Macquarie Atlas Roads

Annual Report 2017

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.

Contents

01

2017 highlights

MQA is a global infrastructure developer, operator and investor.

Committed to growing distributions and enhancing the value of our portfolio for securityholders.

Providing investors with exposure to a global portfolio of toll road assets to generate stable cash flows and offer resilient long-term performance through economic cycles.

30%
Total securityholder return in 2017[1]

4
portfolio toll road investments[2]

20.0¢
2017 distribution per security, up 11%

23,000+
securityholders

5
years of continued distribution growth to securityholders

24.5bn
kilometres travelled on MQA roads in 2017, up 3%

1 Total securityholder return (TSR) from 1 January 2017 to 31 December 2017.
2 MQA has varying percentage ownership interest in each asset within its portfolio.

02 Chairpersons and CEO message

A transformational year

2017 was a transformational year for MQA. Our portfolio continued to generate value for securityholders through a clear focus on active asset management, continued investment in our existing portfolio, and disciplined capital management.

Highlights during 2017 included:

- Our asset portfolio continued to perform, achieving 2.7% traffic[1,2], 3.9% revenue[2] and 4.8% EBITDA[2] growth on a proportionately consolidated basis against the prior corresponding period (pcp).
- Distributions to securityholders grew 11.1% during the year, with 20.0% distribution growth anticipated for 2018[3].
- We further consolidated our asset portfolio through acquiring additional interests in APRR, ADELAC and the Dulles Greenway and divesting our interest in the M6 Toll.
- We successfully completed debt and equity capital raisings to fund these acquisitions.
- We achieved a 30% total return for our securityholders over the 12 months, with the rise in MQA's market capitalisation facilitating entry into the S&P/ASX 100 Index in March 2017.
- Reflecting the above achievements and MQA's stage of development, the Boards announced the intention to transition to an internalisation of MQA's management.

Delivering on strategy

We remain committed to our strategy of delivering growing distributions and enhancing the value of our portfolio.

Distribution growth

MQA's distributions have grown each year since the payment of our first distribution in April 2013.

In 2017, distributions continued to grow with a total amount paid of 20.0 cents per security (cps), representing 11.1% growth on pcp and comprising both dividend and return of capital components.

We are pleased to have increased distribution guidance for 2018 to 24.0 cps[3], representing a 20% increase on 2017. Our first half 2018 distribution of 12.0 cps was declared in March.

Portfolio development

2017 saw us further consolidate and focus our existing portfolio, acquiring additional interests in three of our four assets and divesting a non-core asset. This resulted in a simplified investment proposition for MQA securityholders.

In May 2017, MQA acquired a further 50% interest in the Dulles Greenway in the United States, bringing MQA's estimated economic interest to 100%. MQA also divested its nominal interest in the M6 Toll in the UK during the same month. In October 2017, MQA acquired an additional 4.86% interest in APRR in France via MAF2, bringing MQA's total interest in APRR to 25.0% and its total interest in ADELAC to 25.03%.

The APRR acquisition provides us with greater exposure to a high quality asset with a favourable outlook leveraged to French economic growth and trans-European trade. The Dulles Greenway acquisition provides us with operational control, enhancing our ability to optimise Dulles Greenway's key operating business decisions over the long term.

Operational performance

APRR

APRR continued to perform strongly in 2017. Traffic increased 3.2% on pcp and revenue and EBITDA saw another year of record results, growing by 4.2% and

1 Weighted average based on portfolio revenue allocation.
2 Based on MQA's average beneficial interest in its assets over the year on a like-for-like portfolio basis. Portfolio revenue and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) growth represent proportionate results as disclosed in MQA's Management Information Report to 31 December 2017.
3 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.

5.3% respectively. The result reflects increased traffic volumes across both light and heavy vehicle traffic, February 2017 toll increases and the addition of a further 26 kilometres of motorway to the network as part of the stimulus plan agreed with the French State.

APRR's cashflows continued to underpin MQA's distributions in 2017. 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.

During 2017, APRR reduced its net interest expense by 23%[4], replacing maturing facilities with lower cost debt at extended maturities. APRR issued €1.3 billion of debt during the year under its Euro Medium Term Note program. This included €500 million of bonds issued in May, with a coupon of 1.625% and a maturity of January 2032, and €700 million of bonds issued in November, with a coupon of 1.50% and a maturity of January 2033.

Dulles Greenway

Dulles Greenway saw mixed results, with traffic declining 1.3% in 2017, resulting from continued network improvements on competing routes. Revenue and EBITDA grew by 1.3% and 1.1% respectively on pcp, predominantly reflecting toll increases in March 2017.

While it is anticipated that traffic volatility will continue as these network changes are ongoing, the Dulles Greenway is a long-dated concession located in an affluent, fast-growing corridor. As the region continues to grow, we believe it is well-positioned to provide capacity, a quality service and attract a greater share of future corridor growth, with the ability to expand to meet future demand.

ADELAC and **Warnow** both recorded positive traffic, revenue and EBITDA growth in 2017.

Corporate Governance and Sustainability

During 2017, we continued our active commitment to environmental, social and governance risk management. We believe this is a key aspect of how we discharge our responsibilities to our investors, the communities in which our portfolio assets operate and other key stakeholders. We encourage you to read our Sustainability Report and Corporate Governance Statement which provide further details on our approach to these important matters.

Board and management updates

CEO change

Effective from 1 February 2018, James Hooke succeeded Peter Trent as Chief Executive Officer (CEO) of MQA. The MQA Boards express sincere thanks to Peter for his significant contribution to MQA during his eight years as CEO. James Hooke brings to the role extensive CEO experience in the sector and, together with the existing Macquarie team, is focused on ensuring MQA continues to deliver on its strategy.

Board changes

In August 2017 we announced the appointment of Debra Goodin as an independent non-executive director of Macquarie Atlas Roads Limited (MARL) and Christopher Leslie as a non-executive director of Macquarie Atlas Roads International Limited (MARIL). This followed the resignation of MARL non-executive director, Marc de Cure, in June 2017.

We welcome Debra and Christopher to the MQA Boards, and wish Marc all the best with his future endeavours.

Change in management arrangements

As announced in September 2017 and effective from 1 October 2017, the base fees payable to Macquarie by MQA were reduced from 1.00% to a flat 0.85% per annum of MQA's market capitalisation. This represents a saving of approximately A$5.7 million per annum based on MQA's market capitalisation of A$3.8 billion as at 3 April 2018.

In November 2017, the Boards announced MQA had reached a stage where it was appropriate to transition to an internalised management structure. On 9 April 2018, the Independent Directors announced that agreement had been reached with Macquarie on the terms of this process (the Internalisation Proposal). The Independent Directors believe the outcome is beneficial and in the best interests of MQA securityholders. Grant Samuel has also been commissioned to provide an independent assessment of the Internalisation Proposal and have concluded it to be "fair and reasonable to, and in the best interests of, securityholders". The Internalisation Proposal will be put to securityholders for approval at MQA's annual general meeting in May 2018.

Whilst MQA transitions to an internalised management structure, the existing Macquarie team led by James Hooke will continue to manage MQA and remain focused on its strategic objectives.

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

Nora Scheinkestel
Chairman • Macquarie Atlas Roads Limited

Jeffrey Conyers
Chairman • Macquarie Atlas Roads International Limited

James Hooke
Chief Executive Officer • Macquarie Atlas Roads

4 Excluding Eiffarie financing costs.

03 Our portfolio and performance

Our business

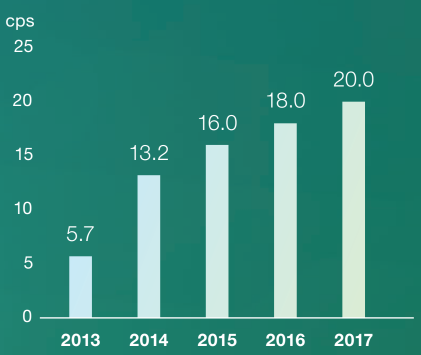
MQA is a global infrastructure developer, operator and investor.

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

- Exposure to the European economy and traffic levels through MQA's interest in APRR and ADELAC in eastern France, and the Warnow Tunnel in Germany
- Exposure to the United States economy through MQA's interest in the Dulles Greenway in northern Virginia.

MQA delivers a total return to securityholders including distributions and 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, and is used for progressive net debt reduction and capital expenditure for future growth.



▲ **Distributions (cents per security)**

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 to drive corporate and operational performance and efficiencies
- Efficient and disciplined capital and portfolio management
- Delivering and growing distributions from portfolio assets
- Investing in accretive, complementary growth opportunities.

Our portfolio assets

APRR: 25% interest[1]

APRR represents most of MQA's portfolio by value. The fourth largest motorway network in Europe, and the second largest in France covering 2,323 kilometres[2] of motorway, APRR provides critical connectivity between major French cities, including Paris and Lyon, and access to France's major trading counterparts. APRR comprises three separate concessions: APRR, AREA and ADELAC.[3]

ADELAC: 25.03% interest[3]

ADELAC, or the A41 North, is a 19.6 kilometre toll road providing a strategic link between Annecy in France and Geneva in Switzerland. It offers fast transit for commuters and facilitates leisure traffic between Geneva and the French Alps. The road connects to the APRR network, with APRR as the operator of the concession.

Dulles Greenway: 100% estimated economic interest[4]

The Dulles Greenway is a 22 kilometre toll road in northern Virginia in the United States which forms part of a commuter route into the greater Washington D.C. region. It is positioned to benefit from continued economic growth and urbanisation in the region.

Warnow Tunnel: 70% interest

The Warnow Tunnel is a 2.1 kilometre toll road and tunnel under the Warnow River in the northern German city of Rostock.

Our risk management

Risk is an inherent part of MQA's business and management of that risk is therefore critical to MQA's performance and financial strength. Accordingly, key risks are regularly reviewed 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.

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 On 24 October 2017, MQA acquired an additional 4.86% indirect interest in APRR via Macquarie Autoroutes de France 2 SA (MAF2) to take its interest to 25.00%.
2 APRR network length of 2,323 includes ADELAC's 20 kilometres.
3 MQA holds a 25.03% indirect interest in ADELAC, 12.48% through APRR and the remaining 12.55% through MAF2.
4 MQA's estimated economic interest is held through ~86.6% subordinated loans and ~13.4% equity. On 16 May 2017, MQA acquired the remaining 50% estimated economic interest in the Dulles Greenway to take MQA's total estimated economic interest to 100%.

Financial performance

Statutory

MQA equity accounts all assets in its portfolio except for the Dulles Greenway, which is now consolidated following the acquisition of a further 50% estimated economic interest in May 2017.

Accordingly, the Dulles Greenway's results and balance sheet are consolidated into MQA in full with a purchase price allocation occurring at the time of initial consolidation. The portfolio equity accounted results are disclosed as 'share of net profits/ (losses) from investments accounted for using the equity method' in MQA's income statement.

These, combined with corporate level expenses, make up MQA's statutory result.

MQA's statutory profit after tax for the year ended 31 December 2017 was A$519.6 million, up from A$225.1 million in 2016. This movement was largely driven by a revaluation gain of A$375.6 million relating to the acquisition of the additional 50% estimated economic interest in Dulles Greenway.

Further information on the statutory results is provided in the Financial Report on pages 29 to 95.

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[5]. The proportionate results are prepared on a different basis to the MQA Financial Report, which is prepared in accordance with Australian Accounting Standards.

In aggregate, MQA's portfolio experienced growth across each of traffic, revenue and EBITDA in 2017. The below chart shows the operating performance of MQA's portfolio as a whole for 2017 compared to 2016.

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

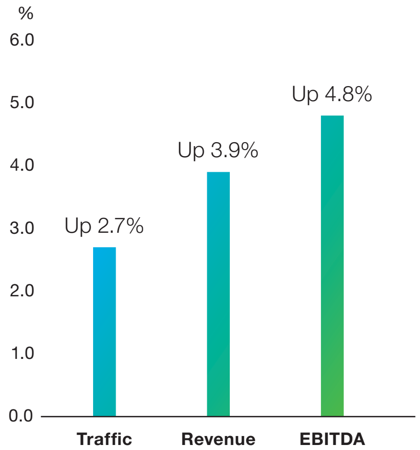
Cash flow and cash position

A summarised fund level cash flow statement for the year to 31 December 2017 is set out below.

MQA declared an increased level of distributions to securityholders, with 1H17 and 2H17 distributions of 10.0 cps each, compared to 9.0 cps for each of 1H16 and 2H16. The 1H17 distribution comprised both foreign dividend and return of capital components, while the 2H17 distribution comprised solely of a foreign dividend.

MQA maintains a disciplined capital management strategy. All debt secured against the assets remains non-recourse to MQA. After payment of each distribution, MQA retains a prudent working capital balance.

MQA's pro forma cash position at 3 April 2018, adjusted for MQA's 1H18 distribution of 12.0 cps, was approximately A$51 million.



▲ **Operating performance 2017 vs 2016[5]**

Available cash	Year ended 31 Dec 17 A$m	Year ended 31 Dec 16 A$m
Opening balance 1 January	**223.4**	65.4
Total cash flow received from assets[6]	**153.0**	281.9
Other operating cash flows	**(35.7)**	(28.5)
Proceeds from borrowings and the issue of securities[7]	**1,097.3**	–
Payment for purchase of additional asset interests[8]	**(1,275.2)**	(1.1)
Interest paid	**(7.5)**	–
Distributions paid	**(115.5)**	(94.3)
Closing balance 31 December	**39.8**	223.4

▲ **Cash flow statement**

5 Based on MQA's average beneficial interest in its assets over the year on a like-for-like portfolio basis. Portfolio revenue and EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) growth represent proportionate results as disclosed in MQA's Management Information Report to 31 December 2017. Weighted average traffic based on portfolio revenue allocation.

6 Cash flow received from assets in 2016 included proceeds from the sale of Chicago Skyway amounting to A$137.3m.

7 Includes: (a) US$175.0m debt drawn to partially fund the Dulles Greenway acquisition, (b) €150.0m debt drawn to partially fund the APRR acquisition, both net of transaction costs, (c) equity capital raisings for both the Dulles Greenway and APRR acquisitions, net of transaction costs.

8 US$445.0m paid for the remaining 50% estimated economic interest in the Dulles Greenway and €439.9m paid for an additional 4.86% interest in APRR.

APRR
France

APRR is a 2,323 kilometre[1] motorway network located in the east of France. It is a high quality, mature network, being the second largest motorway network in France and the fourth largest in Europe.

APRR comprises three concessions: the APRR Concession, the AREA Concession and a minority interest in the ADELAC Concession[2]. It acts as a vital transportation corridor for major Western European and intra-France trade and tourism, and provides essential connectivity between Paris and Lyon, France's two largest metropolitan areas.

MQA's interest

25.0%

Over 50 years of established operating performance

Concession length

APRR: Nov 2035
AREA: Sept 2036
ADELAC[2]: Dec 2060

Traffic

up 3.2% on pcp

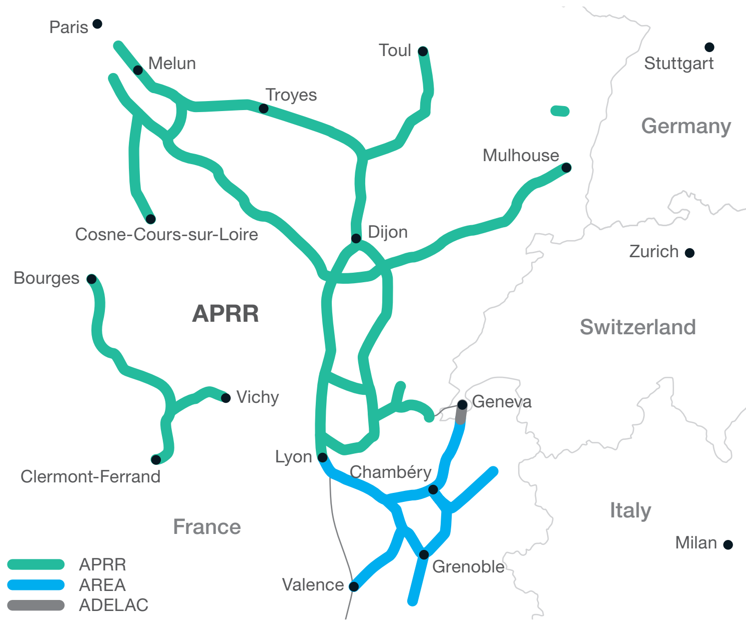
Revenue

up 4.2% on pcp

EBITDA

up 5.3% on pcp

1 Note the APRR network length of 2,323 kilometres includes ADELAC's 20 kilometres.
2 APRR holds a 49.9% interest in ADELAC with APRR Group shareholders owning the residual 50.01%.

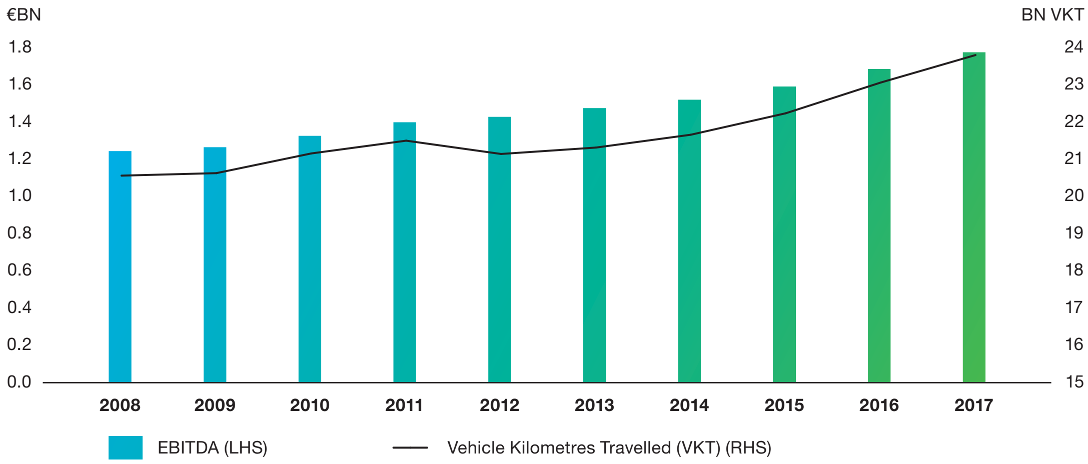


Traffic performance

- Total traffic on the APRR network increased 3.2% in 2017, benefitting from APRR's leverage to continued improvement in French economic activity.
- Light vehicle traffic increased 2.8%. Heavy vehicle traffic experienced even stronger growth of 5.9%, benefitting from growth in manufacturing, imports and trade during the year.
- Traffic performance also benefitted from the inclusion of 26 kilometres of additional sections under operation.

Operating performance

- Total revenues increased 4.2% to €2,425 million in 2017, driven by traffic growth, toll increases and a more favourable traffic mix.
- APRR EBITDA increased 5.3% producing another record EBITDA result.
- Improved EBITDA margin of 73.2% reflected ongoing cost efficiencies.
- Automated transactions represented 98.9% of total transactions, with the number of Electronic Toll Collection (ETC) devices increasing 9.8% to approximately 2.5 million in 2017.



