(62,609)
Stapled security holders		**(180,129)**	(616,887)	**(3,377)**	(62,609)
Loss per share from continuing operations attributable to MARIL/MARL shareholders					
Basic loss per share from continuing operations attributable to:		**Cents**	Cents	**Cents**	Cents
MARIL (as parent entity)	21	**(25.75)**	(49.84)	**-**	-
MARL (as parent entity)	21	**-**	-	**(0.65)**	(13.59)

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

Consolidated Statements of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2012

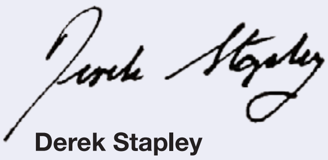
	Note	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current assets					
Cash and cash equivalents	5	**56,002**	56,114	**2,102**	7,967
Receivables	6	**5,468**	6,966	**29,113**	7,348
Prepayments	7	**913**	953	**30**	31
Total current assets		**62,383**	64,033	**31,245**	15,346
Non-current assets					
Receivables	6	**-**	-	**1,514**	18,917
Investments accounted for using the equity method	8	**702,783**	753,412	**16,470**	18,608
Property, plant and equipment	9	**746,740**	742,209	**-**	-
Tolling concessions	10	**70,775**	70,255	**-**	-
Total non-current assets		**1,520,298**	1,565,876	**17,984**	37,525
Total assets		**1,582,681**	1,629,909	**49,229**	52,871
Current liabilities					
Payables	13	**(50,596)**	(51,054)	**(2,313)**	(2,960)
Interest-bearing financial liabilities	15	**-**	(3,803)	**-**	-
Derivative financial instruments	14	**(42,906)**	(34,094)	**-**	-
Total current liabilities		**(93,502)**	(88,951)	**(2,313)**	(2,960)
Non-current liabilities					
Payables	13	**(175,161)**	(174,891)	**-**	(1,714)
Interest-bearing financial liabilities	15	**(1,872,085)**	(1,760,943)	**-**	-
Derivative financial instruments	14	**(405,974)**	(394,580)	**-**	-
Deferred tax liabilities	16	**(16,545)**	(31,862)	**-**	-
Total non-current liabilities		**(2,469,765)**	(2,362,276)	**-**	(1,714)
Total liabilities		**(2,563,267)**	(2,451,227)	**(2,313)**	(4,674)
Net (liabilities)/assets		**(980,586)**	(821,318)	**46,916**	48,197

	Note	MQA As at 31 Dec 2012 $'000	MQA As at 31 Dec 2011 $'000	MARL Group As at 31 Dec 2012 $'000	MARL Group As at 31 Dec 2011 $'000
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	17	**1,354,159**	1,335,394	**-**	-
Reserves	18	**(1,964,553)**	(1,909,163)	**-**	-
Accumulated losses	19	**(417,108)**	(295,746)	**-**	-
MARIL security holders' interest		**(1,027,502)**	(869,515)	**-**	-
Equity attributable to other stapled security holders – MARL					
Contributed equity	17	**198,877**	196,781	**198,877**	196,781
Reserves	18	**(12,657)**	(12,353)	**(12,657)**	(12,353)
Accumulated losses	19	**(139,304)**	(136,231)	**(139,304)**	(136,231)
Other stapled security holders' interest		**46,916**	48,197	**46,916**	48,197
Total equity		**(980,586)**	(821,318)	**46,916**	48,197

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

As required by the Bermuda regulations, the MQA financial information was approved by the Macquarie Atlas Roads International Limited ("MARIL") board of directors on 21 February 2013 and was signed on MARIL's behalf by:

Jeffrey Conyers
Macquarie Atlas Roads International Limited
Hamilton, Bermuda



Derek Stapley
Macquarie Atlas Roads International Limited
Hamilton, Bermuda

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

MQA

	Attributable to MARIL security holders				Attributable to MARL security holders	
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	**Total $'000**	$'000	**Total equity $'000**
Total equity at 1 January 2012	1,335,394	(1,909,163)	(295,746)	**(869,515)**	48,197	**(821,318)**
Loss for the year	-	-	(121,362)	**(121,362)**	(3,073)	**(124,435)**
Exchange differences on translation of foreign operations	-	(48,678)	-	**(48,678)**	(304)	**(48,982)**
Cash flow hedges, net of tax	-	(6,712)	-	**(6,712)**	-	**(6,712)**
Total comprehensive income	-	(55,390)	(121,362)	**(176,752)**	(3,377)	**(180,129)**
Transactions with equity holders in their capacity as equity holders:						
Application of performance fees to subscription for new securities	18,765	-	-	**18,765**	2,096	**20,861**
	18,765	-	-	**18,765**	2,096	**20,861**
Total equity at 31 December 2012	1,354,159	(1,964,553)	(417,108)	**(1,027,502)**	46,916	**(980,586)**
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)**

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

MARL Group

	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	**Total equity $'000**
Total equity at 1 January 2012	196,781	(12,353)	(136,231)	**48,197**
Loss for the year	-	-	(3,073)	**(3,073)**
Exchange differences on translation of foreign operations	-	(304)	-	**(304)**
Total comprehensive income	-	(304)	(3,073)	**(3,377)**
Transactions with equity holders in their capacity as equity holders:				
Issue of securities for performance fees to Manager	2,096	-	-	**2,096**
	2,096	-	-	**2,096**
Total equity at 31 December 2012	198,877	(12,657)	(139,304)	**46,916**
Total equity at 1 January 2011	194,640	(11,772)	(74,203)	**108,665**
Loss for the year	-	-	(62,028)	**(62,028)**
Exchange differences on translation of foreign operations	-	(581)	-	**(581)**
Total comprehensive income	-	(581)	(62,028)	**(62,609)**
Transactions with equity holders in their capacity as equity holders:				
Issue of securities for performance fees to Manager	2,141	-	-	**2,141**
	2,141	-	-	**2,141**
Total equity at 31 December 2011	196,781	(12,353)	(136,231)	**48,197**

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

Consolidated Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Cash flows from operating activities					
Toll revenue received		**106,336**	105,374	**-**	-
Interest received		**659**	1,226	**264**	1,793
Net indirect taxes (paid)/received		**(16,640)**	(18,163)	**197**	237
Payments to suppliers and employees (inclusive of GST/VAT)		**(17,477)**	(16,335)	**(1,557)**	(1,248)
Manager's and Adviser's base fees paid		**(14,280)**	(14,717)	**(1,639)**	(1,674)
Operating lease rent paid		**(16,982)**	(16,725)	**-**	-
Net Income taxes (paid)/refunded		**(19)**	214	**-**	1,133
Other income received		**3,658**	4,043	**-**	-
Net cash flows from operating activities	22	**45,255**	44,917	**(2,735)**	241
Cash flows from investing activities					
Payment for purchase of investments (including transaction costs)		**(73)**	(328)	**(73)**	(71)
Return on preferred equity certificates		**9,722**	-	-	-
Proceeds from sale of property, plant and equipment		**4**	128	-	-
Payments for purchase of property, plant and equipment		**(4,330)**	(1,880)	-	-
Net cash flows used in investing activities		**5,323**	(2,080)	**(73)**	(71)
Cash flows from financing activities					
Proceeds from bank borrowings		**3,827**	1,980	**-**	-
Repayment of external borrowings		**(2,640)**	-	**-**	-
Borrowing costs paid		**(56,134)**	(54,933)	**-**	-
Loans advanced to related parties		**-**	-	**(6,285)**	-
Repayment of loans from related parties		**2,801**	-	**3,280**	761
Net cash flows from financing activities		**(52,146)**	(52,953)	**(3,005)**	761
Net (decrease)/increase in cash assets held		**(1,568)**	(10,116)	**(5,813)**	931
Cash and cash equivalents at the beginning of the year		**56,114**	66,047	**7,967**	7,015
Effects of exchange rate movements on cash and cash equivalents		**1,456**	183	**(52)**	21
Cash and cash equivalents at the end of the year	22	**56,002**	56,114	**2,102**	7,967

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

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 general purpose Financial Report. These policies have been consistently applied to all periods presented, unless otherwise stated.

The accounting policies adopted in the preparation of the Financial Report are set out below.

(a) Basis of preparation

This general purpose Financial Report for the reporting year ended 31 December 2012 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* (where applicable). Both Macquarie Atlas Roads International Limited ("MARIL") and Macquarie Atlas Roads Limited ("MARL") are for-profit entities for the purpose of preparing the financial statements.

As permitted by ASIC Class Order 05/642 as amended by Class Order 10/655, this report consists of the consolidated financial statements of MARIL and the entities it controlled at the end of and during the year (collectively referred to as "MQA" or "the Group") and the consolidated financial statements of MARL and the entities it controlled at the end of and during the year (collectively referred to as "the MARL Group").

The Financial Report was authorised for issue by the directors of the MARIL and the MARL Boards on 21 February 2013 and 22 February 2013 respectively. The Boards have the power to amend and reissue the Financial Report.

Going concern and deficiency of net assets

The Financial Reports have been prepared on a going concern basis. At 31 December 2012, MQA had a net current liability position of $31.1 million (31 December 2011: net current liability position of $24.9 million). Included within MQA's current payables are performance fees of $16.7 million (31 December 2011: $20.9 million). Included within MQA's current assets is reserved cash not available for use of $37.1 million (31 December 2011: $34.8 million) the majority of which is in relation to the M6 Toll. MQA forecasts indicate that MQA will be able to meet its liabilities as and when they become due and payable, including performance fees which may become payable at 30 June 2013 (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 2013, assuming that 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 2012 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 2012 MQA also had a deficiency of capital and reserves of $980.6 million (31 December 2011: $821.3 million). This is primarily driven by M6 Toll related balances: its non-recourse liabilities of $2.5 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. It is anticipated that Macquarie Motorways Group Limited's ("MMG") debt will be refinanced by agreement with its lenders during the 2013 calendar year. However, it may be that MMG will need a covenant waiver from its lenders with respect to potential covenant breaches before that agreement is finalised. A covenant waiver was sought and obtained by MMG from its lenders with respect to covenant calculations as at 31 December 2012.

The debt is non-recourse so there are no going concern implications for MQA. Should MQA no longer control the M6 Toll it would be deconsolidated and the M6 Toll related balances referred to above would no longer form part of the MQA Consolidated Statement of Financial Position.

Compliance with International Financial Reporting Standards ("IFRS")

Compliance with Australian Accounting Standards ensures that the Financial Report complies with IFRS as issued by the International Accounting Standards Board ("IASB"). Consequently, this Financial Report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

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 MARL are listed on the Australian Securities Exchange ("ASX") as stapled securities in MQA. The shares of MARIL and MARL cannot be traded separately and can only be traded as stapled securities.

Comparative figures

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

Business combinations under common control

Business combinations under common control have been accounted for in the consolidated accounts prospectively from the date the Groups obtain 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 Macquarie Infrastructure Group ("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.

The financial statements of MQA should be read in conjunction with the separate consolidated financial statements of the MARL Group presented in this report for the year ended 31 December 2012.

(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 2012, 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 consolidated financial statements of the MARL Group incorporate the assets and liabilities of the entities controlled by MARL for the year ended 31 December 2012. The effects of all transactions between entities in the consolidated entities are eliminated in full. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MARL or MARIL.

Subsidiaries

Subsidiaries, other than those that MARIL has been deemed to have directly acquired through stapling arrangements, are those entities over which the Groups 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 Groups control another entity.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Groups. 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 Groups 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 Groups' investment in associates includes the fair value of goodwill (net of any accumulated impairment loss) identified on acquisition.

The Groups' shares of their associates' post-acquisition profits or losses are 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 Groups' shares of losses in an associate equals or exceeds their interest in the associate, including any long term interests that, in substance, form part of the Groups' net investments in the associate, the Groups do not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Groups and their associates are eliminated to the extent of the Groups' interests 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 Groups.

