MACQUARIE

Macquarie Atlas Roads

Annual Report 2016

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 318 123) (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 appropriate.

Manager fees
MFA as manager of MARL and adviser to MARIL is entitled to fees for so acting. MGL 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 MQA.

If you have any enquiries or complaints please contact:

Macquarie Atlas Roads Investor Relations
Level 7, 50 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.

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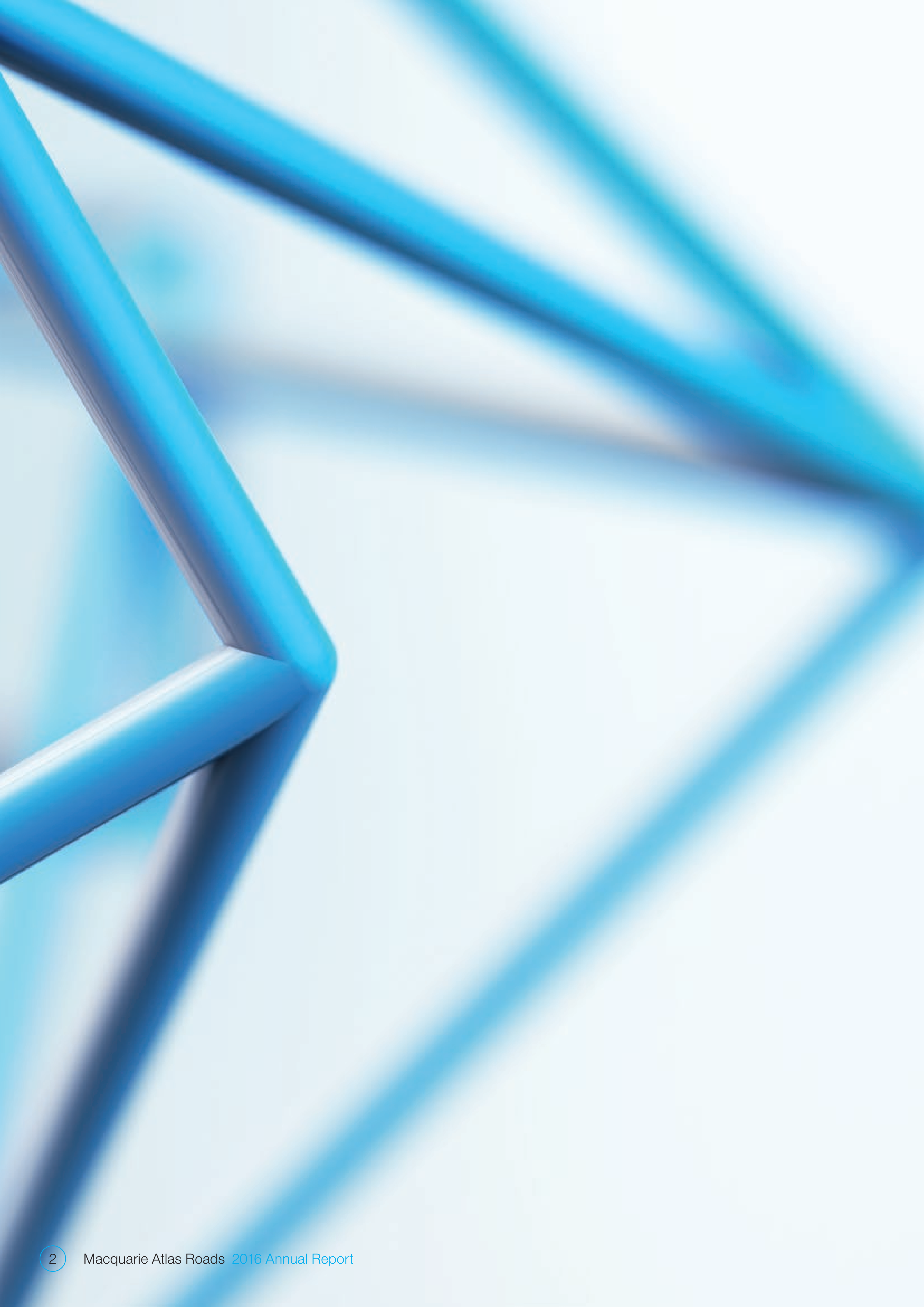


Macquarie Atlas Roads Highlights

Global infrastructure developer, operator and investor. Focus on growing distributions and unlocking further portfolio value. Providing investors with access to long-dated, predictable and growing cash flows. Improved operational and financial performance across all assets during 2016.

20,000+
securityholders

Over A$2.6bn
market capitalisation

4 toll roads
across 4 countries[1]

23.5bn
kilometres travelled on MQA roads in 2016
Up 4%[2]

18¢
distribution per stapled security
Up 12.5%

29%
Total securityholder return in 2016[3]

1 MQA has varying percentage ownership interests in each asset within its portfolio.
2 Excludes M6 Toll and ADELAC.
3 Total securityholder return (TSR) from 1 January 2016 to 31 December 2016.

Letter from the Chairpersons and the CEO

Strengthening MQA in 2016

We are pleased to announce Macquarie Atlas Roads (MQA) experienced another year of positive performance in 2016, with our portfolio continuing to generate value for securityholders through operational improvements, disciplined capital management and investing in our existing portfolio.

Highlights during the year included:

- 3.7% increase in traffic across our portfolio compared to the prior corresponding period (pcp)[1]
- 6.3% EBITDA[2] growth across our portfolio compared to pcp, driven by 5.4% portfolio revenue growth[2] as well as ongoing cost control across all portfolio assets
- 12.5% growth in distributions to securityholders
- Continued reshaping of our portfolio through the divestment of MQA's interest in Chicago Skyway; and the acquisition of an additional indirect interest in ADELAC
- Reduced financing costs at APRR as a result of a number of successful bond issuances.

Distribution growth

MQA's distributions continued to grow in 2016, with 18.0 cents per security (cps) paid during the year, up 12.5% from 16.0 cps in 2015. We paid equal first and second half distributions of 9.0 cps, each comprising both dividend and return of capital components.

Strong operational performance

APRR

APRR delivered another record result in 2016, with EBITDA of €1,685 billion and an EBITDA margin of 72.4%. Traffic and toll revenue across the network increased by 3.7% and 5.2% respectively. During the year, APRR benefited from the favourable bond markets that prevailed by issuing €1.7 billion of bonds at significantly lower cost to the maturing debt facilities they replaced. APRR's overall net interest expense reduced by 15.7% for the year.

MQA's distributions were again underpinned by cash flows received from APRR in 2016. As with previous years, APRR also retained a proportion of the cash it generated to fund capital expenditure and reduce net debt, which should in turn benefit the future value of MQA's investment in APRR.

Dulles Greenway

Dulles Greenway also performed strongly with an adjusted EBITDA of US$74.2 million,[3] up 8.8% on pcp, and an adjusted EBITDA margin of 80.9%. Average daily traffic during 2016 grew by 4.3%. Higher traffic and tolls contributed to revenue growth of 7.8% during the year. As a result of the Greenway's continued positive performance, we anticipate that it may commence cash distributions from 31 December 2018, subject to ongoing asset performance.

Portfolio focus

In February 2016, financial close was reached on the sale of the Skyway Concession Company LLC, the concession owner of the **Chicago Skyway** in Illinois, USA. MQA received estimated net proceeds of US$98 million for its 22.5% interest.

In November 2016, MQA increased its indirect interest in **ADELAC**, the concessionaire of a 19.6km commuter road between Annecy in eastern France and Geneva in Switzerland, from 10.04% to 19.74%. ADELAC operates under a strong contractual framework, with a long-dated concession to December 2060, and delivers a quality service to commuters with an average time saving of up to ~30% compared to alternative routes. This acquisition demonstrates MQA's ability to generate value from within its existing portfolio.

Our portfolio reshaping has continued into 2017, with the recent announcement that we have agreed to exercise our pre-emptive right to acquire the remaining 50% economic interest[4] in the **Dulles Greenway** for US$445 million.

1 Weighted average based on portfolio revenue allocation. MQA holds a 20.14% interest in APRR, 50% estimated economic interest in Dulles Greenway and 70% interest in Warnow Tunnel. Excludes M6 Toll and ADELAC.

2 Portfolio EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and revenue growth represent proportionate results as disclosed in MQA's Management Information Report to 31 December 2016.

3 EBITDA adjusted to exclude Project Improvement Expenses. Following a US accounting standard amendment (Topic 853) in 2015, certain capex items 'Project Improvement Expenses' are required to be classified as operating expenses. Including Project Improvement Expenses, 2016 EBITDA was US$70.2m and EBITDA margin was 76.5%.

4 Following completion of the acquisition, MQA's economic interest will be held through ~86.6% subordinated loans and ~13.4% equity.

This acquisition will consolidate MQA's ownership to 100% in a core portfolio asset, lengthen our overall portfolio duration and improve our income diversification through greater exposure to a strong growth region within the US economy. Financial close of the acquisition is expected to occur during the first half of 2017.[5]

Environmental, Social and Governance

The Boards and Manager view our commitment to environmental, social and governance (ESG) performance as a central part of our responsibility to securityholders and to the communities in which our portfolio assets operate.

During 2016, we continued to embed ESG risk management into the operations and strategy of MQA. Our Environmental and Social Responsibility Management Report and Corporate Governance Statement provide further details on our approach to ESG matters.

Management fee reduction

In July 2016, notification was received from Macquarie of a revised base management fee arrangement to replace previously notified fee waivers.

Commencing 1 July 2016 and for subsequent quarters until further notice, the base management fee payable by MQA has been reduced to a flat 1.0% per annum for all market capitalisations. This represents a base management fee reduction of 1.0% per annum on market capitalisations up to A$1.0 billion, and 0.25% per annum on market capitalisations between A$1.0 billion and A$3.0 billion, compared to the management and advisory agreements. At a market capitalisation of approximately A$2.7 billion, the fee reduction will result in savings of approximately A$14.3 million per annum for MQA securityholders compared to the management and advisory agreements.

The fee reduction was provided following discussions with the MQA Boards and as a result of the successful divestments of Indiana Toll Road and Chicago Skyway which have led to a more streamlined portfolio and a strengthened corporate balance sheet. We welcome the fee reduction which represents a significant benefit to MQA securityholders, and look forward to continued strong alignment with Macquarie in seeking to continue to deliver long-term value to securityholders.

Outlook

We are pleased to confirm distribution guidance of 20.0 cps for 2017, with 10.0 cps expected to be declared to securityholders later in March 2017 for the first half of 2017.[6]

On behalf of the Boards and MQA's management team, we would like to thank you for your continued support of MQA.

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited

Peter Trent
Chief Executive Officer
Macquarie Atlas Roads

5 The acquisition remains subject to the customary conditions precedent and obtaining Committee on Foreign Investment in the United States (CFIUS) clearance.

6 As with any foreign investment, distributions received by MQA from its assets are affected by fluctuations in foreign exchange rates. As a result, the level of distribution MQA pays to its securityholders may be impacted by foreign exchange rates, in particular the A$/€. Distribution guidance is also subject to asset performance and future events.

Macquarie Atlas Roads Overview

Our business

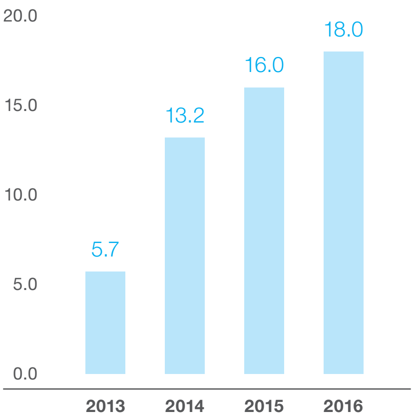
MQA is a global infrastructure developer, operator and investor.

MQA offers securityholders exposure to an international portfolio of toll road assets including:

- Primary exposure to the European economy and traffic levels through MQA's interest in APRR in eastern France.
- Secondary exposure to the US economy through MQA's interest in the Dulles Greenway in northern Virginia.

MQA offers securityholders a total return including distributions and potential capital appreciation:

- Annual growth in distributions is currently underpinned by distributions received from MQA's investment in APRR.
- A proportion of asset level cash flow remains in the portfolio businesses, with progressive debt reduction and capital expenditure for future growth.



▲ **Distributions (cps)**

Our strategy

MQA's strategy is to deliver growing distributions and enhance the value of our portfolio for securityholders. We seek to invest in global infrastructure assets that generate stable cash flows and offer resilient long-term performance through economic cycles.

Key actions to deliver on our strategy include:

- Active management – leveraging core competencies to drive corporate and operational efficiencies.
- Efficient and disciplined capital and portfolio management.
- Delivering and growing cash distributions from portfolio assets.
- Investing in accretive, complementary growth opportunities.

Our portfolio assets

APRR: 20.14% interest

The fourth largest motorway network in Europe, and the second largest in France covering 2,323km of motorway. APRR is MQA's flagship asset and represents most of MQA's portfolio by value. APRR comprises three separate concessions: APRR, AREA and ADELAC.[1]

Dulles Greenway: 50%[2]

Located in northern Virginia, United States, the Dulles Greenway is a 22km toll road which forms part of a commuter route into the greater Washington area. It is well positioned to benefit from continued economic growth and urbanisation in the region.

Warnow Tunnel: 70% interest

The Warnow Tunnel is a 2km toll road and tunnel under the Warnow River in the northern German city of Rostock. MQA receives an annual service fee for the provision of directors and management of the asset.

M6 Toll[3]

The M6 Toll is a 43km tolled motorway in the West Midlands of the UK that bypasses Birmingham and connects to the M6 at both ends. Following the 2013 refinancing of the project's debt facilities, MQA receives an annual indexed service fee for managing the asset. MQA does not expect to receive further equity distributions from the project and all surplus cash flows from the asset will be applied to service the debt.

Our risk management

Risk is an inherent part of MQA's business and management of that risk is therefore critical to MQA's continuing profitability and financial strength. Accordingly, key risks are regularly viewed by the Boards, the Audit and Risk Committee and the Manager.

MQA's risk management framework creates a consistent and rigorous approach to identifying, analysing, monitoring and mitigating risks. The framework includes various policies, charters and procedures, including the Risk Management Policy which can be found on MQA's website www.macquarieatlasroads.com.

Each of MQA's portfolio companies is responsible for adopting and maintaining its own risk management framework and supporting infrastructure to manage its own risk. It is MQA's policy to confirm that each asset has an appropriate risk management framework in place to assist the asset in effectively managing its risks.

1 MQA holds a 19.74% indirect interest in ADELAC, 10.04% through AREA and the remaining 9.71% through Macquarie Autoroutes de France 2 SA (MAF2).
2 Estimated economic interest as at 31 December 2016. In February 2017, MQA announced that it intended to exercise its pre-emptive right to acquire the remaining 50% economic interest in the Dulles Greenway.
3 MQA holds 100% of the ordinary equity in M6 Toll, however the beneficial interest is 0% as MQA is not exposed to any variable returns from M6 Toll's ongoing operations.

Financial highlights

Statutory results

MQA equity accounts for all the assets in its portfolio. These results are disclosed as 'share of net profits/(losses) from investments accounted for using the equity method' in MQA's income statement, and together with corporate level expenses make up MQA's statutory result.

MQA's profit after tax for the year ended 31 December 2016 was A$225.1 million, up from A$85.1 million in 2015. This movement was largely driven by:

- Increase in aggregate net profit of investments accounted for using the equity method at APRR reflecting the improved operational performance, reduction in finance costs and favourable tax rate changes.
- Increase in income from operations primarily due to the reversal of the provision of impairment booked in December 2011 relating to MQA's investment in Dulles Greenway.
- Proceeds relating to the sale of Chicago Skyway.

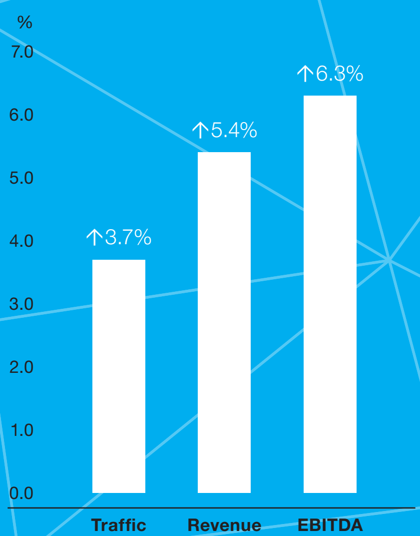
Further information on the statutory results is provided in the Financial Report on pages 25 to 82.

Proportionate results from toll road assets

The proportionate results aggregate the financial results of MQA's assets in the respective proportions of MQA's economic interests from ongoing operations 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.

All assets within MQA's portfolio experienced growth in traffic, revenue and EBITDA in 2016. The following chart shows the operating performance of MQA's portfolio as a whole for 2016 compared to 2015.

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 which is available on MQA's website www.macquarieatlasroads.com.



▲ **Operating performance 2016 vs 2015**

Cash flow and cash position

A summarised fund level cash flow statement for the year to 31 December 2016 is set out below.

