MACQUARIE ATLAS ROADS
INTERIM FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 JUNE 2016

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities
Macquarie Atlas Roads Limited and its controlled entities

Interim Financial Reports for the half year ended 30 June 2016

Interim Financial Reports
for the half year ended 30 June 2016

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Directors' Reports
for the half year ended 30 June 2016

Directors' Reports

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the Interim Financial Report of Macquarie Atlas Roads ("MQA" or "the Group") for the half year ended 30 June 2016.

AASB 3 Business Combinations and *AASB 10 Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Interim Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its controlled entities and Macquarie Atlas Roads Limited ("MARL") and its controlled entities ("the MARL Group"), together comprising MQA.

The directors of MARL submit the following report for the MARL Group for the half year ended 30 June 2016.

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

Directors

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

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

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

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

Directors' Reports
for the half year ended 30 June 2016

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 half year.

Distributions

Distributions paid to security holders during the half year were as follows:

	Half Year ended 30 Jun 2016 $'000	Half Year ended 30 Jun 2015 $'000
Distribution of 9.0 cents per stapled security ("cps") paid on 31 March 2016*	**46,573**	-
Distribution of 6.0 cps paid on 31 March 2015**	**-**	30,692
	46,573	30,692

All of the distributions were paid in full by MARIL.
* comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.
** comprised a capital return of 4.7 cps and an ordinary dividend of 1.3 cps.

Review and Results of Operations

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

	MQA	MQA	**MARL Group**	MARL Group
	Half year ended 30 Jun 2016 $'000	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Income from operations	**3,069**	1,685	**421**	567
Operating expenses from operations	**(151,940)**	(13,502)	**(15,339)**	(1,586)
Share of net profit of investments accounted for using the equity method	**210,820**	68,348	**144,771**	31,193
Income tax expense	**(7,773)**	(16,247)	**(7,768)**	(16,242)
Profit from operations after income tax	**54,176**	40,284	**122,085**	13,932
	Cents	Cents	**Cents**	Cents
Profit per MQA stapled security	**10.47**	7.87	**23.59**	2.72

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 half year ended 30 June 2016 was $54.2 million (2015: profit of $40.3 million). The movement in results for the half year reflects the following significant items:

- Revenue from operations of $3.1 million (2015: $1.7 million) has increased due to increase in net foreign exchange gain and interest income;
- Operating expenses of $151.9 million (2015: $13.5 million) have increased mainly due to an increase in Manager's and Adviser's base fees and performance fees to $150.4 million (2015: $12.0 million). This reflects base fees of $16.4 million (2015: $12.0 million) and all three instalments of the 2016 performance fee of $44.7 million each, the first of which became payable at 30 June 2016. Given the level of outperformance achieved against the benchmark for the performance fee calculation (63.2%), it is anticipated that the second and third instalments will become payable, contingent on meeting ongoing performance criteria. Accounting standards require these instalments to be recognised this year and as such are included in operating expenses.
- Share of net profit of investments accounted for using the equity method of $210.8 million (2015: profit of $68.3 million), primarily comprising:
  (i) APRR profit of $71.0 million (2015: profit of $44.2 million), including APRR's fair value gain on interest rate swaps for the half year ended 30 June 2016 of $13.2 million (2015: $12.6 million);
  (ii) Dulles Greenway loss of $5.7 million (2015: loss of $8.1 million);

(iii) Distribution proceeds of $145.5 million (2015: $nil) relating to the sale of Skyway Concession Company LLC ("SCC"); and

(iv) No distribution proceeds relating to the sale of ITR Concession Company Holdings LLC ("ITRCCH"), in 2015 $32.3 million had been received.

- An estimated tax expense of $7.8 million on the distribution proceeds relating to the sale of SCC (2015: $16.2 million on the distribution proceeds relating to sale of ITRCCH).

Significant Changes in State of Affairs

Sale of Chicago Skyway

On 25 February 2016, the sale of SCC was completed and a distribution receivable of US$103.9 million ($145.5 million) was recorded. Subsequently on 10 March 2016, MQA received US$103.9 million ($137.3 million at date of receipt) in cash proceeds. This cash is still held in US$ so foreign exchange differences are solely translational. These proceeds are subject to both United States Federal Income Tax and State of Illinois Income Tax. An estimated tax expense of US$5.7 million ($7.8 million) is expected on the SCC sale, of which two equal instalments totalling US$0.8 million ($1.1 million) were paid on 14 April 2016 and 15 June 2016 respectively.