Transactions with non-controlling parties

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

(d) Cash, cash equivalents and other financial assets

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Intangible assets – tolling concessions

Tolling concessions are intangible assets and represent the right to levy tolls in respect of controlled motorways. Tolling concessions relating to the non-controlled investments are recognised as a component of the investments accounted for using the equity method.

Tolling concessions have a finite useful life by the terms of the concession arrangement and are carried at cost which represents fair value on acquisition less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of tolling concessions over their estimated useful lives which are as follows:

Asset description	Estimated useful life	Depreciation basis
M6 Toll	Period to January 2054	Straight line basis
Autoroutes Paris-Rhine-Rhône ("APRR")*	Period to December 2032	Straight line basis
Indiana Toll Road*	Period to June 2081	Straight line basis
Chicago Skyway*	Period to January 2104	Straight line basis
Dulles Greenway*	Period to February 2056	Straight line basis
Warnow Tunnel*	Period to September 2053	Straight line basis

* The tolling concessions in relation to the non-controlled investments are not recognised in the Statement of Financial Position but instead form part of the investments accounted for using the equity method. The amortisation of tolling concessions in relation to the non-controlled investments is included in the share of net loss of investments accounted for using the equity method.

(f) Property, plant and equipment

Property, plant and equipment is recorded at cost, which represents fair value on acquisition less accumulated depreciation.

Property, plant and equipment comprise of integrated land, buildings, leasehold improvements and plant and equipment used in exercising tolling concession rights.

Leasehold improvements

Costs directly associated with the construction and improvement of the Groups' toll roads have been capitalised.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(g) Depreciation and amortisation of non-current assets

Property, plant and equipment

Depreciation is calculated to write off the net cost of property, plant and equipment over its estimated useful life. Estimates of remaining useful life are made on a regular basis for all assets, with annual reassessments for major items. The expected useful life of property, plant and equipment and depreciation basis for the Groups are as follows:

Asset description	Asset Classification	Estimated useful life	Depreciation basis
Road infrastructure	Toll Road	50 years	Vehicle usage over useful life
Roadbase	Toll Road	15 years	Vehicle usage over useful life
Wearing course	Toll Road	8 years	Vehicle usage over useful life
Road buildings infrastructure	Toll Road	50 years	Straight line basis
Non road buildings including motorway service area	Leasehold Land and Buildings	50 years	Straight line basis
Masts and columns	Plant and Machinery	12 years	Straight line basis
Office furniture and fittings	Plant and Machinery	3-12 years	Straight line basis
Signage	Plant and Machinery	6 years	Straight line basis
Vehicles and maintenance equipment	Plant and Machinery	3-5 years	Straight line basis
IT equipment	Plant and Machinery	3-5 years	Straight line basis
Toll collection system/equipment	Plant and Machinery	3-8 years	Straight line basis

Leasehold improvements

Amounts recorded as leasehold improvements, including expenses and borrowing costs, are amortised over the estimated remaining term of the right granted to operate the relevant road.

The period of amortisation of leasehold improvements is reassessed on a regular basis.

(h) Application of AASB Interpretation 12 – service concession arrangements

The Groups have applied AASB *Interpretation 12 Service Concession Arrangements* which provides guidance on the accounting by operators of public-to-private service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services. The assets of the Groups' associates are used within the framework of concession arrangements granted by public sector entities. The M6 Toll concession agreement falls outside the scope of Interpretation 12 as the grantor does not control (or regulate) at what price the services are provided. Please refer to Note 1(e) for a summary of the accounting policy in relation to the Tolling concessions.

(i) Impairment of assets

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.

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.

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.

(j) Interest bearing financial liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing financial liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method based on the lesser of the expected or contractual life.

(k) Performance fees

Performance fees recognised as a payable to the Adviser/Manager are accounted for as a financial liability in accordance with AASB 139 Financial Instruments: Recognition and Measurement. The financial liability is valued at its fair value upon initial recognition taking into account the performance of the MQA security price and the relevant benchmark. After initial recognition, any performance fee liability is measured at its fair value.

(l) Financial instruments transaction costs

Transaction costs are included in the carrying amounts disclosed in the financial statements, except for financial assets or liabilities that are measured at fair value through profit or loss, where transaction costs directly attributable to the acquisition or issue of the financial asset or liability are recognised immediately in profit or loss.

(m) Dividends

A dividend payable is recognised for the amount of any dividend declared, or publicly recommended by the directors on or before the end of the year but not distributed at balance date.

(n) Revenue recognition

Interest income on cash balances is brought to account on an accruals basis and toll revenue is recognised when the service is provided. Other revenue is recognised when the fee in respect of services provided is receivable.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of subsidies, goods and services tax ("GST") and value added tax ("VAT") payable to the relevant taxation authority. Toll revenue is recognised at the time the journey is completed.

(o) Income tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred income tax is determined using the Balance Sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

MARL and its wholly owned Australian controlled entities have formed a tax-consolidated group under Australian taxation law as of 2 February 2010. The head entity, MARL and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax accounts.

Under current Bermudan law, MARIL will not be subject to any income, withholding or capital gains taxes in Bermuda. Controlled entities of MARIL that are subject to taxes in their jurisdictions recognise income tax using the balance sheet approach of tax effect accounting.

(p) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of MARIL and MARL.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Group companies

The results and financial position of the Groups' entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each Statement of Financial Position presented are translated at the closing rate at the date of that Statement of Financial Position;
- income and expenses for each Statement of Comprehensive Income are translated at exchange rates at the dates of transactions or at an average rate as appropriate; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity. When a foreign operation is disposed of or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) Prepayments

Prepayments recognised comprise costs incurred relating to the following financial years.

(r) Derivative financial instruments

The Groups enter into interest rate swap agreements and forward foreign exchange contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Groups designate certain derivatives as cash flow hedges.

The Groups document at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Groups also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the years when the hedged item will affect profit or loss (for instance when the forecast interest payment that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are reclassified from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified in profit or loss.

Derivatives that are not designated as hedges or do not qualify for hedge accounting

Certain derivative instruments are not designated as hedges or do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that are not designated as hedges or do not qualify for hedge accounting are recognised immediately in profit or loss.

Fair value estimation

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. The fair values of forward exchange contracts are determined using forward exchange market rates at the balance date.

(s) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost. Interest income from loans and receivables is recognised using the effective interest method.

Receivables are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off in the year in which they are identified.

(t) Payables and other liabilities

Liabilities are recognised at fair value when an obligation exists to make future payments as a result of a purchase of assets or services, whether or not billed. Trade creditors are generally settled within 30 days.

(u) Earnings per stapled security

Basic earnings per stapled security

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

(v) Goods and Services Tax ("GST") and Value Added Tax ("VAT")

The amount of GST incurred by the Groups that is not recoverable from the Australian Taxation Office ("ATO") is recognised as an expense or as part of the cost of acquisition of an asset. These expenses have been recognised in profit or loss net of the amount of GST recoverable from the ATO. The amount of VAT incurred by the Groups that is not recoverable from H.M. Revenue & Customs in the United Kingdom is recognised as an expense or as part of the cost of acquisition of an asset. Receivables and payables are stated at amounts inclusive of GST and VAT. The net amount of GST and VAT recoverable from the ATO and H.M. Revenue & Customs is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST and VAT are included in the Consolidated Statements of Cash Flows on a gross basis.

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the MARIL and MARL Boards of Directors ("MQA Boards").

(x) 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 Groups. 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. Contingent consideration is subsequently remeasured to its fair value with changes recognised in the statement of comprehensive income. On an acquisition-by-acquisition basis, the Groups recognise 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 Groups' 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 has 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 Groups obtain 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.

(y) Leases

Leases of property, plant and equipment where the Groups, as lessee, have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The property, plant and equipment acquired under finance lease is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Groups will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the year of the lease.

(z) Provisions

Provisions are recognised when: the Groups have a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligations; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the best estimate of the expenditure required to settle the present obligation at the balance date.

(aa) 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.

Significant judgements made in applying accounting policies, 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. Judgements are also made in applying the Groups' financial instrument accounting policies at initial recognition and on an ongoing basis. These judgements are based on historical analysis and forecasts.

Income tax

The Groups are 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 Groups recognise anticipated tax liabilities based on their current understanding of the current tax law.

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

Impairment testing

In accordance with the accounting policy stated in Note 1(i) 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 estimates and judgements involved in assessing impairment indicators and in determining the recoverable amounts of the assets (refer to Note 8).

Performance fees

In accordance with the accounting policy stated in Note 1(k) the financial liability in relation to performance fees is calculated at fair value taking into account the performance of the MQA security price and the relevant benchmark. The future performance of both the MQA security price and the relevant benchmark are inherently uncertain and consequently there are judgements involved in determining the financial liability to be recognised.

(bb) Accounting standards and interpretations issued

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting year. The Groups' assessment of the impact of the relevant new standards and interpretations which have not been early adopted in preparing the Financial Reports is set out below.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities and revised IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (effective for annual reporting periods beginning on or after 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. The standards applicable to the Groups are detailed below.

AASB10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidation and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns before control is present. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. There is also new guidance on participating and protective rights and on agent/principal relationships. The Groups have assessed the new standard's impact and there is no impact on the Groups' investments.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 128. While the Groups do not expect the new standard to affect any of the amounts recognised in the financial statements, it is anticipated that the Groups will be required to increase its disclosures relating to its non capital Investments accounted for using the equity method.

The Groups do not expect to early adopt these new standards and would therefore first adopt the new standards from 1 January 2013.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. The Groups are continuing to assess the new standard's impact but do not anticipate a significant impact on the Groups' financial statements. The Groups do not expect to early adopt AASB 9 and would therefore first adopt the new standard from 1 January 2015.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. While the Groups do not expect the new standard to affect any of the amounts recognised in the financial statements, it is anticipated that the Groups will be required to increase its disclosures of its financial liabilities measured at fair value. The Groups do not intend to adopt the new standard before its operative date, which means that it would be first applied from 1 January 2013.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

Revised AASB 101 Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012)

The amendment requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. It will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' financial statements. The Groups do not expect to early adopt and would therefore first adopt the new standard from 1 January 2013.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective for annual reporting periods beginning on or after 1 July 2013)

In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 *Related Party Disclosures*, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are required in the annual financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future. The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' financial statements. The Groups expect to adopt the new standard from 1 January 2014.

AASB 2012-3 Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective 1 January 2014 and 1 January 2013 respectively)

In June 2012, the AASB made amendments to the application guidance in AASB 132 *Financial Instruments*: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 January 2014. They are unlikely to affect the accounting for any of the Groups current offsetting arrangements. However, the IASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from 1 January 2013. When they become applicable, the Groups will have to provide a number of additional disclosures in relation to its offsetting arrangements. The Groups intend to apply the new rules for the first time in the financial year commencing 1 January 2013.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after 1 January 2013).

In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The group will apply the amendments from 1 January 2013. On initial application, the entity will need to make adjustments to the interim financial report to include segment liabilities.

Investment entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (effective 1 January 2014)

In October 2012, the IASB made amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 *Disclosure of Interests in Other Entities* and IAS 27 *Separate Financial Statements* which exempt investment entities from consolidating controlled investees. MQA is continuing to assess the amendments to the standards but does not expect to qualify as investment entity under the new definition and hence will continue to consolidate its controlled entities.

(cc) Parent entity financial information

The financial information for MARIL and MARL disclosed in Note 25 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the separate financial statements of MARIL and MARL.

Tax consolidation legislation

MARL and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 2 February 2010.

The head entity, MARL and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, MARL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate MARL for any current tax payable assumed and are compensated by MARL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to MARL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year.