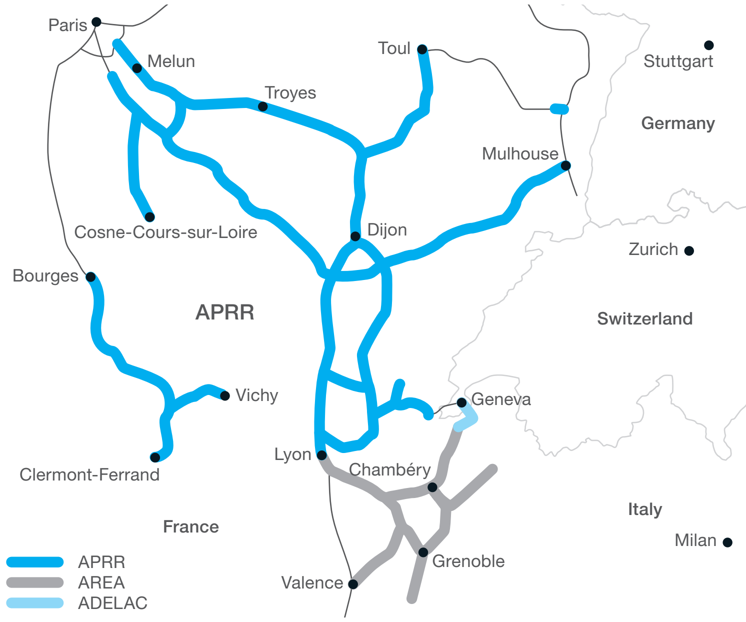
MQA declared an increased level of distributions to securityholders: a 1H16 distribution of 9.0 cps (1H15: 6.0 cps) and a 2H16 distribution of 9.0 cps (2H15: 10.0 cps), which each comprised both dividend and return of capital components.

MQA maintains a disciplined capital management strategy. All debt secured against MQA's portfolio assets remains non-recourse to MQA. After payment of each distribution, MQA retains a prudent working capital balance. MQA's available cash position at 23 February 2017 was approximately A$217.5 million.

Available cash	Year ended 31 Dec 16 A$m	Year ended 31 Dec 15 A$m
Opening balance 1 January	**65.4**	30.1
Total cash flow received from assets	**281.9**	148.2
Other operating cash flows	**(28.5)**	(26.6)
Payment of deferred consideration for additional indirect interest in APRR	**(1.1)**	(3.8)
Distributions paid	**(94.3)**	(82.4)
Closing balance 31 December	**223.4**	65.4

▲ **Cash flow statement**

APRR France



APRR is the concessionaire of a 2,323km motorway network located in the east of France. APRR is the second largest motorway network in France, the fourth largest in Europe.

The network represents a crucial transportation asset within western Europe, providing critical connectivity within France and a vital corridor for European trade.

1 Traffic performance

- Total traffic on the APRR Group network increased 3.7% in 2016.
- Light vehicle traffic increased 3.6%, benefiting from continued growth in real household disposable income.
- Heavy vehicle traffic increased 4.5%, benefiting from a continued improvement in economic conditions, with growth in manufacturing and trade during the year.

2 Operating performance

- Toll revenues increased 5.2% in 2016, reaching €2,258 million, due to traffic growth, toll increases and a more favourable traffic mix.
- EBITDA increased 6.0% in 2016, with an improved EBITDA margin of 72.4% compared to 71.8% in the prior year, reflecting continued cost efficiencies within the business.
- Automated transactions reached 97.5% during 2016. The number of ETC devices increased 13% over the year, reaching 2.2 million.

Acquisition of additional interest in ADELAC

- On 4 November 2016, AREA, a subsidiary of APRR, entered into an agreement to acquire an additional 46.1% interest in ADELAC for €130 million. AREA already had an existing 49.9% interest and is the operator of the motorway.
- ADELAC is the concessionaire of the A41 motorway, a 19.6km commuter road between Annecy in eastern France and Geneva in Switzerland.
- Eiffage and Macquarie Autoroutes de France 2 SA (MAF2, the entity through which MQA holds its interest in the APRR Group) subsequently entered into an agreement with AREA to purchase this 46.1% interest at the same price.
- This was followed by an additional 2% acquisition from a minority interest.
- As a result of these transactions, MQA indirectly holds 19.74% of ADELAC, up from 10.04%.

Over 50 years of sustained performance

MQA's interest

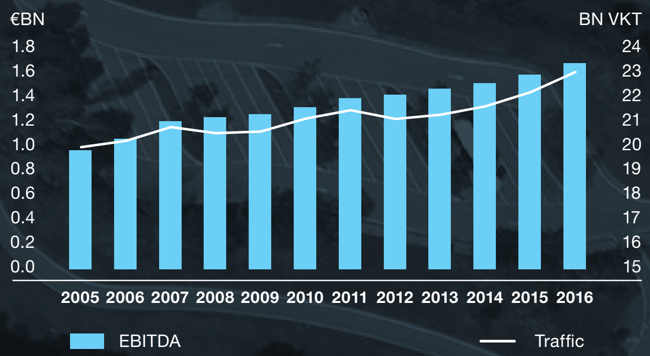
20.14%

Concession length
APRR: Nov 2035 / AREA: Sep 2036 / ADELAC: Dec 2060

Traffic
up 3.7% on pcp

Revenue
up 5.1% on pcp

EBITDA
up 6.0% on pcp



▲ **EBITDA (€bn) vs traffic (bn VKT)**

3 Enhanced debt maturity profile through favourable bond issuances

- APRR benefited from favourable bond market conditions during 2016 by issuing €1.7 billion of bonds under its Euro Medium Term Note program:
  - June 2016: €700 million issued with a 1.125% coupon and a January 2026 maturity.
  - November 2016: €500 million issued with a 1.25% coupon and a January 2027 maturity.
  - November 2016: €500 million issued with a 1.875% coupon and a January 2031 maturity.
- APRR maintains a strong liquidity position, including an undrawn standby facility of €1.8 billion.
- APRR's net interest expense decreased 15.7% from €279 million in 2015 to €235 million in 2016 as it continues to progressively replace maturing debt facilities with new lower cost facilities.

4 Improved credit ratings

- During 2016, APRR's credit ratings were upgraded by both Standard & Poor's and Fitch:
  - In November 2016, Standard & Poor's upgraded APRR's long-term credit rating to A- with a Stable outlook, from BBB+ with a Stable outlook.
  - In October 2016, Fitch revised APRR's long-term credit rating outlook to BBB+ with a Positive outlook, from BBB+ with a Stable outlook.

39°02’38” N
77°31’52” W

Dulles Greenway Virginia, USA

The Dulles Greenway is a 22km toll road in northern Virginia, connecting the fast growing Loudoun County with the greater Washington area.

1 Traffic performance

- Average Daily Traffic (ADT) increased 4.3% in 2016 to 53,260 vehicles, benefiting from continued corridor growth. Traffic has now broadly recovered to levels experienced in 2008.
- Over the last 4 years, Dulles Greenway’s traffic has increased annually by an average of 3.5%.

2 Operating performance

- Revenue and adjusted EBITDA[1] increased by 7.8% and 8.8% respectively in 2016, reflecting the impact of both traffic growth and increased tolls.

3 Corridor dynamics

- Dulles Greenway is a key route in one of the fastest growing and most affluent counties in the US, with the seventh fastest population growth over 2010-15[2] and the highest median income across US counties.[3]
- Loudoun County is characterised by a well-educated working population, recording the third fastest employment growth rate across the US in 2015, up 6.3%.
- As Loudoun County continues to grow, the Dulles Greenway is well positioned to continue to provide a quality service and attract a greater share of future corridor growth, with the ability to expand to meet future demand.

4 Financing structure and distributions

- Dulles Greenway is financed with five series of fixed rate bonds maturing at various dates through the end of the concession in 2056. Consequently, there is no interest rate or refinancing risk associated with this asset, with debt servicing costs fixed until the end of the concession.
- As a result of its positive performance during 2016, TRIP II, as the operator of the Dulles Greenway, passed the three-year distribution lock-up test under its bond documents.
- Consequently, TRIP II may commence cash distributions from 31 December 2018, subject to ongoing asset performance.[4]

1 EBITDA adjusted to exclude Project Improvement Expenses. Following a 2015 amendment to US accounting standard Topic 853 Service Concession Arrangements, certain capex items, “Project Improvement Expenses”, are required to be classified as operating expenses. Including Project Improvement Expenses, Dulles Greenway EBITDA was US$70.2m in 2016, up 6.0% from US$66.2m in 2015.

2 Source: Loudoun County Department of Planning and Zoning, ranked amongst counties with a population >100,000.

3 Source: Loudoun County Department of Planning and Zoning, ranked amongst counties with a population >65,000.

Over 20 years of operating history

MQA's interest

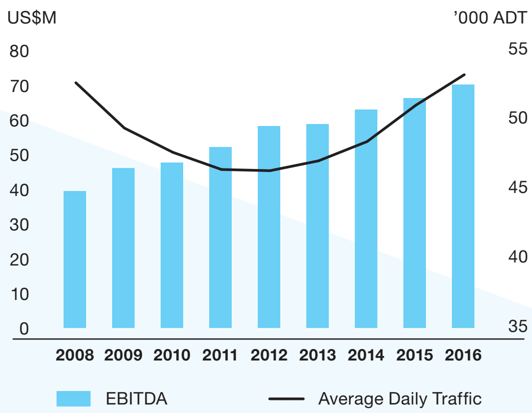
50.0%[5]

2056 concession expiry

Traffic
up 4.3% on pcp

Revenue
up 7.8% on pcp

EBITDA[1]
up 8.8% on pcp



▲ **EBITDA (US$m) vs traffic ('000 ADT)**

Acquisition of remaining 50% interest

- On 23 February 2017, MQA announced that it intended to exercise its pre-emptive right to acquire the remaining 50% economic interest in the Dulles Greenway.
- MQA's ownership in the Dulles Greenway will increase to 100% following the acquisition.[6] This will enhance MQA's ability to optimise Dulles Greenway's key operating business decisions, capital structure and cash flows over the longer term, to ensure the reliability of the road's service to commuters and drive future asset performance.
- The acquisition will lengthen MQA's overall portfolio duration and improve its income diversification through greater exposure to a strong growth region within the US economy.
- Financial close of the acquisition is expected to occur during the first half of 2017.[7]

4 Distributions can only be released from TRIP II upon meeting two coverage ratio tests under its senior debt indentures: Minimum Coverage Ratio (one-year) (MCR) and Additional Minimum Coverage Ratio (three-year) (ACR), both tested annually on 31 December. At 31 December 2016, TRIP II passed the ACR test. However, given TRIP II did not pass the ACR test at 31 December 2015, distributions remain in lock-up through to at least December 2018.

5 Estimated economic interest as at 31 December 2016. In February 2017, MQA announced that it intended to exercise its pre-emptive right to acquire the remaining 50% economic interest in the Dulles Greenway.

6 Following completion of the acquisition, MQA's economic interest will be held through ~86.6% subordinated loans and ~13.4% equity.

7 The acquisition remains subject to the customary conditions precedent and obtaining CFIUS clearance.

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 are 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.

Nora Scheinkestel

LLB (Hons) (Melb), PhD, FAICD, Centenary Medal

MARL Non-Executive, Independent Chairman

MARIL Non-Executive, Independent Director

MARL director from 28 August 2014 and Chairman from 17 April 2015

MARIL director from 17 April 2015

Age: 56

Nora Scheinkestel is an experienced company director having served as chairman and director on a number of public and private sector boards spanning a wide range of industry sectors. As well as being Chairman of the MARL Board, she also chairs the MARL Nomination and Governance Committee and is a director and committee member of the MARIL Board. She is also currently a director and committee chairman of Telstra Corporation Limited and Stockland Property Group and a director of AusNet Services Limited. Her background is as a senior banking executive in international and project financing. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance.

Nora's previous directorships include AMP Limited, Insurance Australia Group Limited, Mayne Pharma Limited, Medical Benefits Fund of Australia Ltd, Newcrest Mining Limited, North Ltd, Orica Limited and Pacific Brands Limited. Nora is an Associate Professor in the Melbourne Business School at Melbourne University and a former member of the Takeovers Panel. In 2003, she was awarded a centenary medal for services to Australian society in business leadership.

Marc de Cure

BCom (Hons) (UNSW) MWQ FCA

MARL Non-Executive, Independent Director

Director from 3 August 2011

Age: 58

Marc de Cure is a company director and advisor. During 2015 he was appointed as Chairman of MARL's Remuneration Committee and also as a director of Zurich Australia Limited and Zurich Investment Management Limited. He chairs the advisory board of the ARC Centre of Excellence in Population Ageing Research, and is an Adjunct Professor and member of the Advisory Council of the Business School at UNSW.

Mark 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

MARL Non-Executive, Independent Director

Director from 1 June 2010

Age: 66

Richard England, who is also the Chairman of the Audit and Risk Committee, 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, Richard has held a number of chairmanships including Ruralco Holdings Limited, Chandler McLeod Group Limited and Peter Lehmann Wines Limited, and directorships including St.George Bank Limited, ABB Grain Limited and Healthscope Limited. Richard is currently chairman of QANTM Intellectual Property Limited and a director of Nanosonics Limited and Japara Healthcare Limited.

John Roberts

LLB (Canterbury)

MARL Non-Executive Director

Director since restructure implementation on 2 February 2010

Age: 58

John Roberts is a consultant to Macquarie and Non-Executive Chairman of Macquarie Infrastructure and Real Assets (MIRA) (a division of the Macquarie Asset Management Group) which has approximately $136 billion of assets under management.

John serves on a number of boards and investment committees in MIRA to provide oversight and strategic direction to individual fund management executive teams. John was employed by the Macquarie Group for over 22 years, during which time he held various roles within the organisation, including Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds (MIRA). Having previously served as a director of the DUET Group, John is currently a director of Sydney Airport Limited.

Jeffrey Conyers

BA (Toronto)

MARIL Non-Executive, Independent Chairman

Bermuda-based – director since establishment on 16 December 2009

Age: 63

Jeffrey Conyers, who is also the Chairman of the MARIL Nomination and Governance Committee, is a director of numerous companies in Bermuda 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. Jeffrey has previously 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.

James Keyes

MA (Oxon)

MARIL Non-Executive, Independent Director

Bermuda-based – director from 21 February 2013

Age: 53

James Keyes, who is also the Chairman of the Remuneration Committee of MARIL, is a Bermudan solicitor and barrister with over 25 years' experience. He is currently on the board of a number of private and listed companies.

James 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 Transurban Group for six years, from which he gained experience in the toll road sector.

Derek Stapley

BA (Glas Cal) CA

MARIL Non-Executive, Independent Director

Bermuda-based – director from 1 June 2010

Age: 56

Derek Stapley, who is also the Chairman of the Audit and Risk Committee of MARIL, is a Chartered Accountant with 30 years' experience.

Derek serves as an independent director on the boards of several public and private investment funds, insurance companies and private client structures. 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.

Photo: APRR, Christophe Huret

Corporate governance

Legal framework and management arrangements

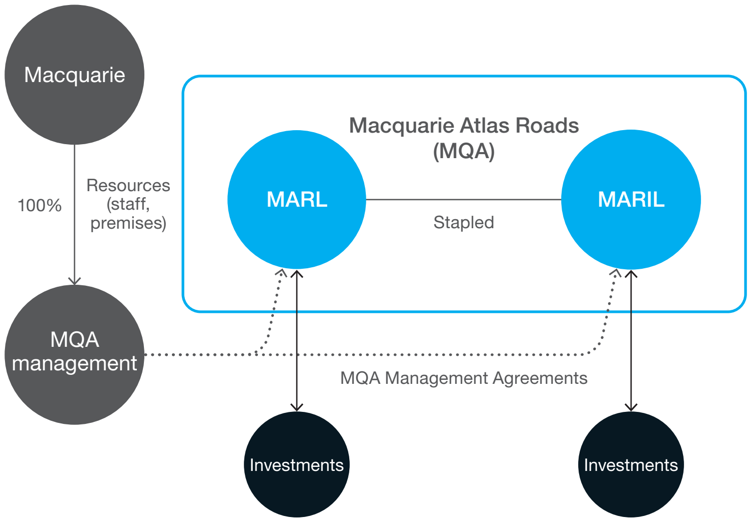
MQA is a dual stapled vehicle externally managed by Macquarie. It was established in early February 2010 as a result of a securityholder approved restructure of Macquarie Infrastructure Group (MIG).

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

Management and advisory agreements (MQA Management Agreements) with Macquarie Fund Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 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 securityholders (MQA Cooperation Deed).

▼ Macquarie Atlas Roads structure



Entity	MARL	MARIL
Type of entity	Australian public company	Bermudan exempted mutual fund company
Assets (various % holdings)	Dulles Greenway[1] Cash	APRR ADELAC Dulles Greenway[2] Warnow Tunnel M6 Toll Cash
Source of income	MARL derives its income primarily from returns from its asset portfolio	MARIL derives its income primarily from returns from its asset portfolio

1 Holds a 6.7% equity interest.

2 Holds an estimated ~43.3% economic interest through subordinated loans.

The MQA Management Agreements are non-discretionary and substantially similar in their terms. They require the MQA Manager to make investment and divestment recommendations, provide active management of the MQA assets and to assist with the general administration of the companies. As MARL and MARIL have no employed staff of their own, the MQA Manager also makes staff available as part of its management services, to perform the roles of MQA Chief Executive Officer, Chief Financial Officer and other senior management roles.

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.

A high-level summary of the MQA Management Agreements, addressing the disclosure recommended in ASX Guidance Note 26, can be found on the MQA website.

More detail about MQA's operational and governance arrangements can also be found in the ASIC 231 Regulatory Guide disclosure on the MQA website. This disclosure includes details of any change of control provisions in MQA asset debt documents or shareholder arrangements that may be triggered if the MQA Manager is removed as the manager/adviser of MQA.