▲ **EBITDA (€bn) vs traffic (bn VKT)**[3]

3 APRR VKT excludes ADELAC.

APRR France CONTINUED

Acquisition of additional 4.86% interest in APRR

- In October 2017, MQA acquired an additional 4.86% indirect interest in APRR, increasing MQA's holding to 25.0%.
- The acquisition leveraged MQA's pre-emptive right at an attractive acquisition multiple, consistent with the price paid by MQA's third party MAF Group co-investors.
- An increased holding in APRR provides MQA with greater exposure to a high quality asset, with a favourable outlook and leverage to French economic growth and trans-European trade opportunities.

Financing costs and future interest saving opportunities

- The APRR Group has a sustainable debt maturity profile and strong liquidity position.
- APRR has an investment grade credit rating of A- (Stable Outlook) by both S&P and Fitch.
- During 2017 APRR continued to replace maturing debt at lower cost:
  - APRR's net interest expense decreased 23%, or €54 million, in 2017.
  - APRR issued €1.3 billion in bonds during the year at an average cost of 1.6% and maturity of approximately 15 years.
- Eiffarie debt cost is currently impacted by a legacy swap which is due to expire in June 2018 and will provide immediate interest cost savings.

Favourable French and European macroeconomic environment

- APRR is an extensive motorway network leveraged to French economic activity, providing critical connectivity between major French cities and France's major trading counterparts.
- Economic expansion in France continues to gain momentum, with real GDP growth of 1.9%[3] during 2017, compared to approximately 1.0%[3] per annum during 2014-2016.
- Recent French taxation changes are anticipated to provide a net benefit to APRR.
- APRR continues to focus on growing and improving its existing network.

3 Source: French National Institute of Statistics and Economic Studies (INSEE), released 1 January 2018.

Dulles Greenway
Virginia, USA

The Dulles Greenway is a 22 kilometre toll road located in Loudoun County, one of the fastest growing and most affluent counties in the United States.

The Dulles Greenway is part of a key road corridor connecting suburban communities in northern Virginia with the greater Washington D.C. region in the United States. In 2017 MQA increased its estimated economic interest in the Dulles Greenway to 100%.[1]

MQA's estimated economic interest

100%[1]

Concession expiry

2056

Traffic[2]

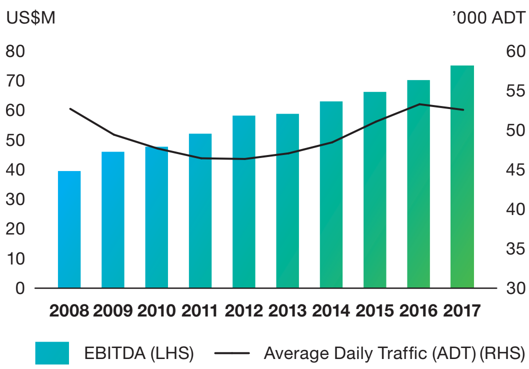
down 1.3% on pcp

Revenue

up 1.3% on pcp

EBITDA

up 1.1% on pcp



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

Traffic and financial performance

- Traffic decreased 1.3%[2] in 2017, largely impacted by changes to the surrounding local network.
- Revenue increased 1.3% and EBITDA increased 1.1% in 2017, primarily attributable to toll increases during 2017.

Competitive network changes

- Improvements to the surrounding road network have been implemented as a result of strong growth in Loudoun County, providing congestion relief for the growing number of road users in the region:
  - While in construction, these improvement works positively impact Dulles Greenway traffic.
  - As they complete, these works provide additional capacity on alternate routes and negatively impact volumes on the Dulles Greenway.
- It is anticipated Dulles Greenway's traffic performance will continue to reflect the impacts of various competing network improvements and construction activities over the near term.

Consolidating ownership to 100%

- In May 2017, MQA acquired a further 50% estimated economic interest in the Dulles Greenway, increasing our estimated economic interest to 100%.[1]
- Increased ownership enhances MQA's ability to optimise the Dulles Greenway's key operating business decisions, capital structure, long-term cash flows and reliability of service to commuters.
- The acquisition further consolidates MQA's portfolio ownership, delivering on our strategy.

1 MQA owns a 100% estimated economic interest in TRIP II LP, the owner of the concession for the Dulles Greenway. This interest is held through 86.6% subordinated loans and 13.4% equity interest.

2 Calculated as average daily traffic growth for the 12 months to 31 December 2017, compared to the 12 months to 31 December 2016.

Active asset management

- Increasing its estimated economic interest to 100%[1] has provided MQA with operational control of the Dulles Greenway to drive future asset performance.
- Capital improvements to alleviate morning eastbound traffic congestion are expected to commence in 2018, widening the connector at the eastern end of the Dulles Greenway to the Dulles Toll Road.
- There are also opportunities to collaborate with Loudoun County and the Virginia Department of Transportation to investigate solutions to improve traffic flow at the western end of the Dulles Greenway.
- As the region continues to grow, Dulles Greenway has capacity to expand from its current six lanes to attract a greater share of future corridor growth and continue to provide a quality service for its users.

Macroeconomic environment and corridor dynamics

- Loudoun County is one of the fastest growing and most affluent counties in the US, with the highest Median Household Income in the US at ~$135,000[3] and the highest Virginian county investment levels in 2017[3].
- Economic growth in the region is supported by a well-educated working class population, recording the highest employment growth rate[4] and second-highest population growth rate[5] in Virginia.

▲ **Loudoun County demographic growth per annum[6]**

3 Source: the US Census Bureau estimates: 2016 Small Area Income and Poverty Estimates, released 7 November 2017.
4 Source: Loudoun County DED Annual Report FY17 and US Bureau of Labor Statistics (Jan-June 2017).
5 Source: US Bureau of Labor Statistics. Loudoun County recorded highest pcp employment growth from 1 January to 30 June 2017, released 5 December 2017.
6 Source: Loudoun County Department of Planning and Zoning, released December 2017.

04 MQA's evolution since inception

Growing total securityholder returns through delivering on our strategy

MQA has generated long term value and delivered increasing returns through a number of key achievements over its eight years since inception. This has resulted in the consolidation of our portfolio, the enhancement of our portfolio's value and provided a simplified investment proposition for securityholders.

2010

25 January

'MQA' lists on the Australian Securities Exchange (ASX)

—

MQA commences trading on the ASX at A$0.51 following the demerger of Macquarie Infrastructure Group into two separate ASX-listed toll road groups

17 June

Eiffarie, the vehicle through which MQA and its co-investors hold an 81.5% interest in APRR, reaches an agreement to acquire a further 13.7% in additional interests from certain minority holders

—

The acquisition brought Eiffarie's total holding to greater than 95%, allowing it to consolidate for tax purposes and to launch a compulsory acquisition of the remaining shares in APRR

30 July

MQA is included in the S&P/ASX 200 Index as a result of increased free float market capitalisation

2011

25 January

MQA delivers 148% security price growth one year following its listing

2012

20 February

Eiffarie refinances and reduces its €3.8 billion acquisition debt facility to €2.8 billion, ahead of maturity, stabilising the APRR/Eiffarie capital structure and facilitating distributions to MQA and its co-investors

01 October

Fitch initiates coverage of APRR with a BBB+ long-term credit rating with Stable Outlook

2013

21 March

MQA declares its first distribution

09 December

S&P upgrades APRR's long-term credit rating to BBB with Positive Outlook

2014

17 July
MQA completes its first capital raising, funding the acquisition of an additional 0.7% indirect interest in APRR via an institutional placement

27 November
S&P upgrades APRR's long-term credit rating to BBB+ with Stable Outlook

2015

20 February
APRR signs a €1.8 billion Revolving Credit Facility and Eiffarie refinances and reduces its debt facility to a €1.5 billion term loan, securing significant interest savings

27 May
MQA reaches financial close on the transfer of its 25% interest in the Indiana Toll Road in the US, receiving net proceeds of US$25 million

24 August
APRR and AREA formalise a significant agreement with the French State, including a capital investment Stimulus Package, concession amendments and extensions, as well as supplemental toll increases

2016

01 February
The Tunnel Maurice Lemaire (TML) Concession merges with the APRR Concession in exchange for a 10 month extension to the APRR Concession

25 February
MQA reaches financial close on the sale of its 22.5% interest in the Chicago Skyway in the US, receiving net proceeds of approximately US$98 million

04 November
S&P upgrades APRR's long-term credit rating to A- with Stable Outlook

07 November
AREA, a subsidiary of APRR, enters into an agreement to acquire an additional 46.1% interest in ADELAC, which, following subsequent acquisitions of minority interests, increases MQA's indirect interest in ADELAC to 19.74%

2017

23 February
MQA announces the acquisition of the remaining 50.0% estimated economic interest in the Dulles Greenway, taking its estimated economic interest to 100%[1]. The transaction was funded via an institutional placement, share purchase plan, asset finance facility and corporate cash

20 March
MQA is included in the S&P/ASX 100 Index as a result of increased free float market capitalisation

11 May
MQA divests its nominal interest in the M6 Toll in West Midlands, UK

14 September
MQA announces the acquisition of an additional 4.86% interest in APRR via MAF2, increasing its ownership in APRR to 25.0% and total ownership interest in ADELAC to 25.03%. The transaction was funded via an entitlement offer and acquisition debt facility

09 October
Fitch upgrades APRR's long-term credit rating to A- with Stable Outlook

20 November
The MQA Boards announce their intention to transition MQA to an internalised management structure

1 Estimated economic interest held through ~86.6% subordinated loans secured against the equity held by other limited partners. Remaining 13.4% interest held through equity.

05 Our Boards' directors

MQA comprises Macquarie Atlas Roads Limited (MARL) and Macquarie Atlas Roads International Limited (MARIL).

The MARL and MARIL Boards are made up of four and five directors respectively, with a diverse range of backgrounds and experience.

(Left to right) Derek Stapley, John Roberts, Debra Goodin, James Keyes, Nora Scheinkestel, Jeffrey Conyers, Christopher Leslie, Richard England

Nora Scheinkestel

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

MARL Non-Executive, Independent Chairman

MARIL Non-Executive, Independent Director

Chairman of MARL from 17 April 2015 and Director from 28 August 2014

Director of MARIL since 17 April 2015

Age: 58

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 of the MARIL Board. She is also currently a director and committee chairman of Telstra Corporation Limited, a director of AusNet Services Limited and a director of OceanaGold Corporation. 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. Previous directorships include Stockland Group, 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, a former member of the Takeovers Panel and was awarded a centenary medal for services to Australian society in business leadership.

Richard England

FCA MAICD

MARL Non-Executive, Independent Director

Director from 1 June 2010

Age: 67

Richard England, who is also the Chairman of the MARL 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 Chandler MacLeod 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, Japara Healthcare Limited and Bingo Industries Limited.

John Roberts

LLB (Canterbury)

MARL Non-Executive Director

Director since restructure implementation on 2 February 2010

Age: 59

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). 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 (now MIRA). Having previously served as a Director of the DUET Group, John is currently a director of Sydney Airport Limited.

Debra Goodin

BEc (AU) FCA

MARL Non-Executive, Independent Director

Director from 1 September 2017

Age: 51

Debra Goodin, who is also Chairman of the Remuneration Committee, is an experienced independent director currently serving on the boards of ASX-listed companies APA Group, Senex Energy Limited and Ooh!Media Limited. She is currently also the chairperson of the Audit and Risk Committees for these boards. Debra has more than 20 years' senior management experience with professional services firms, government authorities and ASX-listed companies across finance, operations, corporate strategy, mergers and acquisitions. She is a fellow of Chartered Accountants Australia and New Zealand.

Our Boards' directors CONTINUED

Jeffrey Conyers

BA (Toronto)

MARIL Non-Executive, Independent Chairman

Bermuda-based – director since establishment on 16 December 2009

Age: 64

Jeffrey Conyers is the Chairman of the MARIL Board and MARIL Nomination and Governance Committee, and is a director of numerous companies in Bermuda. He is the former Chief Executive Officer of First Bermuda Securities Limited which provided advisory and execution services 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: 54

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

Derek Stapley

BA (Glas Cal) CA

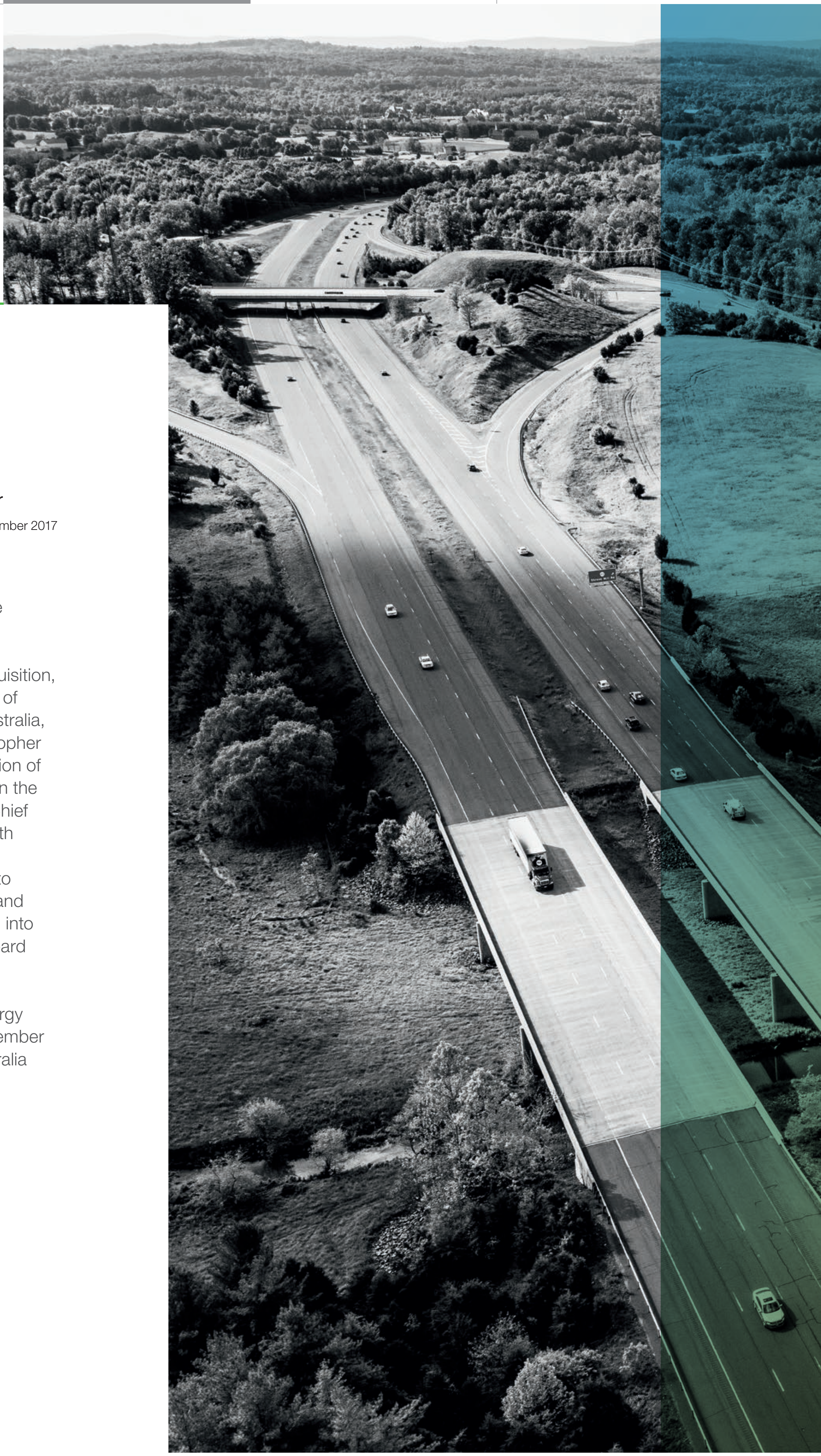
MARIL Non-Executive, Independent Director

Bermuda-based – director from 1 June 2010

Age: 57

Derek Stapley, who is also the Chairman of the Audit and Risk Committee of MARIL, is a Chartered Accountant with over 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.



Christopher Leslie

BCom (Hons) (Melb) CA

MARIL Non-Executive Director

United States-based – director from 1 September 2017

Age: 53

Christopher Leslie is a senior managing director of Macquarie Infrastructure and Real Assets (MIRA) based in New York, with 25 years' experience in the acquisition, development and management of infrastructure assets across Australia, Asia and North America. Christopher has been integral to the expansion of MIRA's infrastructure business in the US since 1999 and served as Chief Executive Officer of MIRA's North American series of unlisted infrastructure funds from 2006 to 2016, which collectively raised and invested more than US$8 billion into infrastructure assets. He is a board member of several companies including Puget Energy, Cleco Corporation and Leaf River Energy Center. Christopher is also a member of Chartered Accountants Australia and New Zealand.

06 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.

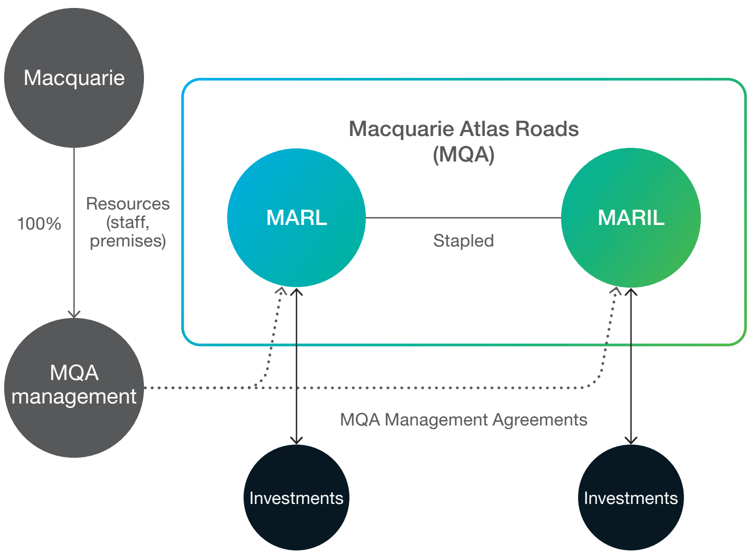
MQA comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL), an Australian public company, and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL), an exempted mutual fund company incorporated in Bermuda. MQA is listed as a stapled structure on the Australian Securities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

MARL and MARIL have 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).

Management arrangements

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 MQA's establishment.

▼ 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 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 13.4% equity interest.
2 Holds an interest through subordinated loans secured against 86.6% equity interests.

The existing 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 existing MQA Management Agreements, addressing the disclosure recommended in ASX Guidance Note 26, can be found on the MQA website.

Change in management arrangements

In November 2017, the Boards announced MQA had reached a stage where it was appropriate to transition to an internalised management structure and on 9 April 2018, the Independent Directors announced that agreement had been reached with Macquarie on the terms of the internalisation. The Internalisation Proposal will be put to securityholders for approval at MQA's annual general meeting in May 2018.

▼ MQA's 2017 Governance

Independent MARL and MARIL Chairmen

50% female representation: MARL Board

53% female representation: MQA's management team[3]

Over 95% Board meeting attendance by all Directors

5 year average Director tenure
2 new Directors appointed
further strengthening Boards' skill set

Transition to internalised management structure announced

MQA's 2017 Corporate Governance Statement, as well as other governance documents referred to within the statement[4], can be viewed on MQA's website at:

www.macquarieatlasroads.com/corpgov

3 Calculated based on the team working on MQA under the MQA Manager, on a full-time equivalent basis.

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

Governance disclosures

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 triggered on removal of the MQA Manager 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 2017 and up to the date of issue of this 2017 Annual Report. Included in the statement are details relating to:

- Board composition, skills matrix and performance
- Director independence
- Director attendance at 2017 MQA Board and Committee meetings
- Diversity
- Staff and Director trading
- Market disclosures
- Risk management framework
- Auditor independence.