The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the MARL Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Financial guarantees

Where the parent entities have provided financial guarantees in relation to loans and payables of subsidiaries for no compensation, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(dd) Presentation of financial reports

The Financial Reports for MARIL and MARL have been presented in this single document, pursuant to ASIC Class Order 05/642 as amended by Class Order 10/655.

(ee) Rounding of amounts

The Groups are 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 Financial Report. Amounts in the Financial Reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

2. Loss for the year

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

(i) Revenue

Consolidated	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Revenue from continuing operations				
Toll revenue	**89,595**	87,460	**-**	-
Other revenue	**3,130**	3,165	**-**	-
Interest Income:				
Related parties	**76**	183	**1,448**	1,476
Other persons and corporations	**583**	1,042	**233**	324
Total Interest income	**659**	1,225	**1,681**	1,800
Total revenue from continuing operations	**93,384**	91,850	**1,681**	1,800
Other income from continuing operations				
Gain on derivative financial instruments	**95**	39	**-**	-
Total other income from continuing operations	**95**	39	**-**	-
Total revenue and other income from continuing operations	**93,479**	91,889	**1,681**	1,800

(ii) Operating expenses

Consolidated	MQA Year ended 31 Dec 2012 $'000	MQA Year ended 31 Dec 2011 $'000	MARL Group Year ended 31 Dec 2012 $'000	MARL Group Year ended 31 Dec 2011 $'000
Operating expenses				
Finance costs:				
Interest expense:				
Other persons and corporations	**104,629**	102,642	**-**	-
Total finance costs	**104,629**	102,642	**-**	-
Other operating expenses:				
Amortisation of tolling concessions	**1,695**	1,698	**-**	-
Depreciation:				
Plant and machinery	**4,148**	3,921	**-**	-
Land and buildings	**703**	714	**-**	-
Toll road	**20,036**	24,230	**-**	-
	24,887	28,865	**-**	-
Cost of operations:				
Employment costs	**6,944**	7,047	**450**	389
Operating expenses	**5,177**	5,168	**-**	-
Operating lease rentals	**29,121**	29,161	**-**	-
	41,242	41,376	**450**	389
Other operating expenses:				
Consulting and administration fees	**3,048**	1,526	**407**	442
Manager's and Adviser's base fees	**14,820**	14,392	**1,468**	1,519
Manager's and Adviser's performance fees	**-**	50,106	**-**	5,196
Net foreign exchange (gain)/loss	**(146)**	254	**32**	(9)
Provision for Impairment*	**-**	67,373	**-**	3,442
Reversal of provision for Impairment	**(62)**	-	**(63)**	(260)
Other expenses	**3,084**	1,089	**448**	251
	20,744	134,740	**2,292**	10,581
Total other operating expenses	**88,568**	206,679	**2,742**	10,970
Total operating expenses	**193,197**	309,321	**2,742**	10,970

* The provision for impairment in MQA for $67.4 million in the year ended 31 December 2011 relates to its investment in Dulles Greenway. The provision for impairment in the MARL Group in the year ended 31 December 2011 also related to its investment in Dulles Greenway for $3.4 million.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

3. Income tax benefit

The income tax expense for the financial year differs from the prima facie tax payable. The differences are reconciled as follows:

Consolidated	Note	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
(a) Reconciliation of income tax benefit to prima facie tax payable					
Loss before income tax benefit		**(140,362)**	(307,763)	**(3,012)**	(62,140)
Loss for the year		**(140,362)**	(307,763)	**(3,012)**	(62,140)
Prima facie income tax on loss at the Australian tax rate of 30%		**(42,109)**	(92,329)	**(904)**	(18,642)
Impact of different tax rates of operations in jurisdictions other than Australia		**8,035**	21,935	**(8)**	(10)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Non-assessable income		**(374)**	(609)	**(19)**	(206)
Non-deductible tolling concession amortisation		**509**	509	**-**	-
Non-deductible expenditure		**1,222**	1,741	**1,204**	1,724
Share of net loss of investments accounted for using the equity method		**12,193**	27,099	**585**	15,891
Provision for impairment current assets		**-**	-	**-**	(78)
Provision for impairment on investments accounted for using the equity method		**-**	20,212	**-**	1,033
Temporary differences not brought to account		**(2,261)**	(1,566)	**(636)**	(51)
Carry back of losses against prior year's tax payments		**-**	(112)	**-**	(112)
Deferred tax asset on taxable losses not brought to account		**10,281**	8,300	**37**	339
Unbooked prior year tax losses utilised in the current year		**(259)**	-	**(259)**	-
Deferred tax assets on prior year tax losses brought to account due to change in tax rates		**(3,204)**	(4,295)	**-**	-
Under/(over) provision in prior year		**27**	834	**61**	-
Other		**13**	7	**-**	-
Aggregate income tax benefit		**(15,927)**	(18,274)	**61**	(112)
(b) Income tax benefit					
Aggregate income tax benefit comprises:					
Current taxation expense		**74**	925	**61**	-
Deferred tax benefit		**(16,001)**	(19,087)	**-**	-
Carry back of losses against prior year's tax payments		**-**	(112)	**-**	(112)
		(15,927)	(18,274)	**61**	(112)
Deferred income tax benefit included in income tax benefit:					
Decrease in deferred tax liabilities	16	**(16,001)**	(19,087)	**-**	-
		(16,001)	(19,087)	**-**	-
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		**-**	-	**-**	-
Deferred tax – credited directly to equity		**-**	-	**-**	-
(d) Tax losses					
Unused tax losses for which no deferred tax asset has been recognised		**1,390,396**	1,326,345	**888,595**	769,988
Potential tax benefit of unused tax losses		**465,407**	438,456	**344,948**	299,350

4. Remuneration of auditors

Consolidated	**MQA Year ended 31 Dec 2012 $**	MQA Year ended 31 Dec 2011 $	**MARL Group Year ended 31 Dec 2012 $**	MARL Group Year ended 31 Dec 2011 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**513,212**	454,570	**234,367**	211,500
Other services:				
Taxation compliance services	**-**	28,000	**-**	14,600
Other services	**12,867**	29,000	**6,163**	14,500
	526,079	511,570	**240,530**	240,600
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	**152,964**	110,273	**15,173**	-
Other services:				
Taxation compliance services	**249,902**	307,592	**70,869**	154,777
	402,866	417,865	**86,042**	154,777

5. Cash and cash equivalents

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Cash at bank	**18,919**	7,164	**2,102**	941
Short term money market investments	**-**	14,140	**-**	7,026
Cash not available for use	**37,083**	34,810	**-**	-
	56,002	56,114	**2,102**	7,967

(a) Short term money market investments

There were no short term money market investments outstanding at 31 December 2012 (2011: money market investments were maturing in 72 days, paying interest of between 0.72% and 5.83% per annum).

During the year the majority of the cash available for use was held in bank accounts earning money market rates of interest between nil - 4.00% (2011: 0.25% - 4.75%) per annum.

(b) Cash not available for use

This includes restricted amounts relating to MMG's debt service obligations and blocked deposits required under Midland Expressway Limited's ("MEL") concession agreement obligations amounting to $35.6 million (2011: $31.8 million). In addition, cash-backed guarantees have been provided in relation to Warnowquerung GmbH & Co. KG ("Warnow Tunnel") amounting to $1.5 million (2011: $1.5 million).

In the prior year, Macquarie Infrastructure US Pty Limited ("MIUS") had also provided letters of credit totalling $1.5 million (US$1.5 million) to several agencies which had granted environmental permits for the construction of the South Bay Expressway. These letters of credit were backed by an on-demand guarantee, provided through a secured cash deposit of $1.5 million. These letters of credit have been cancelled during the current year and the cash deposit was released.

Discussion of the Groups' policies concerning the management of credit risk can be found in Note 24.

6. Receivables

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current				
GST and VAT recoverable	**101**	94	**88**	76
Receivables from related parties	**519**	3,287	**25,923***	4,063
Tax receivables	**3,102**	3,209	**3,102**	3,209
Other receivables	**1,746**	376	**-**	-
Total current receivables	**5,468**	6,966	**29,113**	7,348
Non-current				
Receivables from related parties	**-**	-	**1,514***	18,917*
Total non-current receivables	**-**	-	**1,514**	18,917

* MARIL had a non collateral associated interest bearing loan with MARL at 31 December 2012 and at 31 December 2011. For further information relating to related party loans please refer to Note 23.

The Groups' maximum credit exposure for receivables is the carrying value. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 24. The fair values of receivables approximate their carrying values.

7. Prepayments

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current				
Prepaid expenses	**913**	953	**30**	31
Total current prepayments	**913**	953	**30**	31

8. Investments accounted for using the equity method

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Shares in associates – equity method	**702,783**	753,412	**16,470**	18,608
	702,783	753,412	**16,470**	18,608

Information relating to associates is set out below:

(a) Carrying amounts

Name of Entity	Country of incorporation	Principal Activity	MQA Ownership Interest As at 31 Dec 2012 and 31 Dec 2011 %	MQA As at 31 Dec 2012 $'000	MQA As at 31 Dec 2011 $'000	MARL Ownership Interest As at 31 Dec 2012 and 31 Dec 2011 %	MARL Group As at 31 Dec 2012 $'000	MARL Group As at 31 Dec 2011 $'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	**38.9**	**562,156**	596,100	**-**	**-**	-
Dulles Greenway Partnership*	USA	Investment in toll road located in northern Virginia, USA	**50.0**	**140,627**	157,312	**6.7**	**16,470**	18,608
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	**50.0**	**-**	-	**50.0**	**-**	-
Indiana Toll Road Partnership	USA	Investment in toll road located in northern Indiana, USA	**49.0**	**-**	-	**49.0**	**-**	-
Warnowquerung GmbH & Co KG (WKG) (limited partnership)**	Germany	Investment in toll road located in Rostock, north-eastern Germany	**70.0**	**-**	-	**-**	**-**	-
				702,783	753,412		**16,470**	18,608

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

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

(b) Movement in carrying amounts

	MQA Year ended 31 Dec 2012 $'000	MQA Year ended 31 Dec 2011 $'000	MARL Group Year ended 31 Dec 2012 $'000	MARL Group Year ended 31 Dec 2011 $'000
Carrying amount at the beginning of the year	**753,412**	931,068	**18,608**	75,499
Associates acquired/equity invested	**73**	71	**73**	71
Share of losses after income tax*	**(40,644)**	(90,331)	**(1,951)**	(52,970)
Distributions received/receivable	**(9,722)**	-	**-**	-
Provision for impairment	**-**	(67,373)	**-**	(3,442)
Foreign exchange movement	**(336)**	(20,023)	**(260)**	(550)
Carrying amount at the end of the year	**702,783**	753,412	**16,470**	18,608

* Included in the share of losses after income tax for MQA and the MARL Group are fair value losses on interest rate swaps of $27.0 million (2011: fair value losses of $70.1 million) and $nil (2011: fair value losses of $33.9 million) respectively for which hedge accounting has not been applied.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

(c) Share of associates' profits or losses

Group's share of:	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Revenue	**641,996**	671,430	**66,984**	64,030
Expenses	**(808,686)**	(1,083,906)	**(200,399)**	(448,699)
Loss before income tax	**(166,690)**	(412,476)	**(133,415)**	(384,669)
Income tax (expense)/benefit	**(9,095)**	(13,433)	**857**	857
Loss after income tax	**(175,785)**	(425,909)	**(132,558)**	(383,812)

(d) Share of associates' assets and abilities

Group's share of:	**MQA Year ended 31 Dec 2012 $'000**	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Assets	**6,009,742**	6,317,945	**1,513,234**	1,548,853
Liabilities	**(5,807,798)**	(5,935,376)	**(2,046,622)**	(1,956,315)
Net assets/(liabilities)	**201,944**	382,569	**(533,388)**	(407,462)

(e) Share of contingent liabilities of associates

As at 31 December 2012 and at 31 December 2011, there were no share of contingent liabilities incurred jointly with other investors and no contingent liabilities relating to liabilities of the associate for which MARIL and MARL are severally liable. Refer to Note 27 for details of contingent liabilities relating to associates.