We recommend that you also read the following constituent documents on the MQA website:

- MARIL Advisory Agreement
- MARIL Bye-Laws
- MARL Management Agreement
- MARL Constitution
- MQA Cooperation Deed

Corporate Governance Statement

The MQA Boards determine the corporate governance arrangements for MQA with regard to what they consider to be in the long-term interests of MQA and its investors, and consistent with its responsibilities to other stakeholders.

MQA's corporate governance arrangements conform to the Corporate Governance Principles and Recommendations (3rd edition) issued by the ASX Corporate Governance Council, taking into account MQA being an externally managed vehicle.

MQA's Corporate Governance Statement has been approved by the MQA Boards and outlines MQA's main corporate governance practices for the year ended 31 December 2016 and up to the date of issue of this 2016 Annual Report. Included in the statement are details relating to:

- Board composition, skills matrix and performance
- Director independence
- Director attendance at 2016 MQA Board and Committee meetings
- Diversity
- Auditor independence

MQA's Corporate Governance Statement, as well as other governance documents referred to within the statement, can be viewed on MQA's website at:

www.macquarieatlasroads.com/corpgov

These governance documents are regularly reviewed and updated to ensure that they remain consistent with the objectives of the MQA Boards.


45°04'59" N
5°40'38" E

Environmental and social responsibility (ESR) management

Our approach

At MQA, we believe that many environmental, social and economic benefits arise from the responsible private sector development and operation of infrastructure. We are also aware that with these benefits lies the potential for risks, including ESR risks, which can have commercial, reputational and regulatory impacts on our business and affect the communities in which our portfolio assets operate.

We are committed to ensuring environmental and social risks are identified, assessed and managed responsibly at both the MQA corporate level and at our portfolio companies in order to generate the best long-term outcomes for our stakeholders.

We structure our ESR management approach around focus areas that are considered to have a material impact on our portfolio:

1. Commitment to safety
2. Minimising our environmental impact
3. Employee engagement and diversity
4. Supporting local communities
5. Harnessing technology

Our approach to each focus area is provided in more detail below.

Our ESR governance

Existing portfolio companies

Each of our portfolio companies is responsible for adopting and maintaining its own environmental and social risk management framework that adequately ensures compliance with the relevant regulation and minimum standards for ESR matters in the country and industry in which the asset operates.

Our ability to control or influence the ongoing management of ESR issues will differ for each asset based on the extent of its control/governance rights at each asset through the level of ownership influence, board representation and regulatory environment governing each asset.

MQA-appointed board representatives will in all cases promote and support the implementation of good ESR and governance practices within each asset to the extent that they are able to under the co-ownership arrangements.

Regular reporting from each portfolio company to MQA also assists in monitoring compliance with ESR requirements and in the identification of ESR issues across our portfolio. The ESR performance of each portfolio company is reported to the MQA Boards regularly, with major environmental and social incidents reportable within 48 hours of occurrence.

New investments

ESR risks and opportunities are central considerations in our evaluation of new investments. We aim to invest in asset companies that regard environmental and social issues as a high priority and we are committed to complying with all regulations and engaging responsibly with the community.

Accordingly, all potential investments are screened for environmental and social risks, including workplace health and safety and climate change. ESR risks are included as part of the independent due diligence performed and included in any investment proposal presented to the MQA Boards for consideration.

In addition to our own processes and policies, new infrastructure projects/extensions are often subject to extensive social and environmental impact reviews by governments before being given approval to proceed.

Photo: Léonard De Serres

Environmental and social responsibility management CONTINUED

Our ESR policies

ESR-related risks are dealt with under several of MQA's policies:

- **Environmental and Social Responsibility Policy**
- **Risk Management Policy**
- **Workplace Health and Safety Risk Policy**
- **Diversity Policy**
- **Code of Conduct**

These policies are available on the MQA website and form part of our overarching risk management framework in accordance with Principle 7 of our Corporate Governance Statement.

In this document we outline MQA's approach to managing ESR. MQA's governance responsibilities and policies are covered in our Corporate Governance Statement.

For more information, visit our website at www.macquarieatlasroads.com/corpgov

Stakeholder engagement

At MQA, we regularly engage with a broad range of stakeholders who are involved in, or impacted by, our business. Key stakeholders include our co-investors, portfolio company employees, governments and regulators, securityholders and the wider community in which our portfolio assets operate. Clear dialogue with these stakeholders is important in building strong relationships, maintaining trust and enhancing our business performance for the long term.

For example, as an infrastructure owner and operator, establishing effective communications with governments and regulators is key for MQA and our portfolio companies. In addition to maintaining compliance with regulatory and contractual requirements, we regularly confer with governments and regulators on the implementation of these requirements as well as on any new projects, improvements and/or policy changes.

The Manager's approach to ESR

The day-to-day management and administration of MQA is delegated to the Manager under the management and advisory agreements. The Manager, as part of Macquarie Asset Management, a division within the Macquarie Group, is also committed to strong corporate governance and environmental and social responsibility through a range of policies. It adopts rigorous risk management frameworks and complies with recommendations and research by established organisations who work globally to set benchmarks and standards for risk assessment, risk management and reporting – including the United Nations Principles for Responsible Investment (UNPRI), to which Macquarie Asset Management is a signatory, as well as the International Finance Corporation's Environmental and Social Performance Standards and Environmental, Health and Safety Guidelines.

Since 2010, Macquarie Group has maintained its commitment to carbon neutrality by reducing and offsetting emissions from its office energy use and business air travel.[1] Macquarie Group and MQA's headquarters at 50 Martin Place in Sydney has also been awarded a 6 Star Green Star Rating,[2] demonstrating the Group's global commitment to sustainability.

Refer to the Macquarie Group website: www.macquarie.com/esg

Macquarie Group staff working on behalf of MQA also volunteer and contribute their time, expertise and finances to community organisations through the Macquarie Group Foundation. The Foundation has raised over A$270 million since its inception through staff payroll giving, fundraising and Foundation matching.

Further information can be found on Macquarie Group's website at www.macquarie.com/foundation

ESR-related regulatory requirements

We are not aware of any material breaches of relevant ESR-related regulatory standards by MQA's assets during the year ended 31 December 2016.

1 Macquarie offsets scope 2 and scope 3 emissions for corporate offices, data centres, base building and air travel.
2 6 Star GreenStar Design and As Built rating, Green Building Council of Australia.
Photo: Gilles Leimdorfer

MQA's Environmental and Social Responsibility Management Report can be viewed on MQA's website at:
www.macquarieatlasroads.com/esr

MQA's ESR focus areas:

1 Commitment to safety

In 2016, road users travelled approximately 23.5 billion kilometres across MQA's portfolio assets. Their safety, and that of our staff, is paramount. As co-owners in these companies we encourage good governance practices which minimise the risk of injury to both the customers and staff.

We aim to invest in asset companies that put health and safety first and are committed to promoting a 'zero harm' culture across the employment of staff, use of contractors, interaction with the public, control of premises, provision of services and in compliance with all relevant regulatory and legal obligations.

The workplace health and safety performance for each of MQA's portfolio companies is reported to the MQA Boards regularly, with any major incidents reportable within 48 hours of occurrence.

Portfolio asset case studies

APRR's emergency call smartphone application, SOS AUTOROUTE, covers nearly 60% of the French motorway network and provides essential emergency information and GPS tracking to users. As at 31 December 2016 it had been downloaded by over 550,000 customers.

The Dulles Greenway was constructed to optimise safety for its commuters with wide separations between oncoming traffic and no at-grade intersections. It strives to continuously exceed the minimum maintenance requirements under the Virginia Department of Transport (VDOT), which are submitted annually, improving its safety records.

Photos: Xavier Chabert (L) / Nicolas Robin (R)

❷ Minimising our environmental impact

Actively reducing the impact of our portfolio roads on the surrounding environment over the long term is a key focus for MQA and our portfolio companies.

We promote the effective management of each road to facilitate optimal route planning and timing for our users, with the aim of reducing traffic congestion, fuel consumption and hence atmospheric pollution and greenhouse gas emissions.

Each portfolio company has also developed eco-friendly policies and initiatives focused on identifying and minimising any negative environmental impact throughout the design, construction, and ongoing operations of each asset. These policies aim to preserve the surrounding water resources, fauna and flora at each road, and to reduce the impact of noise, visual and environmental pollution.

Portfolio asset case studies

APRR promotes carpooling by setting up 'car-pool' car parks at the entrance of motorways, in partnership with local authorities. Discounted ETC tags are offered to customers using electric vehicles for the first two years, and to customers making at least four carpooling journeys each month using iDVroom. AREA has also carried out dynamic carpooling trials with iDVroom along the A43, a very busy road in the east of Lyon.

At the Dulles Greenway, Toll Road Investors Partnership II, L.P. (TRIP II) has implemented diversion dikes, silt fences, sediment traps, and vegetative soil stabilisation to reduce the possibility of major sediment problems and erosion around the Dulles Greenway. 149 acres of new wetlands have been established around the Dulles Greenway, a 2:1 replacement ratio for wetlands forested during its construction, and a 1.5:1 replacement ratio for emergent wetlands.

❸ Employee engagement and diversity

MQA does not directly employ its own staff, other than non-executive directors. However, the commitment and wellbeing of both our corporate employees and the employees of our portfolio companies is important for the effective performance of MQA and our portfolio companies.

All our corporate employees are provided by the Manager under the management agreements. MQA has an international portfolio of complex road assets and its effective management requires geographically diverse, high-calibre, global expertise which the Manager provides.

At our portfolio companies, MQA-appointed board representatives support the implementation of appropriate diversity, equality and employee engagement policies to the extent that they are able to under co-ownership arrangements, including the employment and representation of women across all levels of the company.

We also adopt a Diversity Policy at the MQA Boards and management levels through consultation with the Manager. Details of our progress are provided in MQA's Corporate Governance Statement.

Portfolio asset case studies

APRR has been named 'Best Employer 2017' in France by the business weekly magazine *Capital* within the transport sector, ranking 4th overall across all French employers. These rankings are based on an independent study of 20,000 employees from 2,100 companies of 500+ employees. APRR has adopted a series of diversity and equality benchmarks, including a company-wide employee target of 50% female representation by 2018.

Warnow Tunnel has implemented a publicly available Code of Ethics based on principles of mutual respect and trust with no appetite for any type of discrimination. It undertakes to operate a fair staffing policy that is compliant with legal requirements. The average length of service of all employees is nine years, with many serving over 13 years in the company since 2003 when the tunnel commenced operations.

4 Supporting local communities

We recognise the major role and long-term impact of infrastructure assets on local communities in the regions in which they operate. In addition to compliance with the relevant laws and regulations, we seek to ensure our portfolio companies constantly pay attention and respond to community needs, and support and build strong relationships with these communities.

This is achieved primarily through ensuring our portfolio company customers continue to benefit from the good service, operations, and time efficiencies provided by our roads. Our asset companies also support local communities through donations, sponsorships and partnerships.

Portfolio asset case studies

APRR received customer satisfaction ratings above 95% in 2016, consistent with recent years. These ratings covered many major components of the motorway's service including traffic information, safety, road maintenance, cleanliness and the quality of rest or service areas.

Both the Dulles Greenway and M6 Toll hold annual 'Drive for Charity' campaigns where toll proceeds from the day are collected and distributed to charitable and not-for-profit organisations, providing assistance and services to the local communities.

In 2016 US$331,595 was donated at the Dulles Greenway to support six local organisations and 15 local scholarships through the tolls collected and the assistance of Dulles Greenway sponsors within the local business community. This was a record result, up 26% over the last four years, bringing the total amount raised through the event over the past decade to US$2.7 million. At the M6 Toll, over £77,000 was donated in 2016 to local charities and community projects.

5 Harnessing technology

At MQA, we are keenly aware of the benefits of leveraging technology across our corporate business and portfolio operations. Advances in technology can bring significant benefits to the performance and level of service achieved at MQA's portfolio companies, both in providing a better customer experience as well as in improving productivity and reducing costs. However, we are also aware that with these benefits lies the potential for risks, such as cybersecurity, privacy and data protection risks, which can have reputational, regulatory and economic impacts on our business and our customers.

Accordingly, through both the Manager and MQA-appointed board representatives, we are committed to ensuring our portfolio companies adequately understand the cyber risks and opportunities facing their operations and have in place the appropriate privacy, data and cybersecurity management protocols.

Portfolio asset case studies

APRR continues to adopt technology advances through the increasing automation of its toll collection over recent years. In 2016, the rate of electronic toll collection (ETC) transactions alone exceeded 55%, with non-cash payments exceeding 97%. This has greatly improved customer service by reducing waiting times and by absorbing increased traffic at peak times. This automation also allows for the reduction of employee night shifts to those strictly necessary for security purposes.

APRR conducted a risk analysis in 2015 regarding cybersecurity/protection of its storage systems and computer data, with 90% of recommendations already implemented to date. All processing of personal data is declared to the CNIL (the French National Data Protection Commission) and complies with requirements in terms of encryption, record storage and anonymity.

The M6 Toll maintains high standards in relation to cybersecurity and data protection, with detailed policies in place. The company is PCI-DSS level 1 compliant, and is externally audited by a PCI-DSS accredited auditor each year. Regular vulnerability and penetration testing is performed to ensure the integrity of the M6 Toll systems.

Macquarie Atlas Roads

Financial report

for the year ended 31 December 2016

This report comprises:
Macquarie Atlas Roads International Limited and its controlled entities
Macquarie Atlas Roads Limited and its controlled entities

Contents

Directors' Reports

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016.

AASB 3 Business Combinations and *AASB 10 Consolidated 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 also submit the following report for the MARL Group for the year ended 31 December 2016.

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

Directors

The following persons were directors of MARIL during the whole of the year and up to the date of this report:

- Jeffrey Conyers (Chairman)
- James Keyes
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of MARL during the whole of the year and up to the date of this report:

- Nora Scheinkestel (Chairman)
- Marc de Cure
- Richard England
- John Roberts

Operating and financial review

Principal activities

The principal activity of the Group and the MARL Group (together the "Groups") is to invest in infrastructure assets in Organisation for Economic Co-operation and Development ("OECD") and OECD equivalent countries; and non-infrastructure assets where ancillary to a major infrastructure investment but with the current focus on toll road investments, both greenfield and mature. Other than as disclosed elsewhere in these reports, there were no significant changes in the nature of the Groups' activities during the year.

Distributions

Distributions paid to securityholders during the financial year were as follows:

	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Distribution of 9.0 cents per stapled security ("cps") paid on 30 September 2016*	47,712	–
Distribution of 9.0 cps paid on 31 March 2016**	46,573	–
Distribution of 10.0 cps paid on 30 September 2015***	–	51,748
Distribution of 6.0 cps paid on 31 March 2015****	–	30,692
	94,285	82,440

All of the distributions were paid in full by MARIL.

* Comprised a capital return of 8.7 cps and an ordinary dividend of 0.3 cps.

** Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

*** Comprised a capital return of 9.3 cps and an ordinary dividend of 0.7 cps.

**** Comprised a capital return of 4.7 cps and an ordinary dividend of 1.3 cps.

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		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Income from operations	70,647	2,212	4,477	918
Operating expenses from operations	(167,741)	(30,442)	(17,964)	(4,794)
Share of net profit of investments accounted for using the equity method	329,976	113,317	144,233	30,381
Income tax expense	(7,773)	(5)	(7,768)	–
Profit from operations after income tax	225,109	85,082	122,978	26,505
Profit/(loss) attributable to:				
Equity holders of the parent – MARIL	102,131	58,577	–	–
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)	122,978	26,505	122,978	26,505
Stapled securityholders	225,109	85,082	122,978	26,505
	Cents	Cents	Cents	Cents
Profit per MQA stapled security	43.15	16.53	23.57	5.15

MQA's share of the results of its non-controlled toll road assets are disclosed as share of net profits of investments accounted for using the equity method.

MQA's profit after tax for the year ended 31 December 2016 was $225.1 million (2015: $85.1 million). The movement in results for the year reflects the following significant items:

- Income from operations of $70.6 million (2015: $2.2 million) has increased primarily due to the reversal of the provision of impairment relating to MQA's investment in Dulles Greenway amounting to $67.4 million (2015: $nil).
- Operating expenses of $167.7 million (2015: $30.4 million) have increased mainly due to an increase in Manager's and Adviser's base fees and performance fees to $163.5 million (2015: $25.9 million). This reflects base fees of $29.4 million (2015: $25.9 million) and all three instalments of the 2016 performance fee of $44.7 million each, the first of which became payable at 30 June 2016 and settled in September 2016. Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is anticipated that the second and third instalments will become payable, subject to further performance conditions. Accounting standards require these instalments to be recognised this year and as such are included in operating expenses.
- Share of net profit of investments accounted for using the equity method of $330.0 million (2015: $113.3 million), primarily comprising:
  - i APRR profit of $193.9 million (2015: $95.1 million) reflecting improved operational performance, reduction in finance cost and a favourable tax rate change resulting in reduced deferred tax liabilities;
  - ii Dulles Greenway loss of $9.5 million (2015: $14.3 million);
  - iii Proceeds of $145.5 million (2015: $nil) relating to the sale of Skyway Concession Company LLC ("SCC"); and
  - iv No proceeds relating to the sale of ITR Concession Company Holdings LLC ("ITRCCH") received during the year (2015: $32.3 million).
- An estimated tax expense of $7.8 million on the distribution proceeds relating to the sale of SCC (2015: $nil).