07 Sustainability

Our approach

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

Accordingly, the identification, assessment and responsible management of environmental and social risks is fundamental to our day-to-day business activities and an essential part of ensuring our long-term success, at both the MQA corporate level and at our portfolio companies.

We structure our sustainability approach into **six focus areas** that we consider to have a material impact on our portfolio and are key to our commitment of ensuring sustainable growth:

01 Safety
The safety of our customers, and that of our staff, is paramount.

02 Climate change and the environment
Actively reducing the impact of our portfolio roads on the surrounding environment and responding to climate change over the long term.

03 People and diversity
Promoting a culture of equal opportunity, diversity and learning.

04 Supply chain
Ensuring suppliers and partners observe appropriate working conditions and environmental and social responsibility policies.

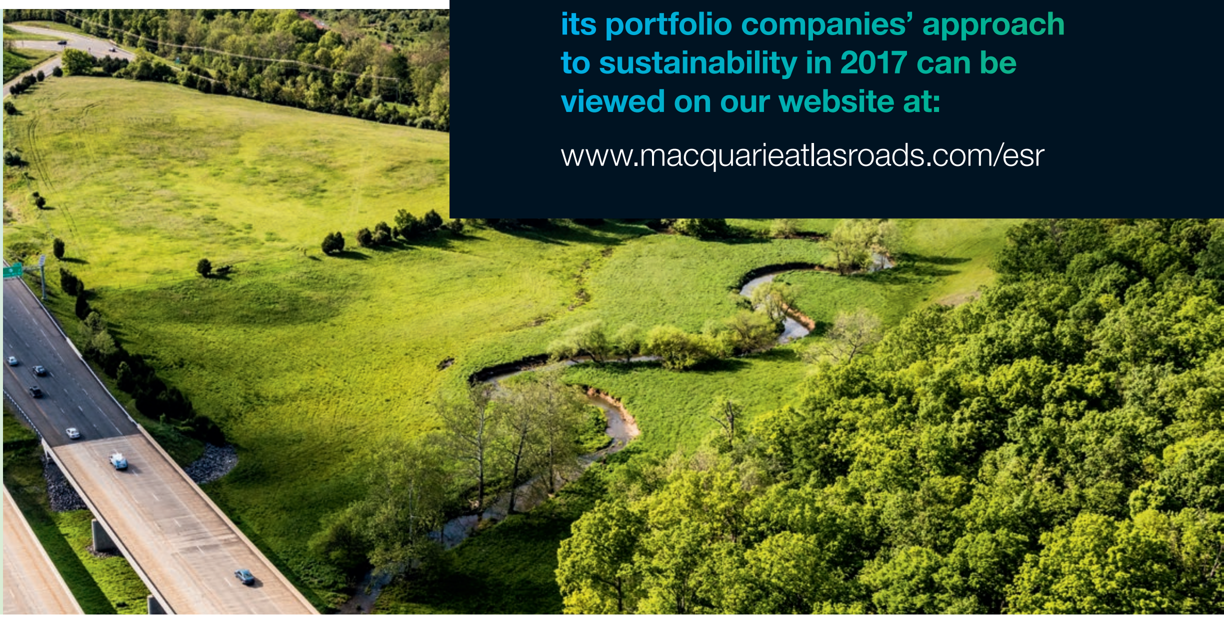
05 Community
Recognising the important role our portfolio companies play in the communities in which we operate, by supporting and responding to their needs.

06 Technology
Leveraging advances in technology and planning for future innovations.

Our approach to each of our focus area is provided in more detail within this report.

Further information on MQA and its portfolio companies' approach to sustainability in 2017 can be viewed on our website at:

www.macquarieatlasroads.com/esr



Our framework

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 standards for environmental and social responsibility (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.

At APRR (including ADELAC) and Warnow, MQA has a non-controlling interest and accordingly MQA-appointed board representatives promote and support the implementation of good ESR practices within each asset to the extent that they are able to under the co-ownership arrangements.

On 16 May 2017, MQA gained operational control of the Dulles Greenway with an estimated economic interest of 100%. Since this date, MQA management has conducted a thorough risk assessment of the asset, including its ESR practices and reporting, to determine whether any substantial changes are required.

Regular reporting from each portfolio company to MQA also assists in monitoring compliance with ESR requirements and in the identification of ESR issues across MQA's 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 MQA's evaluation of new investments. MQA aims to invest in portfolio 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 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.

The Manager's approach to sustainability

The day-to-day management and administration of MQA is currently delegated to the MQA Manager under the management and advisory agreements. The MQA Manager, as part of Macquarie Asset Management, a division within the Macquarie Group, is committed to strong corporate governance and environmental and social responsibility. This approach is governed by Macquarie's ESG Framework and related policies.

It adopts a rigorous risk management framework which incorporates active management and monitoring of a broad range of risks, including environmental and social risks. The MQA Manager is also guided by the International Finance Corporation's (IFC) Environmental and Social Performance Standards and Environmental, Health and Safety Guidelines.

Key sustainability achievements include:

- In 2017, Macquarie Asset Management submitted its first transparency report as a signatory to the United Nations-supported Principles of Responsible Investment (PRI).
- 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 manages 6,670MW of renewable energy assets globally.
- Macquarie Group and MQA's headquarters at 50 Martin Place in Sydney has been awarded a 6 Star Green Star Rating[2], demonstrating the Group's global commitment to sustainability.

Further information can be found on the Macquarie Group website: www.macquarie.com/esg

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.

Sustainability CONTINUED

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$300 million since its inception through staff payroll giving, fundraising and Foundation matching. Over 50,000 hours of staff-time is volunteered annually.

Further information can be found on the Macquarie Group website: www.macquarie.com/foundation

Our policies

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

- **Environmental and Social Responsibility Policy:** sets out the requirements for identifying and managing environmental and social risks which arise in the day-to-day activities of MQA.
- **Risk Management Policy:** sets out the risk thresholds, framework and policies in place to manage investment, credit, liquidity, operational and legal risks associated with MQA's operations and investments.
- **Workplace Health and Safety Risk Policy:** sets out the requirements for identifying and managing workplace health and safety risks which arise in the day-to-day activities of MQA.
- **Diversity Policy:** outlines MQA's commitment and approach to ensuring diversity of experiences, skills, views and backgrounds for its directors and management.
- **Code of Conduct:** sets out the expectations for MQA directors and management team in conducting business and outlines the values which they are expected to act by.

These policies are available on the MQA website and form part of MQA's overarching risk management framework in accordance with Principle 7 of its corporate governance statement.

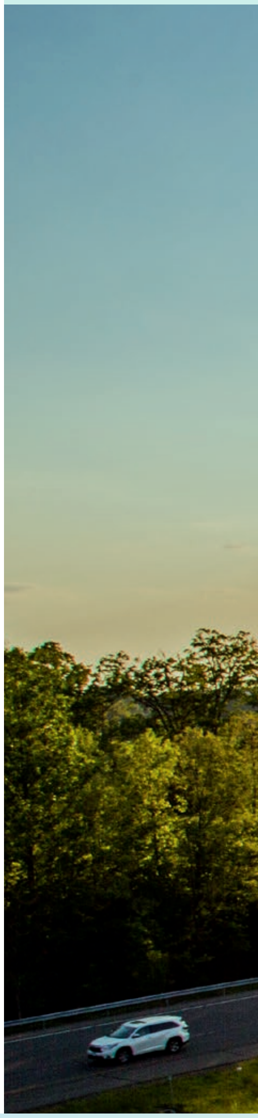
While this report outlines our approach to sustainability, or ESR, management, our governance responsibilities and policies are covered in MQA's **Corporate Governance Statement** which can be found on our website: www.macquarieatlasroads.com/corpgov

Stakeholder engagement

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

ESR-related regulatory requirements

MQA is not aware of any material breaches of relevant ESR-related regulatory standards by its assets during the year ended 31 December 2017.



Increasing use of renewable energy, with over 20% of APRR electricity from renewable sources

Maintenance of over 10,300 hectares of green space

Planning for technological changes: electric and automated vehicles

Over 3,400 people employed by our portfolio companies

Sustainability CONTINUED

Our sustainability focus areas:

01 Safety

In 2017, road users travelled 24.5 billion kilometres across MQA's portfolio companies. Their safety, and that of our staff, is paramount. We encourage good governance practices to minimise the risk of injury to both customers and staff.

We invest in portfolio 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 Audit and Risk Committees on a quarterly basis and presented to the MQA Boards annually. Any major incidents are reported to the MQA Boards within 48 hours of notification being received of such an occurrence.

24 hour safety monitoring

Low or zero lost time injury frequency rates

02 Climate change and the environment

Climate change is a real and relevant consideration for our portfolio companies. Not only do we seek to minimise our impact on climate change, but also manage the risks associated with climate change.

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

Management regularly reviews the methods in place to respond to adverse weather conditions on our portfolio roads including the constant monitoring of road surfaces for their ability to withstand extreme conditions and training staff to respond to these conditions to ensure both their own and road user safety.

Each portfolio company has also developed eco-friendly policies and initiatives focused on identifying and minimising any negative environmental impact – to preserve the surrounding water resources, fauna and flora, and reduce emissions and the impact of noise, visual and environmental pollution.

▼ Case studies

The **APRR** and **ADELAC** network is monitored 24 hours a day, seven days a week to ensure rapid response and help keep customers safe at all times:

- 550 video cameras and 380 traffic counting stations, with emergency phones located every 2 kilometres along the network.
- Approximately one third of employees have safety-related roles with a fleet of 1,500 monitoring and response vehicles.
- APRR's "SOS Autoroute" mobile app serves as an on-board emergency roadside telephone and has been installed by over 600,000 customers.

—

In March 2017, **Warnow Tunnel** was awarded the 2017 Occupational Health Management Award by BVMW (the federal association for medium-size enterprises in Germany) in response to its impressive safety record and its efforts to uphold high standards of workplace health and safety amongst its employees. Warnow Tunnel employees had zero loss time injuries during 2017.

▼ Case studies

20% of **APRR** electricity is currently sourced from renewable energy. New waste collection contracts in 2017 utilise technologies to schedule itineraries to minimise emissions of greenhouse gas and air pollutants. APRR has also put in place a proactive pavement materials recycling program to reduce natural resources needs by 20-50%.

—

The **Dulles Greenway** has established SMART environmental goals and progress towards these goals are monitored through quarterly reviews. **APRR** has also set goals to cut greenhouse gas emissions at every level of its activity, from infrastructure construction and modernisation, to building renovation and curtailing unnecessary employee travel, all with zero impact on motorway users' safety or comfort.

03
People and diversity

MQA does not directly employ its own staff, other than non-executive directors. However, the commitment and well-being 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 MQA's corporate employees are provided by the MQA Manager under the management agreements. MQA has an international portfolio of road assets and its effective management requires geographically diverse, high-calibre, global expertise which the MQA Manager provides.

At our portfolio companies, MQA appointed board representatives support the implementation of appropriate diversity, equality and employee engagement policies, including the employment and representation of women across all levels of the company.

MQA also adopts a Diversity Policy at the MQA board and management levels through consultation with the MQA Manager. Details of our progress are provided in our Corporate Governance Statement.

04
Supply chain

Given MQA invests in infrastructure, its assets are exposed to supply chain impacts. Our assets engage with multiple suppliers through day-to-day operations and construction projects which drive economic development in the communities in which our assets operate.

Each asset has a supplier code that sets governance, community, environmental management, social responsibility and supply chain criteria for its suppliers. Tender and contract management processes include environmental, sustainability and safety expectations specific to each contract.

Active policies to ensure diversity and inclusion

Over 75% of portfolio company employees receive development training

▼ Case studies

APRR and **AREA** have been granted the "Diversity Label" from Association Française de Normalisation (AFNOR), France's national organization for standardization. More than 80 employees are now "diversity" ambassadors. APRR has adopted a series of diversity and equality benchmarks, including company-wide employee target of 50% female representation.

—

The **Dulles Greenway** has written policies and procedures in place to promote an inclusive working environment that is free of discrimination and any form of harassment. Management hires and promotes staff based on demonstrated ability, experience and training, without regard to race, colour, national origin, religion, age, sex, disability, or any other status protected by law.

—

Warnow Tunnel has implemented a Code of Ethics based on principles of mutual respect and trust with no appetite for any type of discrimination.

▼ Case studies

Given the depth of **APRR**'s purchasing and supply chain department, it is able to respond to competitive tendering and use a balanced mix of local skills/businesses and larger nation-wide companies to meet the needs and conditions of its operations. APRR adheres to international principles and commitments in its supplier dealings.

—

The **Dulles Greenway** has implemented a procurement policy striving to obtain products that will have the least amount of impact on the environment. For example, the policy determines that US EPA Energy Star certified products shall be purchased when available.

05
Community

We recognise the important role and long term impact of infrastructure assets on local communities in the regions in which they operate. The United Nations Sustainable Development Goals (UN SDGs) identify resilient and sustainable transport infrastructure as crucial in achieving sustainable development and empowering communities.

In addition to compliance with the relevant laws and regulations, we seek to ensure our portfolio companies endeavour to pay attention and respond to community needs, as well as support and build strong relationships with these communities.

We promote this first through ensuring our customers continue to benefit from a high level of service, user-friendly initiatives, operational safety, and time efficiencies provided by our roads, as well as by supporting our local communities through donations, sponsorships and partnerships.

Supporting social investment initiatives

06
Technology

MQA is keenly aware of the benefits of leveraging technology across its corporate business and portfolio operations, in providing a better customer experience as well as in improving productivity, safety, energy efficiency and reducing costs. However, MQA is 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.

A combination of technological revolutions and social change is also prompting a profound shift in our attitude to travel. In response, our assets are working towards supporting the development of new means of transport (such as electric and autonomous vehicles) and new practices such as carpooling and the use of social media.

Accordingly, through both the MQA Manager and our appointed board representatives, MQA is committed to ensuring its portfolio companies adequately understand the technology-related risks and opportunities facing their operations and have in place appropriate protocols and innovation planning to prepare for changes in technology.

▼ Case studies

APRR participates in professional integration initiatives such as “100 chances, 100 jobs”. In 2017 APRR continued to support the training and education of students by welcoming around 80 trainees and 204 employees through its apprenticeship program, combining part-time study with practical experience.

In 2017, **Dulles Greenway** held its 13th Annual “Drive for Charity” where 100% of toll proceeds are distributed to charitable and not-for-profit organisations in the local community, raising US$350,000 to support six local organisations and 15 local scholarships. The total amount raised through the event over the past 13 years is over US$3.0 million.

Warnow Tunnel donated ~€47,000 in 2017 through sponsorships and donations, including the Rostock Zoo and Rostock Food for People, an organisation that collects food nearing its expiry date and distributes it to people in need.

▼ Case studies

APRR’s Horizon 2020 programme, Start.Lab, encourages all employees to think about and design tomorrow’s motorways and services. Over a 16-month period, 110 employees have tackled challenges posed by a series of Start.Lab workshops. Each workshop provides the opportunity for participants to reflect on technological and social changes in areas such as smart vehicles, urban tolls, ecomobility and multimodal transport, and determine ways to address these paradigm shifts.

Social media is increasingly being used by the **Dulles Greenway** to provide continuous traffic and weather updates to users, ensuring a safe and reliable user experience.

Warnow Tunnel maintains a policy for Crime Insurance across its business and continues to participate in the Federal Research Institute’s Cyber Safe project. Penetration tests are executed regularly at every network level in order to mitigate the risk of external attacks.

08 Financial report

for the year ended 31 December 2017

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

+

Macquarie Atlas Roads Limited and its controlled entities

Directors' Reports

FOR THE YEAR ENDED 31 DECEMBER 2017

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 2017.

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 ("MARL Group"), together comprising MQA.

The directors of MARL also submit the following report for the MARL Group for the year ended 31 December 2017.

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 (unless otherwise stated):

- Jeffrey Conyers (Chairman)
- James Keyes
- Christopher Leslie (Appointed on 1 September 2017)
- 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 (unless otherwise stated):

- Nora Scheinkestel (Chairman)
- Marc de Cure (Resigned on 30 June 2017)
- Richard England
- Debra Goodin (Appointed on 1 September 2017)
- 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 were as follows:

	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Dividend of 10.0 cents per stapled security ("cps") paid on 29 September 2017[1]	**58,188**	–
Distribution of 10.0 cps paid on 7 April 2017[2]	**57,294**	–
Distribution of 9.0 cps paid on 30 September 2016[3]	–	47,712
Distribution of 9.0 cps paid on 31 March 2016[4]	–	46,573
	115,482	94,285

All of the distributions were paid in full by MARIL.

1 Comprised an ordinary dividend of 10.0 cps.

2 Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.

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

4 Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 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 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Revenue and other income from operations	**473,001**	70,647	**68,166**	4,477
Operating expenses from operations	**(104,343)**	(167,741)	**(8,493)**	(17,964)
Finance costs	**(53,795)**	–	–	–
Share of net profit/(losses) of investments accounted for using the equity method	**187,971**	329,976	**(626)**	144,233
Income tax benefit/(expense)	**16,749**	(7,773)	**(1,664)**	(7,768)
Profit from operations after income tax	**519,583**	225,109	**57,383**	122,978
Profit attributable to:				
Equity holders of the parent – MARIL	**462,200**	102,131	–	–
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)	**57,383**	122,978	**57,383**	122,978
Profit attributable to stapled securityholders	**519,583**	225,109	**57,383**	122,978
	Cents	Cents	**Cents**	Cents
Profit per MQA stapled security	**87.66**	43.15	**9.68**	23.57

On 16 May 2017 ("TRIP II Acquisition Date"), MQA completed the acquisition of the remaining 50% estimated economic interest in Toll Road Investors Partnership II ("TRIP II"), the concessionaire for Dulles Greenway. This acquisition brought MQA's estimated economic interest in TRIP II to 100%. Accordingly, included in MQA's Financial Report are the consolidated results of TRIP II from the TRIP II Acquisition Date.

On 24 October 2017, MQA acquired an additional 4.86% indirect interest in APRR via Macquarie Autoroutes de France 2 SA ("MAF2") bringing its indirect economic interest to 25.00%. MQA's share of the results of its non-controlled toll road assets are disclosed as share of net profit of investments accounted for using the equity method.