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

	MQA Year ended 31 Dec 2012 $'000	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Balance at the beginning of the year	**(450,843)**	(115,265)	**(443,292)**	(112,450)
Share of associates' losses not brought to account	**(135,142)**	(335,578)	**(130,607)**	(330,842)
Balance at the end of the year	**(585,985)**	(450,843)	**(573,899)**	(443,292)

9. Property, plant and equipment

MQA Consolidated	Plant and machinery $'000	Land and buildings $'000	Toll Road $'000	**Total Property, plant and equipment $'000**
Net book amount at 1 January 2012	14,363	29,180	698,666	**742,209**
Additions	1,781	-	1,827	**3,608**
Depreciation expense	(4,148)	(703)	(20,036)	**(24,887)**
Disposals	(467)	-	-	**(467)**
Exchange differences	877	918	24,482	**26,277**
Net book amount at 31 December 2012	12,406	29,395	704,939	**746,740**
At 31 December 2012				
Cost	63,264	35,897	944,815	**1,043,976**
Accumulated depreciation	(50,858)	(6,502)	(239,876)	**(297,236)**
Net book amount at 31 December 2012	12,406	29,395	704,939	**746,740**
Net book amount at 1 January 2011	16,831	30,039	726,325	**773,195**
Additions	1,506	-	374	**1,880**
Depreciation expense	(3,921)	(714)	(24,230)	**(28,865)**
Disposals	(22)	-	-	**(22)**
Exchange differences	(31)	(145)	(3,803)	**(3,979)**
Net book amount at 31 December 2011	14,363	29,180	698,666	**742,209**
At 31 December 2011				
Cost	60,005	34,785	913,735	**1,008,525**
Accumulated depreciation	(45,642)	(5,605)	(215,069)	**(266,316)**
Net book amount at 31 December 2011	14,363	29,180	698,666	**742,209**

Property, plant and equipment pledged as security

Property, Plant and Equipment as at 31 December 2012 solely relates to MEL. Non recourse loans of MMG are secured by way of debenture over the assets of MEL.

The MARL Group has no property, plant and equipment as at 31 December 2012 and 31 December 2011.

10. Tolling concessions

	MQA As at 31 Dec 2012 $'000	MQA As at 31 Dec 2011 $'000
M6 Toll	**70,775**	70,255
Total tolling concessions	**70,775**	70,255

Tolling concessions are amortised over the remaining life of each concession, expiring in January 2054 for the M6 Toll.

MQA Consolidated	**M6 Toll As at 31 Dec 2012 $'000**
Net book amount at 1 January 2012	**70,255**
Amortisation expense	**(1,695)**
Exchange difference	**2,215**
Net book amount at 31 December 2012	**70,775**
At 31 December 2012	
Cost	**82,645**
Accumulated amortisation	**(11,870)**
Net book amount at 31 December 2012	**70,775**

MQA Consolidated	M6 Toll As at 31 Dec 2011 $'000
Net book amount at 1 January 2011	72,317
Amortisation expense	(1,698)
Exchange difference	(364)
Net book amount at 31 December 2011	70,255
At 31 December 2011	
Cost	80,084
Accumulated amortisation	(9,829)
Net book amount at 31 December 2011	70,255

The MARL Group has no tolling concessions as at 31 December 2012 and 31 December 2011.

11. Subsidiaries

(a) MQA Consolidated

Name of controlled entity	Country of establishment	**2012 voting %**	2011 voting %	Date of Liquidation/ Dissolution
Macquarie Atlas Roads Limited	Australia	**100.0**	100.0	
Macquarie Green Bermudian Holdings Limited	Bermuda	**100.0**	100.0	
MQA Investments Limited	Bermuda	**100.0**	100.0	
Tollway Holdings Limited (formerly known as Macquarie European Infrastructure Limited)	UK	**100.0**	100.0	
Macquarie Motorways Group Limited	UK	**100.0**	100.0	
Midland Expressway Limited	UK	**100.0**	100.0	
Macquarie Infrastructure (UK) Limited	UK	**100.0**	100.0	
European Transport Investments (UK) Limited	UK	**100.0**	100.0	
Macquarie Midland Holdings Limited	UK	**100.0**	100.0	
Tipperhurst Limited	UK	**100.0**	100.0	
MIBL Finance Luxembourg Sarl	Luxembourg	**100.0**	100.0	
Macquarie Infrastructure US Pty Limited	Australia	**100.0**	100.0	
Macquarie 125 Holdings Inc	USA	**100.0**	100.0	
Macquarie Infrastructure Australia Pty Limited	Australia	**100.0**	100.0	
MQA Holdings 2 (US) LLC	USA	**100.0**	100.0	
MQA Investments Australia Pty Limited	Australia	**100.0**	100.0	
MQA Indiana Holdings LLC	USA	**100.0**	100.0	
MQA Holdings (US) LLC	USA	**100.0**	100.0	
Macquarie Infrastructure Netherlands Investments Cooperatief UA	Netherlands	**Nil**	100.0	12/07/2012
Macquarie Infrastructure Netherlands Tollroads BV	Netherlands	**Nil**	100.0	26/06/2012
M635 Pty Limited	Australia	**Nil**	100.0	05/04/2012
European Transport Investments Pty Limited	Australia	**Nil**	100.0	05/04/2012
Macquarie UK Projects Limited	UK	**Nil**	100.0	15/08/2012
MQA Holdings Limited	Bermuda	**Nil**	100.0	09/11/2012
MIT (II) Holdings Pty Limited	Australia	**Nil**	100.0	01/11/2012
Macquarie Autoroute International Sarl	Luxembourg	**Nil**	100.0	27/12/2012

(b) MARL Consolidated

Name of controlled entity	Country of establishment	**2012 voting %**	2011 voting %	Date of Liquidation/ Dissolution
Macquarie Infrastructure Australia Pty Limited	Australia	**100.0**	100.0	
MQA Holdings 2 (US) LLC	USA	**100.0**	100.0	
MQA Investments Australia Pty Limited	Australia	**100.0**	100.0	
MQA Indiana Holdings LLC	USA	**100.0**	100.0	
MQA Holdings (US) LLC	USA	**100.0**	100.0	
M635 Pty Limited	Australia	**Nil**	100.0	05/04/2012
European Transport Investments Pty Limited	Australia	**Nil**	100.0	05/04/2012
MIT (II) Holdings Pty Limited	Australia	**Nil**	100.0	01/11/2012

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12. Investment in associates

(a) MQA Consolidated

Name of associate	Country of establishment	Principal activity	Balance date	**2012 voting %**	2011 voting %
Macquarie Autoroutes de France 2 SA	Luxembourg	Holding company	31 Mar	**38.9**	38.9
Dulles Greenway Partnership*	USA	Holding company	31 Dec	**50.0**	50.0
Chicago Skyway Partnership	USA	Holding company	31 Dec	**50.0**	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	**49.0**	49.0
Warnowquerung GmbH & Co. KG (WKG) (limited partnership)**	Germany	Investment in toll tunnel	31 Dec	**70.0**	70.0
Warnowquerung Verwaltungsgesellschaft GmbH**	Germany	General Partner of WKG	31 Dec	**70.0**	70.0

(b) MARL Consolidated

Name of associate	Country of establishment	Principal activity	Balance date	**2012 voting %**	2011 voting %
Dulles Greenway Partnership*	USA	Holding company	31 Dec	**50.0**	50.0
Chicago Skyway Partnership	USA	Holding company	31 Dec	**50.0**	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	**49.0**	49.0

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

** A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WKG Limited partnership and the General Partner ("GP") of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The agreement is structured such that 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.

The voting power held in the other associates disclosed above is in proportion to the ownership interest held. The above associates are accounted for using the Equity Method. Refer also to Note 8.

13. Payables

Consolidated	Note	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current					
VAT payable		**3,290**	3,058	**-**	-
Manager and Adviser base fees payable		**3,949**	3,263	**379**	403
Manager and Adviser performance fees payable	(i)	**16,702**	20,861	**1,714**	2,186
Lease payable	(ii)	**18,027**	17,005	**-**	-
Sundry creditors and accruals		**8,628**	6,867	**220**	371
		50,596	51,054	**2,313**	2,960
Non-current					
Manager and Adviser performance fees payable	(i)	**-**	16,702	**-**	1,714
Lease payable	(ii)	**175,161**	158,189	**-**	-
		175,161	174,891	**-**	1,714

(i) Manager and adviser performance fees payable

In accordance with MARIL and MARL's advisory and management agreements (the "Agreements") with MFA, MFA has the potential to earn a performance fee each year ended 30 June. The performance fee is calculated with reference to the performance of the MQA accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. The performance fees are payable in three equal annual instalments provided MQA meets certain performance criteria at each installment date.

For the financial year ended 30 June 2012, MQA did not meet the performance criteria for a new performance fee to be incurred.

For the financial year ended 30 June 2011, a total performance fee of $50.1 million (excluding GST) was calculated for MQA. The first and second instalments of $16.7 million each were applied to subscriptions for new MQA securities in August 2011 and July 2012 respectively. The third installment of $16.7 million will become payable should the performance criteria be met at 30 June 2013.

For the period ended 30 June 2010, a total performance fee of $12.5 million (excluding GST) was calculated for MQA. The first installment of $4.2 million was paid in July 2010. The second and third instalments of $4.2 million each became payable at 30 June 2011 and 30 June 2012 respectively. These were applied to subscriptions for new MQA securities in August 2011 and July 2012.

Current Manager and Adviser performance fees payable

Current Manager and Adviser performance fees payable of $16.7 million at 31 December 2012 (2011: $20.9 million) comprises solely of the third installment of the June 2011 fee.

Non-current Manager and Adviser performance fees payable

There are no non-current Manager and Adviser performance fees payable at 31 December 2012 (2011: $16.7 million).

(ii) Lease payable

The current and non-current lease payables are in relation to land leased by MEL, the concessionaire for the M6 Toll, from the Highways Agency in the UK.

14. Derivative financial instruments

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current liabilities				
Interest rate swap contracts	**42,906**	34,094	**-**	-
Total current derivative financial instrument liabilities	**42,906**	34,094	**-**	-
Non-current liabilities				
Interest rate swap contracts	**405,974**	394,580	**-**	-
Total non-current derivative financial instrument liabilities	**405,974**	394,580	**-**	-

Instruments used by MQA

At 31 December 2012, 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 (refer to Note 24).

Interest rate swap contracts – cash flow hedges

In 2006, MMG entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1.0 billion ($1.6 billion) term loan (refer to Note 15) 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 re-measuring 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 2012 these contracts were liabilities with a fair value of £287.3 million ($448.9 million) (2011: £283.1 million ($428.7 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 £4.2 million ($6.6 million) (2011: £208.6 million ($316.0 million)). Of this movement a loss of £4.2 million ($6.7 million) (2011: £208.6 million ($316.0 million)) has been recognised in the Statement of Changes in Equity in the cash flow hedging reserve and a gain of £0.06 million ($0.1 million) (2011: Gain of £0.02 million ($0.04 million)) has been recognised in profit or loss.

An accrued interest rate swap liability of £180.4 million ($281.8 million) (2011: £147.2 million ($222.8 million)) has been recognised in interest bearing financial liabilities (refer to Note 15) to reflect the low rates of fixed payments currently being paid under the swap contracts.

The total fair value of the contracts, combining the fair value of the liability and the swap fair value above is £660.5 million ($1,031.9 million) (2011: £628.0 million ($950.8 million)). The fair value is calculated by combining the independent mark-to-market valuations from the four interest rate swap counterparties as at 31 December.