Significant changes in state of affairs

Sale of Chicago Skyway

On 25 February 2016, the sale of SCC was completed and a distribution receivable of US$103.9 million ($145.5 million) was recorded. Subsequently on 10 March 2016, MQA received US$103.9 million ($137.3 million at date of receipt) in cash proceeds. The cash was held in US$ at 31 December 2016, so foreign exchange differences are solely translational.

These proceeds are subject to estimated tax expense of US$1.5 million ($2.0 million) for United States Federal Income Tax and US$4.2 million ($5.8 million) for State of Illinois Income Tax. United States Federal Income Tax totalling US$1.5 million ($2.0 million) was paid in four instalments during the year.

Additional consideration for acquisition of stake in APRR

On 31 January 2016 it was published in the Journal officiel de la République française (French Republic Official Journal) that an amendment had been made to the APRR concession contract whereby the Tunnel Maurice Lemaire ("TML") concession has been merged with the APRR concession and TML's tolling schedule has been reduced. As a result, the APRR concession maturity including TML has been extended by 10 months to 30 November 2035. As a result of such extension, MQA paid final contingent consideration of €0.7 million ($1.1 million) in March 2016 relating to the July 2014 purchase of a 1.41% interest in Macquarie Autoroutes de France 2 SA.

Significant changes in state of affairs CONTINUED

Reduction in base fee

On 4 July 2016 MQA announced that notification had been received from MFA that commencing 1 July 2016, and for subsequent quarters until further notice, MFA would revise the base management fee arrangement replacing fee waivers notified previously. The base management fee rate payable has been reduced to a flat 1.00% per annum for all market capitalisations. Base management fee rates payable are:

Market capitalisation	Revised fee arrangement*	Initial fee arrangement**	Original contract
Up to $1 billion	1.00%	1.75%	2.00%
Over $1 billion and up to $3 billion	1.00%	1.00%	1.25%
Over $3 billion	1.00%	1.00%	1.00%

* For the period after 1 July 2016 until further notice.
** For the period from 1 January 2014 to 30 June 2016.

Acquisition of additional stake in ADELAC

MQA's indirect interest in ADELAC (held through its associate Macquarie Autoroutes de France 2 SA) increased from 10.04% to 19.74% in November 2016. This did not require any direct funding contribution from MQA. ADELAC is a 19.6 kilometre commuter road between Annecy in eastern France and Geneva in Switzerland and forms part of the APRR concession.

Impairment reversal for investment in Dulles Greenway

The impairment booked in December 2011 for MQA's interest in Toll Road Investors Partnership II LP ("TRIP II"), the concessionaire for Dulles Greenway, has been reversed as the overall service potential of the asset has increased, resulting in the recoverable amount of the asset exceeding its carrying value. The amounts of reversal are $67.4 million for MQA and $3.4 million for the MARL Group representing the original amount of impairment booked in 2011. The recoverable amount has been determined on a value in use basis and has been adjusted to reflect updated assumptions with regard to the amount and timing of future cash flows, as well as the discount rate used to discount those cash flows resulting in an increase in service potential. The current carrying values represent the equity accounted balance had the impairment not been booked in December 2011. On 23 February 2017, MQA announced its intention to acquire the remaining 50% economic interest in Dulles Greenway for an acquisition price of US$445.0 million, which when completed will be indicative of the fair value of MQA's current holding.

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

Likely developments and expected results of operations

No change is contemplated to the principal activities stated on page 28. Comments on the expected outlook for MQA are included in the annual report within the letter from the Chairpersons and Chief Executive Officer.

Events occurring after balance sheet date

On 23 February 2017, MQA announced that it will exercise its pre-emptive right and sign a purchase agreement to acquire the remaining 50% economic interest in the Dulles Greenway for US$445.0 million. Financial close is expected during the first half of 2017.

Indemnification and insurance of officers and auditors

During the year, MARL paid premiums of $139,635 and MARIL paid premiums of $135,555 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 constitutions and 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.

Rounding of amounts in the Directors' Reports and the Financial Reports

The Groups are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that Instrument, 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 13/1050 and ASIC corporations (Stapled Group Reports) Instrument 2015/838.

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 Bermudan entity, and consequently information is not provided for MARIL.

Information on MARL Directors

	Experience and directorships	Special responsibilities	Particulars of director's interests in MQA stapled securities as at 31 Dec 2016	31 Dec 2015
Nora Scheinkestel LLB (Hons), PhD, FAICD Independent Non-Executive Chairman	**Experience:** Nora Scheinkestel is an experienced company director and adviser, having served as chairman and director on a number of public and private sector boards spanning a wide range of industry sectors for over 20 years. With a background as a senior banking executive in international and project financing, she also consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance. **Other current listed company directorships:** Macquarie Atlas Roads International Limited, Telstra Corporation Limited, Stockland Property Group and AusNet Services Limited. **Former listed company directorships in last 3 years:** Orica Limited and Insurance Australia Group Limited.	Chairman of Board and Nomination and Governance Committee	**64,987**	58,603
Marc de Cure BCom (Hons) MWQ FCA Independent Non-Executive Director	**Experience:** Marc de Cure is a company director and adviser. His former executive roles include Group Chief Financial Officer of American International Assurance Company Ltd in Hong Kong, 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. He was a Principal Adviser to Bain & Company and a senior partner and practice leader at PricewaterhouseCoopers. **Other current listed company directorships:** None. **Former listed company directorships in last 3 years:** None.	Chairman of Remuneration Committee	–	–
Richard England FCA MAICD Independent Non-Executive Director	**Experience:** Richard England is a former partner of Ernst & Young (Australia) where he was national director of the Corporate Recovery and Insolvency practice. Richard has more than 20 years' experience as a non-executive director and Chairman of multiple ASX listed and unlisted companies across the financial services, banking, healthcare and insurance industries. **Other current listed company directorships:** QANTM Intellectual Property Limited, Nanosonics Limited and Japara Healthcare Limited. **Former listed company directorships in last 3 years:** Ruralco Holdings Limited, Chandler McLeod Group Limited (de-listed in April 2015).	Chairman of Audit and Risk Committee	**40,000**	40,000
John Roberts LLB Non-Executive Director	**Experience:** John Roberts is a Consultant to Macquarie and Non-Executive Chairman of Macquarie Infrastructure and Real Assets ("MIRA") (a division of the Macquarie Asset Management Group) which has approximately $136.6 billion of assets under management. John was employed by the Macquarie Group for over 22 years, during which time he held various roles within the organisation, including Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds (now MIRA). **Other current listed company directorships:** Sydney Airport Limited. **Former listed company directorships in last 3 years:** DUET Group.	–	**46,108**	46,108

MARL Company Secretaries

The Company Secretary of MARL is Christine Williams, an Executive Director of Macquarie Group Limited and Global Head of Legal for MIRA which she joined in 1998. She is a practising solicitor with over 35 years of governance and transactional legal experience. She has also performed company secretarial roles for various listed property and infrastructure funds for the past 24 years.

Lyndal Coates was appointed as dual Company Secretary of MARL on 30 November 2016. She joined MIRA in 2009 and has over 15 years of governance and company secretarial experience.

Meetings of MARL Directors

The number of meetings of the MARL board of directors, Audit and Risk Committee, Nomination and Governance Committee and Remuneration Committee held during the year ended 31 December 2016, and the numbers of meetings attended by each director were:

	Board		Audit and Risk Committee		Nomination and Governance Committee		Remuneration Committee	
MARL Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Nora Scheinkestel	11	11	5	5	3	3	N/A	N/A
Marc de Cure	11	11	5	5	3	3	3	3
Richard England	11	11	5	5	3	3	3	3
John Roberts	11	11	N/A	N/A	3	3	3	3

MARL Remuneration Report (audited)

Under the Corporations Act it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, the remuneration report that appears below is only for MARL, and only MARL securityholders participate in a non-binding vote in respect of it. Detail on MARIL and MQA as a whole has been included in the Annual Report for good corporate governance, however they are not required to prepare a remuneration report.

The MARL 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 Reports and have been audited.

The information provided in this MARL 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

The remuneration paid to directors is determined by reference to 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 2016 non-executive directors were entitled to directors' fees per the remuneration table on page 34.

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 2016 Director's fees* $	Year ended 31 Dec 2015 Director's fees $
MARL Non-executive Directors		
Nora Scheinkestel (Chairman)**	**197,500**	167,363
Marc de Cure	**141,250**	125,000
Richard England	**152,500**	140,000
John Roberts***	**132,500**	88,255
David Walsh****	–	54,890
	623,750	575,508

* Increase in Directors' fees effective 1 July 2016. For further details refer to the MQA Remuneration Report included in the Annual Report.
** Appointed as Chairman on 17 April 2015.
*** Previously paid by the Macquarie Group; since 17 April 2015 paid by MARL.
**** Resigned as Chairman and as a director on 17 April 2015.

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 service.

Service agreements

Remuneration for the directors is formalised in appointment letters. Upon termination of the appointment letters, 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 appointment letter and the constitution of MARL.

Loans to directors

There were no loans to directors.

Share options granted to directors

No options over unissued ordinary securities of MQA exist or were granted to directors at 31 December 2016.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 32.

MARL non-audit services (audited)

The MARL Group has an auditor independence policy which precludes the auditors from performing certain services. This ensures that the audit firm does not assume the role of management, become an advocate for their own client, audit their own professional expertise or create a mutual or conflicting interest between the audit firm and MQA. When permissible by this policy, 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. Refer to Note 5 for details of all audit and non-audit services provided by the auditor during 2016.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out on page 35.

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 undermines 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 Group	
	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Other services		
PricewaterhouseCoopers (Australian firm)	**15,007**	15,039
Total	**15,007**	15,039

Audit services of $217,120 were provided during the year (2015: $226,627).

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 36.

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

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

22 February 2017

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

22 February 2017

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

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia

23 February 2017

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia

23 February 2017

Auditor's Independence Declaration

pwc

As lead auditor for the audits of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited for the year ended 31 December 2016, 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* (as applicable) in relation to the audits; and

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

This declaration is in respect of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited and the entities they controlled during the period.

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
23 February 2017

PricewaterhouseCoopers ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000 F: +61 2 8266 9999 www.pwc.com.au

Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2016

		MQA		MARL Group	
	Note	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Income from operations					
Income	2(i)	**3,274**	2,212	**1,035**	918
Other income from operations	9(b)	**67,373**	–	**3,442**	–
Total income from operations	2(i)	**70,647**	2,212	**4,477**	918
Operating expenses from operations					
Operating expenses	2(ii)	**(167,741)**	(30,442)	**(17,964)**	(4,794)
Total operating expenses from operations		**(167,741)**	(30,442)	**(17,964)**	(4,794)
Share of net profits of investments accounted for using the equity method	9(b)	**329,976**	113,317	**144,233**	30,381
Profit from operations before income tax		**232,882**	85,087	**130,746**	26,505
Income tax expense	4	**(7,773)**	(5)	**(7,768)**	–
Profit for the year		**225,109**	85,082	**122,978**	26,505
Profit attributable to:					
Equity holders of the parent entity – MARIL		**102,131**	58,577	–	–
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)		**122,978**	26,505	**122,978**	26,505
Stapled securityholders		**225,109**	85,082	**122,978**	26,505
Other comprehensive income					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**13,580**	26,293	**305**	3,880
Other comprehensive income for the year, net of tax		**13,580**	26,293	**305**	3,880
Total comprehensive income for the year		**238,689**	111,375	**123,283**	30,385
Total comprehensive income attributable to:					
Equity holders of the parent entity – MARIL		**115,406**	80,990	–	–
Equity holder of other stapled entity – MARL (as non-controlling interest/parent entity)		**123,283**	30,385	**123,283**	30,385
Stapled securityholders		**238,689**	111,375	**123,283**	30,385
Profit per share attributable to MARIL/MARL shareholders					
Basic and diluted profit per share attributable to:		**Cents**	Cents	**Cents**	Cents
MARIL (as parent entity)	16	**19.58**	11.38	–	–
MARL (as non-controlling interest)	16	–	–	**23.57**	5.15
Profit per MQA stapled security		**43.15**	16.53	**23.57**	5.15

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 2016

		MQA		MARL Group	
	Note	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Current assets					
Cash	6	**223,367**	65,381	**204,129**	48,137
Receivables and other assets	7	**728**	18,073	**83**	17,318
Prepayments	8	**126**	128	**61**	57
Total current assets		224,221	83,582	204,273	65,512
Non-current assets					
Cash not available for use	6	**1,735**	1,773	–	–
Investments accounted for using the equity method	9	**950,912**	807,969	**19,972**	16,448
Total non-current assets		952,647	809,742	19,972	16,448
Total assets		1,176,868	893,324	224,245	81,960
Current liabilities					
Payables and provisions	11	**(59,181)**	(28,366)	**(11,898)**	(3,302)
Total current liabilities		(59,181)	(28,366)	(11,898)	(3,302)
Non-current liabilities					
Provisions	11	**(44,689)**	–	**(4,337)**	–
Total non-current liabilities		(44,689)	–	(4,337)	–
Total liabilities		(103,870)	(28,366)	(16,235)	(3,302)
Net assets		1,072,998	864,958	208,010	78,658
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	12	**1,323,651**	1,355,890	–	–
Reserves	13	**58,378**	45,404	–	–
Accumulated losses	14	**(517,041)**	(614,994)	–	–
MARIL securityholders' interest		864,988	786,300	–	–
Equity attributable to other stapled securityholders – MARL					
Contributed equity	12	**213,245**	207,024	**213,245**	207,024
Reserves	13	**(7,131)**	(7,284)	**(7,131)**	(7,284)
Accumulated income/(losses)	14	**1,896**	(121,082)	**1,896**	(121,082)
Other stapled securityholders' interest		208,010	78,658	208,010	78,658
Total equity		1,072,998	864,958	208,010	78,658

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

As required by Bermuda regulations, the MQA financial information was approved by the Macquarie Atlas Roads International Limited ("MARIL") board of directors on 22 February 2017 and was signed on MARIL's behalf by:

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2016

MQA

	Attributable to MARIL securityholders					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Attributable to MARL security-holders $'000	Total MQA equity $'000
Total equity at 1 January 2016	1,355,890	45,404	(614,994)	**786,300**	**78,658**	**864,958**
Profit for the year	–	–	102,131	**102,131**	**122,978**	**225,109**
Exchange differences on translation of foreign operations	–	13,275	–	**13,275**	**305**	**13,580**
Total comprehensive income	–	13,275	102,131	**115,406**	**123,283**	**238,689**
Transactions with equity holders in their capacity as equity holders:						
Application of performance fees to subscription for new securities	57,868	–	–	**57,868**	**6,221**	**64,089**
Other equity transactions	–	(301)	–	**(301)**	**(152)**	**(453)**
Capital return*	(90,107)	–	–	**(90,107)**	–	**(90,107)**
Dividends paid*	–	–	(4,178)	**(4,178)**	–	**(4,178)**
	(32,239)	(301)	(4,178)	**(36,718)**	**6,069**	**(30,649)**
Total equity at 31 December 2016	1,323,651	58,378	(517,041)	**864,988**	**208,010**	**1,072,998**

* On 30 September 2016, MQA paid a distribution of 9.0 cents per security ("cps"), comprising a capital return of 8.7 cps and an ordinary dividend of 0.3 cps. On 31 March 2016, MQA paid a distribution of 9.0 cps, comprising a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

	Attributable to MARIL securityholders					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Attributable to MARL security-holders $'000	Total MQA equity $'000
Total equity at 1 January 2015	1,410,130	22,991	(657,029)	776,092	46,801	822,893
Adjustment in the opening accumulated losses on account of IFRIC 21	–	–	(6,270)	(6,270)	–	(6,270)
Profit for the year	–	–	58,577	58,577	26,505	85,082
Exchange differences on translation of foreign operations	–	22,413	–	22,413	3,880	26,293
Total comprehensive income	–	22,413	52,307	74,720	30,385	105,105
Transactions with equity holders in their capacity as equity holders:						
Application of performance fees to subscription for new securities	17,928	–	–	17,928	1,472	19,400
Capital return**	(72,168)	–	–	(72,168)	–	(72,168)
Dividends paid**	–	–	(10,272)	(10,272)	–	(10,272)
	(54,240)	–	(10,272)	(64,512)	1,472	(63,040)
Total equity at 31 December 2015	1,355,890	45,404	(614,994)	786,300	78,658	864,958

** On 30 September 2015, MQA paid a distribution of 10.0 cps, comprising a capital return of 9.3 cps and an ordinary dividend of 0.7 cps. On 31 March 2015, MQA paid a distribution of 6.0 cps, comprising a capital return of 4.7 cps and an ordinary dividend of 1.3 cps.