MQA's profit after income tax for the year ended 31 December 2017 was $519.6 million (2016: $225.1 million). The movement in results for the year reflects the following significant items:

- Revenue and other income from operations of $473.0 million (2016: $70.6 million) has increased due to:
  - A gain on the revaluation of the original investment in Dulles Greenway of $375.6 million (2016: nil)
  - The consolidation of TRIP II's toll revenue of $75.7 million from TRIP II Acquisition Date
- Operating expenses of $104.3 million (2016: $167.7 million) have decreased due to:
  - A decrease in performance fees expense to $8.0 million (2016: $134.1 million). The 2017 performance fee was calculated at $23.9 million and is payable in three equal annual instalments of $8.0 million. At 31 December 2017, it was not sufficiently probable that the second or third instalments of the performance fee would become payable based on the level of outperformance achieved against the benchmark. Accordingly, only the first instalment of the 2017 performance fee has been recognised. In the prior year all three instalments of the 2016 fee were recognised
  - This is partially offset by the consolidation of TRIP II's expenses from TRIP II Acquisition Date of $53.2 million
- Finance costs of $53.8 million (2016: nil) include:
  - Interest and amortisation expense of $10.1 million on the loan facility used to acquire a portion of the remaining 50% stake in TRIP II
  - Interest and amortisation expense of $1.3 million on the loan facility used to acquire a portion of an additional stake in APRR
  - Consolidation of TRIP II's bond interest expense from the TRIP II Acquisition Date of $42.4 million
- Share of net profit of investments accounted for using the equity method of $188.0 million (2016: $330.0 million), primarily comprising:
  - APRR profit of $192.0 million is broadly in line with the prior year (2016: $193.9 million). A higher income tax expense in 2017 has offset improved performance, a reduction in finance costs and MQA's increased share of profits resulting from the additional 4.86% indirect interest in APRR
  - Dulles Greenway loss of $3.9 million (2016: $9.5 million) for the period up to TRIP II Acquisition Date
  - Proceeds of $145.5 million relating to the sale of Skyway Concession Company LLC ("SCC") were received in the prior year.
- Income tax benefit of $16.7 million (2016: expense of $7.8 million) includes:
  - Reduction in deferred tax liability recognised on acquisition of remaining interest in TRIP II by $17.5 million due to decrease in United States Federal Income tax rate
  - Offsetting this is the final tax expense of $1.7 million on the distribution proceeds relating to the sale of SCC (2016: $7.8 million)

Significant changes in state of affairs

Acquisition of remaining 50% interest in Dulles Greenway

On 23 February 2017, MQA announced that it would exercise its pre-emptive right to acquire the remaining 50% estimated economic interest in TRIP II for US$445.0 million ($598.9 million). Financial close for the acquisition was reached on 16 May 2017. This acquisition was funded by a combination of equity, debt financing and existing cash.

The equity was raised by a $185.0 million placement of new MQA stapled securities to institutional and sophisticated investors ("TRIP II Placement") at $4.85 per security resulting in 38,144,330 new MQA stapled securities being issued on 1 March 2017. Additionally, MQA raised $22.2 million by issue of 4,663,617 new MQA stapled securities at $4.76 per security under a Security Purchase Plan ("SPP") on 30 March 2017. All stapled securities issued under the Placement and SPP rank equally with MQA's existing stapled securities.

MQA also borrowed US$175.0 million ($235.5 million) through an eight year bullet financing facility to facilitate the acquisition and this was drawn down on the TRIP II Acquisition Date.

Transfer of equity interest in M6 Toll

On 1 May 2017, MQA announced the transfer of its 100% ordinary equity interest in the M6 Toll to the M6 Toll lender group. On 5 May 2017, the equity interests were transferred and on 8 May 2017 MQA received a final management fee of £2.6 million ($4.5 million).

Acquisition of additional stake in APRR

On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 4.86% indirect interest in APRR, increasing the total stake in APRR to 25.00% and ADELAC to 25.03%. Financial close was reached on 24 October 2017 with a final purchase price of €439.9 million ($665.5 million). This acquisition was funded by a combination of equity and debt financing.

Equity totalling $363.5 million was raised through a rights issue to institutional holders resulting in 70,993,861 new MQA stapled securities being issued on 26 September 2017 at $5.12 per security ("Institutional Offer"). Additional equity totalling $86.6 million was raised through a rights issue to retail holders resulting in 16,914,851 new MQA stapled securities being issued on 11 October 2017 at $5.12 per security ("Retail Offer"). All stapled securities issued under the Institutional Offer and Retail Offer rank equally with MQA's existing stapled securities.

MQA also borrowed €150.0 million ($226.9 million) through a seven year, senior secured facility to facilitate the acquisition on 24 October 2017.

Reduction in base fee

On 14 September 2017, the MARIL Board and MARL Board (together, the "Boards") announced that notification had been received from MFA that commencing 1 October 2017, and for subsequent quarters until further notice, the base management fees payable by MQA would be reduced to a flat 0.85% per annum on MQA's market capitalisation.
Base management fee rates payable are:

Market capitalisation

Market value	Original contract	Revised fee from 1 Jan 2014	Revised fee from 1 Jul 2016	Revised fee from 1 Oct 2017
Up to $1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between $1 billion and $3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than $3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.

Change in management arrangements

On 20 November 2017, MQA announced that it had reached a stage where a transition to internalisation of the management of MQA is now appropriate. The independent directors of both MARIL and MARL are currently engaging with MFA to determine the most efficient process through which this can be achieved. MFA has continued to act as the Adviser of MARIL and the Manager of MARL during the year and up until the date of this report.

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 31. Comments on the expected outlook for MQA are included in the annual report within the letters from the Chairpersons and Chief Executive Officer.

Events occurring after balance sheet date

Since balance date, the directors of MARIL and MARL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2017.

Indemnification and insurance of officers and auditors

During the year, MARL paid premiums of $224,600 and MARIL paid premiums of $221,743 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' reports. Amounts in the Directors' reports 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.

Information on MARIL Directors

	Experience and directorships	Special responsibilities	Particulars of director's interests in MQA stapled securities as at 31 Dec 2017	31 Dec 2016
Jeffrey Conyers BA Independent Non-Executive Chairman	**Experience:** Jeffrey Conyers, is a director of numerous companies in Bermuda and is the former Chief Executive Officer of First Bermuda Securities Limited. 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. **Other current listed company directorships:** None. **Former listed company directorships in last 3 years:** None.	Chairman of Board and Nomination and Governance Committee	**40,000**	40,000
James Keyes MA Independent Non-Executive Director	**Experience:** James Keyes is a Bermudan solicitor and barrister with over 25 years' experience. James was a partner in Appleby, one of the largest offshore law firms in Bermuda 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. **Other current listed company directorships:** None. **Former listed company directorships in last 3 years:** None.	Chairman of Remuneration Committee	**5,000**	–
Christopher Leslie BCom (Hons) CA Non-Executive Director Appointed on 1 September 2017	**Experience:** Chris Leslie is a senior managing director of Macquarie Infrastructure and Real Assets ("MIRA") (a division of the Macquarie Asset Management Group), with 25 years' experience in the acquisition, development and management of infrastructure assets across Australia, Asia and North America. Chris served as Chief Executive Officer of MIRA's North American series of unlisted infrastructure funds from 2006 to 2016. He is a board member of several companies including Puget Energy, Cleco Corporation and Leaf River Energy Center. Chris is also a member of Chartered Accountants Australia and New Zealand. **Other current listed company directorships:** None. **Former listed company directorships in last 3 years:** None.	–	–	–
Nora Scheinkestel LLB (Hons), PhD, FAICD, Centenary Medal Independent Non-Executive Director	**Experience:** Nora Scheinkestel is an experienced company director and advisor, with a background 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. **Other current listed company directorships:** Telstra Corporation Limited, Stockland Group and AusNet Services Limited. **Former listed company directorships in last 3 years:** Orica Limited (retired December 2015).	–	**78,431**	64,987
Derek Stapley BA, CA Independent Non-Executive Director	**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, having over 30 years' experience. 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. **Other current listed company directorships:** None. **Former listed company directorships in last 3 years:** None.	Chairman of Audit and Risk Committee	–	–

Information on MARL Directors

	Experience and directorships	Special responsibilities	Particulars of director's interests in MQA stapled securities as at 31 Dec 2017	31 Dec 2016
Nora Scheinkestel LLB (Hons), PhD, FAICD, Centenary Medal Independent Non-Executive Chairman	**Experience:** Nora Scheinkestel is an experienced company director and advisor, with a background 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. **Other current listed company directorships:** Telstra Corporation Limited, Stockland Group and AusNet Services Limited. **Former listed company directorships in last 3 years:** Orica Limited (retired December 2015).	Chairman of Board and Nomination and Governance Committee	**78,431**	64,987
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, Japara Healthcare Limited and Bingo Industries Limited. **Former listed company directorships in last 3 years:** Ruralco Holdings Limited (retired September 2016) and Chandler MacLeod Group Limited (de-listed in April 2015).	Chairman of Audit and Risk Committee	**49,670**	40,000
Debra Goodin BEc FCA Independent Non-Executive Director Appointed on 1 September 2017	**Experience:** Debra is an experienced independent director currently serving on the boards of ASX-listed companies APA Group, Senex Energy Limited and Ooh!Media Limited. She is currently also the chairperson of the Audit and Risk Committees for these boards. Debra has more than 20 years' senior management experience with professional services firms, government authorities and ASX-listed companies across finance, operations, corporate strategy, mergers and acquisitions. She is a fellow of Chartered Accountants Australia and New Zealand. **Other current listed company directorships:** APA Group, Senex Energy Limited and Ooh!Media Limited. **Former listed company directorships in last 3 years:** Ten Network Holdings Limited (de-listed November 2017).	Chairman of Remuneration Committee	**5,671**	–
John Roberts LLB Non-Executive Director	**Experience:** John Roberts is a Consultant to Macquarie and Non-Executive Chairman of MIRA. 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 (retired June 2015).	–	**53,073**	46,108

Company Secretaries

Dennika Durrant was appointed as the company secretary of MARIL on 30 November 2017. She has over 10 years of governance and company secretarial experience. Lovaine Parkes was the company secretary of MARIL prior to 30 November 2017.

Christine Williams is a dual company secretary of MARL. She is 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 36 years of governance and transactional legal experience. She has also performed company secretarial roles for various listed property and infrastructure funds for the past 25 years.

Lyndal Coates is a dual company secretary of MARL. She joined MIRA in 2009 and has over 16 years of governance and company secretarial experience.

Meetings of Directors

The number of meetings of the MARIL Board, Audit and Risk Committee, Nomination and Governance Committee and Remuneration Committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director are shown below. In addition, adhoc committees were also held as required for transactional activity.

	Board		Audit and Risk Committee		Nomination and Governance Committee		Remuneration Committee		Ad-hoc Committees[2]	
MARIL Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Jeffrey Conyers	24	23	5	5	4	3	2	2	2	2
James Keyes	24	23	N/A	N/A	4	4	2	2	3	2
Christopher Leslie[1]	8	8	1	1	1	1	N/A	N/A	N/A	N/A
Nora Scheinkestel	24	24	5	5	4	4	2	2	8	8
Derek Stapley	24	24	5	5	4	4	N/A	N/A	8	7

1 Appointed as a director of MARIL effective from 1 September 2017.

2 Ad-hoc committees were held in relation to the 2017 capital raisings as well as an independent board committee and working group relating to the internalisation of MQA management.

The number of meetings of the MARL Board, Audit and Risk Committee, Nomination and Governance Committee and Remuneration Committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director are show below. In addition, adhoc committees were also held as required for transactional activity.

	Board		Audit and Risk Committee		Nomination and Governance Committee		Remuneration Committee		Ad-hoc Committees[2]	
MARL Directors	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Nora Scheinkestel	21	21	5	5	4	4	N/A	N/A	8	8
Richard England	21	21	5	5	4	4	2	2	10	10
Debra Goodin[3]	7	7	1	1	1	1	1	1	5	5
John Roberts	21	20	1	1	4	3	2	2	N/A	N/A
Marc de Cure[4]	9	9	3	3	2	2	1	1	N/A	N/A

2 Ad-hoc committees were held in relation to the 2017 capital raisings as well as an independent board committee and working group relating to the internalisation of MQA management.

3 Appointed as a director of MARL effective from 1 September 2017.

4 Resigned as a director of MARL effective from 30 June 2017.

Remuneration Report (audited)

Under the Corporations Act it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, only MARL securityholders participate in a non-binding vote in respect of this report. Detail on MARIL and MQA as a whole has been included below for good corporate governance.

At the 2017 AGM, MARL received a 24.13% vote against the Remuneration Report. On 20 November 2017, MQA announced that it had reached a stage where a transition to internalisation of the management of MQA is now appropriate and MARL and MARIL directors believe that the internalisation will address many of the concerns underlying the 2017 vote.

The information provided in this report includes remuneration disclosures that are required under AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the Financial Reports and have been audited.

The information provided in this Remuneration Report has been audited as required by section 308 (3c) of the *Corporations Act 2001*.

The Manager/Advisor

Prior to listing, MARIL and MARL entered into advisory and management agreements (collectively, the "MQA Management Agreements") respectively with MFA, a wholly owned subsidiary of Macquarie Group Limited ("MGL" or "Macquarie").

The MQA Manager currently 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. On 20 October 2017 it was announced that James Hooke would be appointed Chief Executive Officer ("CEO") of MQA effective 1 February 2018 and Macquarie agreed that on an ongoing basis it would provide details of the remuneration paid to Mr Hooke by Macquarie in his capacity as MQA CEO. It is expected that the MQA CEO remuneration will be reported in next year's Remuneration Report.

MQA's relationship with Macquarie has provided 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 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 over 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 2017 were:

- Base fee A$32.8 million
- Performance fee A$52.6 million (A$8.0 million + A$44.7 million)

All base fees for the year ended 31 December 2017 were paid in cash. The performance fee amount above comprises the first instalment of the June 2017 performance fee of A$23.9 million which is payable in three equal annual instalments of A$8.0 million each. Future instalments may become payable, subject to meeting ongoing outperformance criteria. Also included is the second instalment of the June 2016 fee of A$44.7 million.

As permitted under the terms of the MQA Management Agreements, the performance fee paid during the financial year ended 31 December 2017, being the first instalment of the 2017 performance fee and the second instalment of the 2016 performance fee was applied by the MQA Manager to a subscription for 8,941,792 new MQA securities. This reflected 1.6% 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 with the MQA Boards, the MQA Manager notified MQA that commencing 1 October 2017 and for subsequent quarters until further notice, the base management fees payable would be reduced to a flat 0.85% per annum for all market capitalisations.

This is the third instance that the MQA Manager has reduced the base management fee rates payable by MQA following rate reductions in 2014 and 2016.

Market capitalisation

Market value	Original contract	Revised fee from 1 Jan 2014	Revised fee from 1 Jul 2016	Revised fee from 1 Oct 2017
Up to $1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between $1 billion and $3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than $3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% 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.

Remuneration Report (audited) CONTINUED

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

Set out below are details of the remuneration paid to directors of MQA as well as the total paid for the financial year 2017. The level of fees is not related to the performance of MQA.

During 2016 an independent remuneration review was undertaken to benchmark to current market rates for comparable directorships in Australia and Bermuda. 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. Remuneration 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 constitutional documents of the entity.

	Board		ARC		RemCo		NomCo		
Macquarie Atlas Roads International Limited – Director fees	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	Travel allowance
US$	110,000	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.

	Board		ARC		RemCo		NomCo		
Macquarie Atlas Roads Limited – Director fees	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	Travel allowance
A$	200,000	120,000	25,000	12,500	10,000	5,000	–	5,000	10,000

Additional adhoc committees are remunerated on a time-spent basis at a rate of A$2,500 per day for MARL and US$1,750 per day for MARIL. Committees set up specifically for the MQA internalisation are remunerated at a rate of A$5,000 per annum for MARL and US$2,500 per annum for MARIL (A$2,500 per annum for Australian NED). In addition a working group has been set up with fees ranging between US$5,000 and A$20,000 depending on level of involvement. These internalisation fees will continue in 2018.

	MARL director fees		MARIL director fees	
Macquarie Atlas Roads – Director fees paid[1]	2017	2016	2017	2016
Jeffrey Conyers	–	–	**US$122,500**	US$97,500
Marc de Cure[2]	**A$78,750**	A$141,250	–	–
Richard England	**A$195,741**	A$152,500	–	–
Debra Goodin[3]	**A$80,751**	–	–	–
James Keyes	–	–	**US$92,500**	US$72,500
Christopher Leslie[3]	–	–	**US$28,333**	–
John Roberts	**A$142,083**	A$132,500	–	–
Nora Scheinkestel	**A$228,438**	A$197,500	**A$86,250**	A$74,375
Derek Stapley	–	–	**US$102,438**	US$81,250

1 Includes adhoc committee and working group fees in 2017 for all directors except John Roberts and Chris Leslie, totalling A$100k.
2 Resigned 30 June 2017.
3 Appointed 1 September 2017.

Except for reimbursements, no payments other than those disclosed in the table above were made to any directors during their period of service. There were no loans to directors.

MARL and MARIL directors are required to acquire and maintain a minimum personal holding of MQA securities which equates to one year of their director fees. They have three years in which to accumulate their minimum holding, from the later of July 2017 (when the policy was implemented) or from the date of their appointment.

Refer to details on pages 35 and 36 as it relates to directors' current individual interests in MQA stapled securities.

Remuneration Report (audited) CONTINUED

Executives

The remuneration of executives that are involved in the management of MQA (including the CEO and CFO of MQA) is not currently disclosed because these executives are employed by Macquarie Group and not by MQA. On 20 October 2017 it was announced that James Hooke would be appointed CEO of MQA effective 1 February 2018 and Macquarie agreed that on an ongoing basis it would provide details of the remuneration paid to Mr Hooke by Macquarie in his capacity as MQA CEO. It is expected that the MQA CEO remuneration will be reported in next year's Remuneration Report. There were no amounts paid or payable by MQA to the previous CEO, Peter Trent.

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, including notional investment in Macquarie managed funds, apply to a portion of allocated profit share to encourage a long-term perspective and commitment from Macquarie employees.

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 2017.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 35 and 36 as it relates to as it relates to directors' holdings in MQA stapled securities.

Auditor services (audited)

The Group has an auditor independence policy which precludes the auditors from performing certain services. This ensures that the audit firm does not review or audit their own work, act in a management or a decision-making capacity for the Group, act as advocate for the Group or jointly share economic risks and rewards. When permissible by this policy, the Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Groups are important. Refer to Note 7.3 for details of all audit and non-audit services provided by the auditor during 2017.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for services provided during the year are set out below.

The Boards have considered the position and, in accordance with the advice received from the Audit and Risk Committee, are 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.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $	Year ended 31 Dec 2016 $	**Year ended 31 Dec 2017 $**	Year ended 31 Dec 2016 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**364,743**	380,211	**186,110**	185,889
Taxation services	**14,240**	62,578	–	2,578
Other assurance services[1]	**261,918**	117,169	**25,904**	12,429
	640,901	559,958	**212,014**	200,896
Amounts paid or payable to network firms of PricewaterhouseCoopers for:				
Audit services	**239,416**	153,976	**41,927**	31,231
Taxation services[2]	**29,757**	18,004	–	–
Other services	**4,830**	–	–	–
	274,003	171,980	**41,927**	31,231

1 Other assurance services provided relates to the capital raising services associated with the acquisition of the 50% estimated economic interest in TRIP II and 4.86% indirect interest in APRR via MAF2.

2 Taxation services provided by network firms of the auditor relates to the filing of corporate income tax returns for the Group's entities domiciled outside of Australia.

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 45.

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

27 February 2018

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

27 February 2018

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

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia

28 February 2018

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia

28 February 2018

Auditor's Independence Declaration

As lead auditor for the audits of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief there have been:

1 no contraventions of the auditor independence requirements of the *Corporations Act 2001* (as applicable) in relation to the audits; and

2 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 year.