Additional consideration for acquisition of stake in APRR

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

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

Events occurring after balance sheet date

Base Management Fees

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

Market Capitalisation	Revised fee waiver*	Initial fee waiver**	Contract
Up to $1 billion	**1.00%**	**1.75%**	**2.00%**
Over $1 billion and up to $3 billion	**1.00%**	**1.00%**	**1.25%**
Over $3 billion	**1.00%**	**1.00%**	**1.00%**

* For the period after 1 July 2016 until further notice

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

Performance Fee

On 4 July 2016, as permitted under MARIL's and MARL's advisory and management agreements with MFA, MFA and MQA's independent directors agreed that the first instalment of June 2016 Manager and Adviser performance fee of $44.7 million (excluding GST) which became payable at 30 June 2016 will be applied to a subscription for new MQA securities at a price of $5.0683 per security. Accordingly 8,817,342 MQA securities will be issued to MFA or its assignee.

It was also agreed that the third instalment of June 2014 Manager and Adviser performance fee of $19.4 million (excluding GST) which became payable at 30 June 2016 will be applied to a subscription for new MQA securities at a price of $5.0683 per security. Accordingly an additional 3,827,822 MQA securities will also be issued to MFA or its assignee.

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' Reports 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 periods subsequent to the half year ended 30 June 2016.

Auditor's Independence Declaration

A copy of the auditor's independence declaration for MARL and the entities it controlled during the period, as required under section 307C of the *Corporations Act 2001*, and an independence declaration for Macquarie Atlas Roads International Limited and the entities it controlled during the period, are set out on page 8.

Directors' Reports
for the half year ended 30 June 2016

Rounding of amounts in the Directors' Reports and the Interim 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 & Investments Commission relating to the "rounding off" of amounts in the Directors' Reports and Interim Financial Reports. Amounts in the Directors' Reports and Interim Financial 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 Interim Financial Reports for MQA and the MARL Group have been presented in the one report, as permitted by ASIC Class Order 13/1050.

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
29 August 2016

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
29 August 2016

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

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
29 August 2016

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
29 August 2016

Auditor's Independence Declaration

As lead auditor for the reviews of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited for the interim period ended 30 June 2016, 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 reviews; and

2. no contraventions of any applicable code of professional conduct in relation to the reviews.

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

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
29 August 2016

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

Consolidated Statements of Comprehensive Income

	Note	**MQA** Half year ended 30 Jun 2016 $'000	MQA Half year ended 30 Jun 2015 $'000	**MARL Group** Half year ended 30 Jun 2016 $'000	MARL Group Half year ended 30 Jun 2015 $'000
Income from operations					
Income	2(i)	**3,069**	1,685	**421**	567
Total income from operations		**3,069**	1,685	**421**	567
Operating expenses from operations					
Operating expenses	2(ii)	**(151,940)**	(13,502)	**(15,339)**	(1,586)
Total operating expenses from operations		**(151,940)**	(13,502)	**(15,339)**	(1,586)
Share of net profit of investments accounted for using the equity method	4(b)	**210,820**	68,348	**144,771**	31,193
Profit from operations before income tax		**61,949**	56,531	**129,853**	30,174
Income tax expense		**(7,773)**	(16,247)	**(7,768)**	(16,242)
Profit for the half year		**54,176**	40,284	**122,085**	13,932
Profit/(loss) attributable to:					
Equity holders of the parent entity – MARIL		**(67,909)**	26,352	**-**	-
Equity holders of other stapled entity - MARL (as non-controlling interest/parent entity)		**122,085**	13,932	**122,085**	13,932
Stapled security holders		**54,176**	40,284	**122,085**	13,932
Other comprehensive loss					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		**(12,890)**	(9,717)	**(7,147)**	1,008
Other comprehensive loss for the half year, net of tax		**(12,890)**	(9,717)	**(7,147)**	1,008
Total comprehensive income for the half year		**41,286**	30,567	**114,938**	14,940
Total comprehensive income attributable to:					
Equity holders of the parent entity - MARIL		**(73,652)**	15,627	**-**	-
Equity holders of other stapled entity - MARL (as non-controlling interest/parent entity)		**114,938**	14,940	**114,938**	14,940
Stapled security holders		**41,286**	30,567	**114,938**	14,940
Profit per share attributable to MARIL/MARL shareholders					
Basic and diluted profit per share attributable to:		**Cents**	Cents	**Cents**	Cents
MARIL (as parent entity)		**(13.12)**	5.15	**-**	-
MARL (as non-controlling interest)		**-**	-	**23.59**	2.72
Profit/(loss) per MQA stapled security		**10.47**	7.87	**23.59**	2.72