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

Consolidated Statements of Changes in Equity CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2016

MARL Group

	Attributable to MARL securityholders			
	Contributed equity $'000	**Reserves $'000**	**Accumulated (losses)/income $'000**	**Total MARL Group equity $'000**
Total equity at 1 January 2016	207,024	(7,284)	(121,082)	**78,658**
Profit for the year	–	–	122,978	**122,978**
Exchange differences on translation of foreign operations	–	305	–	**305**
Total comprehensive income	–	305	122,978	**123,283**
Transactions with equity holders in their capacity as equity holders:				
Application of performance fees to subscription for new securities	6,221	–	–	**6,221**
Other equity transactions	–	(152)	–	**(152)**
	6,221	(152)	–	**6,069**
Total equity at 31 December 2016	213,245	(7,131)	1,896	**208,010**

	Attributable to MARL securityholders			
	Contributed equity $'000	Reserves $'000	Accumulated (losses)/income $'000	Total MARL Group equity $'000
Total equity at 1 January 2015	205,552	(11,164)	(147,587)	46,801
Profit for the year	–	–	26,505	26,505
Exchange differences on translation of foreign operations	–	3,880	–	3,880
Total comprehensive income	–	3,880	26,505	30,385
Transactions with equity holders in their capacity as equity holders:				
Application of performance fees to subscription for new securities	1,472	–	–	1,472
	1,472	–	–	1,472
Total equity at 31 December 2015	207,024	(7,284)	(121,082)	78,658

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 2016

	Note	MQA Year ended 31 Dec 2016 $'000	MQA Year ended 31 Dec 2015 $'000	MARL Group Year ended 31 Dec 2016 $'000	MARL Group Year ended 31 Dec 2015 $'000
Cash flows from operating activities					
M6 Toll management fees received		**1,419**	1,494	–	–
Interest received		**1,346**	712	**1,022**	1,206
Net indirect taxes received		**316**	204	**308**	195
Other income received		**265**	375	–	–
Manager's and adviser's base fees paid		**(30,374)**	(24,726)	**(3,155)**	(2,015)
Payments to suppliers and employees (inclusive of GST/VAT)		**(4,296)**	(3,533)	**(2,506)**	(1,715)
Estimated US Alternative Minimum Tax ("AMT") received/(paid) on distribution proceeds received from sale of ITR Concession Company Holdings LLC ("ITRCCH")		**17,776**	(16,242)	**17,776**	(16,242)
Income taxes paid		**(2,028)**	(7)	**(2,023)**	–
Net cash flow from operating activities	17	**(15,576)**	(41,723)	**11,422**	(18,571)
Cash flows from investing activities					
Distribution proceeds received from sale of Skyway Concession Company LLC ("SCC")		**137,347**	–	**137,347**	–
Principal and interest received from preferred equity certificates issued by Macquarie Autoroutes de France 2 SA		**124,844**	130,279	–	–
Distribution from ITRCCH		**225**	32,284	**225**	32,284
Payment for purchase of investments		**(1,082)**	(3,808)	–	–
Net cash flow from investing activities		**261,334**	158,755	**137,572**	32,284
Cash flows from financing activities					
Capital return		**(90,107)**	(72,168)	–	–
Dividends paid		**(4,178)**	(10,272)	–	–
Loans advanced to related parties		–	–	–	(10,000)
Repayment of loans from related parties		–	–	**596**	14,552
Net cash flow from financing activities		**(94,285)**	(82,440)	**596**	4,552
Net increase in cash		**151,473**	34,592	**149,590**	18,265
Cash and cash equivalents at the beginning of the year		**65,381**	30,116	**48,137**	28,884
Effects of exchange rate movements on cash		**6,513**	673	**6,402**	988
Cash at the end of the year	6	**223,367**	65,381	**204,129**	48,137
Cash not available for use at the beginning of the year		**1,773**	1,763	–	–
Effects of exchange rate movements on cash not available for use		**(38)**	10	–	–
Cash not available for use at the end of the year	6	**1,735**	1,773	–	–
Non-cash financing and investing activities	12	**64,089**	19,400	**6,221**	1,472

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

Notes to the Financial Reports

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Summary of significant accounting policies

The significant policies which have been adopted in the preparation of these Financial Reports are stated to assist in a general understanding of these general purpose Financial Reports. These policies have been consistently applied to all periods presented, unless otherwise stated.

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

(a) Basis of preparation

These general purpose Financial Reports for the reporting year ended 31 December 2016 have 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 Reports.

As permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838, these reports consist of the Financial Report 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 Financial Report of MARL and the entities it controlled at the end of and during the year (collectively referred to as the "MARL Group"). The Group and the MARL Group are collectively referred to as "the Groups".

The Financial Reports were authorised for issue by the directors of the MARIL and the MARL Boards on 22 February 2017 and 23 February 2017 respectively. The Boards have the power to amend and reissue the Financial Reports.

Going concern

Management forecasts indicate that MQA will be able to meet its liabilities as and when they become due and payable (including current performance fees).

Compliance with International Financial Reporting Standards ("IFRS")

Compliance with Australian Accounting Standards ensures that the Financial Reports comply with IFRS as issued by the International Accounting Standards Board ("IASB"). Consequently, these Financial Reports have also been prepared in accordance with and comply with IFRS as issued by the IASB.

Historical cost convention

These Financial Reports have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities (including derivative 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.

Reclassifications

Certain prior year amounts in the Financial Reports and accompanying notes have been reclassified to conform to the current year presentation. The reclassifications had no effect on previously reported consolidated total assets, total liabilities, comprehensive income or shareholders' equity.

(b) Consolidated accounts and stapling arrangements

AASB 3 Business Combinations and *AASB 10 Consolidated 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 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 Report of MQA should be read in conjunction with the separate Financial Report of the MARL Group presented in these reports for the year ended 31 December 2016.

(c) Principles of consolidation

As per *AASB 10 Consolidated Financial Statements*, the Groups control an entity when the Groups are exposed to, or have the right to, variable returns from involvement with the entity and have the ability to affect those returns through power over the entity.

The Financial Report of MQA incorporates the assets and liabilities of the entities controlled by MARIL for the year ended 31 December 2016, 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 Financial Report of the MARL Group incorporates the assets and liabilities of the entities controlled by MARL for the year ended 31 December 2016. The effects of all transactions between entities in the consolidated entities are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and the Statement of Financial Position. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by 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 are exposed to, or have the right to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Groups.

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 deconsolidated 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' share 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' share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Groups' net investment 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' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Groups.

Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has, and the legal structure of the joint arrangement. The Groups have no joint operations and account for joint ventures using the equity method.

(d) Cash, cash equivalents and cash not available for use

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. Cash not available for use is classified as a non-current asset (refer to Note 6).

1 Summary of significant accounting policies CONTINUED

(e) Impairment of assets and reversal of impairment

The carrying amount of non-controlled investments 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 costs of disposal 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. Periodically, 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.

An impairment loss is generally reversed if the recoverable amount of an investment is more than its carrying value. *AASB 136 Impairment of Assets* states that impairment losses shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the estimated service potential of the asset has increased. The impairment loss is not reversed just because of the passage of time, even if the recoverable amount of the asset becomes higher than its carrying value.

(f) Performance fees

A performance fee is payable at 30 June each year in the event that the MQA security price outperforms its benchmark in that year after making up any carried forward underperformance. The performance fee is determined at 30 June and is payable in three equal annual instalments. The first instalment is payable immediately. The second and third instalments are payable on the first and second anniversaries of the calculation date if certain performance criteria are met.

Future potential performance fees relating to a performance fee period that has not yet concluded, and hence are contractually determined based on performance in the future, are accounted for in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*.

Any performance fee determined at 30 June is accounted for in accordance with AASB 137 until the instalment is no longer subject to future performance criteria, from which point the relevant instalment is recognised as a payable to the Adviser/Manager and accounted for as a liability in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. The liability is recognised at its fair value upon initial recognition. See Note 11 for further details.

(g) Transaction costs

Transaction costs related to a business combination are recognised in the profit or loss. Transaction costs arising on the issue of equity instruments are recognised directly in equity, and those arising on borrowings are netted with the liability and included in interest expense using the effective interest method.

(h) Distributions

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

(i) Revenue recognition

Interest income on cash and cash equivalents is recognised as it accrues in accordance with the effective interest method. 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.

(j) 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 Reports, 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 Financial Reports. 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.

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.

(k) Foreign currency translation

Functional and presentation currency

Items included in the Financial Reports 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 Financial Reports are presented in Australian Dollar, 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.

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 securityholders' 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.

1 Summary of significant accounting policies CONTINUED

(l) Prepayments

Prepayments recognised comprise costs incurred relating to future financial years.

(m) 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.

(n) 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.

(o) 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.

(p) Earnings per stapled security

Basic earnings per stapled security

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

Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by dividing the profit attributable to securityholders by the weighted average number of ordinary securities that would be issued on the exchange of all the dilutive potential ordinary securities into ordinary securities.

(q) GST and 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 or adjusted from the proceeds of securities issued. 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.

(r) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. 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.

(s) Critical accounting estimates and judgements

The preparation of the Financial Reports 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 Reports 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:

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 and reversal of impairment testing

In accordance with the accounting policy stated in Note 1(e) the carrying amount of non-controlled investments 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 test is performed and an impairment charge is taken against the carrying amount of the assets if the carrying amount 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. Once an impairment has been recorded this impairment is then monitored to assess if any reversal of impairment is required to reflect an increase in the service potential of the investment. Management have determined that the largest driver of service potential is the discount rate. Discount rates would need to increase by more than 50% from the current level in order for the recoverable amounts of assets to be below their 31 December 2016 carrying amounts.

Provision for performance fees

In accordance with the accounting policy stated in Note 1(f), to determine the probability of payment of performance fee instalments which are still subject to future performance criteria, an assessment of the level of outperformance is undertaken.

Control assessment

Control is assessed for all of the Groups' investments by applying *AASB 10 Consolidated Financial Statements*. The Groups control an entity when the Groups are exposed to, or have the right to, variable returns from its involvement with the entity and have the ability to affect those returns through its power over the entity. Judgement is used when assessing an investment for control. For further information refer to Note 1(c).

1 Summary of significant accounting policies CONTINUED

(t) Offsetting financial instruments

Financials assets and financial liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

(u) Derivative financial instruments

From time to time, the Groups enter into forward 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 or not derivatives are designated as hedges. If not, any changes in their fair value are recognised immediately in the Consolidated Statement of Comprehensive Income.

(v) 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 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement, derecognition of financial assets and financial liabilities and sets out new rules for hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The Groups are assessing the new standard's impact and currently do not anticipate a significant impact on the Groups' Financial Reports on initial application.

AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018)

The AASB issued *AASB 15 Revenue from Contracts with Customers*, which specifies how and when revenue is recognised, as well as requiring enhanced disclosures. When first applied, comparative information will need to be restated. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Groups are assessing the new standard's impact and currently do not anticipate a significant impact on the Groups' Financial Reports on initial application.

AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 Leases will replace *AASB 117 Leases*. It requires recognition of a right of use asset along with the associated lease liability where the entity is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Groups are assessing the new standard's impact and currently do not anticipate a significant impact on the Groups' Financial Reports on initial application.

(w) Parent entity financial information

The financial information for MARIL and MARL disclosed in Note 20 has been prepared on the same basis as the Financial Reports, 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 information 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 Reports.

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 consideration, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

(x) Presentation of Financial Reports

The Financial Reports for MARIL and MARL have been presented in this single document, pursuant to ASIC Class Order 13/1050 and ASIC corporations (Stapled Group Reports) Instrument 2015/838.

(y) Rounding of amounts

The Groups are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Financial Reports. Amounts in the Financial Reports have been rounded to the nearest thousand dollars in accordance with that ASIC Instrument, unless otherwise indicated.

2 Profit for the year

The profit from operations before income tax includes the following specific items of income and expense:

(i) Income

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Income:				
Interest income:				
Related parties	**1,361**	409	**1,022**	619
Other persons and corporations	–	303	–	303
Total interest income	**1,361**	712	**1,022**	922
Other income:				
M6 Toll management fee income	**1,333**	1,538	–	–
Warnow Tunnel fees	**265**	347	–	–
Net foreign exchange gain/(loss)	**315**	(385)	**13**	(4)
Total other income	**1,913**	1,500	**13**	(4)
Total income	**3,274**	2,212	**1,035**	918
Other income from operations				
Reversal of provision for impairment*	**67,373**	–	**3,442**	–
Total other income from operations	**67,373**	–	**3,442**	–
Total income from operations	**70,647**	2,212	**4,477**	918

* Refer to Note 9(b).

(ii) Operating expenses

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Cost of operations:				
Directors' fees	**1,090**	929	**625**	575
	1,090	929	**625**	575
Other operating expenses:				
Consulting and administration fees	**1,967**	2,535	**783**	1,605
Manager's and adviser's base fees	**29,441**	25,873	**2,923**	2,073
Manager's and adviser's performance fees**	**134,084**	–	**13,031**	–
Other expenses	**1,159**	1,105	**602**	541
Total other operating expenses	**166,651**	29,513	**17,339**	4,219
Total operating expenses	**167,741**	30,442	**17,964**	4,794

** Includes instalments anticipated to become payable in 2017 and 2018, contingent on meeting ongoing performance criteria. Refer to Note 11.

3 Distributions

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Distributions paid during the year				
Distribution paid on 30 September 2016*	**47,712**	–	–	–
Distribution paid on 31 March 2016**	**46,573**	–	–	–
Distribution paid on 30 September 2015***	–	51,748	–	–
Distribution paid on 31 March 2015****	–	30,692	–	–
Total distributions paid during the year	**94,285**	82,440	–	–

	Cents per stapled security	Cents per stapled security	**Cents per stapled security**	Cents per stapled security
Distributions paid during the year				
Distribution per security paid on 30 September 2016*	**9.0**	–	–	–
Distribution per security paid on 31 March 2016**	**9.0**	–	–	–
Distribution per security paid on 30 September 2015***	–	10.0	–	–
Ordinary dividend per security paid on 31 March 2015****	–	6.0	–	–
Total distributions paid during the year	**18.0**	16.0	–	–

All of the distributions were paid in full by MARIL.

* Comprised a capital return of 8.7 cps and an ordinary dividend of 0.3 cps.

** Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

*** Comprised a capital return of 9.3 cps and an ordinary dividend of 0.7 cps.

**** Comprised a capital return of 4.7 cps and an ordinary dividend of 1.3 cps.

4 Income tax expense

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

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
(a) Reconciliation of income tax expense to prima facie tax payable				
Profit from operations before income tax	**232,882**	85,087	**130,746**	26,505
Prima facie income tax on profit at the Australian tax rate of 30%	**69,865**	25,526	**39,224**	7,951
Impact of different tax rates of operations in jurisdictions other than Australia	**16,088**	9,113	**12,611**	3,076
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	**(20,212)**	–	**(1,033)**	–
Non-deductible expenditure	**3,356**	758	**3,359**	758
Share of net gain of investments accounted for using the equity method	**(98,993)**	(33,995)	**(43,270)**	(9,114)
Temporary differences not brought to account	**(574)**	4,601	**(483)**	(817)
Deferred tax asset on taxable losses not brought to account	**38,238**	(6,003)	**(2,640)**	(1,854)
Others	**5**	5	–	–
Aggregate income tax expense	**7,773**	5	**7,768**	–
(b) Income tax expense				
Aggregate income tax expense comprises:				
Current taxation expense	**7,773**	5	**7,768**	–
	7,773	5	**7,768**	–
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**231,836**	808,700	**230,874**	807,439
Potential tax benefit of unused tax losses	**88,794**	311,963	**88,554**	311,663

5 Remuneration of auditors

	MQA		MARL Group	
	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $	**Year ended 31 Dec 2016 $**	Year ended 31 Dec 2015 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**380,211**	365,811	**185,889**	198,411
Taxation services	**62,578**	52,000	**2,578**	–
Other assurance services	**117,169**	49,341	**12,429**	4,885
Other services	**–**	19,767	**–**	10,154
	559,958	486,919	**200,896**	213,450
Amounts paid or payable to network firms of PricewaterhouseCoopers for:				
Audit services	**153,976**	150,557	**31,231**	28,216
Taxation services	**18,004**	59,137	**–**	–
	171,980	209,694	**31,231**	28,216

6 Cash and cash not available for use

	MQA		MARL Group	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Current				
Cash at bank (a)	**223,367**	65,381	**204,129**	48,137
	223,367	65,381	**204,129**	48,137
Non-current				
Cash not available for use (b)	**1,735**	1,773	**–**	–
	1,735	1,773	**–**	–

(a) Cash at bank

During the year cash available for use is held in bank accounts earning money market rates of interest between nil% to 2.10% (2015: nil to 2.50%) per annum.

(b) Cash not available for use

This comprises cash-backed guarantees provided in relation to Warnowquerung GmbH & Co. KG ("WQG"), the owner of the Rostock Fixed Crossing Concession. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 19.

7 Receivables

	MQA		MARL Group	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Current				
Tax receivable	**–**	17,241	**–**	17,241
Receivables from related parties	**645**	761	**–**	10
GST and VAT recoverable	**83**	71	**83**	67
Total current receivables	**728**	18,073	**83**	17,318

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 19. The fair values of receivables approximate their carrying values.