At 31 December 2012, the notional principal amounts and years of expiry of MMG's interest rate swap contracts are:

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
1 - 5 years	**-**	-	**-**	-
20 - 25 years	**1,562,476**	1,514,067	**-**	-

15. Interest bearing financial liabilities

Consolidated	Note	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Current					
Non-recourse loans	(i)	**-**	3,803	**-**	-
		-	3,803	**-**	-
Non-current					
Non-recourse loans	(i)	**1,590,242**	1,538,144	**-**	-
Accrued interest rate swap liability	(ii)	**281,843**	222,799	**-**	-
		1,872,085	1,760,943	**-**	-
The maturity profile of the above interest bearing financial liabilities is:					
Due within one year		**-**	3,803	**-**	-
Due between one and five years		**1,590,242**	1,538,144	**-**	-
Due after five years		**281,843**	222,799	**-**	-
		1,872,085	1,764,746	**-**	-

(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 ($1.6 billion) (31 December 2011: £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. They comprise a £1.0 billion ($1.6 billion)) (31 December 2011: £1.0 billion ($1.5 billion)) term loan and a £30.0 million ($46.9 million) (31 December 2011: £30.0 million ($45.4 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 2012 the interest rate was 2.53% (31 December 2011: 2.73%).

At 31 December 2012, the term loan was drawn up to £998.3 million ($1,559.8 million) (31 December 2011: £1,000.0 million ($1,514.0 million)) and £12.6 million ($19.8 million) (31 December 2011: £10.1 million ($15.4 million)) of the capital expenditure facility had been utilised. The facilities have certain covenants attached and are secured by way of 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 2011: 5.82%).

The MARL Group has no interest bearing liabilities.

(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 2012, this liability incurs fixed interest at 7.12% (31 December 2011: 7.12%) per annum.

16. Deferred tax liabilities

Consolidated	**MQA As at 31 Dec 2012 $'000**	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Deferred tax liability	**16,545**	31,862	**-**	-
The balance of deferred tax liabilities comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Temporary differences on property, plant and equipment	**195,169**	211,004	**-**	-
Deferred tax asset in relation to tax losses	**(178,624)**	(179,142)	**-**	-
Net deferred tax liabilities	**16,545**	31,862	**-**	-
Movements:				
Opening balance at beginning of year	**31,862**	51,152	**-**	-
Credited to profit or loss	**(16,001)**	(19,087)	**-**	-
Foreign currency exchange differences	**684**	(203)	**-**	-
Closing balance at end of year	**16,545**	31,862	**-**	-

17. Contributed equity

	Attributable to MARIL equity holders As at 31 Dec 2012 $'000	Attributable to MARIL equity holders As at 31 Dec 2011 $'000	Attributable to MARL equity holders As at 31 Dec 2012 $'000	Attributable to MARL equity holders As at 31 Dec 2011 $'000
Ordinary shares	**1,354,159**	1,335,394	**198,877**	196,781
Contributed equity	**1,354,159**	1,335,394	**198,877**	196,781

	Attributable to MARIL equity holders Year ended 31 Dec 2012 $'000	Attributable to MARIL equity holders Year ended 31 Dec 2011 $'000	Attributable to MARL equity holders Year ended 31 Dec 2012 $'000	Attributable to MARL equity holders Year ended 31 Dec 2011 $'000
On issue at the beginning of the year	**1,335,394**	1,316,674	**196,781**	194,640
Issued				
Application of performance fees to subscription for new securities*	**18,765**	18,720	**2,096**	2,141
On issue at the end of the year	**1,354,159**	1,335,394	**198,877**	196,781

	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	**464,280**	452,346	**464,280**	452,346
Issued				
Application of performance fees to subscription for new securities*	**14,251**	11,934	**14,251**	11,934
On issue at the end of the year	**478,531**	464,280	**478,531**	464,280

* During the year ended 31 December 2012, the second installment of the June 2011 performance fee and the third installment of the June 2010 performance fee, totalling $18.8 million (31 December 2011: $18.7 million), were applied to a subscription for new MARIL securities. During the year ended 31 December 2012, the second installment of the June 2011 performance fee and the third installment of the June 2010 performance fee, totalling $2.1 million (31 December 2011: $2.1 million), were applied to a subscription for new MARL securities.

Ordinary shares in MARL and in MARIL

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Corporations Act 2001 in Australia, Companies Act in Bermuda and the ASX Listing Rules. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each fully paid share in respect of MARL and one vote for each fully paid share in respect of MARIL.

The directors of MARL and MARIL may declare dividends which are appropriate given the financial position of MARL and MARIL.

If MARL and MARIL are wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the members in specie or in kind the whole or any part of the assets of MARL and MARIL.

18. Reserves

	Attributable to MARIL equity holders As at 31 Dec 2012 $'000	Attributable to MARIL equity holders As at 31 Dec 2011 $'000	**Attributable to MARL equity holders As at 31 Dec 2012 $'000**	Attributable to MARL equity holders As at 31 Dec 2011 $'000
Balance of reserves				
Hedging reserve – cash flow hedges (net of tax)	**(461,767)**	(455,055)	**-**	-
Foreign currency translation reserve	**57,193**	105,871	**(12,657)**	(12,353)
Other reserve	**(1,559,979)**	(1,559,979)	**-**	-
	(1,964,553)	(1,909,163)	**(12,657)**	(12,353)

	Attributable to MARIL equity holders Year ended 31 Dec 2012 $'000	Attributable to MARIL equity holders Year ended 31 Dec 2011 $'000	**Attributable to MARL equity holders Year ended 31 Dec 2012 $'000**	Attributable to MARL equity holders Year ended 31 Dec 2011 $'000
Movements of reserves				
Hedging reserve – cash flow hedges (net of tax)				
Balance at the beginning of the year	**(455,055)**	(139,057)	**-**	-
Revaluation (gross) on interest rate swap contracts	**(6,712)**	(315,998)	**-**	-
Balance at the end of the year	**(461,767)**	(455,055)	**-**	-
Foreign currency translation reserve				
Balance at the beginning of the year	**105,871**	116,690	**(12,353)**	(11,772)
Net exchange differences on translation of foreign controlled entities	**(48,678)**	(10,819)	**(304)**	(581)
Balance at the end of the year	**57,193**	105,871	**(12,657)**	(12,353)
Other reserve				
Balance at the beginning of the year	**(1,559,979)**	(1,559,979)	**-**	-
Balance at the end of the year	**(1,559,979)**	(1,559,979)	**-**	-

Nature and purpose of reserves

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(r). Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are taken to the foreign currency translation reserve, as described in Note 1(p).

Other reserve

On the demerger from MIG, a reserve has been recognised representing the difference between the fair value of securities issued and the historical carrying values of the interests in the assets acquired.

19. Accumulated losses

	Attributable to MARIL equity holders Year ended 31 Dec 2012 $'000	Attributable to MARIL equity holders Year ended 31 Dec 2011 $'000	Attributable to MARL equity holders Year ended 31 Dec 2012 $'000	Attributable to MARL equity holders Year ended 31 Dec 2011 $'000
Balance at the beginning of the year	**(295,746)**	(68,285)	**(136,231)**	(74,203)
Loss attributable to shareholders	**(121,362)**	(227,461)	**(3,073)**	(62,028)
Balance at the end of the year	**(417,108)**	(295,746)	**(139,304)**	(136,231)

20. Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers, being the MQA Boards.

The MQA Boards consider the business from the aspect of each of the toll roads and has identified six and three operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in M6 Toll, APRR, Warnow Tunnel, Indiana Toll Road, Chicago Skyway and Dulles Greenway. The segments of the MARL Group are the investments in 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 2012 and segment assets at 31 December 2012 by individual portfolio asset.
The MQA Boards are provided with performance information on each asset, in their capacity as chief operating decision makers, to monitor the operating performance of each asset.

(b) Segment information provided to the MQA Boards

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the year ended 31 December 2012, based on MQA's effective ownership interest as follows:

MQA	Indiana Toll Road Year ended 31 Dec 2012 $'000	Chicago Skyway Year ended 31 Dec 2012 $'000	Dulles Greenway Year ended 31 Dec 2012 $'000	M6 Toll Year ended 31 Dec 2012 $'000	APRR Year ended 31 Dec 2012 $'000	Warnow Tunnel Year ended 31 Dec 2012 $'000	**Total MQA Year ended 31 Dec 2012 $'000**
Segment Revenue	47,116	15,197	34,947	92,928	486,810	7,328	**684,326**
Segment Expenses	(8,762)	(1,847)	(6,828)	(13,532)	(146,252)	(2,559)	**(179,780)**
Segment EBITDA	38,354	13,350	28,119	79,396	340,558	4,769	**504,546**
EBITDA Margin	81%	88%	80%	85%	70%	65%	**74%**
	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	**As at 31 Dec 2012 $'000**
Segment assets	910,075	503,832	816,092	860,837	3,634,779	144,964	**6,870,579**

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the assets from external customers.

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

MQA	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 MQA Year ended 31 Dec 2011 $'000**
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**

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for year ended 31 December 2012, based on the MARL Group's effective ownership interest is as follows:

MARL Group	Indiana Toll Road Year ended 31 Dec 2012 $'000	Chicago Skyway Year ended 31 Dec 2012 $'000	Dulles Greenway Year ended 31 Dec 2012 $'000	**Total MARL Group Year ended 31 Dec 2012 $'000**
Segment Revenue	47,116	15,197	4,683	**66,996**
Segment Expenses	(8,762)	(1,847)	(915)	**(11,524)**
Segment EBITDA	38,354	13,350	3,768	**55,472**
EBITDA Margin	81%	88%	80%	**83%**
	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	As at 31 Dec 2012 $'000	**As at 31 Dec 2012 $'000**
Segment assets	910,075	503,832	99,327	**1,513,234**

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the assets from external customers.

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the year ended 31 December 2011 and the segment assets at 31 December 2011, based on the MARL Group's effective ownership interest is as follows:

MARL Group	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	**Total MARL Group Year ended 31 Dec 2011 $'000**
Segment Revenue	44,482	14,498	4,294	**63,274**
Segment Expenses	(8,264)	(1,915)	(1,083)	**(11,262)**
Segment EBITDA	36,218	12,583	3,211	**52,012**
EBITDA Margin	81%	87%	75%	**82%**
	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	102,863	**1,548,853**

A reconciliation of MQA and the MARL Group's 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 2012 $'000	MQA Year ended 31 Dec 2011 $'000	**MARL Group Year ended 31 Dec 2012 $'000**	MARL Group Year ended 31 Dec 2011 $'000
Reconciliation of segment revenue to revenue				
Segment Revenue	**684,326**	707,490	**66,996**	63,274
Revenue attributable to investments accounted for under the equity method*	**(591,398)**	(616,899)	**(66,996)**	(63,274)
Unallocated revenue	**551**	1,298	**1,681**	1,800
Total revenue	**93,479**	91,889	**1,681**	1,800
Reconciliation of segment EBITDA to loss before income tax benefit				
Segment EBITDA	**504,546**	514,679	**55,472**	52,012
EBITDA attributable to investments accounted for under the equity method*	**(425,150)**	(435,628)	**(55,472)**	(52,012)
Other expenses from consolidated toll road assets	**(161,920)**	(162,954)	**-**	-
Unallocated revenue	**551**	1,298	**1,681**	1,800
Unallocated expenses	**(17,745)**	(67,454)	**(2,742)**	(7,528)
Share of net loss of investments accounted for using the equity method	**(40,644)**	(90,331)	**(1,951)**	(52,970)
Impairment provision for investments accounted for using the equity method (Refer to Note 8)	**-**	(67,373)	**-**	(3,442)
Loss from continuing operations before income tax benefit	**(140,362)**	(307,763)	**(3,012)**	(62,140)

	MQA As at 31 Dec 2012 $'000	MQA As at 31 Dec 2011 $'000	**MARL Group As at 31 Dec 2012 $'000**	MARL Group As at 31 Dec 2011 $'000
Reconciliation of segment assets to total assets				
Segment assets	**6,870,579**	7,167,460	**1,513,234**	1,548,853
Other cash assets	**15,258**	20,330	**2,102**	7,967
Other assets	**3,804**	6,653	**30,657**	26,296
Impairment provision for investments accounted for using the equity method	**(66,407)**	(67,373)	**(3,392)**	(3,442)
Liabilities included in investments accounted for using the equity method	**(5,240,553)**	(5,497,161)	**(1,493,372)**	(1,526,803)
Total assets	**1,582,681**	1,629,909	**49,229**	52,871

* 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 MQA Boards.