Stafford

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
28 February 2018

PricewaterhouseCoopers ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
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 2017

		MQA		MARL Group	
	Note	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Revenue and other income from operations					
Revenue from operations		**78,732**	1,361	**3,024**	1,022
Other income from operations		**394,269**	69,286	**65,142**	3,455
Total revenue and other income from operations	2.1(a)	**473,001**	70,647	**68,166**	4,477
Operating expenses	2.1(b)	**(104,343)**	(167,741)	**(8,493)**	(17,964)
Finance costs	2.1(c)	**(53,795)**	–	–	–
Share of net profits/(losses) of investments accounted for using the equity method	3.2(b)	**187,971**	329,976	**(626)**	144,233
Profit from operations before income tax		**502,834**	232,882	**59,047**	130,746
Income tax benefit/(expense)	2.4	**16,749**	(7,773)	**(1,664)**	(7,768)
Profit for the year		**519,583**	225,109	**57,383**	122,978
Profit attributable to:					
Equity holders of the parent entity – MARIL		**462,200**	102,131	–	–
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)		**57,383**	122,978	**57,383**	122,978
Stapled securityholders		**519,583**	225,109	**57,383**	122,978
Other comprehensive (losses)/income					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(14,940)**	13,580	**(14,518)**	305
Other comprehensive (losses)/income for the year, net of tax		**(14,940)**	13,580	**(14,518)**	305
Total comprehensive income for the year		**504,643**	238,689	**42,865**	123,283
Total comprehensive income attributable to:					
Equity holders of the parent entity – MARIL		**461,778**	115,406	–	–
Equity holder of other stapled entity – MARL (as non-controlling interest/parent entity)		**42,865**	123,283	**42,865**	123,283
Stapled securityholders		**504,643**	238,689	**42,865**	123,283
Profit per share attributable to MARIL/MARL shareholders					
Basic and diluted profit per share attributable to:		**Cents**	Cents	**Cents**	Cents
MARIL (as parent entity)	2.3	**77.98**	19.58	–	–
MARL (as non-controlling interest)	2.3	–	–	**9.68**	23.57
Profit per MQA stapled security		**87.66**	43.15	**9.68**	23.57

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 2017

	Note	MQA As at 31 Dec 2017 $'000	MQA As at 31 Dec 2016 $'000	MARL Group As at 31 Dec 2017 $'000	MARL Group As at 31 Dec 2016 $'000
Current assets					
Cash and cash equivalents	3.1	**122,690**	223,367	**34,304**	204,129
Receivables	4.3	**618**	728	**2,080**	83
Prepayments		**864**	126	**186**	61
Total current assets		**124,172**	224,221	**36,570**	204,273
Non-current assets					
Tolling concession	4.1	**2,189,724**	–	**–**	–
Investments accounted for using the equity method	3.2	**1,483,337**	950,912	**153,110**	19,972
Restricted cash	3.1	**153,440**	1,735	**–**	–
Goodwill	4.2	**58,726**	–	**–**	–
Property, plant and equipment		**728**	–	**–**	–
Receivables	4.3	**–**	–	**122,812**	–
Total non-current assets		**3,885,955**	952,647	**275,922**	19,972
Total assets		**4,010,127**	1,176,868	**312,492**	224,245
Current liabilities					
Payables and provisions	4.4	**(63,327)**	(59,181)	**(6,376)**	(11,898)
Debt at amortised cost	5.1	**(66,286)**	–	**–**	–
Total current liabilities		**(129,613)**	(59,181)	**(6,376)**	(11,898)
Non-current liabilities					
Debt at amortised cost	5.1	**(1,668,352)**	–	**–**	–
Deferred tax liabilities	2.4	**(40,333)**	–	**–**	–
Payables and provisions	4.4	**(9,754)**	(44,689)	**–**	(4,337)
Total non-current liabilities		**(1,718,439)**	(44,689)	**–**	(4,337)
Total liabilities		**(1,848,052)**	(103,870)	**(6,376)**	(16,235)
Net assets		**2,162,075**	1,072,998	**306,116**	208,010
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	5.2	**1,911,877**	1,323,651	**–**	–
Reserves	5.3	**28,122**	58,378	**–**	–
Accumulated losses		**(84,040)**	(517,041)	**–**	–
MARIL securityholders' interest		**1,855,959**	864,988	**–**	–
Equity attributable to other stapled securityholders – MARL					
Contributed equity	5.2	**268,334**	213,245	**268,334**	213,245
Reserves	5.3	**(24,216)**	(7,131)	**(24,216)**	(7,131)
Accumulated income		**61,998**	1,896	**61,998**	1,896
Other stapled securityholders' interest		**306,116**	208,010	**306,116**	208,010
Total equity		**2,162,075**	1,072,998	**306,116**	208,010

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 directors of the Macquarie Atlas Roads International Limited ("MARIL") Board on 27 February 2018 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 2017

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 2017	1,323,651	58,378	(517,041)	**864,988**	**208,010**	**1,072,998**
Profit for the year	–	–	462,200	**462,200**	**57,383**	**519,583**
Exchange differences on translation of foreign operations	–	(422)	–	**(422)**	**(14,518)**	**(14,940)**
Transfer from foreign currency translation reserve to accumulated losses[1]	–	(30,135)	30,135	–	–	–
Total comprehensive income	–	(30,557)	492,335	**461,778**	**42,865**	**504,643**
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the year	595,789	–	–	**595,789**	**51,035**	**646,824**
Application of performance fees to subscription for new securities	48,585	–	–	**48,585**	**4,054**	**52,639**
Other equity transactions	–	301	–	**301**	**152**	**453**
Capital return[2]	(56,148)	–	–	**(56,148)**	–	**(56,148)**
Dividends paid[2]	–	–	(59,334)	**(59,334)**	–	**(59,334)**
	588,226	301	(59,334)	**529,193**	**55,241**	**584,434**
Total equity at 31 December 2017	1,911,877	28,122	(84,040)	**1,855,959**	**306,116**	**2,162,075**

1 Foreign exchange translation gain of $30.1 million transferred to accumulated losses on sale of associate (refer Note 6.2 for further details).

2 On 29 September 2017, MQA paid an ordinary dividend of 10.0 cents per stapled security ("cps"). On 7 April 2017, MQA paid a distribution of 10.0 cps, comprising a capital return of 9.8 cps and an ordinary dividend of 0.2 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 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[3]	(90,107)	–	–	(90,107)	–	(90,107)
Dividends paid[3]	–	–	(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

3 On 30 September 2016, MQA paid a distribution of 9.0 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.

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

MARL Group

	Contributed equity $'000	Reserves $'000	Accumulated income $'000	Total MARL Group equity $'000
	Attributable to MARL securityholders			
Total equity at 1 January 2017	213,245	(7,131)	1,896	**208,010**
Profit for the year	–	–	57,383	**57,383**
Exchange differences on translation of foreign operations	–	(14,518)	–	**(14,518)**
Transfer from foreign currency translation reserve to accumulated losses[1]	–	(2,719)	2,719	–
Total comprehensive income	–	(17,237)	60,102	**42,865**
Transactions with equity holders in their capacity as equity holders:				
Issue of securities during the year	51,035	–	–	**51,035**
Application of performance fees to subscription for new securities	4,054	–	–	**4,054**
Other equity transactions	–	152	–	**152**
	55,089	152	–	**55,241**
Total equity at 31 December 2017	268,334	(24,216)	61,998	**306,116**

1 Foreign exchange translation gain of $2.7 million transferred to accumulated income on sale of associate (refer Note 6.2 for further details).

	Contributed equity $'000	Reserves $'000	Accumulated (losses)/income $'000	Total MARL Group equity $'000
	Attributable to MARL securityholders			
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

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 2017

	Note	MQA Year ended 31 Dec 2017 $'000	MQA Year ended 31 Dec 2016 $'000	MARL Group Year ended 31 Dec 2017 $'000	MARL Group Year ended 31 Dec 2016 $'000
Cash flows from operating activities					
Toll revenue received (net of transaction fees)		**73,560**	–	–	–
M6 Toll management fees received		**5,155**	1,419	–	–
Interest received		**1,907**	1,346	**1,131**	1,022
Other income received		**371**	265	–	–
Net indirect taxes received		**268**	316	**265**	308
Property taxes paid		**(5,713)**	–	–	–
Manager's and adviser's base fees paid		**(30,578)**	(30,374)	**(2,818)**	(3,155)
Payments to suppliers and employees (inclusive of GST/VAT)		**(19,538)**	(4,296)	**(5,119)**	(2,506)
US Alternative Minimum Tax related to the sale of ITR Concession Company Holdings LLC ("ITRCCH")		–	17,776	–	17,776
Net income taxes paid		**(7,312)**	(2,028)	**(7,307)**	(2,023)
Net cash flows from operating activities	7.1	**18,120**	(15,576)	**(13,848)**	11,422
Cash flows from investing activities					
Payment for purchase of investments, net of cash acquired		**(1,215,113)**	(1,082)	**(79,162)**	–
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 ("MAF2")		**147,779**	124,844	–	–
Distribution from Indiana Toll Road Partnership ("ITRP")		–	225	–	225
Purchase of fixed assets		**(277)**	–	–	–
Sale of fixed assets		**138**	–	–	–
Net cash flows from investing activities		**(1,067,473)**	261,334	**(79,162)**	137,572
Cash flows from financing activities					
Proceeds from borrowings (net of transaction costs)		**450,530**	–	–	–
Proceeds from issue of securities (net of transaction costs)		**646,824**	–	**51,035**	–
Transfers to restricted cash		**(27,855)**	–	–	–
Capital return		**(56,148)**	(90,107)	–	–
Dividends paid		**(59,334)**	(4,178)	–	–
Loans advanced to related parties		–	–	**(122,812)**	–
Payments (to)/from related parties		–	–	**(841)**	596
Interest paid on borrowings		**(9,117)**	–	–	–
Net cash flows from financing activities		**944,900**	(94,285)	**(72,618)**	596
Net (decrease)/increase in cash and cash equivalents		**(104,453)**	151,473	**(165,628)**	149,590
Cash and cash equivalents at the beginning of the year		**223,367**	65,381	**204,129**	48,137
Effects of exchange rate movements on cash and cash equivalents		**3,776**	6,513	**(4,197)**	6,402
Cash and cash equivalents at the end of the year	3.1	**122,690**	223,367	**34,304**	204,129

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 2017

1 Introduction

Macquarie Atlas Roads – Stapled security

A Macquarie Atlas Roads stapled security comprises one Macquarie Atlas Roads International Limited ("MARIL") share 'stapled' to one Macquarie Atlas Roads Limited ("MARL") share to create a single listed security traded on the Australian Securities Exchange ("ASX"). The stapled securities cannot be traded or dealt with separately.

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 MARL and its controlled entities ("MARL Group"), together comprising MQA.

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, "MQA" or the "Group") and the Financial Report of MARL and the entities it controlled at the end of and during the year (collectively, "MARL Group"). The Group and the MARL Group are collectively referred to as the "Groups".

The Financial Report of the Group should be read in conjunction with the separate Financial Report of the MARL Group presented in these reports for the year ended 31 December 2017.

Basis of preparation

Both MARIL and MARL are for-profit entities for the purpose of preparing the Financial Reports.

The Financial Reports were authorised for issue by the directors of the MARIL Board and the MARL Board (together, the "Boards") on 27 February 2018 and 28 February 2018 respectively. The Boards have the power to amend and reissue the Financial Reports.

The Financial Reports are general purpose financial reports that:

- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* (where applicable)
- include the assets and liabilities of all subsidiaries as at 31 December 2017 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared under the historical cost conventions except for certain assets and liabilities (including derivative instruments) which have been measured at fair value
- are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Significant accounting policies and key judgements and estimates are contained in shaded text and included in the relevant note. These policies have been consistently applied to all years presented.

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.

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 judgments 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 year are discussed in the following notes:

- Income tax (Note 2.4)
- Control assessment (Note 3.2 and 6.2)
- Impairment of assets and reversal of impairment (Note 3.2)
- Intangible assets – Tolling concessions (Note 4.1)
- Performance fees (Note 4.4)

2 Financial performance

2.1 Profit for the year

Revenue recognition

Revenue and other income is recognised as follows:

Toll revenue Toll revenue is earned as charges are incurred through toll points along the road.

Other revenue Other revenue consists of revenue earned in respect to rental income from cell towers and income from advertising hoardings on the toll road. Other revenue is recognised when the services have been provided.

Interest income Interest income is brought to account on an accruals basis.

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

(a) Revenue and other income

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Revenue from operations:				
Toll revenue	75,697	–	–	–
Other revenue	343	–	–	–
Interest income:				
Related parties	1,564	1,361	3,024	1,022
Other persons and corporations	1,128	–	–	–
Total interest income	2,692	1,361	3,024	1,022
Total revenue from operations	78,732	1,361	3,024	1,022
Other income from operations:				
Gain on revaluation[1]	375,615	–	61,710	–
M6 Toll management fee income	4,493	1,333	–	–
Other income	42	265	–	–
Guarantee fee income	–	–	1,185	–
Reversal of provision for impairment[2]	–	67,373	–	3,442
Net foreign exchange gain	14,119	315	2,247	13
Total other income from operations	394,269	69,286	65,142	3,455
Total revenue and other income from operations	473,001	70,647	68,166	4,477

1 Revaluation of existing investment in Dulles Greenway. Refer Note 6.2.
2 Refer Note 3.2(b)

(b) Operating expenses

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Operating expenses				
Amortisation of tolling concession	**36,520**	–	–	–
Cost of operations:				
Toll road maintenance expenses	**5,524**	–	–	–
Other operating expenses	**5,234**	–	–	–
Employment costs	**4,489**	1,090	**730**	625
Total cost of operations	**15,247**	1,090	**730**	625
Depreciation of plant and machinery	**152**	–	–	–
Consulting and administration fees	**7,613**	1,967	**3,454**	783
Manager's and adviser's base fees	**32,813**	29,441	**2,625**	2,923
Manager's and adviser's performance fees	**7,979**	134,084	**639**	13,031
Other expenses	**4,019**	1,159	**1,045**	602
Total operating expenses	**104,343**	167,741	**8,493**	17,964

(c) Finance costs

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Interest on non-recourse TRIP II bonds	**42,437**	–	–	–
Interest on borrowings from financial institutions	**9,074**	–	–	–
Amortisation of issue cost on borrowings from financial institutions	**2,284**	–	–	–
Total finance costs	**53,795**	–	–	–

2.2 Distributions

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.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Distributions paid				
Dividend paid on 29 September 2017[1]	**58,188**	–	–	–
Distribution paid on 7 April 2017[2]	**57,294**	–	–	–
Distribution paid on 30 September 2016[3]	–	47,712	–	–
Distribution paid on 31 March 2016[4]	–	46,573	–	–
Total distributions paid	**115,482**	94,285	–	–

	Cents per stapled security	Cents per stapled security	**Cents per stapled security**	Cents per stapled security
Distributions paid				
Dividend per security paid on 29 September 2017[1]	**10.0**	–	–	–
Distribution per security paid on 7 April 2017[2]	**10.0**	–	–	–
Distribution per security paid on 30 September 2016[3]	–	9.0	–	–
Ordinary dividend per security paid on 31 March 2016[4]	–	9.0	–	–
Total distributions paid	**20.0**	18.0	–	–

All of the distributions were paid in full by MARIL.

1 Comprised an ordinary dividend of 10.0 cps.
2 Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.
3 Comprised a capital return of 8.7 cps and an ordinary dividend of 0.3 cps.
4 Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

2.3 Earnings per stapled security

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 adjusting basic earnings per stapled security for the effects of all dilutive potential ordinary stapled securities.

	MARIL		MARL	
	Year ended 31 Dec 2017 Cents	Year ended 31 Dec 2016 Cents	**Year ended 31 Dec 2017 Cents**	Year ended 31 Dec 2016 Cents
Basic and diluted earnings per MARIL/MARL share	**77.98**	19.58	**9.68**	23.57
	$'000	$'000	**$'000**	$'000
Earnings used in the calculation of basic and diluted profit per MARIL/MARL share[1]	**462,200**	102,131	**57,383**	122,978
	Number	Number	**Number**	Number
Weighted average number of shares used in calculation of basic and diluted earnings per MARIL/MARL share[1]	**592,724,448**	521,665,455	**592,724,448**	521,665,455

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

The basic and diluted profit per MQA stapled security for the year ended 31 December 2017 was 87.66 cps (2016: 43.15 cps) using MQA profit attributable to MQA stapled securityholders of $519.6 million (2016: $225.1 million).

2.4 Income tax

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.

2.4 Income tax CONTINUED

Income tax expense/(benefit)

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
(a) Income tax (benefit)/expense				
Income tax (benefit)/expense comprises:				
Current tax	**1,699**	7,773	**1,664**	7,768
Deferred tax	**(18,448)**	–	–	–
Total income tax (benefit)/expense	**(16,749)**	7,773	**1,664**	7,768
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
Profit from operations before income tax	**502,834**	232,882	**59,047**	130,746
Prima facie income tax on profit at the Australian tax rate of 30%	**150,850**	69,865	**17,714**	39,224
Impact of different tax rates of operations in jurisdictions other than Australia	**(93,988)**	16,088	**(2,098)**	12,611
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	**(18,513)**	(20,212)	**(18,513)**	(1,033)
Non-deductible expenditure	**670**	3,356	**670**	3,359
Share of net gain of investments accounted for using the equity method	**(56,391)**	(98,993)	**188**	(43,270)
Temporary differences not brought to account	**1,147**	(574)	**(1,278)**	(483)
Impact of change in tax rates on deferred tax liabilities[1]	**(17,484)**	–	–	–
Deferred tax asset on taxable losses not brought to account	**16,960**	38,238	**4,981**	(2,640)
Others	–	5	–	–
Aggregate income tax (benefit)/expense[2]	**(16,749)**	7,773	**1,664**	7,768
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**230,002**	231,836	**229,477**	230,874
Potential tax benefit of unused tax losses	**60,174**	88,794	**60,074**	88,554

1 The reduction in deferred tax liability recognised on acquisition of additional interest in TRIP II by $17.5 million due to decrease in United States Federal Income tax rate.
2 Neither MQA nor the MARL Group recognised any current or deferred tax that was debited or credited directly to equity.

Deferred tax assets and liabilities

The Groups have no deferred tax assets.

MARL Group has no deferred tax liabilities. MQA's deferred tax liabilities relate solely to the Dulles Greenway concession rights value recognised following the consolidation of TRIP II's results as at 16 May 2017. The movement in the balance of deferred tax liability is as follows:

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Deferred tax liabilities				
Opening balance at 1 January	–	–	–	–
Acquisition of subsidiary	**(61,712)**	–	–	–
Amortisation of deferred tax liabilities	**964**	–	–	–
Revaluation due to changes in income tax rates	**17,484**	–	–	–
Foreign exchange movement	**2,931**	–	–	–
Closing balance at 31 December	**(40,333)**	–	–	–

2.5 Segment information

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 directors of the Boards.

(a) Description of segments

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

The Boards consider the business from the aspect of each of the portfolio assets and have identified four and one operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in APRR, ADELAC, Dulles Greenway and Warnow Tunnel. The only segment of the MARL Group is the investment in Dulles Greenway. Following the sale of M6 Toll, Indiana Toll Road and Chicago Skyway, these assets are no longer considered operating segments by the Boards (refer to Note 3.2).