8 Prepayments

	MQA		MARL Group	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Current				
Prepaid expenses	**126**	128	**61**	57
Total current prepayments	**126**	128	**61**	57

9 Investments accounted for using the equity method

	MQA		MARL Group	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Investment in associates and joint arrangement – equity method	**950,912**	807,969	**19,972**	16,448
	950,912	807,969	**19,972**	16,448

Information relating to associates and joint arrangements is set out below:

(a) Carrying amounts

			MQA			MARL Group		
Name of entity[1,2]	Country of incorporation/ principal place of business	Principal activity	Economic interest as at 31 Dec 2016 and 31 Dec 2015[3] %	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	Economic interest as at 31 Dec 2016 and 31 Dec 2015 %	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000
Macquarie Autoroutes de France 2 SA ("MAF2")	Luxembourg	Investment in toll road network located in the east of France (APRR)	**40.3**	**716,915**	661,219	–	–	–
Dulles Greenway Partnership ("DGP")[4]	USA	Investment in toll road located in northern Virginia, USA	**50.0**	**233,973**	146,514	**6.7**	**19,948**	16,212
WQG[5]	Germany	Investment in toll road located in Rostock, north-eastern Germany	**70.0**	–	–	–	–	–
Chicago Skyway Partnership ("CSP")[6]	USA	Former owner of an investment in toll road located south of Chicago, USA	**50.0[6]**	**20**	–	**50.0[6]**	**20**	–
Indiana Toll Road Partnership ("ITRP")[7]	USA	Former owner of an investment in toll road located in northern Indiana, USA	**49.0[7]**	**4**	236	**49.0[7]**	**4**	236
Peregrine Motorways Limited[8]	UK	Investment in toll road located in the West Midlands, UK	**0.0[8]**	–	–	–	–	–
				950,912	807,969		**19,972**	16,448

1 Except for MAF2, CSP and ITRP, all associates and joint arrangements are in "lockup" under their debt documents, meaning that they are currently unable to make distributions to MQA and the MARL Group. DGP's investment in Toll Road Investors Partnership II LP ("TRIP II") cannot come out of lockup before December 2018 and therefore is not expected to make a distribution to MQA before 2019.

2 All associates and joint arrangements have 31 December year end reporting requirements except for MAF2 which has 31 March.

3 The voting power held in the associates and joint arrangement is in proportion to the economic interest held except for Peregrine Motorways Limited.

4 The MARL Group holds a 6.7% equity interest in TRIP II, the concessionaire for Dulles Greenway, through DGP. Along with MARIL's interest bearing financial assets, MQA's estimated overall economic interest in TRIP II is 50%. DGP holds a 100% interest in the General Partner, Shenandoah Greenway Corporation.

5 A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WQG Limited partnership and the Warnowquerung Verwaltungsgesellschaft GmbH, General Partner ("GP") of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The balance of 30% is held by Bouygues Travaux Publics SA ("BTP"). Per the agreement, any decision made with regard to the relevant activities requires 75% of the voting members to proceed, meaning both partners have to agree. As a result, MQA's investment in WQG is classified as a joint venture.

6 On 16 November 2015, MQA announced the signing of a Sale and Purchase Agreement on 13 November 2015 to sell 100% of SCC, the concession holder of the Chicago Skyway Toll Road in Illinois, USA subject to customary conditions precedent and regulatory approvals. On 25 February 2016, financial close was reached on the sale of SCC and subsequently on 10 March 2016, MQA received US$103.9 million ($137.3 million) in distribution proceeds. The small residual investment balance represents cash left in CSP, the former owner of SCC, for payment of expenses.

7 At 31 December 2016, MQA legally owned a 49% equity interest in ITRP, the former owner of ITRCCH, but was no longer exposed to any variable returns from the ongoing operations of ITRCCH. The small residual investment balance represents cash left in ITRP for payment of expenses.

8 On 4 June 2013, MQA deconsolidated Macquarie Motorways Group Limited ("MMG") (the previous holding company for the M6 Toll) and commenced equity accounting for its interest as an investment in an associate. A new entity, Peregrine Motorways Limited ("PML"), was incorporated on 2 August 2013 and inserted as the 100% owner of MMG. MQA legally owns a 100% ordinary equity interest in PML but was no longer exposed to any variable returns from the ongoing operations of the investment. As a result, at 31 December 2016 MQA's economic interest in the ongoing operations of PML is nil. However, MQA's representation and participation at Board level leads to significant influence over the asset and as such it is accounted for as an associate.

9 Investments accounted for using the equity method CONTINUED

(b) Movement in carrying amounts

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Carrying amount at the beginning of the year	**807,969**	835,431	**16,448**	16,456
Impact of adoption of IFRIC 21	**–**	(6,270)	**–**	–
Investment in associates	**1,012**	3,808	**–**	–
Share of profits after income tax*	**329,976**	113,317	**144,233**	30,381
Reversal of provision for impairment**	**67,373**	–	**3,442**	–
Distributions received*	**(262,417)**	(162,563)	**(137,572)**	(32,284)
Foreign exchange movement	**6,999**	24,246	**(6,579)**	1,895
Carrying amount at the end of the year	**950,912**	807,969	**19,972**	16,448

* Included in the share of profits after income tax and distributions received for MQA and the MARL Group are proceeds of $145.5 million (2015: $nil) relating to the sale of SCC.

** The reversal of provision for impairment of $67.4 million and $3.4 million for MQA and MARL Group respectively (representing the original amount of impairment booked in 2011) relates to their economic interests in TRIP II, the concessionaire for Dulles Greenway. The recoverable amount has been determined on a value in use basis and has been adjusted to reflect updated assumptions with regard to the amount and timing of future cash flows, as well as the discount rate used to discount those cash flows. This recoverable amount shows an increase in the service potential of the asset since the impairment was recorded, the largest driver of which has been a reduction in discount rate. Discount rates would need to increase by more than 50% from the current level in order for the recoverable amount to be below the current carrying amount. The current carrying values represent the equity accounted balance had the impairment not been booked in December 2011 and the foreign exchange movement has been reflected in FCTR. On 23 February 2016, MQA announced its intention to acquire the remaining 50% economic interest in Dulles Greenway for an acquisition price of US$445.0 million, which when completed will be indicative of the fair value of MQA's current holding.

(c) Summarised financial information for associates

The following tables provide summarised financial information for those associates that are material to the Groups. The information disclosed reflects the amounts presented in the Financial Reports of the relevant entities and not the Groups' share of those amounts. They have been amended to reflect adjustments made by the Groups when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	MAF2		Dulles Greenway Partnership	
Summarised Statement of Financial Position	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Total current assets	**1,853,197**	1,358,872	**238,218**	224,164
Total non-current assets	**9,149,720**	9,142,526	**1,987,496**	2,003,876
Total current liabilities	**(2,173,235)**	(1,518,929)	**(96,769)**	(93,942)
Total non-current liabilities	**(7,225,164)**	(7,518,434)	**(1,661,000)**	(1,651,820)
Net assets	**1,604,518**	1,464,035	**467,945**	482,278
Reconciliation to carrying amounts:				
Opening net assets as on 1 January	**1,464,035**	1,547,688	**482,278**	456,835
Impact of adoption of IFRIC 21	**–**	(15,564)	**–**	–
Profit/(Loss) for the year	**481,413**	236,197	**(18,972)**	(28,699)
Distributions paid	**(309,897)**	(325,117)	**–**	–
Foreign exchange movement	**(31,033)**	20,831	**4,639**	54,142
Closing net assets	**1,604,518**	1,464,035	**467,945**	482,278
MQA's share in %	**40.3%**	40.3%	**50.0%**	50.0%
MQA's share in $	**646,396**	589,801	**233,973**	241,139
MARL Group's share in %	**–**	–	**6.7%**	6.7%
MARL Group's share in $	**–**	–	**31,352**	32,313
MQA's carrying amount	**716,915**	661,219	**233,973**	146,514
MARL Group's carrying amount	**–**	–	**19,948**	16,212

	MAF2		Dulles Greenway Partnership	
Summarised Statement of Comprehensive Income	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Revenue	**1,923,108**	1,761,025	**123,364**	113,498
Profit/(loss) for the year	**481,413**	236,197	**(18,972)**	(28,699)
MQA's share	**193,942**	95,153	**(9,486)**	(14,349)
MARL Group's share	**–**	–	**(1,287)**	(2,133)
MQA's distributions received	**124,845**	130,279	**–**	–
MARL Group's distributions received	**–**	–	**–**	–

9 Investments accounted for using the equity method CONTINUED

(d) Share of joint venture's losses not brought to account*

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Share of joint venture's losses not brought to account				
Balance at the beginning of the year	**(21,335)**	(19,036)	–	–
Share of losses not brought to account	**(1,540)**	(2,299)	–	–
Balance at the end of the year	**(22,875)**	(21,335)	–	–

* Accounted for using the equity method.

10 Subsidiaries

(a) MQA

Name of controlled entity	Country of establishment	2016 voting %	2015 voting %
Macquarie Atlas Roads Limited	Australia	**100.0**	100.0
MQA Infrastructure US Pty Limited (formerly known as Macquarie Infrastructure US Pty Limited)	Australia	**100.0**	100.0
MQA Infrastructure Australia Pty Limited (formerly known as Macquarie Infrastructure Australia Pty Limited)	Australia	**100.0**	100.0
MQA Investments Australia Pty Limited	Australia	**100.0**	100.0
Green Bermudian Holdings Limited	Bermuda	**100.0**	100.0
MQA Investments Limited	Bermuda	**100.0**	100.0
MIBL Finance Luxembourg Sarl	Luxembourg	**100.0**	100.0
Tollway Holdings Limited	UK	**100.0**	100.0
European Transport Investments (UK) Limited	UK	**100.0**	100.0
Tipperhurst Limited	UK	**100.0**	100.0
Greenfinch Motorways Limited	UK	**100.0**	100.0
MQA 125 Holdings Inc (formerly known as Macquarie 125 Holdings Inc)	USA	**100.0**	100.0
MQA Holdings 2 (US) LLC*	USA	–	100.0
MQA Indiana Holdings LLC	USA	**100.0**	100.0
MQA Holdings (US) LLC	USA	**100.0**	100.0

(b) MARL Group

Name of controlled entity	Country of establishment	2016 voting %	2015 voting %
MQA Infrastructure Australia Pty Limited (formerly known as Macquarie Infrastructure Australia Pty Limited)	Australia	**100.0**	100.0
MQA Investments Australia Pty Limited	Australia	**100.0**	100.0
MQA Holdings 2 (US) LLC*	USA	–	100.0
MQA Indiana Holdings LLC	USA	**100.0**	100.0
MQA Holdings (US) LLC	USA	**100.0**	100.0

* Merged with MQA Holdings (US) LLC on 9 February 2016.

11 Payables and provisions

	MQA		MARL Group	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Current				
Manager and adviser fees payable	**6,471**	7,131	**667**	625
Provision for manager and adviser performance fees (i)	**44,689**	19,400	**4,337**	1,287
Sundry creditors and accruals	**2,195**	1,835	**1,068**	1,390
Provision for tax (ii)	**5,826**	–	**5,826**	–
Total current payables and provisions	**59,181**	28,366	**11,898**	3,302
Non-current				
Provision for manager and adviser performance fees (i)	**44,689**	–	**4,337**	–
Total non-current payables and provisions	**44,689**	–	**4,337**	–

(i) In accordance with MARIL and MARL's advisory and management agreements (the "Agreements") with Macquarie Fund Advisers Pty Limited ("MFA"), a performance fee calculation is performed for 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. Any performance fee calculated is payable in three equal annual instalments, with the second and third instalments subject to performance criteria at each instalment date.

For the year ended 30 June 2016, a total performance fee of $134.1 million (excluding GST) was calculated for MQA (30 June 2015: $nil). The first instalment of $44.7 million (excluding GST) was applied to a subscription for new MQA securities in September 2016. Current provision for performance fees is made up of the second instalment of the 2016 performance fee of $44.7 million (excluding GST) which will become payable should the performance criteria be met at 30 June 2017.

Non current provision for performance fees is made up of the third instalment of the 2016 performance fee of $44.7 million, which will become payable should the performance criteria be met at 30 June 2018. Accounting standards require the full liability to be recorded at 31 December 2016 as it is deemed probable that the performance criteria will be met, due to the level of outperformance achieved.

(ii) Proceeds from the sale of SCC are subject to both United States Federal Income Tax and State of Illinois Income Tax. An estimated tax expense of US$5.7 million ($7.8 million) is expected on the SCC sale. The amount of the tax is estimated after deducting the carried forward net operating losses of previous years which are allowed as a deduction against the tax liability. United States Federal Income Tax totalling US$1.5 million ($2.0 million) was paid in four instalments during the year and State of Illinois Income Tax for US$4.2 million ($5.8 million) is payable as at 31 December 2016.

12 Contributed equity

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Ordinary shares	**1,323,651**	1,355,890	**213,245**	207,024
Contributed equity	**1,323,651**	1,355,890	**213,245**	207,024

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
On issue at the beginning of the year	**1,355,890**	1,410,130	**207,024**	205,552
Application of performance fees to subscription for new securities*	**57,868**	17,928	**6,221**	1,472
Capital return	**(90,107)**	(72,168)	–	–
On issue at the end of the year	**1,323,651**	1,355,890	**213,245**	207,024

	Number of shares '000	Number of shares '000	**Number of shares '000**	Number of shares '000
On issue at the beginning of the year	**517,485**	511,539	**517,485**	511,539
Application of performance fees to subscription for new securities*	**12,645**	5,946	**12,645**	5,946
On issue at the end of the year	**530,130**	517,485	**530,130**	517,485

* During the year ended 31 December 2016, the first instalment of the June 2016 performance fee and third instalment of the June 2014 performance fee (31 December 2015: second instalment of the June 2014 performance fee) were applied to a subscription for new MARIL securities and the first instalment of June 2016 performance fee and the third instalment of the June 2014 performance fee (31 December 2015: second instalment of the June 2014 performance fee) were applied to a subscription for new MARL securities.

Ordinary shares in MARIL and in MARL

Each fully paid stapled security confers the right to vote at meetings of securityholders, subject to any voting restrictions imposed on a securityholder under the *Corporations Act 2001* in Australia, Companies Act in Bermuda and the ASX Listing Rules. On a show of hands, every securityholder present in person or by proxy has one vote.

On a poll, every securityholder who is present in person or by proxy has one vote for each fully paid share in respect of MARIL and one vote for each fully paid share in respect of MARL.

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

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

13 Reserves

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2016 $'000	As at 31 Dec 2015 $'000	**As at 31 Dec 2016 $'000**	As at 31 Dec 2015 $'000
Balance of reserves				
Foreign currency translation reserve	**58,679**	45,404	**(6,979)**	(7,284)
Other reserve	**(301)**	–	**(152)**	–
	58,378	45,404	**(7,131)**	(7,284)
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	**45,404**	22,991	**(7,284)**	(11,164)
Net exchange differences on translation of foreign controlled entities*	**13,275**	22,413	**305**	3,880
Balance at the end of the year	**58,679**	45,404	**(6,979)**	(7,284)
Other reserve				
Balance at the beginning of the year	–	–	–	–
Other equity transactions	**(301)**	–	**(152)**	–
Balance at the end of the year	**(301)**	–	**(152)**	–

* Includes foreign exchange translation loss of $8.2 million on conversion of distribution proceeds from SCC sale of US$103.9 million ($145.5 million as on the date of recording the receivable and $137.3 million on the date of receipt of cash).

14 Accumulated (losses)/income

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Balance at the beginning of the year	**(614,994)**	(657,029)	**(121,082)**	(147,587)
Adjustment to opening accumulated losses due to adoption of IFRIC 21	–	(6,270)	–	–
Profit attributable to stapled securityholders	**102,131**	58,577	**122,978**	26,505
Dividends paid	**(4,178)**	(10,272)	–	–
Balance at the end of the year	**(517,041)**	(614,994)	**1,896**	(121,082)

15 Segment information

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the MQA Boards in their capacity as chief operating decision makers. However, the MQA Boards do not manage the day-to-day activities of the business. The directors have appointed MFA to run and manage the ongoing operations of the business and pay a quarterly management fee in return for these services.

The MQA Boards consider the business from the aspect of each of the portfolio assets and have identified three and one operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in APRR, Dulles Greenway and Warnow Tunnel. The only segment of the MARL Group is the investment in Dulles Greenway. Following the deconsolidation of M6 Toll, the sale of Indiana Toll Road and Chicago Skyway, these assets are no longer considered operating segments by the MQA Boards (refer to Note 9).

The operating segment note discloses the segment revenue and segment EBITDA for the year ended 31 December 2016 by individual portfolio asset. The MQA Boards are provided with performance information on each asset 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 2016, based on MQA's economic ownership interest is as follows:

	APRR	Dulles Greenway	Warnow Tunnel	Total MQA
MQA	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2016 $'000
Segment revenue	697,519	61,640	11,149	770,308
Segment expenses	(192,967)	(11,816)	(3,151)	(207,934)
Segment EBITDA	504,552	49,824	7,998	562,374
EBITDA margin	72%	81%	72%	73%

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 2015, based on MQA's economic ownership interest is as follows:

	APRR	Dulles Greenway	Warnow Tunnel	Total MQA
MQA	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2015 $'000
Segment revenue	659,807	56,760	10,587	727,154
Segment expenses	(187,422)	(12,615)	(3,410)	(203,447)
Segment EBITDA	472,385	44,145	7,177	523,707
EBITDA margin	72%	78%	68%	72%

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the year ended 31 December 2016 and year ended 31 December 2015, based on the MARL Group's economic ownership interest is as follows:

MARL Group	Dulles Greenway Year ended 31 Dec 2016 $'000	Total MARL Group Year ended 31 Dec 2016 $'000	Dulles Greenway Year ended 31 Dec 2015 $'000	Total MARL Group Year ended 31 Dec 2015 $'000
Segment revenue	8,260	8,260	7,606	7,606
Segment expenses	(1,583)	(1,583)	(1,690)	(1,690)
Segment EBITDA	6,677	6,677	5,916	5,916
EBITDA margin	81%	81%	78%	78%

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

A reconciliation of MQA and the MARL Group's segment revenue and EBITDA to its total revenue and profit from operations before income tax is provided as follows:

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	770,308	727,154	8,260	7,606
Revenue attributable to investments accounted for under the equity method*	(770,308)	(727,154)	(8,260)	(7,606)
Unallocated revenue	70,647	2,212	4,477	918
Total revenue	70,647	2,212	4,477	918
Reconciliation of segment EBITDA to profit before income tax expense				
Segment EBITDA	562,374	523,707	6,677	5,916
EBITDA attributable to investments accounted for under the equity method*	(562,374)	(523,707)	(6,677)	(5,916)
Unallocated revenue	70,647	2,212	4,477	918
Unallocated expenses	(167,741)	(30,442)	(17,964)	(4,794)
Share of net profit of investments accounted for using the equity method	329,976	113,317	144,233	30,381
Profit from operations before income tax expense	232,882	85,087	130,746	26,505

* Revenue and EBITDA attributable to investments accounted for under the equity method is included within the "Share of net profit 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.