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

Interim Financial Reports
for the half year ended 30 June 2016

Consolidated Statements of Financial Position

	Note	**MQA** As at 30 Jun 2016 $'000	MQA As at 31 Dec 2015 $'000	**MARL Group** As at 30 Jun 2016 $'000	MARL Group As at 31 Dec 2015 $'000
Current assets					
Cash and cash equivalents		**221,039**	65,381	**200,614**	48,137
Receivables and other assets		**768**	18,073	**94**	17,318
Prepayments		**204**	128	**94**	57
Total current assets		**222,011**	83,582	**200,802**	65,512
Non-current assets					
Cash not available for use		**1,770**	1,773	**-**	**-**
Investments accounted for using the equity method	4(a)	**805,454**	807,969	**15,142**	16,448
Total non-current assets		**807,224**	809,742	**15,142**	16,448
Total assets		**1,029,235**	893,324	**215,944**	81,960
Current liabilities					
Payables and provisions	5	**(80,186)**	(28,366)	**(13,629)**	(3,302)
Total current liabilities		**(80,186)**	(28,366)	**(13,629)**	(3,302)
Non-current liabilities					
Provisions	5	**(89,378)**	-	**(8,719)**	-
Total non-current liabilities		**(89,378)**	-	**(8,719)**	-
Total liabilities		**(169,564)**	(28,366)	**(22,348)**	(3,302)
Net assets		**859,671**	864,958	**193,596**	78,658
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	6	**1,311,904**	1,355,890	**-**	-
Reserves	7	**39,661**	45,404	**-**	-
Accumulated losses	8	**(685,490)**	(614,994)	**-**	-
MARIL security holders' interest		**666,075**	786,300	**-**	-
Equity attributable to other stapled security holders – MARL					
Contributed equity	6	**207,024**	207,024	**207,024**	207,024
Reserves	7	**(14,431)**	(7,284)	**(14,431)**	(7,284)
Accumulated income/(losses)	8	**1,003**	(121,082)	**1,003**	(121,082)
Other stapled security holders' interest		**193,596**	78,658	**193,596**	78,658
Total equity		**859,671**	864,958	**193,596**	78,658

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

The financial information was approved by the Board of Directors on 29 August 2016 and was signed on its 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

MQA	Attributable to MARIL security holders					
	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**
(Loss)/profit for the half year	-	-	(67,909)	**(67,909)**	**122,085**	**54,176**
Exchange differences on translation of foreign operations	-	(5,743)	-	**(5,743)**	**(7,147)**	**(12,890)**
Total comprehensive income	-	(5,743)	(67,909)	**(73,652)**	**114,938**	**41,286**
Transactions with equity holders in their capacity as equity holders:						
Capital return*	(43,986)	-	-	**(43,986)**	**-**	**(43,986)**
Dividends paid*	-	-	(2,587)	**(2,587)**	**-**	**(2,587)**
	(43,986)	-	(2,587)	**(46,573)**	**-**	**(46,573)**
Total equity at 30 June 2016	1,311,904	39,661	(685,490)	**666,075**	**193,596**	**859,671**