The operating segment note discloses the segment revenue and segment EBITDA for the year ended 31 December 2017 by individual portfolio asset. The Boards are provided with performance information on each asset to monitor the operating performance of each asset.

2.5 Segment information CONTINUED

(b) Segment information provided to the Boards

The proportionally consolidated segment information provided to the Boards for the reportable segments for the year ended 31 December 2017, based on MQA's economic ownership interest is as follows:

MQA	Year ended	APRR	ADELAC	Dulles Greenway	Warnow Tunnel	Total MQA	Total MARL
Segment revenue	**31 December 2017**	**751,765**	**16,787**	**98,105**	**11,574**	**878,231**	**13,178**
	31 December 2016	697,519	–	61,640	11,149	770,308	8,260
Segment expenses	**31 December 2017**	**(200,805)**	**(3,002)**	**(18,200)**	**(3,378)**	**(225,385)**	**(2,445)**
	31 December 2016	(192,967)	–	(11,816)	(3,151)	(207,934)	(1,583)
Segment EBITDA	**31 December 2017**	**550,960**	**13,785**	**79,905**	**8,196**	**652,846**	**10,733**
	31 December 2016	504,552	–	49,824	7,998	562,374	6,677
EBITDA margin	**31 December 2017**	**73%**	**82%**	**81%**	**71%**	**74%**	**81%**
	31 December 2016	72%	–	81%	72%	73%	81%

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the assets from external customers and the proportionally consolidated segment information provided to the Boards for the reportable segments for the year ended 31 December 2017 and year ended 31 December 2016.

MARL group information includes its economic ownership in Dulles Greenway only.

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 2017 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	**878,231**	770,308	**13,178**	8,260
Revenue attributable to investments	**(878,231)**	(770,308)	**(13,178)**	(8,260)
Unallocated revenue and other income	**473,001**	70,647	**68,166**	4,477
Total revenue and other income from operations	**473,001**	70,647	**68,166**	4,477
Reconciliation of segment EBITDA to profit before income tax				
Segment EBITDA	**652,846**	562,374	**10,733**	6,677
EBITDA attributable to investments	**(652,846)**	(562,374)	**(10,733)**	(6,677)
Unallocated revenue	**473,001**	70,647	**68,166**	4,477
Unallocated expenses	**(104,343)**	(167,741)	**(8,493)**	(17,964)
Finance costs	**(53,795)**	–	–	–
Share of net profit of investments accounted for using the equity method	**187,971**	329,976	**(626)**	144,233
Profit from operations before income tax	**502,834**	232,882	**59,047**	130,746

3 Cash and investments

3.1 Cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash

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. Restricted cash includes funds held in escrow, funds backing guarantees or amounts otherwise not available to meet short term commitments of the Groups and is classified as a non-current asset.

	MQA		MARL Group	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Current				
Cash and cash equivalents (a)	**122,690**	223,367	**34,304**	204,129
	122,690	223,367	**34,304**	204,129
Non-current				
Restricted cash (b)	**153,440**	1,735	–	–
	153,440	1,735	–	–

(a) Cash and cash equivalents

During the year cash on hand was held in bank accounts earning money market rates of interest between nil to 1.71% (2016: nil to 2.10%) per annum.

Cash equivalents include TRIP II's money market deposits outstanding at 31 December 2017 which matured within 30 days and paid interest between 1.04% and 1.23% per annum. There were no such deposits outstanding at 31 December 2016.

(b) Restricted cash

This comprises funds held in escrow pursuant to the TRIP bond indenture agreements and 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 5.4.

3.2 Investments accounted for using the equity method

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.

Impairment of assets and reversal of impairment

An investment accounted for using the equity method is assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its 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.

Assets (other than goodwill) that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. An impairment loss is reversed if the recoverable amount of an asset 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.

	MQA		MARL Group	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Investment in associates and joint arrangement – equity method	**1,483,337**	950,912	**153,110**	19,972
	1,483,337	950,912	**153,110**	19,972

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 2017 and 31 Dec 2016 %	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	Economic interest as at 31 Dec 2017 and 31 Dec 2016 %	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
MAF2[3]	Luxembourg	Investment in toll road network located in the east of France (APRR)	**50.0**/40.3	**1,483,327**	716,915	–/–	–	–
Dulles Greenway Partnership ("DGP")[4]	USA	Investment in toll road located in northern Virginia, USA	–/50.0	–	233,973	–/6.7	–	19,948
TRIP II[4]	USA	Investment in toll road located in northern Virginia, USA	–/–	–	–	**13.4**/–	**153,100**	–
WQG[5]	Germany	Investment in toll road located in Rostock, north-eastern Germany	**70.0**/70.0	–	–	–/–	–	–
Chicago Skyway Partnership ("CSP")[6]	USA	Former owner of an investment in toll road located south of Chicago, USA	**50.0**/50.0	**10**	20	**50.0**/50.0	**10**	20
ITRP[7]	USA	Former owner of an investment in toll road located in northern Indiana, USA	**49.0**/49.0	–	4	**49.0**/49.0	–	4
Peregrine Motorways Limited[8]	UK	Investment in toll road located in the West Midlands, UK	–/–	–	–	–/–	–	–
				1,483,337	950,912		**153,110**	19,972

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. MQA and MARL Group's investment in 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 On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 9.72% interest in MAF2, the holding vehicle for MQA's investment in APRR, for €439.9 million. The financial close was reached on 24 October 2017. Per the agreement, any decision made with regard to the relevant activities requires 85% of the voting members to proceed, meaning at least 85% of shareholders must agree before any decision can be reached. As a result, MQA's investment in MAF2 is classified as an associate.

4 On 23 February 2017, MQA announced that it would exercise its pre-emptive right to acquire the remaining 50% estimated economic interest in TRIP II for US$445.0 million. The financial close was reached on 16 May 2017. Refer Note 6.2 for further details.

5 A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WQG partnership and the Warnowquerung Verwaltungsgesellschaft GmbH, General Partner of the WQG 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. 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 2017, MQA legally owned a 49% equity interest in ITRP, the former owner of the Indiana Toll Road ("ITR"), but was no longer exposed to any variable returns from the ongoing operations of the ITR. The small residual investment balance was reduced to nil in the current year.

8 On 1 May 2017, MQA announced that its 100% ordinary equity interest in the M6 Toll would be transferred to the M6 Toll lender group and a final management fee of £2.6 million would be received. On 5 May 2017, this transfer was completed and MQA has no further management obligations with respect to this asset. As a result, at 31 December 2017 MQA's economic interest in the ongoing operations of Peregrine Motorways Limited is nil.

3.2 Investments accounted for using the equity method CONTINUED

(b) Movement in carrying amounts

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Carrying amount at the beginning of the year	**950,912**	807,969	**19,972**	16,448
Investment in associates (including transaction costs)[1]	**673,121**	1,012	**160,963**	–
Share of profits/(losses) after income tax	**187,971**	329,976	**(626)**	144,233
Reversal of provision for impairment[2]	–	67,373	–	3,442
Distributions received	**(147,779)**	(262,417)	–	(137,572)
Gain on revaluation of associate[3]	**375,615**	–	**61,710**	–
De-recognition of associate	**(598,891)**	–	**(80,552)**	–
Foreign exchange movement	**42,388**	6,999	**(8,357)**	(6,579)
Carrying amount at the end of the year	**1,483,337**	950,912	**153,110**	19,972

1 On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 9.72% interest in MAF2, increasing the total interest in MAF2 to 50.00% and thereby total indirect interest in APRR to 25.00%. Financial close was reached on 24 October 2017 with a final purchase price of €439.9 million ($665.5 million). This acquisition was funded by a combination of equity and debt financing. MARL Group's investment in associate relates to TRIP II, refer note 6.2.

2 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) related to their economic interests in TRIP II, the concessionaire for Dulles Greenway.

3 The gain on revaluation of associate of $375.6 million and $61.7 million for MQA and MARL Group respectively relates to the revaluation of the Groups' investment in Dulles Greenway on acquisition of the their additional stakes. Refer note 6.2 for detail.

(c) Summarised financial information for material 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		DGP		TRIP II	
Summarised Statement of Financial Position	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000
Total current assets	**1,691,692**	1,853,197	–	238,218	**83,816**	–
Total non-current assets	**9,411,522**	9,149,720	–	1,987,496	**2,400,788**	–
Total current liabilities	**(2,001,664)**	(2,173,235)	–	(96,769)	**(81,563)**	–
Total non-current liabilities	**(7,323,317)**	(7,225,164)	–	(1,661,000)	**(1,263,312)**	–
Net assets	**1,778,233**	1,604,518	–	467,945	**1,139,729**	–
Reconciliation to carrying amounts:						
Opening net assets	**1,604,518**	1,464,035	–	482,278	**1,197,640**	–
Profit/(loss) for the year	**454,177**	481,413	–	(18,972)	**(48)**	–
Distributions paid	**(366,826)**	(309,897)	–	–	–	–
Foreign exchange and other equity movements	**86,364**	(31,033)	–	4,639	**(57,863)**	–
Closing net assets	**1,778,233**	1,604,518	–	467,945	**1,139,729**	–
MQA's share in %	**50.0%**	40.3%	–	50.0%	–	–
MQA's share of net assets in $	**889,260**	646,396	–	233,973	–	–
MARL Group's share in %	–	–	–	6.7%	**13.4%**	–
MARL Group's share of net assets in $	–	–	–	31,352	**153,100**	–
MQA's carrying amount	**1,483,327**	716,915	–	233,973	–	–
MARL Group's carrying amount	–	–	–	19,948	–	–

Summarised Statement of Comprehensive Income	MAF2 Year ended 31 Dec 2017 $'000	MAF2 Year ended 31 Dec 2016 $'000	DGP Year ended 31 Dec 2017 $'000	DGP Year ended 31 Dec 2016 $'000	TRIP II Year ended 31 Dec 2017 $'000	TRIP II Year ended 31 Dec 2016 $'000
Revenue	**2,032,718**	1,923,108	–	123,364	**76,041**	–
Profit/(loss) for the year	**454,177**	481,413	–	(18,972)	**(48)**	–
MQA's share	**191,959**	193,942		(9,486)	–	–
MARL Group's share	–	–	–	(1,287)	**(89)**	–
MQA's distributions received	**147,779**	124,845	–	–	–	–
MARL Group's distributions received	–	–	–	–	–	–

(d) Share of losses not brought to account attributable to immaterial associate[1] and joint venture[2]

	MQA Year ended 31 Dec 2017 $'000	MQA Year ended 31 Dec 2016 $'000	MARL Group Year ended 31 Dec 2017 $'000	MARL Group Year ended 31 Dec 2016 $'000
Share of losses not brought to account attributable to immaterial associate and joint venture				
Balance at the beginning of the year	**(22,875)**	(21,335)	–	–
Investment made during the year	**60**	–	–	–
Share of losses brought to account	**(60)**	–	–	–
Share of losses not brought to account	**(1,941)**	(1,540)	**(2)**	–
Balance at the end of the year	**(24,816)**	(22,875)	**(2)**	–

1 ITRP, accounted for using the equity method.
2 WQG, accounted for using the equity method.

4 Other balance sheet assets and liabilities

4.1 Intangible assets – Tolling concessions

Intangible assets – Tolling concessions

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

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

Asset description	Estimated useful life	Amortisation basis
Dulles Greenway	Period to February 2056	Straight line basis
APRR[1]	Period to November 2035	Straight line basis
Warnow Tunnel[1]	Period to September 2053	Straight line basis
ADELAC[1]	Period to December 2060	Straight line basis

1 The tolling concessions in relation to the non-controlled investments are not recognised on the statement of financial position but instead form part of investments accounted for using the equity method. The amortisation of tolling concessions in relation to the non-controlled investments is included in the share of net profit of investments accounted for using the equity method.

Impairment

Tolling concessions with a finite useful life are assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Refer to Note 3.2 for additional detail on the accounting policy for impairment of assets and reversal of impairment.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year	–	–	–	–
Acquisition cost	**2,339,025**	–	–	–
Amortisation of tolling concession	**(36,520)**	–	–	–
Foreign exchange movement	**(112,781)**	–	–	–
Balance at the end of the year	**2,189,724**	–	–	–

4.2 Goodwill

Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill arising from business combinations is included on the face of the statement of financial position. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates.

Impairment

Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit ("CGU") is determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use detailed cash flow projections covering the remaining concession life of the CGU.

Refer to Note 3.2 for additional detail on the accounting policy for impairment.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Balance at the beginning of the year	–	–	–	–
Acquisition cost[1]	61,712	–	–	–
Foreign exchange movement	(2,986)	–	–	–
Balance at the end of the year	**58,726**	–	–	–

1 Goodwill of $61.7 million was recognised as a result of the deferred tax liability calculated on concession rights value following the acquisition of the remaining 50% estimated economic interest in TRIP II. Refer Note 6.2.

Key assumptions used for fair value less costs of disposal calculations

Assumption	Approach used to determine values
Traffic volume	Based on the Group's internal long term traffic forecasts, in which volumes fluctuate each year based on estimates which include the timing and impact of development on the Dulles Greenway, its competing roads and its catchment area more broadly.
Long term CPI (% annual growth)	Based on the Group's long term internal forecasts with rates between 2.10% and 2.30% covering the life of the concession ending in 2056.
Average toll (% annual growth)	Based on current contracted agreements and the Group's long term internal forecasts.
Post-tax discount rate	Dulles Greenway's detailed cash flows were discounted using an equity discount rate of 8.75% covering the concession ending in 2056. The discount rate is based on a number of factors including, but not limited to, its nature of operations and risk profile.

Impact of possible changes in key assumptions

The assets and liabilities associated with Dulles Greenway were initially recognised in MQA's balance sheet at their fair values on 16 May 2017, being the date on which MQA achieved control of TRIP II. The proximity of the current reporting date to this acquisition date means that the carrying values of these assets and liabilities, including the associated goodwill, continue to approximate their recoverable amount. As such, an adverse change in any of the key assumptions could result in the recoverable amount of Dulles Greenway falling below its carrying amount.

The assumptions used in the fair value less costs of disposal calculation are measured at Level 3 in the fair value hierarchy (refer Note 5.4 for additional detail on the fair value hierarchy).

4.3 Receivables

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 on an accruals basis.

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.

	MQA		MARL Group	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Current				
Tax receivable	**188**	83	**188**	83
Trade receivables	**430**	–	**–**	–
Receivables from related parties	**–**	645	**1,892**	–
Total current receivables	**618**	728	**2,080**	83
Non-current				
Receivables from related parties	**–**	–	**122,812**	–
Total non-current receivables	**–**	–	**122,812**	–

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

4.4 Payables and provisions

Payables and other liabilities

Liabilities are recognised 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.

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 management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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 calculated with reference to the performance of the MQA accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. The performance 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 further performance conditions, 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.

	MQA		MARL Group	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Current				
Manager and adviser fees payable	**8,939**	6,471	**707**	667
Provision for manager and adviser performance fees[1]	**44,689**	44,689	**4,337**	4,337
Sundry creditors and accruals	**4,183**	2,195	**1,332**	1,068
Provision for toll maintenance	**5,509**	–	–	–
Provision for tax	**7**	5,826	–	5,826
Total current payables and provisions	**63,327**	59,181	**6,376**	11,898
Non-current				
Easement accruals[2]	**9,754**	–	–	–
Provision for manager and adviser performance fees[1]	–	44,689	–	4,337
Total non-current payables and provisions	**9,754**	44,689	–	4,337

1 For the year ended 30 June 2017, a total performance fee of $23.9 million (excluding GST) was calculated for MQA (30 June 2016: $134.1 million). Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments will become payable. Accordingly, only the first instalment of the 2017 performance fee has been recognised during the year ended 31 December 2017.

The first instalment of the 2017 performance fee of $8.0 million (excluding GST) and the second instalment of the 2016 performance fee of $44.7 million (excluding GST) became payable at 30 June 2017 and were applied to a subscription for new MQA securities in July 2017.

Current performance fees payable 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.

2 TRIP II has an agreement with the Metropolitan Washington Airports Authority ("MWAA") for easements over Washington Dulles International Airport property necessary to construct, operate and maintain the toll road. The minimum annual payments are accrued using the straight-line method based upon the total minimum payments to be made over the term of the agreement. Additional payments may be due under the agreement should the toll road exceed certain specified traffic volumes.

5 Capital and risk management

5.1 Debt at amortised cost

Financial liabilities

Financial liabilities are initially recorded at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

	MQA		MARL Group	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	**64,585**	–	–	–
Accrued interest on borrowings from financial institutions (b)	**1,701**	–	–	–
Total current debt at amortised cost	**66,286**	–	–	–
Non-current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	**1,222,979**	–	–	–
Borrowings from financial institutions (b)	**445,373**	–	–	–
Total non-current debt at amortised cost	**1,668,352**	–	–	–

(a) Non-recourse TRIP II bonds

The MQA consolidated financial statements incorporate bonds raised by TRIP II to finance the construction of infrastructure assets. These bonds are non-recourse beyond the TRIP II assets and MQA has no commitments to provide further debt or equity funding to TRIP II in order to meet these liabilities.

All of these bonds are in the form of fixed interest rate senior bonds, with US$35.0 million of current interest bonds and US$969.5 million of zero coupon bonds with maturities extending to 2056.

(b) Borrowings from financial institutions

(i) Dulles Greenway asset finance facility

On 16 May 2017, MQA drew down US$175.0 million ($235.5 million) of a US$200.0 million eight year bullet financing facility to facilitate the acquisition of the remaining 50% stake in TRIP II. Debt raising costs of US$5.5 million ($7.4 million) were incurred, of which, US$1.4 million ($1.9 million) have been amortised during the year ended 31 December 2017.

Interest accrues on the borrowing at the aggregate of margin and LIBOR. The margin rates are as below:

Periods	Margin
From 16 May 2017 to 15 May 2020	4.25% per annum
From 16 May 2020 to 15 May 2023	4.75% per annum
From 16 May 2023 to 15 May 2025	5.00% per annum

Interest is payable semi-annually on 16 May and 16 November. Any interest unpaid on the interest payment date will be capitalised and added to the loan, subject to the terms and conditions of the financing facility. The capitalised interest is eligible for interest in excess of 0.50% per annum on the margin, and must be repaid in full before cash can be distributed further.

On 15 November 2017, MQA paid US$5.1 million ($6.7 million) as interest on this facility.

(ii) APRR asset finance facility

On 24 October 2017, MQA drew down €150.0 million ($226.9 million) of a seven-year, senior secured facility to facilitate the acquisition of a 9.72% stake in MAF2 and incurred debt raising costs of €3.0 million ($4.5 million) of which €0.3 million ($0.4 million) have been amortised till 31 December 2017.

Interest accrues on the borrowing at the aggregate of margin and EURIBOR. The margin rates are as below:

Periods	Margin
From 24 Oct 2017 to 23 Oct 2019	2.25% per annum
From 24 Oct 2019 to 23 Oct 2021	2.50% per annum
From 24 Oct 2021 to 23 Oct 2022	2.75% per annum
From 24 Oct 2022 to 23 Oct 2023	3.25% per annum
From 24 Oct 2023 to 23 Oct 2024	3.75% per annum

Interest is payable semi-annually on 31 December and 30 June. On 29 December 2017, MQA paid €0.5 million ($0.8 million) as interest on this facility.