16 Earnings per stapled share

	MARIL		MARL	
	Year ended 31 Dec 2016 Cents	Year ended 31 Dec 2015 Cents	**Year ended 31 Dec 2016 Cents**	Year ended 31 Dec 2015 Cents
Basic and diluted earnings per MARIL/MARL share	**19.58**	11.38	**23.57**	5.15
	$'000	$'000	**$'000**	$'000
Earnings used in the calculation of basic and diluted profit per MARIL/MARL share*	**102,131**	58,577	**122,978**	26,505
	Number	Number	**Number**	Number
Weighted average number of shares used in calculation of basic and diluted earnings per MARIL/MARL share*	**521,665,455**	514,520,046	**521,665,455**	514,520,046

* There is no difference in the earnings and weighted average number of shares used in the calculation of basic earnings/(loss) per share and diluted earnings per share.

The basic and diluted profit per MQA stapled security for the year ended 31 December 2016 was 43.15 cents (2015:16.53 cents) per stapled security using MQA profit attributable to MQA stapled securityholders of $225.1 million (2015: $85.1 million).

17 Cash flow information

	MQA		MARL Group	
	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2015 $'000	**Year ended 31 Dec 2016 $'000**	Year ended 31 Dec 2015 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Profit/(loss) from activities after income tax	**225,109**	85,082	**122,978**	(26,505)
Gain on equity accounted assets	**(329,976)**	(113,317)	**(144,233)**	(30,381)
Net foreign exchange differences	**(315)**	385	**(13)**	4
Reversal of provision of impairment	**(67,373)**	–	**(3,442)**	–
Issue of securities against performance fees payable	**64,089**	19,400	**5,625**	1,287
Changes in operating assets and liabilities				
Decrease/(increase) in receivables	**17,874**	(16,258)	**17,778**	(15,958)
Increase/(decrease) in payables and provisions	**75,016**	(17,015)	**12,729**	(28)
Net cash outflow from operating activities	**(15,576)**	(41,723)	**11,422**	(18,571)

Non-cash financing and investing activities

Refer to Note 12 for further details on application of performance fees to subscription of new securities.

18 Related party disclosures

Adviser and Manager

The Adviser of MARIL and the Manager of MARL is MFA, a wholly owned subsidiary of Macquarie Group Limited ("MGL").

Directors

The following persons were directors of MARIL during the whole of the year and up to the date of this report:

- Jeffrey Conyers (Chairman)
- James Keyes
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of MARL during the whole of the year and up to the date of this report:

- Nora Scheinkestel (Chairman)
- Marc de Cure
- Richard England
- John Roberts

Key Management Personnel

Key Management Personnel ("KMP") 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 KMP as they have this authority in relation to the activities of MQA and the MARL Group respectively, however they do not manage day-to-day activities of the business. The directors have appointed MFA to run and manage the ongoing operations of the business and pay a quarterly management fee in return for these services. There are no other KMP of MQA and the MARL Group.

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

18 Related party disclosures CONTINUED

Compensation in the form of directors' fees that were paid to directors is as follows:

	Year ended 31 Dec 2016 Director's fees $	Year ended 31 Dec 2015 Director's fees $
MARIL		
Jeffrey Conyers	**131,016**	100,514
James Keyes	**97,649**	80,411
Nora Scheinkestel**	**74,375**	45,893
Derek Stapley	**109,277**	93,813
David Walsh****	–	19,286
	412,317	339,917
MARL		
Nora Scheinkestel**	**197,500**	167,363
Marc de Cure	**141,250**	125,000
Richard England	**152,500**	140,000
John Roberts***	**132,500**	88,255
David Walsh****	–	54,890
	623,750	575,508

* Increase in Directors' fees effective 1 July 2016. For further details refer to the MQA remuneration report in the Annual Report.
** Appointed as Chairman of MARL and director of MARIL on 17 April 2015.
*** Previously paid by the Macquarie Group; since 17 April 2015 paid by MARL.
**** Resigned as Chairman and as a director on 17 April 2015.

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

	Directors' interests in MQA stapled securities	
	At 31 Dec 2016	At 31 Dec 2015
Jeffrey Conyers	**40,000**	40,000
Marc de Cure	–	–
Richard England	**40,000**	40,000
James Keyes	–	–
John Roberts	**46,108**	46,108
Nora Scheinkestel	**64,987**	58,603
Derek Stapley	–	–
Total	**191,095**	184,711

Adviser and Manager fees

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

	MQA		MARL Group	
	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Base fee	29,441,190	25,873,078	2,923,079	2,072,960
Performance fee	134,083,863	–	13,030,542	–
Total	163,525,053	25,873,078	15,953,621	2,072,960

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. For the 12 months ended 30 June 2016, a total performance fee of $134.1 million (excluding GST) was calculated for MQA. This fee is payable in three equal annual instalments. For the period ended 30 June 2015, no new performance fee was expensed as MQA did not meet the performance criteria.

The first instalment of the June 2016 performance fee totalling $44.7 million was applied to a subscription for new MQA securities in September 2016. The third and final instalment of the June 2014 performance fee totalling $19.4 million was also applied to a subscription for new MQA securities in September 2016.

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

On 4 July 2016 MQA announced that notification had been received from MFA that commencing 1 July 2016, and for subsequent quarters until further notice, MFA would revise the base management fee arrangement replacing fee waivers notified previously. The base management fee rate payable has been reduced to a flat 1.00% per annum for all market capitalisations. Base management fee rates payable are:

Market capitalisation	Revised fee arrangement*	Initial fee arrangement**	Original contract
Up to $1 billion	1.00%	1.75%	2.00%
Over $1 billion and up to $3 billion	1.00%	1.00%	1.25%
Over $3 billion	1.00%	1.00%	1.00%

* For the period after 1 July 2016 until further notice

** For the period from 1 January 2014 to 30 June 2016

18 Related party disclosures CONTINUED

Other transactions

Macquarie Group Limited ("MGL") and companies within the MGL Group undertake various transactions with, and perform various services for, MQA. Fees paid to MGL 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 2016, Macquarie Capital Group Limited, a subsidiary of MGL, beneficially held 53,218,179 (2015: 80,411,621) stapled securities through its principal position in MQA.

At 31 December 2016, entities within the Groups had the following funds on deposit with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL:

	MQA		MARL Group	
	As at 31 Dec 2016 $	As at 31 Dec 2015 $	As at 31 Dec 2016 $	As at 31 Dec 2015 $
Cash held with MBL	188,404,375	48,198,517	169,296,861	31,117,286
Total	188,404,375	48,198,517	169,296,861	31,117,286

During the year, entities within the Groups had the following transactions with related parties:

	MQA		MARL Group	
	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $
Interest earned on deposits with MBL	1,360,692	408,795	1,022,190	293,708
Reimbursement of expenses paid by MGL Group Companies on behalf of MQA	994,970	711,926	720,325	573,976
Fees paid to Macquarie Capital (Australia) Limited	–	30,064	–	2,527

Other balances and transactions

At 31 December 2016, entities within the Groups had the following balances receivable from Associates:

	MQA		MARL Group	
	As at 31 Dec 2016 $	As at 31 Dec 2015 $	**As at 31 Dec 2016 $**	As at 31 Dec 2015 $
M6 Toll management fee	**644,774**	761,404	–	–
Total	**644,774**	761,404	–	–

During the year, entities within the Groups received the following from Associates:

	MQA		MARL Group	
	Year ended 31 Dec 2016 $	Year ended 31 Dec 2015 $	**Year ended 31 Dec 2016 $**	Year ended 31 Dec 2015 $
Principal and interest received from preferred equity certificates issued by Macquarie Autoroutes de France 2 SA	**124,844,915**	130,279,011	–	–
Distribution from sale of SCC	**137,346,803**	–	**137,346,803**	–
Distribution from sale of ITRCCH	**224,609**	32,283,955	**224,609**	32,283,955
M6 Toll management fee	**1,418,896**	1,494,202	–	–
Directors' fee from Warnowquerung GmbH & Co. KG	**180,696**	253,480	–	–
Adviser's fee from Warnowquerung GmbH & Co. KG	**84,545**	93,083	–	–
Reimbursement of expenses from MAF SAS	–	28,492	–	–

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

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

19 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 programme 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 to hedge certain risk exposures.

The Risk Management Policy and Framework is implemented by management under policies approved by the Boards. MFA identifies, quantifies and qualifies financial risks and provides 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.

19 Financial risk and capital management CONTINUED

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.

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.

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

- AUD/EUR exchange rate increased/decreased by 8 Euro cents (2015: 8 Euro cents)
- AUD/GBP exchange rate increased/decreased by 8 UK pence (2015: 6 UK pence)
- AUD/USD exchange rate increased/decreased by 10 US cents (2015: 11 US 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 five years.

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
MQA Group	P&L 2016 $'000	P&L 2015 $'000	Equity 2016 $'000	Equity 2015 $'000	P&L 2016 $'000	P&L 2015 $'000	Equity 2016 $'000	Equity 2015 $'000
Total financial assets	(515)	(438)	–	–	671	573	–	–
Total financial liabilities	19	31	–	–	(25)	(42)	–	–
Total	**(496)**	(407)	–	–	**646**	531	–	–

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
MARL Group	P&L 2016 $'000	P&L 2015 $'000	Equity 2016 $'000	Equity 2015 $'000	P&L 2016 $'000	P&L 2015 $'000	Equity 2016 $'000	Equity 2015 $'000
Total financial assets	(124)	(153)	–	–	165	207	–	–
Total financial liabilities	2	21	–	–	(3)	(28)	–	–
Total	**(122)**	(132)	–	–	**162**	179	–	–

Financial assets include cash and cash not available for use and receivables.

Financial liabilities include payables.

(b) Interest rate risk

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

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 66 bps (2015: 61 bps)
- Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 35 bps (2015: 43 bps)
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 18 bps (2015: 16 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 21 bps (2015: 20 bps)
- Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 64 bps (2015: 69 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 five years.

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
MQA Group	**P&L 2016 $'000**	P&L 2015 $'000	**Equity 2016 $'000**	Equity 2015 $'000	**P&L 2016 $'000**	P&L 2015 $'000	**Equity 2016 $'000**	Equity 2015 $'000
Total financial assets	**553**	285	**–**	–	**(553)**	(285)	**–**	–
Total financial liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Total	**553**	285	**–**	–	**(553)**	(285)	**–**	–

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
MARL Group	**P&L 2016 $'000**	P&L 2015 $'000	**Equity 2016 $'000**	Equity 2015 $'000	**P&L 2016 $'000**	P&L 2015 $'000	**Equity 2016 $'000**	Equity 2015 $'000
Total financial assets	**435**	184	**–**	–	**(435)**	(184)	**–**	–
Total financial liabilities	**–**	–	**–**	–	**–**	–	**–**	–
Total	**435**	184	**–**	–	**(435)**	(184)	**–**	–

19 Financial risk and capital management CONTINUED

Credit risk

Potential areas of credit risk consist of deposits with banks and financial institutions as well as receivables from Associates and Governments. The Groups limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. With the exception of the transactions between MARIL and MARL, the Groups transact with independently rated parties with appropriate minimum short term credit ratings. The Boards from time to time set exposure limits to financial institutions and these are monitored on an ongoing 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.

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

	MQA			MARL Group		
2016	Financial institutions $'000	Corporates and other $'000	Total $'000	Financial institutions $'000	Corporates and other $'000	Total $'000
Cash	**223,367**	–	**223,367**	**204,129**	–	**204,129**
Cash not available for use	**1,735**	–	**1,735**	–	–	–
Receivables	–	**645**	**645**	–	–	–
Total	**225,102**	**645**	**225,747**	**204,129**	–	**204,129**
2015						
Cash	65,381	–	65,381	48,137	–	48,137
Cash not available for use	1,773	–	1,773	–	–	–
Receivables	–	761	761	–	10	10
Total	67,154	761	67,915	48,137	10	48,147

Financial institutions

The credit risk to financial institutions relates to cash held by and term deposits due from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum Standard and Poor's short term credit rating of A-1 unless an exception is approved by the Boards.

Corporates

The MQA and MARL Group credit risk relates to the M6 toll management fee which is received within 30 days of invoice issue.

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 outflows of the liabilities at balance date of MQA and the MARL Group.

Financial liabilities	MQA Less than 1 year $'000	MARL Group Less than 1 year $'000
December 2016	**8,666**	**1,735**
December 2015	8,966	2,015

Fair value measurement of financial instruments

The fair value of all financial assets (excluding Investments accounted for using the equity method) and financial liabilities approximates their carrying value at the date of the Financial Reports.

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 2016 the Groups do not have any externally imposed capital requirements.

20 Parent entity financial information

(a) Summary financial information

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

	MARIL		MARL	
	31 Dec 2016 $'000	31 Dec 2015 $'000	**31 Dec 2016 $'000**	31 Dec 2015 $'000
Statement of Financial Position				
Current assets	**19,627**	17,538	**28,314**	31,182
Non-current assets	**838,920**	683,707	**73,987**	74,541
Total assets	**858,547**	701,245	**102,301**	105,723
Current liabilities	**(47,597)**	(26,021)	**(5,429)**	(2,444)
Non-current liabilities	**(40,351)**	–	**(4,338)**	–
Total liabilities	**(87,948)**	(26,021)	**(9,767)**	(2,444)
Shareholders' equity				
Issued capital	**1,323,650**	1,355,889	**213,245**	207,024
Reserves	**(235)**	–	**(85)**	–
Retained earnings	**(552,816)**	(680,665)	**(120,626)**	(103,745)
	770,599	675,224	**92,534**	103,279
Profit/(loss) for the year	**132,027**	73,039	**(16,881)**	(2,649)
Total comprehensive income	**132,027**	73,039	**(16,881)**	(2,649)

At 31 December 2016, MARIL had a net current liability position of $28.0 million (31 December 2015: net current liability position of $8.5 million). Included within MARIL's liabilities are performance fees of $40.4 million (excluding GST) (31 December 2015: nil). Management forecasts indicate that MARIL will be able to meet its liabilities as and when they become due and payable.

(b) Guarantees entered into by the parent entities

MARIL and MARL have not provided any financial guarantees in respect to bank overdrafts and loans of subsidiaries as at 31 December 2016 and 31 December 2015. MARIL and MARL have not given any unsecured guarantees at 31 December 2016 and 31 December 2015.

(c) Contingent liabilities of the parent entities

Refer to Note 21 for MARIL and MARL's contingent liabilities as at 31 December 2016 and 31 December 2015.

21 Contingent liabilities

MQA had the following contingent liability at 31 December 2016. No provision has been raised against this item.

Warnow Tunnel

ETIUK, a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million ($1.7 million) (31 December 2015: €1.2 million ($1.8 million)), in the event of a senior debt payment event of default by WQG, 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 pledged cash account into which €1.2 million ($1.7 million) (31 December 2015: €1.2 million ($1.8 million)) has been deposited. These funds are restricted and are classified as cash not available for use on the Consolidated Statements of Financial Position.

The MARL Group had no contingent liabilities at 31 December 2016.

22 Events occurring after balance sheet date

On 23 February 2017, MQA announced that it will exercise its pre-emptive right and sign a purchase agreement to acquire the remaining 50% economic interest in the Dulles Greenway for US$445.0 million. Financial close is expected during the first half of 2017.

Since balance date, there have been no other matters or circumstances not otherwise dealt with in the Financial Reports that have significantly affected or may significantly affect the operations of the Groups, the result of those operations or the state of affairs of the Groups in the period subsequent to the year ended 31 December 2016.

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2016

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 37 to 75:

  (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 the MQA as at 31 December 2016 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 Report also complies 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
Pembroke, Bermuda

22 February 2017

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

22 February 2017

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 37 to 75 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 2016 and of their 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 Report also complies 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.

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia

23 February 2017

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia

23 February 2017

Independent Auditor's Report

TO THE SECURITYHOLDERS OF MACQUARIE ATLAS ROADS INTERNATIONAL LIMITED AND MACQUARIE ATLAS ROADS LIMITED

Report on the audits of the financial reports

pwc

Our opinion

In our opinion, the accompanying financial reports of Macquarie Atlas Roads International Limited ("MARIL") and Macquarie Atlas Roads Limited ("MARL") are in accordance with the *Corporations Act 2001* (as applicable), including:

(a) giving a true and fair view of Macquarie Atlas Roads' ("MQA" or "the Group") and Macquarie Atlas Roads Limited Group's ("the MARL Group") financial positions as at 31 December 2016 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (as applicable).