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21. Earnings per stapled security/share

Consolidated	**MARIL Year ended 31 Dec 2012 cents**	MARIL Year ended 31 Dec 2011 cents	**MARL Year ended 31 Dec 2012 cents**	MARL Year ended 31 Dec 2011 cents
Basic loss from continuing operations per MARIL/MARL share	**(25.75)**	(49.84)	**(0.65)**	(13.59)
Basic loss per MARIL/MARL share	**(25.75)**	(49.84)	**(0.65)**	(13.59)
	$'000	$'000	**$'000**	$'000
Earnings used in the calculation of basic loss from continuing operations per MARIL/MARL share*	**(121,362)**	(227,461)	**(3,073)**	(62,028)
Earnings used in the calculation of basic loss per MARIL/MARL share*	**(121,362)**	(227,461)	**(3,073)**	(62,028)
	Number	Number	**Number**	Number
Weighted average number of shares used in calculation of basic loss per MARIL/MARL share*	**471,366,576**	456,400,091	**471,366,576**	456,400,091

* There is no difference in the earnings and weighted average number of shares used in the calculation of basic earnings per stapled security and diluted earnings per stapled security.

The basic loss per MQA stapled security for the year ended 31 December 2012 was 26.40 cents (2011: 63.43 cents) per stapled security using MQA loss attributable to MQA stapled security holders of $124.4 million (2011: $289.5 million).

22. Cash flow information

Consolidated	MQA Year ended 31 Dec 2012 $'000	MQA Year ended 31 Dec 2011 $'000	MARL Group Year ended 31 Dec 2012 $'000	MARL Group Year ended 31 Dec 2011 $'000
Reconciliation of loss after income tax benefit to net cash flows from operating activities				
Loss after income tax	**(124,435)**	(289,489)	**(3,073)**	(62,028)
Loss on equity accounted assets	**40,644**	90,331	**1,951**	52,970
Expenses relating to financing activities	**104,629**	102,642	**-**	-
Net unrealised foreign exchange (gain)/loss	**(146)**	254	**32**	(9)
Net gain on derivative contracts	**(95)**	(39)	**-**	-
Net gain on sale of non-current assets	**(4)**	(105)	**-**	-
Depreciation and amortisation	**26,582**	30,563	**-**	-
Application of performance fees to subscription of new securities	**20,861**	20,861	**-**	2,141
Provision for impairment	**(62)**	67,373	**(63)**	3,182
Changes in operating assets and liabilities:				
(Increase)/decrease in receivables	**(1,268)**	263	**(1,417)**	(7)
Decrease in other assets	**2**	215	**-**	109
Decrease/(increase) in current tax receivables	**43**	1,021	**61**	1,021
Decrease in deferred tax liability	**(16,001)**	(19,087)	**-**	-
Increase in other liabilities	**12,140**	13,068	**-**	-
(Decrease)/increase in payables	**(17,635)**	27,046	**(226)**	2,862
Net cash flows from operating activities	**45,255**	44,917	**(2,735)**	241
Reconciliation of cash and cash equivalents				
Cash and cash equivalents at the end of the year as shown in the Statements of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:				
Cash at bank	**18,919**	7,164	**2,102**	941
Short term money market investments	**-**	14,140	**-**	7,026
Cash not available for use	**37,083**	34,810	**-**	-
Cash and cash equivalents	**56,002**	56,114	**2,102**	7,967

Non cash financing and investing activities

Application of performance fees to subscription of new securities

During the year ended 31 December 2012, the second installment of the June 2011 performance fee and the third installment of the June 2010 performance fee, totalling $18.8 million (31 December 2011: $18.7 million), were applied to a subscription for new MARIL securities. During the year ended 31 December 2012, the second installment of the June 2011 performance fee and the third installment of the June 2010 performance fee, totalling $2.1 million (31 December 2011: $2.1 million), were applied to a subscription for new MARL securities.

23. Related party disclosures

Adviser and Manager

The Adviser of MARIL and the Manager of MARL is MFA, a wholly owned subsidiary of MGL.

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)
- Richard England
- John Roberts
- Marc de Cure

Key management personnel

The above directors are the key management personnel of MQA and the MARL Group.

Key management personnel are defined in AASB 124 *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The Directors of MARIL and MARL meet the definition of key management personnel as they have this authority in relation to the activities of MQA and the MARL Group respectively. There are no other key management personnel of MQA and the MARL Group.

Compensation in the form of directors' fees that were paid to directors is as follows for the year ended 31 December 2012:

	Year ended 31 Dec 2012 Director's fees $	Year ended 31 Dec 2011 Director's fees $
MARIL		
Jeffrey Conyers	**72,277**	71,922
Dr Peter Dyer	**61,540**	63,600
David Walsh	**65,000**	65,000
Derek Stapley	**67,458**	67,127
	266,275	267,649
MARL		
David Walsh	**185,000**	185,000
Richard England	**140,000**	140,000
Marc de Cure	**125,000**	51,291
Jeffrey Conyers	**-**	28,085
	450,000	404,376

The compensation paid to directors of MARIL and MARL is determined by reference to current market rates for directorships of similar entities. The level of compensation is not related to the performance of MQA.

The number of MQA stapled securities held directly, indirectly or beneficially by the Key Management Personnel at 31 December is set out below:

	Directors interests in MQA Stapled Securities At 31 Dec 12	Director interests in MQA Stapled Securities At 31 Dec 11
Jeffrey Conyers	**40,000**	40,000
Dr Peter Dyer	**-**	-
David Walsh	**7,000**	7,000
Derek Stapley	**-**	-
John Roberts	**46,108**	46,108
Marc de Cure	**-**	-
Richard England	**40,000**	30,000
Total	**133,108**	123,108

Adviser/manager fees

Under the terms of the governing documents of the individual entities within the Groups, fees paid or payable (inclusive of non-recoverable GST and VAT) to the Adviser/Manager of MQA and the MARL Group were:

Consolidated	**MQA Year ended 31 Dec 2012 $**	MQA Year ended 31 Dec 2011 $	**MARL Group Year ended 31 Dec 2012 $**	MARL Group Year ended 31 Dec 2011 $
Base fee	**14,819,881**	14,391,822	**1,467,942**	1,518,773
Performance fee	**-**	50,105,696	**-**	5,195,581
Total	**14,819,881**	64,497,518	**1,467,942**	6,714,354

The base fee is calculated as 2.00% per annum of the first $1.0 billion of MQA market capitalisation, 1.25% per annum for the value between $1.0 billion and $3.0 billion and at 1.00% per annum on MQA market capitalisation value over $3.0 billion at the end of each quarter.

The performance fee is calculated with reference to the performance of the accumulated security price of MQA compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. For the 12 months ended 30 June 2012 MQA did not meet the performance criteria for a new performance fee to be incurred. For the year ended 30 June 2011, a total performance fee of $50.1 million (excluding GST) was calculated for MQA. This fee is payable in three equal instalments, with the first installment of $16.7 million settled in August 2011, second installment settled in July 2012 and a liability recognised for the third installment. The third installment of $16.7 million will become payable on 30 June 2013 should the ongoing performance criteria be met and the Manager/Adviser not voluntarily retire. For the period ended 30 June 2010, a total performance fee of $12.5 million (excluding GST) was calculated for MQA. This fee was payable in three equal instalments, with the third and final installment of $4.2 million settled in July 2012.

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

Other transactions

MGL and companies within the MGL Group undertake various transactions with, and perform various services for MQA. Fees paid to MGL Group companies are approved solely by the independent directors on the boards of MARIL and MARL and where appropriate, external advice is sought by the directors to ensure that the fees and terms of engagement are representative of arm's length transactions.

At 31 December 2012, Macquarie Capital Group Limited, a subsidiary of MGL beneficially held 90,281,185 (2011: 75,424,460) stapled securities through its principal position in MQA.

At 31 December 2012, entities within the Groups had the following funds on deposit with MBL, a wholly owned subsidiary of MGL:

- MQA $13,318,326 (2011: $2,997,977)
- MARL Group $2,102,024 (2011: $941,015)

During the year entities within the Groups earned the following interest on deposits with MBL. MQA earns interest on deposit at commercial rates:

- MQA $76,127 (2011: $183,259)
- MARL Group $30,789 (2011: $32,618)

During the year entities within the Groups reimbursed MGL Group companies the following, representing out-of-pocket expenses incurred by the Adviser and the Manager in the performance of its duties:

- MQA $914,799 (2011: $657,061)
- MARL Group $619,319 (2011: $475,825)

For the year ended 31 December 2012 and the year ended 31 December 2011, the Group did not incur any advisory fees with MGL.

Other balances and transactions:

At 31 December 2012, MARL had a receivable balance with MARIL of $27,428,291 (2011: $19,779,997) which is made up of an interest bearing loan of $26,628,706 (2011: $18,917,238), accrued interest on this loan of $755,870 (2011: $765,524) and other non-interest bearing receivables of $43,715 (2011: $97,235). The loan owing from MARIL to MARL bears interest at BBSW plus a margin of between 2.5% and 4.0%. Out of the total principal of $26,628,706 (2011: $18,917,238), $25,114,977 is payable in 2013 and the balance of $1,513,729 is payable in 2015. The interest of $755,870 (2011: $765,524) is payable on demand. Related party interest between MARIL and MARL totalled $1,416,814 (2011: $1,443,507) for the year.

At 31 December 2012, MARL had no receivable balances with Macquarie Infrastructure US Pty Ltd (MIUS) (2011: $750,244). MIUS is a wholly owned subsidiary of MARIL.

At 31 December 2012, entities within the Groups had no balances receivable from Transtoll (MQA and the MARL Group lost control of Transtoll on 16 December 2010). As at 31 December 2011, MQA and the MARL Group had a receivable balance of $2.5 million.

At 31 December 2012, entities within the Groups had the following balances receivable from associates:

- MQA $519,270 (2011: $837,049)
- MARL Group $nil (2011: $nil)

During the year entities within the Groups reimbursed associates the following, representing legal fees and other expenses incurred in the performance of their duties:

- MQA $7,315 (2011: $1,044,470)
- MARL Group $7,315 (2011: $76)

During the year the associates did not reimburse entities within the Groups for any expenses. In 2011, associates reimbursed MQA $22,516 for expenses incurred in the performance of their duties.

During the year a return on Preferred Equity Certificates was received from one of the assets, APRR, to entities within the Groups:

- MQA $9,721,832 (2011: $nil)
- MARL Group $nil (2011: $nil)

MQA utilises the services provided by MBL's foreign exchange and treasury departments from time to time on arms length terms.

All of the above amounts represent payments on normal commercial terms made in relation to the provision of goods and services.

24. Financial risk and capital management

Financial risk management

The Groups' activities expose them to a variety of financial risks: market risk (including foreign exchange risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Groups' overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Groups. The Groups use derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures.

The Risk Management Policy and Framework is carried out by management under policies approved by the Board. Senior management of the Groups identify, quantify and qualify financial risks and provide written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Groups operate internationally and are exposed to foreign exchange risk mainly arising from currency exposures to the Euro, Pound Sterling and United States Dollar.