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

MQA	Attributable to MARIL security holders					
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Attributable to MARL security holders $'000	Total MQA Equity $'000
Total equity at 1 January 2015	1,410,130	22,991	(657,029)	776,092	46,801	822,893
Adjustment in opening accumulated losses on adoption of IFRIC 21	-	-	(6,270)	(6,270)	-	(6,270)
Profit for the half year	-	-	26,352	26,352	13,932	40,284
Exchange differences on translation of foreign operations	-	(10,725)	-	(10,725)	1,008	(9,717)
Total comprehensive income	-	(10,725)	20,082	9,357	14,940	24,297
Transactions with equity holders in their capacity as equity holders:						
Capital return**	(24,042)	-	-	(24,042)	-	(24,042)
Dividends paid**	-	-	(6,650)	(6,650)	-	(6,650)
	(24,042)	-	(6,650)	(30,692)	-	(30,692)
Total equity at 30 June 2015	1,386,088	12,266	(643,597)	754,757	61,741	816,498

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

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

Consolidated Statements of Changes in Equity (continued)

MARL Group	Attributable to MARL security holders			
	Contributed equity $'000	**Reserves $'000**	**Accumulated (losses)/income $'000**	**Total MARL Group Equity $'000**
Total equity at 1 January 2016	207,024	(7,284)	(121,082)	**78,658**
Profit for the half year	-	-	122,085	**122,085**
Exchange differences on translation of foreign operations	-	(7,147)	-	**(7,147)**
Total comprehensive income	-	(7,147)	122,085	**114,938**
Total equity at 30 June 2016	207,024	(14,431)	1,003	**193,596**

MARL Group	Attributable to MARL security holders			
	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total MARL Group Equity $'000
Total equity at 1 January 2015	205,552	(11,164)	(147,587)	46,801
Profit for the half year	-	-	13,932	13,932
Exchange differences on translation of foreign operations	-	1,008	-	1,008
Total comprehensive income	-	1,008	13,932	14,940
Total equity at 30 June 2015	205,552	(10,156)	(133,655)	61,741

Consolidated Statements of Cash Flows

	MQA	MQA	**MARL Group**	MARL Group
	Half year ended 30 Jun 2016 $'000	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Cash flows from operating activities				
M6 Toll management fees received	**761**	706	**-**	-
Interest received	**624**	378	**438**	715
Other income received	**233**	315	**-**	-
Net indirect taxes received	**145**	100	**141**	96
Manager's and adviser's base fees paid	**(15,245)**	(11,905)	**(1,543)**	(937)
Payments to suppliers and employees (inclusive of GST/VAT)	**(2,280)**	(1,520)	**(1,504)**	(695)
Estimated US Alternative Minimum Tax ("AMT") received/ (paid) on distribution proceeds received from sale of ITR Concession Company Holdings LLC ("ITRCCH")	**17,776**	(16,242)	**17,776**	(16,242)
Net income taxes paid	**(1,068)**	(6)	**(1,063)**	-
Net cash flows from operating activities	**946**	(28,174)	**14,245**	(17,063)
Cash flows from investing activities				
Distribution proceeds received from sale of Skyway Concession Company LLC ("SCC")	**137,347**	-	**137,347**	-
Principal and interest received from preferred equity certificates issued by Macquarie Autoroutes de France 2 SA	**62,743**	39,751	**-**	-
Distribution from Indiana Toll Road Partnership ("ITRP")	**225**	32,284	**225**	32,284
Payment for purchase of investments	**(1,082)**	-	**-**	-
Net cash flows from investing activities	**199,233**	72,035	**137,572**	32,284
Cash flows from financing activities				
Capital return	**(43,986)**	(24,042)	**-**	-
Dividends paid	**(2,587)**	(6,650)	**-**	-
Loan advanced to related party	**-**	-	**-**	(5,650)
Repayment of loans from related parties	**-**	-	**-**	3,287
Net cash flows from financing activities	**(46,573)**	(30,692)	**-**	(2,363)
Net increase in cash and cash equivalents	**153,606**	13,169	**151,817**	12,858
Cash and cash equivalents at the beginning of the half year	**65,381**	30,116	**48,137**	28,884
Effects of exchange rate movements on cash and cash equivalents	**2,052**	459	**660**	65
Cash and cash equivalents at the end of the half year	**221,039**	43,744	**200,614**	41,807
Cash not available for use at the beginning of the half year	**1,773**	1,763	**-**	**-**
Effects of exchange rate movements on cash not available for use	**(3)**	(44)	**-**	**-**
Cash not available for use at the end of the half year*	**1,770**	1,719	**-**	**-**

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

* Refer to note 11.