What we have audited

The MARIL and MARL financial reports comprise:

- the consolidated statements of financial position as at 31 December 2016
- the consolidated statements of comprehensive income
- the consolidated statements of changes in equity
- the consolidated statements of cash flows for the year then ended
- a summary of significant accounting policies and other explanatory notes
- the directors' declarations for MARIL and MARL

MQA comprises MARIL and the entities it controlled at year's end or from time to time during the financial year, and MARL and the entities it controlled at year's end or from time to time during the financial year. The MARL Group comprises MARL and the entities it controlled at year's end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the financial reports* section of our report.

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

Independence

We are independent of MARIL and MARL in accordance with the auditor independence requirements of the *Corporations Act 2001* (as applicable) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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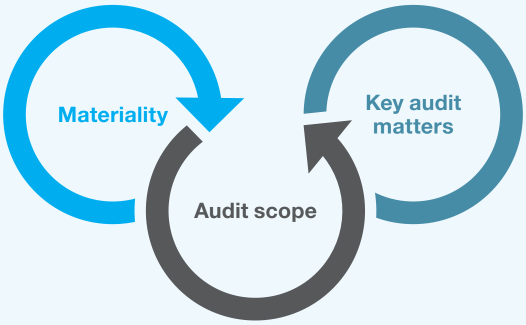
Our audit approach for MQA

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

MQA invests in an international portfolio of toll road assets, the most significant of which are a 20.14% interest in French motorway network operator APRR and a 50% economic interest in US toll road operator Dulles Greenway ("DG"). MQA has determined that it has significant influence over these assets and accounts for them as "associates". We engaged the local auditors of both APRR and DG to express an audit opinion to us on the financial position and performance of those groups.



Materiality

- For the purpose of our audit we used overall Group materiality of $8.2 million which represents 1% of the Group total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose total assets because the Group is in effect an investment vehicle and as such is assessed on the value of its assets.
- We selected 1% based on our professional judgement, noting that it is also within the range of commonly accepted asset-related benchmarks.

Audit scope

- Our audit focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We decided the nature, timing and extent of work that needed to be performed by us and by other auditors operating under our instruction ("component auditors").
- For APRR and DG we determined the level of involvement we needed to have in the audit work performed by the component auditors to enable us to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included discussions, written instructions and reviewing their work.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Carrying value of investments in APRR and DG
  - Accounting for the Group's share of the net profit of these investments in associates
  - Recognition and measurement of performance fees.
- They are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audits of the MQA financial reports for the current period. The following key audit matters are those that were applicable to our audits of both MQA and MARL ("the Groups"). They were addressed in the context of our audit of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary of the outcomes of a particular audit procedure is made in that context.

Key audit matter of MQA and MARL	How our audits addressed the key audit matter
Carrying value of investments in APRR ($717m) and DG ($169m) Refer to Note 1 and Note 9. The "equity accounted carrying value" of these investments (i.e. purchase price adjusted downwards for dividends or share of accounting losses and upwards for share of accounting profits) has to be assessed at each reporting date to test for impairment or reversal thereof. An asset is considered impaired if its carrying value exceeds its "recoverable amount", which is the higher of "fair value less costs of disposal" and "value in use" (being the net present value of cash flows forecast to be derived from holding the asset). These assessments involve significant judgement in estimating future cash flows and the rate at which they are discounted. The investment in DG was impaired by US$69m in 2011 following downward revisions to traffic forecasts and challenging economic conditions at that time. The Groups reversed this impairment in the current year following an assessment of the recoverable amount of DG as at 31 December 2016. We considered the assessment of carrying values of APRR and DG to be a key audit matter due to the judgemental nature of both assessments.	The Groups assessed the carrying values of their stakes in APRR and DG. Based on the assessments, the Groups determined that there were no indicators of impairment at APRR or DG and that there were indicators of impairment reversal at DG. We evaluated these assessments by comparing the underlying analysis to our knowledge of APRR and DG and the environment in which they operate. We found the assessments to be consistent with our expectations. We evaluated the Group's cash flow forecasts for the investment in DG, and the process by which they were developed. Our procedures included: • evaluation of the discount rate applied to dividend forecasts with reference to analysis undertaken by an independent expert engaged by management, and to analysis undertaken by our own valuation experts with reference to valuations of comparable assets. This evaluation led us to assess as reasonable the discount rate used by the Groups • comparison of previous forecasts to actual results to assess the reliability of forecasting • comparison of the Groups' forecasts of traffic volumes and tolling levels, as key inputs into the dividend forecasts, to modelling that was separately performed by a third party expert appointed by management • application of sensitivity analysis to key assumptions including discount rate and DG's underlying revenue growth rate.
Share of net profits of associates ($330m) Refer to Note 1 and Note 9. The Groups apply equity accounting to each of their investments, and in doing so are required to make a number of adjustments to the underlying financial information. Certain of these adjustments are material and can require complex technical analysis.	Through interaction with the Groups and the APRR and DG audit teams, we obtained an understanding of operational developments at the investments and the nature and extent of any accounting standard or accounting policy adjustments required to align with those of the Groups. Upon receipt of the audited balance sheets and income statements for both APRR and DG, we re-calculated the share of net profits of each associate and compared the outcomes to those calculated by the Groups. This exercise identified no material exceptions.
Recognition and measurement of performance fees ($134m) Refer to Note 1, Note 2(ii) and Note 11. Macquarie Fund Advisers Pty Limited ("MFA") acts as manager and adviser to the Groups. A performance fee is payable to MFA at 30 June each year in the event that MQA securities outperform the S&P/ASX 300 Industrials Accumulation Index over a specified period. This performance fee is split into three equal annual instalments, with the second and third instalments only paid if MQA continues to outperform the index on a cumulative basis. We focused on this matter because performance fees have the capacity to be financially significant to the Groups and recognition is determined by estimating the probability that performance hurdles applicable to future instalments will be met.	We recalculated the 2016 performance fee with reference to the relevant agreements and checked the inputs to third party sources (such as the weighted average share price of MQA and the number of shares on issue for the calculation period) where applicable. We also evaluated the Groups' analysis of the likelihood that the remaining two instalments of the 2016 performance fee will be payable, having regard to the extent of out-performance achieved to date.

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Other information

The directors of MARIL and MARL are responsible for the other information in the annual report. This other information comprises the following sections of the annual report: Macquarie Atlas Roads highlights, letter from the Chairpersons and the CEO, Macquarie Atlas Roads and its toll road portfolio, environmental and social responsibility management, Directors' profiles, corporate governance, Directors' Reports, stapled security holder information, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial reports does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial reports

The directors of MARIL and MARL are responsible for the preparation of the 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 the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing MQA and the MARL Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate MQA or the MARL Group, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf

Report on the MARL remuneration report

Our opinion on the MARL remuneration report

We have audited Macquarie Atlas Roads Limited's remuneration report included in pages 33 to 34 of the Directors' report for the year ended 31 December 2016.

In our opinion, the remuneration report of Macquarie Atlas Roads Limited for the year ended 31 December 2016 complies with section 300A of the *Corporations Act 2001*.

Responsibilities of the MARL directors for the MARL remuneration report

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.

PricewaterhouseCoopers

PricewaterhouseCoopers

C Stafford

Craig Stafford
Partner

Sydney
23 February 2017

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Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2016

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

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

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 financial report and is audited) is only for MARL, and only MARL securityholders participate in a non-binding vote in respect of it. Detail on MARIL and MQA as a whole has been included below for good corporate governance, however they are not required to prepare a remuneration report.

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 along with MQA director fees.

MQA's relationship with Macquarie provides MQA with:

- Access to geographically dispersed high calibre expertise, which is available when and where it is needed, as well as premises and associated on-costs;
- Access to potentially accretive investment opportunities through Macquarie's international platform;
- The ability to leverage Macquarie's strong relationships with third-party suppliers, professional advisors, governments and regulatory bodies; and
- Depth of knowledge of capital markets.

Set out below are details of the management and director fees paid by MQA together with qualitative disclosure detailing how staff of the MQA Manager are incentivised, how their interests are aligned with MQA and the benefits MQA derives from the arrangement.

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, as is typical for vehicles of this nature.

MQA has an international portfolio of complex road assets and effective management requires geographically dispersed global expertise which the MQA Manager provides. Currently there are approximately 50 personnel directly contributing to the management service provided by Macquarie. These staff do not necessarily work full time for MQA and the number of Full Time Equivalent (FTE) staff can vary depending on MQA's needs. This allows MQA to leverage off industry, technical and geography specialists in each location and the level of local presence and network has successfully helped to reduce political and regulatory risk at each asset, preserving and protecting value for MQA's investors. Macquarie's relationships with third-party suppliers, governments and regulatory bodies can also be utilised by MQA. The MQA Manager also adds value by providing MQA with potentially accretive investment opportunities through its international platform.

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 2016 were:

- Base fee A$29.4 million
- Performance fee A$64.1 million

All base fees for the financial year ended 31 December 2016 were paid in cash. The performance fee amount above comprises the first installment of the June 2016 performance fee of A$134.1 million which is payable in three equal annual installments of A$44.7 million each. Future installments may become payable at 30 June 2017 and 30 June 2018 respectively, subject to meeting ongoing outperformance criteria. It also includes the third and final installment of the June 2014 performance fee of A$58.2 million which was paid in three equal annual instalments of A$19.4 million each.

As permitted under the terms of the MQA Management Agreements, the performance fee paid during the financial year ended 31 December 2016, being the first instalment of the 2016 performance fee and the third instalment of the 2014 performance fee was applied by the MQA Manager to a subscription for 12,645,164 new MQA securities. This reflected 2.4% of the number of shares on issue at that time.

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 provided for under the MQA Management Agreements would need to be approved by MQA stapled securityholders. However, fee reductions do not require shareholder approval and can be discussed between the MQA Boards and the MQA Manager.

Base fees

After discussions between the MQA Boards and the MQA Manager, the MQA Manager notified MQA that commencing 1 July 2016 and for subsequent quarters until further notice, the base management fees payable by MQA would be reduced to a flat 1.00% per annum for all market capitalisations.

This is the second instance that the MQA Manager has reduced the base management fee rates payable by MQA following an initial rate reduction in 2014.

Market value	Contract: management and advisory agreements	Initial revised arrangement (applicable 1 Jan 2014 to 30 Jun 2016)	Current revised arrangement (applicable 1 Jul 2016 onwards)
Up to A$1.0bn	2.00% p.a.	1.75% p.a.	1.00% p.a.
Between A$1.0bn and A$3.0bn	1.25% p.a.	1.00% p.a.	1.00% p.a.
More than A$3.0bn	1.00% p.a.	1.00% p.a.	1.00% p.a.

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 any movement in both the number of MQA securities on issue and the security price. Whilst the base management fee remains in place, no additional management fees are levied by Macquarie at the asset level for any of MQA's investments.

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. However the subsequent instalments are subject to further performance conditions. 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. Similarly, 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 is created. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated ensuring that any future performance fees are only 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 securityholders.

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 also checked for mathematical accuracy by a specialist 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 be used to subscribe for new MQA securities. This subscription is 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 instalment period.

Expense reimbursement

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

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. This does not include MQA Manager staff costs, costs associated with their employment and premises.

Fees paid or payable by MQA group entities for services provided by other Macquarie entities are disclosed in the MQA financial statements and are subject to strict protocols.

Directors

The directors of MARL and MARIL are remunerated by MQA. Director fees for both MARL and MARIL had not changed since MQA's formation in December 2009, whilst MQA market capitalisation had increased over 850%.[1] During 2016 an independent remuneration review was undertaken to benchmark to current market rates for comparable directorships in Australia and Bermuda. This led to a change in remuneration rates from 1 July 2016. The level of fees is not related to the performance of MQA.

Prior to the rate change on 1 July 2016 Nora Scheinkestel, Marc de Cure, Richard England and John Roberts, as directors of MARL, each received fees of A$125,000 per annum, with Nora Scheinkestel receiving an additional A$60,000 per annum for her role as chairman and Richard England receiving an additional A$15,000 per annum as chairman of the Audit and Risk Committee.

Prior to the rate change on 1 July 2016 Jeffrey Conyers, Derek Stapley and James Keyes, as directors of MARIL, each received 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 per annum as chairman of the Audit and Risk Committee. Nora Scheinkestel, as a director of MARIL, received A$65,000.

Set out below are details of the remuneration paid to directors of MQA following the rate change on 1 July 2016 as well as the total paid for the financial year 2016. Each director's committee membership is disclosed in MQA's Corporate Governance Statement.

The boards of MARL and MARIL will continue to consider remuneration payable to directors from time to time. Remuneration for directors is approved by the boards and any increases are to be periodically 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 directors is entitled to MQA options or securities or to retirement benefits as part of his or her remuneration package.

1 Closing market capitalisation at 30 June 2016.

Macquarie Atlas Roads International Limited – Director fees from 1 July 2016	Board		ARC		RemCo		NomCo		Overseas travel allowance
	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	
US$	110,000[2]	70,000	15,000	7,500	7,500	3,750	–	2,500	5,000[1]
Australian NED A$	N/A	70,000	N/A	7,500	N/A	3,750	N/A	2,500	N/A

1 US$10,000 for Chairman of MARIL due to an additional annual trip to Australia.
2 The Chairman of the board does not receive additional committee fees.

Macquarie Atlas Roads Limited – Director fees from 1 July 2016	Board		ARC		RemCo		NomCo		Overseas travel allowance
	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	
A$	200,000[1]	120,000	25,000	12,500	10,000	5,000	–	5,000	10,000

1 The Chairman of the board does not receive additional committee fees.

Macquarie Atlas Roads – Director fees paid	MARL director fees		MARIL director fees	
	2016	2015	2016	2015
Jeffrey Conyers	–	–	**US$97,500**	US$75,000
Marc de Cure	**A$141,250**	A$125,000	–	–
Richard England	**A$152,500**	A$140,000	–	–
James Keyes	–	–	**US$72,500**	US$60,000
John Roberts[1]	**A$132,500**	A$88,255	–	–
Nora Scheinkestel[2]	**A$197,500**	A$167,363	**A$74,375**	A$45,893
Derek Stapley	–	–	**US$81,250**	US$70,000

1 John Roberts was historically remunerated by the Macquarie Group but from 17 April 2015 he has been remunerated by MARL.
2 Nora Scheinkestel became chairman of MARL and a director of MARIL on 17 April 2015.

Executives

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

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

Macquarie Group's approach to employee remuneration, which is detailed in the Macquarie Group Annual Report, produces a strong alignment of interest between MQA 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 provide feedback in respect of performance of senior MQA management, and can request that they be replaced if not performing satisfactorily. The MQA board also set and review annual objectives for the CEO to deliver with his management team.

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, including upholding MQA's Code of Conduct and the management of MQA's investments
- Effective risk management and capital management
- Maintenance of MQA's reputation.

There is no formulaic approach to determining MQA management's profit share allocation. It is discretionary and takes into account factors outlined above as well as input from the MQA Boards. 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 securityholders 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 does not directly hold MQA 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. This cost is borne by Macquarie.

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 securityholders is also demonstrated through the interest the Macquarie Group holds in MQA. At 10 February 2017 the Macquarie Group holds a 10.04% principal holding in MQA.

Stapled securityholder information

AS AT 10 FEBRUARY 2017

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	11,532	4,194,742	0.79
1,001 – 5,000	6,737	15,903,475	3.00
5,001 – 10,000	1,429	10,460,438	1.97
10,001 – 100,000	1,075	25,971,212	4.90
100,001 and over	86	473,600,247	89.34
Total	**20,859**	**530,130,114**	**100.00**
Investors with less than the minimum marketable parcel[1]	2,850	83,675	0.02

Twenty largest investors

	Investor	Number of securities	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	167,226,906	31.54
2	J P Morgan Nominees Australia Limited	87,513,120	16.51
3	Macquarie Corporate Holdings Pty Limited	53,218,179	10.04
4	Citicorp Nominees Pty Limited	43,657,185	8.24
5	National Nominees Limited	34,249,429	6.46
6	BNP Paribas Nominees Pty Ltd	17,679,904	3.34
7	BNP Paribas Noms Pty Ltd	16,906,064	3.19
8	BNP Paribas Nominees Pty Ltd	5,722,000	1.08
9	RBC Investor Services Australia Nominees Pty Ltd	3,706,705	0.70
10	Bond Street Custodians Limited	3,308,905	0.62
11	HSBC Custody Nominees (Australia) Limited	3,256,333	0.61
12	AMP Life Limited	2,800,674	0.53
13	Australian United Investment Company Limited	2,500,000	0.47
14	Diversified United Investment Limited	2,450,000	0.46
15	Sandhurst Trustees Ltd	2,299,083	0.43
16	Citicorp Nominees Pty Limited	2,251,108	0.42
17	Avanteos Investments Limited	1,807,843	0.34
18	Sandhurst Trustees Ltd	1,578,659	0.30
19	Avanteos Investments Limited	1,042,009	0.20
20	Invia Custodian Pty Limited	960,161	0.18
Total		**454,134,267**	**85.66**

Details of substantial stapled securityholders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities
Lazard Asset Management	1 February 2017	53,493,065	10.09
Yarra Funds Management	13 January 2017	42,408,308	8.00
Macquarie Group Limited	2 September 2016	64,708,875	12.20

1 Minimum marketable parcel is $500.00 equating to 95 shares at $5.29 per share.

Corporate directory

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Macquarie Fund Advisers Pty Limited
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AFS LICENCE NO. 318 123

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Directors

Nora Scheinkestel (Chairman)
Marc de Cure
Richard England
John Roberts

Secretaries

Christine Williams
Lyndal Coates

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Directors

Jeffrey Conyers (Chairman)
James Keyes
Nora Scheinkestel
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