The Groups do not hedge the foreign exchange exposure on overseas investments due to their long term horizon. However, commitments to make investments which are denominated in foreign currencies are hedged, by way of forward contracts, with maturities as close as possible to the time of making the commitment or raising the required capital.

Monetary items are converted to the Australian Dollar ("AUD") at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year end to settlement date, as provided by independent financial institutions.

(b) Interest rate risk

The Groups have no significant interest bearing assets whose fair value is significantly impacted by changes in market interest rates.

MQA's main interest rate risk arises from long term borrowings which are taken out at variable interest rates and therefore expose MQA to a cash flow interest rate risk. MQA only has long term borrowings issued at floating interest rates. For floating rate exposures, MQA hedges the exposure by entering into interest rate swaps, whereby the entities within MQA agree with their counterparties to exchange at specified intervals, the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts. Refer to Note 14.

Credit risk

Potential areas of credit risk consist of cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to committed transactions. The Groups limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Groups only transact with independently rated parties with appropriate minimum credit ratings of A-1. The Board from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis.

Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions, such as quality, concentration, maturity and security.

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FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

The following table sets out the counterparties with which the Groups transact and therefore provides an indication of the credit risk exposures.

Consolidated	MQA				MARL Group			
	Financial Institutions $'000	Corporates and other $'000	Government $'000	Total $'000	Financial Institutions $'000	Corporates and other $'000	Government $'000	Total $'000
2012								
Cash and cash equivalents	56,002	-	-	**56,002**	2,102	-	-	**2,102**
Receivables	-	2,265	3,203	**5,468**	-	27,437	3,190	**30,627**
Total	56,002	2,265	3,203	**61,470**	2,102	27,437	3,190	**32,729**
2011								
Cash and cash equivalents	56,114	-	-	**56,114**	7,967	-	-	**7,967**
Receivables	-	3,663	3,303	**6,966**	-	22,980	3,285	**26,265**
Total	56,114	3,663	3,303	**63,080**	7,967	22,980	3,285	**34,232**

Financial institutions

The credit risk to financial institutions relates to cash held by, term deposits due from and commercial paper that has been purchased from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum credit rating of A-1.

Corporates and other and government

The MQA credit risk relates primarily to trade receivables at the toll road asset level and other receivables from government authorities. The MARL Group credit risk relates primarily to receivables from related parties and other receivables from government authorities. These counterparties have a range of credit ratings.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Groups have a liquidity management policy which manages liquidity risk by monitoring the stability of funding, surplus cash or highly liquid cash assets, anticipated cash in and outflows and exposure to connected parties.

The below tables display the forecast contractual undiscounted future cash flows of the liabilities at balance date of MQA and the MARL Group.

MQA Consolidated	**Less than 1 Year $'000**	**1-2 Years $'000**	**2-3 Years $'000**	**3-5 Years $'000**	**Greater than 5 Years $'000**	**Total $'000**
2012						
Non-recourse loans	34,731	30,335	1,604,637	-	-	**1,669,703**
Payables	50,595	4,170	4,170	8,341	158,479	**225,755**
Derivative liability	58,976	58,533	55,842	95,595	236,545	**505,491**
Accrued interest rate swap liability	(26,921)	(19,109)	(11,296)	1,021	953,429	**897,124**
Total	117,381	73,929	1,653,353	104,957	1,348,453	**3,298,073**

MARL Group	**Less than 1 Year $'000**	**1-2 Years $'000**	**2-3 Years $'000**	**3-5 Years $'000**	**Greater than 5 Years $'000**	**Total $'000**
2012						
Payables	2,313	-	-	-	-	**2,313**
Total	2,313	-	-	-	-	**2,313**

MQA Consolidated	Less than 1 Year $'000	1-2 Years $'000	2-3 Years $'000	3-5 Years $'000	Greater than 5 Years $'000	Total $'000
2011						
Non-recourse loans	43,103	36,926	47,425	1,552,134	-	1,679,588
Payables	51,054	20,468	3,766	7,533	143,124	225,945
Derivative liability	50,969	51,364	39,055	79,363	305,925	526,676
Accrued interest rate swap liability	(33,569)	(26,087)	(18,517)	(14,151)	928,084	835,760
Total	111,557	82,671	71,729	1,624,879	1,377,133	3,267,969

MARL Group	Less than 1 Year $'000	1-2 Years $'000	2-3 Years $'000	3-5 Years $'000	Greater than 5 Years $'000	Total $'000
2011						
Payables	2,960	1,714	-	-	-	4,674
Total	2,960	1,714	-	-	-	4,674

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and disclosure purposes.

MQA has adopted the amendment to AASB 7 *Financial Instruments*: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

I. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
II. Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
III. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present MQA's and the MARL Group's assets and liabilities measured and recognised at fair value at 31 December 2012 and 2011.

MQA Consolidated	**Level 1 $'000 2012**	Level 1 $'000 2011	**Level 2 $'000 2012**	Level 2 $'000 2011	**Level 3 $'000 2012**	Level 3 $'000 2011	**Total $'000 2012**	Total $'000 2011
Liabilities								
Financial derivatives	**-**	-	**(448,880)**	(428,674)	**-**	-	**(448,880)**	(428,674)
Total Liabilities	**-**	-	**(448,880)**	(428,674)	**-**	-	**(448,880)**	(428,674)

MARL Group	**Level 1 $'000 2012**	Level 1 $'000 2011	**Level 2 $'000 2012**	Level 2 $'000 2011	**Level 3 $'000 2012**	Level 3 $'000 2011	**Total $'000 2012**	Total $'000 2011
Liabilities								
Financial derivatives	**-**	-	**-**	-	**-**	-	**-**	-
Total Liabilities	**-**	-	**-**	-	**-**	-	**-**	-

The fair value of financial instruments that are not actively traded in an active market is determined using valuation techniques. Discounted cash flows are used to determine the fair value for financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

Foreign exchange risk

In assessing foreign exchange risk, management has assumed the following movements in the Australian dollar:

- AUD/EUR exchange rate increased/decreased by 9 euro cents (2011: 9 euro cents)
- AUD/GBP exchange rate increased/decreased by 7 UK pence (2011: 7 UK pence)
- AUD/USD exchange rate increased/decreased by 19 United States cents (2011: 20 United States cents)

The below tables display the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the movements in foreign exchange rates as outlined above occur. The Groups' management have determined the above movements in the Australian dollar to be a reasonably possible shift following analysis of foreign exchange volatility for relevant currencies over the last 5 years.

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
MQA Consolidated	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000
Total financial assets	**(1,515)**	(666)	**-**	-	**1,948**	939	**-**	-
Total financial liabilities	**10**	140	**-**	-	**(14)**	(175)	**-**	-
Total	**(1,505)**	(526)	**-**	-	**1,934**	764	**-**	-

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
MARL Group	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000
Total financial assets	**(245)**	(352)	**-**	-	**353**	520	**-**	-
Total financial liabilities	**-**	1	**-**	-	**-**	(1)	**-**	-
Total	**(245)**	(351)	**-**	-	**353**	519	**-**	-

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Interest rate risk

In assessing interest rate risk, management has assumed the following movements in the identified interest rates:

- Bank bill swap reference rate (AUD BBSW 90 days) increased/decreased by 148 bps (2011: 139 bps)
- Bank bill swap reference rate (EUR LIBOR 90 days) increased/decreased by 104 bps (2011: 106 bps)
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 80 bps (2011: 86 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 107 bps (2011: 119 bps)
- London interbank offered rate (GBP LIBOR 180 days) increased/decreased by 111 bps (2011: 113 bps)
- Bank bill swap reference rate (AUD BBSW 12 months) increased/decreased by 214 bps (2011: 204 bps)

The below tables display the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the above interest rate movements occur. The Groups' management have determined the above movements in interest rates to be a reasonably possible shift following analysis of the interest spreads of comparable debt instruments over the past 5 years.

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
MQA Consolidated	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000
Total financial assets	**542**	656	**-**	-	**(542)**	(656)	**-**	-
Total financial liabilities	**(219)**	(174)	**283,898**	319,168	**219**	174	**(354,377)**	(409,683)
Total	**323**	482	**283,898**	319,168	**(323)**	(482)	**(354,377)**	(409,683)

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
MARL Group	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000	**P&L 2012 $'000**	P&L 2011 $'000	**Equity 2012 $'000**	Equity 2011 $'000
Total financial assets	**589**	488	**-**	-	**(589)**	(488)	**-**	-
Total financial liabilities	**-**	-	**-**	-	**-**	-	**-**	-
Total	**589**	488	**-**	-	**(589)**	(488)	**-**	-

Financial assets include cash and cash equivalents, receivables, prepayments and derivative financial assets. Financial liabilities include derivative financial liabilities, payables and interest bearing financial liabilities.

Capital management

The Groups' capital management objectives are to:

- Ensure sufficient capital resources to support the Groups' business and operational requirements; and
- Safeguard the Groups' ability to continue as a going concern.

Annual reviews of the Groups' capital requirements are performed to ensure the Groups are meeting their objectives.

Capital is defined as contributed equity plus reserves. As at 31 December 2012 the Groups do not have any externally imposed capital requirements.

25. Parent entity financial information

(a) Summary financial information

In accordance with the *Corporations Act 2001*, the individual financial statements for MARIL and MARL, are shown in aggregate amounts below:

	MARIL 31 Dec 2012 $'000	MARIL 31 Dec 2011 $'000	**MARL 31 Dec 2012 $'000**	MARL 31 Dec 2011 $'000
Statement of financial position				
Current assets	**11,995**	10,534	**28,130**	11,989
Non-current assets	**749,490**	836,930	**78,587**	117,173
Total assets	**761,485**	847,464	**106,717**	129,162
Current liabilities	**(45,692)**	(23,702)	**(2,284)**	(3,909)
Total liabilities	**(47,206)**	(57,607)	**(2,284)**	(5,623)
Shareholders' equity				
Issued capital	**1,354,159**	1,335,394	**198,877**	196,781
Reserves	**-**	-	**-**	-
Retained earnings	**(639,880)**	(545,537)	**(94,444)**	(73,242)
	714,279	789,857	**104,433**	123,539
Profit/(loss) for the year	**(94,343)**	(493,644)	**(21,202)**	(66,246)
Total comprehensive income	**(94,343)**	(493,644)	**(21,202)**	(66,246)

(b) Guarantees entered into by the parent entities

MARIL and MARL have not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 31 December 2012 and 31 December 2011. MARIL and MARL have not given any unsecured guarantees at 31 December 2012 and 31 December 2011.

(c) Contingent liabilities of the parent entities

Refer to Note 27 for MARIL and MARL's contingent liabilities as at 31 December 2012 and 31 December 2011.

(d) Contractual commitments for the acquisition of property, plant or equipment

As at 31 December 2012 and 31 December 2011, MARIL and MARL had no contractual commitments.

Notes to the Consolidated Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

26. Commitments for expenditure

Consolidated	**MQA 31 Dec 2012 $'000**	MQA 31 Dec 2011 $'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	**18,087**	17,066
Later than one year but not later than five years	**77,329**	73,356
Later than five years	**1,316,620**	1,304,731
	1,412,036	1,395,153

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

Other commitments

M6 Toll

As part of the debt refinancing of the M6 Toll in August 2006, Tollway Holdings Limited (formerly Macquarie European Infrastructure Limited), a subsidiary of MARIL, made a commitment to procure that one of its subsidiaries would contribute up to a maximum of £70 million ($109 million) (2011: £70 million ($106 million)) towards a road enhancement project which would provide a link to the M6 Toll. This commitment amount is indexed according to the UK 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 2012.

The MARL Group had no commitments for expenditure at 31 December 2012 and 31 December 2011.

27. Contingent liabilities

MQA had the following contingent liabilities at 31 December 2012 and 31 December 2011. No provisions have been raised against these items unless stated below.