5.2 Contributed equity

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Ordinary shares	**1,911,877**	1,323,651	**268,334**	213,245
Contributed equity	**1,911,877**	1,323,651	**268,334**	213,245
On issue at the beginning of the year	**1,323,651**	1,355,890	**213,245**	207,024
Issue of Placement securities[1]	**168,054**	–	**14,021**	–
Issue of Security Purchase Plan securities[1]	**20,165**	–	**1,682**	–
Application of performance fees to subscription for new securities[2]	**48,585**	57,868	**4,054**	6,221
Issue of Institutional entitlement securities[1]	**329,257**	–	**28,541**	–
Issue of Retail entitlement securities[1]	**78,313**	–	**6,791**	–
Capital return	**(56,148)**	(90,107)	–	–
On issue at the end of the year	**1,911,877**	1,323,651	**268,334**	213,245

1 Net of transaction costs.

2 During the year ended 31 December 2017, the first instalment of the June 2017 performance fee and second instalment of the June 2016 performance fee (31 December 2016: first instalment of the June 2016 performance fee and third instalment of the June 2014 performance fee) were applied to a subscription for new MARL and MARIL securities.

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	**Year ended 31 Dec 2017**	Year ended 31 Dec 2016
	Number of shares '000	Number of shares '000	**Number of shares '000**	Number of shares '000
On issue at the beginning of the year	**530,130**	517,485	**530,130**	517,485
Issue of Placement securities	**38,144**	–	**38,144**	–
Issue of Security Purchase Plan securities	**4,664**	–	**4,664**	–
Application of performance fees to subscription for new securities[1]	**8,942**	12,645	**8,942**	12,645
Issue of Institutional entitlement securities	**70,994**	–	**70,994**	–
Issue of Retail entitlement securities	**16,915**	–	**16,915**	–
On issue at the end of the year	**669,789**	530,130	**669,789**	530,130

1 During the year ended 31 December 2017, the first instalment of the June 2017 performance fee and second instalment of the June 2016 performance fee (31 December 2016: first instalment of the June 2016 performance fee and third instalment of the June 2014 performance fee) were applied to a subscription for new MARL and MARIL securities.

5.2 Contributed equity CONTINUED

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.

5.3 Reserves

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Balance of reserves				
Foreign currency translation reserve	**28,122**	58,679	**(24,216)**	(6,979)
Other reserve	**–**	(301)	**–**	(152)
Balance at the end of the year	**28,122**	58,378	**(24,216)**	(7,131)

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	**58,679**	45,404	**(6,979)**	(7,284)
Net exchange differences on translation of foreign controlled entities	**(422)**	13,275	**(14,518)**	305
Transfer to accumulated (losses)/income[1]	**(30,135)**	–	**(2,719)**	–
Balance at the end of the year	**28,122**	58,679	**(24,216)**	(6,979)
Other reserve				
Balance at the beginning of the year	**(301)**	–	**(152)**	–
Other equity transactions	**301**	(301)	**152**	(152)
Balance at the end of the year	**–**	(301)	**–**	(152)

1 Foreign exchange translation gains in MARIL Group and MARL Group of $30.1 million and $2.7 million respectively were transferred to accumulated losses from foreign currency translation reserves following the acquisition of the remaining 50% estimated economic interest of TRIP II. These transfers arose as the increase in investment is treated as a disposal of the existing interest in associate (refer Note 6.2 for further details of the transaction).

5.4 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.

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 ("EUR"), Pound Sterling ("GBP") and United States Dollar ("USD").

The Groups do not hedge the foreign exchange exposure on overseas investments.

Financial instruments are converted to Australian Dollars ("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 AUD:

- AUD/EUR exchange rate increased/decreased by 8 Euro cents (2016: 8 Euro cents)
- AUD/GBP exchange rate increased/decreased by 8 UK pence (2016: 8 UK pence)
- AUD/USD exchange rate increased/decreased by 10 US cents (2016: 10 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 AUD 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	**P&L 2017 $'000**	P&L 2016 $'000	**Equity 2017 $'000**	Equity 2016 $'000	**P&L 2017 $'000**	P&L 2016 $'000	**Equity 2017 $'000**	Equity 2016 $'000
Total financial assets[1]	**(600)**	(515)	–	–	**779**	671	–	–
Total financial liabilities[2]	**20**	19	–	–	**(25)**	(25)	–	–
Total	**(580)**	(496)	–	–	**754**	646	–	–

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
MARL Group	**P&L 2017 $'000**	P&L 2016 $'000	**Equity 2017 $'000**	Equity 2016 $'000	**P&L 2017 $'000**	P&L 2016 $'000	**Equity 2017 $'000**	Equity 2016 $'000
Total financial assets[1]	**(82)**	(124)	–	–	**106**	165	–	–
Total financial liabilities[2]	**3**	2	–	–	**(3)**	(3)	–	–
Total	**(79)**	(122)	–	–	**103**	162	–	–

1 Financial assets include cash, cash equivalents, restricted cash and receivables.

2 Financial liabilities include payables and debt at amortised cost.

5.4 Financial risk and capital management CONTINUED

(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 39 bps (2016: 66 bps)
- Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 15 bps (2016: 35 bps)
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 23 bps (2016: 18 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 12 bps (2016: 21 bps)
- Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 14 bps (2016: 64 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	P&L 2017 $'000	P&L 2016 $'000	Equity 2017 $'000	Equity 2016 $'000	P&L 2017 $'000	P&L 2016 $'000	Equity 2017 $'000	Equity 2016 $'000
Total financial assets	139	553	–	–	(139)	(553)	–	–
Total financial liabilities	(840)	–	–	–	840	–	–	–
Total	**(701)**	553	–	–	**701**	(553)	–	–

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
MARL Group	P&L 2017 $'000	P&L 2016 $'000	Equity 2017 $'000	Equity 2016 $'000	P&L 2017 $'000	P&L 2016 $'000	Equity 2017 $'000	Equity 2016 $'000
Total financial assets	309	435	–	–	(309)	(435)	–	–
Total financial liabilities	–	–	–	–	–	–	–	–
Total	**309**	435	–	–	**(309)**	(435)	–	–

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

	MQA			MARL Group		
2017	Financial institutions $'000	Corporates and other $'000	Total $'000	Financial institutions $'000	Corporates and other $'000	Total $'000
Cash and cash equivalents	122,690	–	122,690	34,304	–	34,304
Restricted cash	153,440	–	153,440	–	–	–
Receivables – current	–	430	430	–	1,892	1,892
Receivables – non-current	–	–	–	–	122,812	122,812
Total	**276,130**	**430**	**276,560**	**34,304**	**124,704**	**159,008**
2016						
Cash and cash equivalents	223,367	–	223,367	204,129	–	204,129
Restricted cash	1,735	–	1,735	–	–	–
Receivables – current	–	645	645	–	–	–
Total	225,102	645	225,747	204,129	–	204,129

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 primarily to receivables from related parties. These counterparties have a range of credit ratings.

Liquidity risk

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

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

	MQA						MARL Group	
Financial liabilities	Less than 1 year $'000	1-2 years $'000	2-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000	Less than 1 year $'000	Total $'000
December 2017	**84,924**	**65,180**	**35,855**	**130,878**	**1,446,193**	**1,763,030**	**2,039**	**2,039**
December 2016	8,666	–	–	–	–	8,666	1,735	1,735

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
- 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 2017 the Groups do not have any externally imposed capital requirements.

Fair value hierarchy

The assumptions used in the fair value measurements are assessed in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable valuation input) (Level 3).

6 Group disclosures

6.1 Parent entity financial information

Parent entity financial information

The financial information for MARIL and MARL for this disclosure 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.

(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	
	As at 31 Dec 2017 $'000	As at 31 Dec 2016 $'000	**As at 31 Dec 2017 $'000**	As at 31 Dec 2016 $'000
Statement of Financial Position				
Current assets	**4,694**	19,627	**35,697**	28,314
Non-current assets	**1,429,837**	838,920	**197,877**	73,987
Total assets	**1,434,531**	858,547	**233,574**	102,301
Current liabilities	**(52,886)**	(47,597)	**(6,241)**	(5,429)
Non-current liabilities	**(122,812)**	(40,351)	–	(4,338)
Total liabilities	**(175,698)**	(87,948)	**(6,241)**	(9,767)
Shareholders' equity				
Issued capital	**1,911,877**	1,323,650	**268,334**	213,245
Reserves	–	(235)	–	(85)
Retained earnings	**(653,044)**	(552,816)	**(41,001)**	(120,626)
Total equity	**1,258,833**	770,599	**227,333**	92,534
Profit/(loss) for the year	**(40,894)**	132,027	**79,625**	(16,881)
Total comprehensive income/(loss)	**(40,894)**	132,027	**79,625**	(16,881)

At 31 December 2017, MARIL had a net current liability position of $48.2 million (31 December 2016: net current liability position of $28.0 million). Included within MARIL's current liabilities are performance fees of $40.4 million and base fees of $8.2 million (excluding GST) (31 December 2016: $40.4 million). 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 directly provided any financial guarantees in respect to bank overdrafts and loans of subsidiaries as at 31 December 2017 and 31 December 2016. MARIL and MARL have not given any unsecured guarantees at 31 December 2017 and 31 December 2016.

However, financial guarantees in respect of loans to subsidiaries do exist but are provided by other entities within the MARL Group.

(c) Contingent liabilities of the parent entities

Refer to Note 7.2 for MARIL and MARL's contingent liabilities as at 31 December 2017 and 31 December 2016.

6.2 Acquisition of subsidiaries

Business combinations

The acquisition method of accounting is used to account for all business combinations other than those under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Groups. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Contingent consideration is subsequently remeasured to its fair value with changes recognised in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Groups' share of the net identifiable assets acquired is recorded as goodwill.

Acquisition of Dulles Greenway/TRIP II

On TRIP II Acquisition Date, MQA and the MARL group acquired the remaining 50% estimated economic interest in TRIP II, the concessionaire for Dulles Greenway Partnership (DGP), for US$445.0 million.

Pre-acquisition, the MARL Group held a 6.7% interest in TRIP II via its 50% equity interest in the DGP. DGP holds a 100% interest in the General Partner, Shenandoah Greenway Corporation and a 13.4% interest in TRIP II. MQA's total estimated economic interest in TRIP II was 50%. Both MQA and the MARL Group accounted for their holdings in DGP and TRIP II as investments in an associate accounted for using the equity method.

Post-acquisition, the MARL group has a 13.4% interest in TRIP II after increasing its equity interest in DGP to 100%. As such, the MARL Group will account for DGP as a subsidiary and TRIP II will be accounted for as a new equity accounted associate.

Post-acquisition, MQA has a 100% estimated economic interest in TRIP II after combining MARL Group's 13.4% equity interest with MARIL's Group's 86.6% economic interest. Accordingly, DGP and TRIP II are accounted for as subsidiaries of MQA which are wholly consolidated in the MQA Financial Report.

As per AASB 3 *Business Combinations*, this acquisition is treated as a sale of the existing interest in DGP and subsequent purchase of a 100% interest, giving rise to revaluation of both MARL Group and MQA's existing investment in DGP.

The table below reconciles the 1 January 2017 carrying values of Dulles Greenway with the value of the existing investments at TRIP II Acquisition Date based on MQA and MARL Groups existing ownership interest.

	MQA $'000	MARL Group $'000
Opening investments in Dulles Greenway as at 1 January 2017 – equity method	233,973	19,948
Share of losses accounted for using equity method up to TRIP II Acquisition Date	(3,915)	(525)
Foreign exchange movement up to TRIP II Acquisition Date	(6,782)	(581)
Revaluation of existing investment as a result of the acquisition	375,615	61,710
Value of existing investment held at TRIP II Acquisition Date	**598,891**	**80,552**

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	MQA $'000	MARL Group $'000
Purchase consideration		
Cash paid (total consideration)	**598,820**	**80,481**

The fair value of TRIP II's identifiable assets acquired and liabilities assumed by the Group on TRIP II Acquisition Date are as follows:

	MQA US$'000	MQA $'000
Cash and cash equivalents	42,131	56,694
Restricted cash	96,214	129,472
Trade and other receivables	240	323
Prepayments	265	356
Property, plant and equipment	532	716
Concession rights	1,738,195	2,339,025
Loans and borrowings – Current	(50,123)	(67,449)
Loans and borrowings – Non-current	(923,792)	(1,243,113)
Deferred tax liabilities	(45,860)	(61,712)
Trade and other payables	(10,253)	(13,796)
Provisions	(3,409)	(4,588)
Fair value of identifiable assets acquired and liabilities assumed for TRIP II	844,140	1,135,928
Goodwill[1]	45,860	61,712
Net assets acquired	890,000	1,197,640

1. Goodwill arises as a result of the deferred tax liability calculated on concession rights value.

The fair value of DGP's identifiable assets acquired and liabilities assumed on TRIP II Acquisition Date by the MARL Group and therefore form part of the MQA consolidated results are as follows:

	MARL Group US$'000	MARL Group $'000
Investment in TRIP II	119,616	160,963
Cash and cash equivalents	100	130
Other creditors	(48)	(62)
Fair value of identifiable assets acquired and liabilities assumed for DGP	119,668	161,031

Revenue and profit contribution

TRIP II contributed revenues of $77.2 million and a net profit after tax of $nil to the Group for the period from 16 May 2017 to 31 December 2017.

If the acquisition had of occurred on 1 January 2017, consolidated pro-forma revenue and net loss after tax for the year would have been $120.3 million and $13.8 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in accounting policies between the Group and the subsidiary: and
- The additional depreciation and amortisation that would have been charged assuming the fair value to property, plant and equipment and concession rights had applied from 1 January 2017, together with the consequential tax effects.

DGP generated revenue and net profit after tax of $nil for the full year ended 31 December 2017.

Purchase consideration – cash outflow

	MQA $'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	598,820
Less: Cash acquired	(56,828)
Net outflow of cash – investing activities	541,992

6.3 Subsidiaries

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.

(a) MQA

Name of controlled entity	Country of establishment	2017 voting %	2016 voting %
Macquarie Atlas Roads Limited	Australia	**100.0**	100.0
MQA Infrastructure US Pty Limited	Australia	**100.0**	100.0
MQA 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.	USA	**100.0**	100.0
MQA Indiana Holdings LLC	USA	**100.0**	100.0
MQA Holdings (US) LLC	USA	**100.0**	100.0
Dulles Greenway Partnership	USA	**100.0**	–
Dulles Greenway Investments 3 (US) LLC	USA	**100.0**	–
Shenandoah Greenway Corporation	USA	**100.0**	–
Toll Road Investors Partnership II, L.P.	USA	**100.0**	–

(b) MARL Group

Name of controlled entity	Country of establishment	2017 voting %	2016 voting %
MQA Infrastructure Australia Pty Limited	Australia	**100.0**	100.0
MQA Investments Australia Pty Limited	Australia	**100.0**	100.0
MQA Indiana Holdings LLC	USA	**100.0**	100.0
MQA Holdings (US) LLC	USA	**100.0**	100.0
Dulles Greenway Partnership	USA	**100.0**	–
Dulles Greenway Investments 3 (US) LLC	USA	**100.0**	–
Shenandoah Greenway Corporation	USA	**100.0**	–

6.4 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
- Christopher Leslie (Appointed on 1 September 2017)
- 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 (Resigned on 30 June 2017)
- Richard England
- Debra Goodin (Appointed on 1 September 2017)
- 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.

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

	Year ended 31 Dec 2017 Director's fees $	Year ended 31 Dec 2016 Director's fees $
MARIL		
Jeffrey Conyers	**159,234**	131,016
James Keyes	**120,258**	97,649
Christopher Leslie[1]	**36,720**	–
Nora Scheinkestel	**86,250**	74,375
Derek Stapley	**133,256**	109,277
	535,718	412,317
MARL		
Nora Scheinkestel	**228,438**	197,500
Richard England	**195,741**	152,500
Debra Goodin[2]	**80,751**	–
John Roberts	**142,083**	132,500
Marc de Cure[3]	**78,750**	141,250
	725,762	623,750

6.4 Related party disclosures CONTINUED

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 2017	At 31 Dec 2016
Jeffrey Conyers	**40,000**	40,000
Richard England	**49,670**	40,000
Debra Goodin[2]	**5,671**	–
James Keyes	**5,000**	–
Christopher Leslie[1]	–	–
John Roberts	**53,073**	46,108
Nora Scheinkestel	**78,431**	64,987
Derek Stapley	–	–
Marc de Cure[3]	–	–
Total	**231,845**	191,095

1 Appointed as a director of MARIL on 1 September 2017.
2 Appointed as a director of MARL effective from 1 September 2017.
3 Resigned as a director of MARL effective from 30 June 2017.

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 2017 $	Year ended 31 Dec 2016 $	**Year ended 31 Dec 2017 $**	Year ended 31 Dec 2016 $
Base fee (a)	**32,812,601**	29,441,190	**2,625,042**	2,923,079
Performance fee (b)	**7,978,730**	134,083,863	**639,491**	13,030,542
Total	**40,791,331**	163,525,053	**3,264,533**	15,953,621

a) Base fee

On 14 September 2017, the Boards announced that notification had been received from MFA that commencing 1 October 2017, and for subsequent quarters until further notice, the base management fees payable by MQA would be reduced to a flat 0.85% per annum for all market capitalisations. Base management fee rates payable are:

Market capitalisation

Market value	Original contract	Revised fee agreement from 1 Jan 2014	Revised fee agreement from 1 Jul 2016	Revised fee agreement from 1 Oct 2017
Up to $1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between $1 billion and $3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than $3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.

b) Performance fee

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 2017, a total performance fee of $23.9 million (excluding GST) was calculated for MQA. This fee is payable in three equal annual instalments. Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments will become payable. Accordingly, only the first instalment of the 2017 performance fee has been recognised during the year ended 31 December 2017. For the period ended 30 June 2016, a performance fee for $134.1 million (excluding GST) was expensed.

The first instalment of the 2017 performance fee of $8.0 million (excluding GST) and the second instalment of the 2016 performance fee of $44.7 million (excluding GST) became payable at 30 June 2017 and were applied to a subscription for new MQA securities in July 2017.

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

Other balances and transactions

MGL and companies within the MGL Group undertake various transactions with, and perform various services for, MQA. Fees paid to the MGL Group are approved solely by the independent directors on the Boards 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 2017, MARL had a receivable balance with MARIL of $124,704,369 (2016: $nil) which primarily comprises of an interest bearing loan of $122,812,094 and accrued interest on this loan of $1,893,879. The tranches of the loan owing from MARIL to MARL bears interest at BBSW plus a margin of 0.9% – 1.3%. The principal is due in 2019 and the interest is payable in 2018. Related party interest between MARIL and MARL totalled $1,893,879 for the year.

On 15 December 2017, Macquarie Capital Group Limited, a subsidiary of MGL sold all of the 75,957,318 stapled securities held through its principal position in MQA.

At 31 December 2017, Macquarie Capital Group Limited beneficially held nil (2016: 53,218,179) stapled securities.