Warnow Tunnel

European Transport Investments (UK) Limited, a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million ($1.5 million) (31 December 2011: €1.2 million ($1.5 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) (31 December 2011: €1.2 million ($1.5 million)) has been deposited. These funds are restricted and are not accessible.

The MARL Group had no contingent liabilities at 31 December 2012 and 31 December 2011.

28. Events occurring after balance sheet date

Since balance date, there have been no other matters or circumstances not otherwise dealt with in the Financial Report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in period subsequent to the year ended 31 December 2012.

Directors' Declaration – Macquarie Atlas Roads International Limited

The directors of Macquarie Atlas Roads International Limited ("MARIL") declare that:

a) the Financial Report of MARIL and its controlled entities ("MQA") and Notes set out on pages 51 to 102:

(i) comply with Australian Accounting Standards and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the financial position of MQA as at 31 December 2012 and of its performance for the year ended on that date; and

b) there are reasonable grounds to believe that MARIL will be able to pay its debts as and when they become due and payable; and

The Directors confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
21 February 2013

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
21 February 2013

Directors' Declaration – Macquarie Atlas Roads Limited

The directors of Macquarie Atlas Roads Limited ("MARL") declare that:

a) the Financial Report of MARL and its controlled entities ("the MARL Group") and Notes set out on pages 51 to 102 are in accordance with the constitution of MARL and the *Corporations Act 2001*, including:

i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

ii) giving a true and fair view of the financial position of the MARL Group as at 31 December 2012 and of its performance for the year ended as on that date; and

b) there are reasonable grounds to believe that MARL will be able to pay its debts as and when they become due and payable; and

The Directors confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

David Walsh
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
22 February 2013

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
22 February 2013

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

Report on the financial reports

We have audited the accompanying financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, which comprise the consolidated statements of financial position as at 31 December 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declarations for Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited. 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. Macquarie Atlas Roads Limited Group ("MARL Group") comprises Macquarie Atlas Roads Limited and the entities it controlled during the year.

Directors' responsibility for the financial reports

The directors of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are responsible for the preparation of financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of financial reports that are free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial reports comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial reports based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These 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 reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial reports. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial reports 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial reports.

Our procedures include reading the other information in the Financial Report to determine whether it contains any material inconsistencies with the financial statements and notes.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001* (as applicable).

Auditor's opinion

In our opinion:

(a) the financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are in accordance with the *Corporations Act 2001* (as applicable), including:

(i) giving a true and fair view of Macquarie Atlas Roads' and Macquarie Atlas Roads Limited Group's financial positions as at 31 December 2012 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001* (as applicable); and

(b) the financial reports and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report for Macquarie Atlas Roads Limited included in pages 47 to 48 of the directors' report for the year ended 31 December 2012. The directors of Macquarie Atlas Roads Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Macquarie Atlas Roads Limited for the year ended 31 December 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Wayne Andrews
Partner
Sydney
22 February 2013

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171

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Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2012

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 Fund Advisers Pty Limited (ABN 84 127 735 960) (AFSL No. 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 as 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 2012 were:

Base fee	A$14.8 million
Performance fee	A$20.9 million

All base fees for the financial year ended 31 December 2012 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 2012, being the second instalment of the 2011 performance fee and the third 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.

Remuneration report
CONTINUED

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.

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. John Roberts as a director on the MARL Board originally nominated by Macquarie is employed and remunerated by the Macquarie Group.

Jeffrey Conyers, Derek Stapley and James Keyes 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 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. Peter Dyer, who was a non-executive director of MARIL, received a fee of £40,000 per annum.

The fees paid to the independent and non-executive directors of MARL and MARIL are determined by reference to current market rates for directorships. The level of fees is not related to the performance of MQA. The boards of MARL and MARIL will consider remuneration payable to their independent and non-executive directors from time to time. Remuneration for the independent and non-executive directors is approved by the boards and any increases are benchmarked to market based on external advice. Under the MARL Constitution, aggregate MARL director fees are capped at A$1,000,000 and under the MARIL Bye-Laws, aggregate MARIL director fees are capped at US$500,000. Any increase to this cap requires shareholder approval.

None of the MARL or MARIL independent and non-executive directors 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 2012:

Name	MARL Director Fees	MARIL Director Fees
Jeffrey Conyers	–	US$75,000
Marc de Cure	A$125,000	–
Peter Dyer	–	£40,000
Richard England	A$140,000	–
James Keyes[1]	–	–
Derek Stapley	–	US$70,000
David Walsh	A$185,000	A$65,000

1. James Keyes became a director of MARIL on 21 February 2013.

Remuneration report
CONTINUED

Executives

The remuneration of executives who 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.

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 22 February 2013 the Macquarie Group held a ~19% principal holding in MQA.

Stapled security holder information

AS AT 22 FEBRUARY 2013

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	14,119	5,163,275	1.08
1,001 – 5,000	5,364	11,225,660	2.35
5,001 – 10,000	585	4,123,068	0.86
10,001 – 100,000	382	10,120,602	2.11
100,001 and over	73	447,898,831	93.60
Total	**20,523**	**478,531,436**	**100.00**
Investors with less than the minimum marketable parcel	6,640	721,202	0.15

Twenty largest investors

Investor		Number of securities	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	97,721,827	20.42
2	Macquarie Capital Group Ltd	90,281,185	18.87
3	National Nominees Limited	67,444,211	14.09
4	JP Morgan Nominees Australia Limited	61,085,630	12.77
5	JP Morgan Nominees Australia Limited	35,008,127	7.32
6	Citicorp Nominees Pty Limited	28,406,945	5.94
7	HSBC Custody Nominees (Australia) Limited	20,981,817	4.38
8	BNP Paribas Nominations Pty Ltd	8,907,175	1.86
9	HSBC Custody Nominees (Australia) Limited	4,070,966	0.85
10	SmallCo Investment Manager Ltd	4,011,259	0.84
11	Netwealth Investments Limited	2,094,517	0.44
12	Perron Investments Pty Ltd	2,057,059	0.43
13	Woodross Nominees Pty Ltd	1,877,470	0.39
14	Citicorp Nominees Pty Limited	1,812,301	0.38
15	RBC Investor Services Australia Nominees Pty Limited	1,713,561	0.36
16	ABN AMRO Clearing Sydney Nominees Pty Ltd	1,553,335	0.32
17	AMP Life Limited	1,424,450	0.30
18	Mr Peter Trent	971,537	0.20
19	Mr Peter Trent & Cathy Trent	900,000	0.19
20	Share Direct Nominees Pty Ltd	810,500	0.17
Total		**433,133,872**	**90.51**

Details of substantial stapled security holders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities[1]
Macquarie Group Limited	3 July 2012	104,089,450	21.75
Lazard Asset Management	9 December 2010	64,629,673	13.51
IOOF Holdings Limited	21 February 2013	29,643,695	6.19

[1] For substantial notices prior to 3 July 2012, the % of issued securities shown in the table above has been adjusted to reflect the 14,251,842 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.

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

David Walsh LLB (Melb)
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, and the senior partner from 1991. He established the firm's Hong Kong office and was resident in Hong Kong from 1988 to 1991. David had a wide-ranging corporate and commercial practice which included mergers and acquisitions, cross-border investment and international trade, anti-trust law, industrial property, insurance, telecommunications, civil engineering and construction, and commercial litigation. From 2005-2011 he was a senior legal consultant to Telstra. David has also served as chairman of Templeton Global Growth Fund Limited and as a director of Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited), Malcolm Moore Industries Limited, Asia Pacific Specialty Chemicals Limited, PaperlinX Limited and Dyno Nobel Limited.

Marc de Cure BCom (Hons) (UNSW) MWQ FCA
Independent Director
Director from 3 August 2011

Marc de Cure is a company director and advisor. He chairs the advisory boards of the ARC Centre of Excellence in Population Ageing Research and The Australian Institute for Population Ageing Research, and is a member of the Advisory Council of the Australian School of Business at UNSW. He was formerly the Group Chief Financial Officer of American International Assurance Company Ltd in Hong Kong during its IPO/listing and was an executive director of a number of AIA group companies including AIA Australia. He was the Group Chief Financial Officer and General Manager Strategy and Development of AMP Limited, Executive Chair of GIO Australia Group and Executive Director of Henderson plc, and also held other senior executive and executive director positions at AMP Limited. He was a Principal Advisor to Bain & Company and a senior partner and practice leader at PricewaterhouseCoopers specialising in M&A, initial public offerings/capital raisings, risk management and assurance.

Richard England FCA MAICD
Independent Director
Director from 1 June 2010

Richard England, who is also the Chairman of the Audit and Risk, Nominations and Remuneration Committees of MARL, is a former partner of Ernst & Young (Australia) where he was national director of the Corporate Recovery and Insolvency practice. Since 1994, in addition to past consulting roles with Ernst & Young and Sims Partners, Richard has held a number of chairmanships including Tower Trust Limited and Peter Lehmann Wines Limited, and directorships including St.George Bank Limited, ABB Grain Limited and Healthscope Limited. Richard is currently chairman of Ruralco Holdings Limited and Chandler McLeod Group Limited and a director of Nanosonics Limited.

Directors' profiles
CONTINUED

John Roberts LLB (Canterbury)
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 over A$300 billion of capital under management and includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). 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's other current directorships include Sydney Airports Limited, DUET group entities and Macquarie Infrastructure Company Inc.

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

Jeffrey Conyers BA (Toronto)
Independent Chairman

Bermuda-based – director since establishment on 16 December 2009

Jeffrey is a director of numerous companies in Bermuda and acts as a consultant to (and is the former Chief Executive Officer of) First Bermuda Securities Limited. First Bermuda Securities provides an advisory and execution service on worldwide offshore mutual funds to individuals and local companies based in Bermuda. Jeffrey began his professional career as a stockbroker in Toronto and returned to Bermuda in 1985 to join the Bank of Bermuda, where his focus was investments and trusts. He is a founding executive council member and deputy chairman of the Bermuda Stock Exchange. During the last three years Jeffrey has served on the boards of MAp Airports International Limited and Intoll International Limited, parts of the previously Macquarie-managed and ASX-listed vehicles MAp Group and Intoll Group respectively.

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.

Peter Dyer BSc (Hons) PhD (Nott)
Non-Executive Director

United Kingdom-based – director since establishment on 16 December 2009 until 21 February 2013

Dr Peter Dyer is currently a member of the Investment Committee of the unlisted Macquarie-managed European infrastructure funds, chairman of the Guardian/Airwave Group of Companies and serves as a non-executive director of Thames Water Utilities Ltd. He 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.

James Keyes MA (Oxon)
Independent Director

Bermuda-based – director from 21 February 2013

James Keyes is a Bermudan solicitor and barrister with 24 years' experience. He is currently on the board of a number of private and listed companies. He began his career with Freshfields in London and New York then moved to the Funds and Investment Services team at Appleby, one of the largest offshore law firms in Bermuda. James retired as a partner from Appleby in 2008, and held a part-time position as Managing Director of Renaissance Capital and related entities until December 2012. James was a director of the Bermudan entity within the Transurban Group for six years, from which he gained experience in the toll road sector.

Derek Stapley BA (Glas Cal) CA
Independent Director

Bermuda-based – director from 1 June 2010

Derek Stapley, who is also the Chairman of the Audit and Risk, Nominations and Remuneration Committees of MARIL, is a Scottish Chartered Accountant with 26 years' experience. He is a former partner and industry group leader with Ernst & Young in Financial Services. Derek 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 now serves as an independent director on the board of several public and private investment funds, insurance companies and family offices. He currently serves as an independent director for Lancashire Insurance Company Limited (Bermuda), a wholly owned subsidiary of Lancashire Holdings Limited which is listed on the London Stock Exchange.

David Walsh LLB (Melb)
Independent Director

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

See biography on page 113.

Corporate directory

Macquarie Atlas Roads

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