At 31 December 2017, 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 2017 $	As at 31 Dec 2016 $	**As at 31 Dec 2017 $**	As at 31 Dec 2016 $
Cash held with MBL	**37,990,680**	188,404,375	**34,172,171**	169,296,861

6.4 Related party disclosures CONTINUED

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

	MQA		MARL Group	
	Year ended 31 Dec 2017 $	Year ended 31 Dec 2016 $	**Year ended 31 Dec 2017 $**	Year ended 31 Dec 2016 $
Interest earned on deposits with MBL	**1,564,302**	1,360,692	**1,130,495**	1,022,190
Interest between MARL and MARIL on loan amount	–	–	**1,893,879**	–
Guarantee fee income from MARIL Group	–	–	**1,185,466**	–
Reimbursement of expenses paid by companies within the MGL Group on behalf of MQA	**919,572**	994,970	**685,012**	720,325
Fees paid to Macquarie Capital (Australia) Limited[1]	**9,468,959**	–	**762,976**	–

1 Fees paid to Macquarie Capital (Australia) Limited in 2017 of $9.5 million relate to capital raisings undertaken as part the acquisition of additional interests in APRR and TRIP II.

At 31 December 2017, entities within the Groups had the following balances receivable from associates:

	MQA		MARL Group	
	As at 31 Dec 2017 $	As at 31 Dec 2016 $	**As at 31 Dec 2017 $**	As at 31 Dec 2016 $
M6 Toll management fee	–	644,774	–	–

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

	MQA		MARL Group	
	Year ended 31 Dec 2017 $	Year ended 31 Dec 2016 $	**Year ended 31 Dec 2017 $**	Year ended 31 Dec 2016 $
Principal and interest received from preferred equity certificates issued by MAF2	**147,779,372**	124,844,915	–	–
Distribution from sale of SCC	–	137,346,803	–	137,346,803
Distribution from ITRP	–	224,609	–	224,609
M6 Toll management fee	**5,154,626**	1,418,896	–	–
Directors' fee from WQG	–	180,696	–	–
Adviser's fee from WQG	**28,224**	84,545	–	–

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.

7 Other disclosures

7.1 Cash flow information

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	**Year ended 31 Dec 2017 $'000**	Year ended 31 Dec 2016 $'000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Profit from activities after income tax	**519,583**	225,109	**57,383**	122,978
Gain on equity accounted assets	**(187,971)**	(329,976)	**626**	(144,233)
Net foreign exchange differences	**(14,119)**	(315)	**(2,247)**	(13)
Finance costs	**53,795**	–	–	–
Depreciation of plant and machinery	**152**	–	–	–
Amortisation of tolling concession	**36,520**	–	–	–
Amortisation of deferred tax liabilities	**(18,448)**	–	–	–
Gain on revaluation of investment	**(375,615)**	–	**(61,710)**	–
Guarantee fee classified as investing cash flows	–	–	**(1,185)**	–
Reversal of provision of impairment	–	(67,373)	–	(3,442)
Issue of securities against performance fees payable	**52,640**	64,089	**4,950**	5,625
Changes in operating assets and liabilities				
Decrease/(increase) in receivables	**15**	17,874	**(1,675)**	17,778
(Decrease)/increase in payables and provisions	**(48,432)**	75,016	**(9,990)**	12,729
Net cash inflow/(outflow) from operating activities	**18,120**	(15,576)	**(13,848)**	11,422

Non-cash financing and investing activities

Refer to Note 5.2 for further details on application of performance fees to subscription of new securities.

7.1 Cash flow information CONTINUED

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	MQA		MARL Group	
	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000	Year ended 31 Dec 2017 $'000	Year ended 31 Dec 2016 $'000
Net debt				
Cash and cash equivalents	**122,690**	223,367	**34,304**	204,129
Borrowings – current	**(66,286)**	–	–	–
Borrowings – non-current	**(1,668,352)**	–	–	–
Net debt	**(1,611,948)**	223,367	**34,304**	204,129
Cash and cash equivalents	**122,690**	223,367	**34,304**	204,129
Gross debt – fixed interest rates	**(1,287,564)**	–	–	–
Gross debt – variable interest rates	**(447,074)**	–	–	–
Net debt	**(1,611,948)**	223,367	**34,304**	204,129

	Assets	Liabilities from financing activities		
MQA	Cash and cash equivalent $'000	Borrowings current $'000	Borrowings non-current $'000	Total $'000
Net debt at 1 January 2016	65,381	–	–	65,381
Cash flows	151,473	–	–	151,473
Foreign exchange adjustments	6,513	–	–	6,513
Net debt at 31 December 2016	**223,367**	–	–	**223,367**
Cash flows	(104,453)	9,117	(450,530)	(545,866)
Loan facilities	–	(67,449)	(1,243,113)	(1,310,562)
Other non-cash adjustments	–	(10,675)	(43,120)	(53,795)
Foreign exchange adjustments	3,776	2,721	68,411	74,908
Net debt at 31 December 2017	**122,690**	**(66,286)**	**(1,668,352)**	**(1,611,948)**

MARL Group	Cash and cash equivalent $'000	Total $'000
Net debt at 1 January 2016	48,137	48,137
Cash flows	149,590	149,590
Foreign exchange adjustments	6,402	6,402
Net debt at 31 December 2016	**204,129**	**204,129**
Cash flows	(165,628)	(165,628)
Foreign exchange adjustments	(4,197)	(4,197)
Net debt at 31 December 2017	**34,304**	**34,304**

7.2 Contingent liabilities

MQA had the following contingent liabilities at 31 December 2017. No provision has been raised against these items unless stated below.

Warnow Tunnel

ETIUK, a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million ($1.8 million) (31 December 2016: €1.2 million ($1.7 million)), in the event of a senior debt payment event of default by WQG, the owner of the Rostock Fixed Crossing Concession.

This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €1.2 million ($1.8 million) (31 December 2016: €1.2 million ($1.7 million)) has been deposited. These funds are restricted and are classified as restricted cash on the Consolidated Statements of Financial Position.

June 2017 performance fee future instalments

MQA's annual performance fee is calculated each year at 30 June and payment is made in three equal annual instalments with the first instalment payable immediately. The second and third instalments are payable on the first and second anniversary of the calculation date if certain performance criteria are met (being 30 June 2018 and 30 June 2019 with respect to the 30 June 2017 performance fee). Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments of $8.0 million each become payable.

7.3 Remuneration of auditors

	MQA		MARL Group	
	Year ended 31 Dec 2017 $	Year ended 31 Dec 2016 $	**Year ended 31 Dec 2017 $**	Year ended 31 Dec 2016 $
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	**364,743**	380,211	**186,110**	185,889
Taxation services	**14,240**	62,578	**–**	2,578
Other assurance services	**261,918**	117,169	**25,904**	12,429
	640,901	559,958	**212,014**	200,896
Amounts paid or payable to network firms of PricewaterhouseCoopers for:				
Audit services	**239,416**	153,976	**41,927**	31,231
Taxation services	**29,757**	18,004	**–**	–
Other services	**4,830**	–	**–**	–
	274,003	171,980	**41,927**	31,231

7.4 Other accounting policies

(a) 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.

(b) GST

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. Receivables and payables are stated at amounts inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Consolidated Statement of Financial Position. Cash flows relating to GST are included in the Consolidated Statements of Cash Flows on a gross basis.

(c) 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 Dollars, which is the functional and presentation currency of MARIL and MARL.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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
- 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.

(d) Offsetting financial instruments

Financials assets and financial liabilities may be 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.

(e) Derivative financial instruments

From time to time, the Group enters 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.

(f) 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. When first applied, comparative information will need to be restated. The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' Financial Reports on initial application for the following reasons:

- AASB 9 only impacts financial liabilities designated at fair value through profit or loss and the Groups do not hold any such financial liabilities
- The Groups have no financial assets other than receivables balances which are measured at amortised cost and therefore not impacted
- The Groups have not entered into any hedges.

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

AASB 15 *Revenue from Contracts with Customers* specifies how and when revenue is recognised, as well as requiring enhanced disclosures.

The standard is not applicable until 1 January 2018 but is available for early adoption. When first applied, comparative information will need to be restated. AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. The Groups' main source of revenue is from tolls which are only calculated once the service, i.e. use of the road, has been provided.

The Groups have assessed the new standard's impact and 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 do not anticipate a significant impact on the Groups' Financial Reports on initial application.

7.5 Events occurring after balance sheet date

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 2017.

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2017

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 46 to 87:

(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 2017 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

27 February 2018

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

27 February 2018

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 ("MARL Group") and Notes set out on pages 46 to 87 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 2017 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

28 February 2018

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia

28 February 2018

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

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 "Group") and Macquarie Atlas Roads Limited Group's ("MARL Group") financial positions as at 31 December 2017 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 financial reports of MARIL and MARL comprise:

- the consolidated statements of financial position as at 31 December 2017
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the financial reports, which include a summary of significant accounting policies
- the directors' declarations.

MQA comprises MARIL and the entities it controlled at year's end or from time to time during the financial year, and MARL Group, which 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 MQA and MARL Group 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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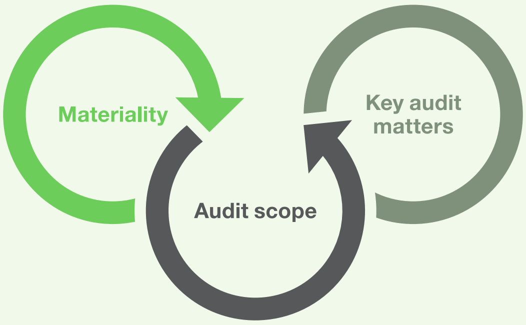
Our audit approach

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 audits to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of MQA and MARL Group (together "Groups"), their accounting processes and controls and the industry in which they operate.

MQA invests in an international portfolio of toll road assets, the most significant of which are APRR in France and Dulles Greenway ("DG") in the US. We engaged the local auditors of both APRR and TRIP II, the concessionaire for DG, to express an audit opinion to us on the financial position and performance of those groups.



Materiality

- MQA Group materiality was $17.3 million which is approximately 1% of net assets. MARL Group materiality was $3.1 million which is approximately 1% of its total assets.
- In 2016, MQA's materiality was determined with reference to total assets. Following the consolidation of TRIP II, we considered that the presence of external debt funding on the MQA statement of financial position meant that net assets was the more appropriate benchmark. We continued to use total assets for MARL Group because it continues to present its holdings as investments, which are already net of associated debt held at the level of the underlying assets.
- We selected 1% for both MQA and MARL Group based on our professional judgement, noting that it is also within the range of commonly accepted asset-related benchmarks.

Audit scope

- Our audits 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 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 a selection of their workpapers.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee:
  - Accounting for the acquisition of TRIP II, the concessionaire for DG
  - Value of DG concession and goodwill for MQA and carrying value of investment in DG for MARL Group
  - Accounting for the Groups' share of the net profit of 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 financial reports for the current period. The following key audit matters are those that were applicable to our audits of both MQA and MARL Group. They were addressed in the context of our audits 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 Group	How our audits addressed the key audit matter
Accounting for the acquisition of TRIP II, the concessionaire for DG (MQA $599m, MARL Group $81m) Refer to Note 6.2 During the year, MQA acquired the remaining 50% estimated economic interest in TRIP II, the concessionaire for DG. The purchase price was allocated between the fair value of the acquired assets and liabilities and identified intangible assets, and resulted in the recognition of goodwill. The change in ownership structure prompted a reassessment of the level of control over TRIP II by both MQA and MARL Group. MQA assessed that it achieved control, while MARL Group determined that it has significant influence over TRIP II and so continues to account for it as an associate. We considered the accounting for the acquisition of TRIP II to be a key audit matter for two reasons, being: • the measurement of the identified assets and liabilities at fair value was inherently judgemental as determining the fair values of certain assets and liabilities required the use of estimates • the assessment of control over TRIP II was complex given the structure of the Groups.	Our audit procedures over the accounting for the acquisition of TRIP II included: • evaluating the fair value of TRIP II's tolling concession, which is largely informed by the price that MQA paid for the business. In determining whether the purchase price was indicative of the fair value, we assessed the arms-length nature of the transaction with reference to the conduct and terms of the acquisition • evaluating the fair value of TRIP II's debt instruments with reference to the model and inputs used, including tracing inputs such as the value of comparable corporate bonds to independent sources and checking the methodology and mathematical accuracy of the model • assessing management's control assessment for both MARL Group and MQA with reference to the power the Groups have over TRIP II, the Groups' exposure or rights to variable returns from their involvement with TRIP II and the their ability to use their power over TRIP II to affect the amount of investor returns • assessing the appropriateness and sufficiency of the related disclosures in the financial statements with reference to Australian Accounting Standards.

Key audit matter of MQA and MARL Group	How our audits addressed the key audit matter
Value of DG Concession ($2.2 billion) and goodwill ($59m) for MQA and carrying value of investment in DG for MARL Group ($153m) Refer to Note 6.2 and Note 3.2 The carrying value of this investment has to be assessed at each reporting date to test for impairment. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted. For MQA, the test for impairment focuses on the DG tolling concession and goodwill. For MARL Group, it is the equity accounted investment in DG that is assessed for impairment. The assets and liabilities associated with TRIP II / Dulles Greenway were initially recognised in MQA's and MARL Group's balance sheets at their fair values on acquisition date, being the date on which the additional holdings were acquired. The proximity of the current reporting date to this acquisition date means that any adverse changes in key inputs of the valuation model, including the discount rate and traffic forecasts could lead to an impairment. We considered the assessment of the carrying value of DG to be a key audit matter due to the judgemental nature of the assessment and the expectation of minimal headroom given how recently the carrying values were established with reference to fair value.	We evaluated the Groups' assessments by comparing their analysis to our knowledge of DG and the environment in which it operates. We found the assessments to be consistent with our expectations, which were informed in part by enquiries we made of DG's auditors. We evaluated the Groups' cash flow forecasts for the investment in DG, and the process by which they were developed. Our procedures included: • evaluating the discount rate applied to cashflow forecasts with reference to discount rates implied by recent sales of comparable assets, discount rates implied by valuations of DG undertaken by external analysts and with reference to analysis undertaken by our own valuation experts • comparing previous forecasts to actual results to assess the ability of the Groups to forecast accurately • comparing the Groups' forecasts of traffic volumes, as a key input into the cashflow forecasts, to modelling that was separately performed by a third party expert appointed by management • applying sensitivity analysis to key assumptions, in particular the discount rate and traffic forecasts.
Share of net profits / (losses) of associates (MQA $188m, MARL Group ($1m)) Refer to Note 3.2 MQA applies equity accounting to its investment in APRR. MARL Group applies equity accounting to its investment in DG. In doing so, they are required to make a number of adjustments to the underlying financial information to ensure alignment to Australian Accounting Standards and to the Groups' accounting policies. 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 developed an understanding of operational developments at the investments and the nature and extent of any accounting standards or accounting policy adjustments required to align with those of the Groups. We checked that the adjustments made by the Groups were consistent with this understanding. Upon receipt of the audited balance sheets and income statements for both APRR and DG, we re-performed management's calculation of the share of net profits for each associate and compared the outcomes to those calculated by the Groups.
Recognition and measurement of performance fees (MQA $8m, MARL Group $1m) Refer to Note 2.1 and Note 4.4 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. This was a key audit matter because performance fees have the capacity to be financially significant to the Groups and recognition requires judgement regarding the probability that performance hurdles applicable to future instalments will be met.	We recalculated the 2017 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 2017 performance fee will be payable, having regard to the extent of out-performance achieved to date.

Other information

The directors of MARIL and MARL are responsible for the other information in the annual report. The other information comprises the information included in the annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained was limited to the Directors' Reports. We expect the remaining other information to be made available to us after the date of this auditor's report.

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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial reports

The directors of MARL and MARIL are responsible for the preparation of financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of financial reports that 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's and 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 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:

www.auasb.gov.au/auditors_responsibilities/ar1.pdf.

This description forms part of our auditor's report.

Report on the MARL and MARIL remuneration reports

Our opinion on the MARL and MARIL remuneration reports

We have audited MARL and MARIL's remuneration reports included in pages 38 to 42 of the Directors' reports for the year ended 31 December 2017.

In our opinion, the remuneration reports of MARL and MARIL for the year ended 31 December 2017 comply with section 300A of the *Corporations Act 2001* (as applicable).

Responsibilities of the directors for the MARL and MARIL remuneration reports

The directors of MARL and MARIL are responsible for the preparation and presentation of the remuneration reports in accordance with section 300A of the *Corporations Act 2001* (as applicable). Our responsibility is to express an opinion on the remuneration reports, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Stafford

Craig Stafford
Partner

Sydney
28 February 2018

09 Securityholder information

as at 1 March 2018

Distribution of securities

Investor ranges	Holders	Total securities	% of issued securities
1 – 1,000	11,027	4,132,281	0.62
1,001 – 5,000	8,639	21,641,806	3.23
5,001 – 10,000	2,323	16,667,215	2.49
10,001 – 100,000	1,642	37,894,895	5.66
100,001 and over	95	589,452,368	88.01
Total	**23,726**	**669,788,565**	**100.00**
Investors with less than the minimum marketable parcel[1]	2,636	74,133	0.01

Twenty largest investors

Investor		Number of securities	% of issued securities
1	HSBC Custody Nominees (Australia) Limited	270,880,512	40.44
2	J P Morgan Nominees Australia Limited	112,102,438	16.74
3	Citicorp Nominees Pty Limited	62,361,410	9.31
4	National Nominees Limited	45,042,305	6.72
5	BNP Paribas Nominees Pty Ltd	20,570,949	3.07
6	BNP Paribas Noms Pty Ltd	17,504,754	2.61
7	HSBC Custody Nominees (Australia) Limited	8,254,996	1.23
8	HSBC Custody Nominees (Australia) Limited	5,082,381	0.76
9	Citicorp Nominees Pty Limited	4,147,134	0.62
10	UBS Nominees Pty Ltd	3,849,933	0.57
11	AMP Life Limited	3,760,539	0.56
12	Diversified United Investment Limited	2,912,911	0.43
13	Sandhurst Trustees Ltd	2,552,667	0.38
14	Australian United Investment Company Limited	2,526,835	0.38
15	HSBC Custody Nominees (Australia) Limited	2,240,000	0.33
16	BNP Paribas Noms (NZ) Ltd	2,111,424	0.32
17	Invia Custodian Pty Limited	1,185,362	0.18
18	Bond Street Custodians Limited	923,143	0.14
19	Bond Street Custodians Limited	892,721	0.13
20	Australian United Investment Company Limited	873,165	0.13
Total		**569,775,579**	**85.07**

Details of substantial stapled securityholders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities
Lazard Asset Management	6 February 2018	81,608,669	12.18
Yarra Funds Management	6 December 2017	38,908,925	5.81

1 Minimum marketable parcel is $500.00 equating to 91 securities at $5.54 per security as at 1 March 2018.

10 Corporate directory

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

Macquarie Fund Advisers Pty Limited
ABN 84 127 735 960
AFS LICENCE NO. 318 123

Macquarie Atlas Roads Limited
Level 7, 50 Martin Place
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Australia

Directors
Nora Scheinkestel (Chairman)
Debra Goodin
Richard England
John Roberts

Secretaries
Christine Williams
Lyndal Coates

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Directors
Jeffrey Conyers (Chairman)
Christopher Leslie
James Keyes
Nora Scheinkestel
Derek Stapley

Secretary
Dennika Durrant

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