Notes to the Interim Financial Reports

1 Summary of significant accounting policies

These general purpose Interim Financial Reports for the half year ended 30 June 2016 have been prepared in accordance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001* (where applicable).

These general purpose Interim Financial Reports do not include all the notes of the type normally included in an Annual Financial Reports. Accordingly, these reports are to be read in conjunction with the Annual Financial Reports for the year ended 31 December 2015 and any public announcements made by MQA during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (where applicable).

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

(a) Basis of preparation

As permitted by ASIC Class Order 13/1050, these reports consist of the Interim Financial Report of Macquarie Atlas Roads International Limited (“MARIL”) and the entities it controlled at the end of and during the half year (collectively referred to as “MQA” or “the Group”) and the Interim Financial Report of Macquarie Atlas Roads Limited (“MARL”) and the entities it controlled at the end of and during the half year (collectively referred to as “the MARL Group”). The Group and the MARL Group are collectively referred to as “the Groups”. Both MARIL and MARL are for-profit entities for the purpose of preparing the Interim Financial Reports.

The Interim Financial Reports were authorised for issue by the directors of the MARIL and the MARL Boards on 29 August 2016. The Boards have the power to amend and re-issue the Interim Financial Reports.

Going concern

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

Compliance with International Financial Reporting Standards (“IFRS”)

Compliance with Australian Accounting Standard *AASB 134 Interim Financial Reporting* ensures that the Interim Financial Reports comply with *IAS 34 Interim Financial Reporting* (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). Consequently, these Interim Financial Reports have also been prepared in accordance with and comply with IAS 34 as issued by the IASB.

Historical cost convention

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

Stapled security

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

Reclassifications

Certain prior year amounts in the Interim Financial Reports and accompanying notes may be reclassified to conform to the current year presentation. Reclassifications have no effect on previously reported consolidated total assets, total liabilities, comprehensive income or shareholders’ equity.

(b) Consolidated accounts and stapling arrangements

AASB 3 Business Combinations and *AASB 10 Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing Interim Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its subsidiaries and MARL and its subsidiaries, together comprising MQA.

The Interim Financial Report of MQA should be read in conjunction with the separate Interim Financial Report of the MARL Group presented in these reports for the half year ended 30 June 2016.

1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

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

The Interim Financial Report of MQA incorporates the assets and liabilities of the entities controlled by MARIL for the half year ended 30 June 2016, including those deemed to be controlled by MARIL by identifying it as the parent of MQA, and the results of those controlled entities for the half year then ended. The Interim Financial Report of the MARL Group incorporates the assets and liabilities of the entities controlled by MARL for the half year ended 30 June 2016. The effects of all transactions between entities in the consolidated entities are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and the Statement of Financial Position. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MARL or MARIL.

Subsidiaries

Subsidiaries, other than those that MARIL has been deemed to have directly acquired through stapling arrangements, are those entities over which the Groups are exposed to, or have the right to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Groups.

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

Associates

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

The Groups' 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 loss 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 loss, 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 loss are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Groups.

Joint arrangements

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

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

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash not available for use is classified as a non-current asset.

(e) Impairment of assets and reversal of impairment

The carrying amount of non-controlled investments is assessed every reporting period to determine whether there are indications of any impairment of the carrying value. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount.

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

1 Summary of significant accounting policies (continued)

(e) Impairment of assets and reversal of impairment (continued)

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

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

(f) Performance fees

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

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

Any performance fee determined at 30 June is accounted for in accordance with *AASB 137* until the instalment has satisfied the performance criteria, from which point the relevant instalment is recognised as a payable to the Adviser/Manager and accounted for as a liability in accordance with *AASB 139 Financial Instruments: Recognition and Measurement*. The liability is recognised at its fair value upon initial recognition.

(g) Income tax

The income tax expense or benefit for the half year is the tax payable on the current period'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 Bermudian 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.

(h) Critical accounting estimates and judgements

The preparation of the Interim 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 Interim 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 financial year are discussed below:

1 Summary of significant accounting policies (continued)

(h) Critical accounting estimates and judgements (continued)

Impairment and reversal of impairment testing

In accordance with the accounting policy stated in Note 1(e), the carrying amount of non-controlled investments is assessed every reporting period to determine whether there are indications of any impairment of the carrying value. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount. There are also estimates and judgements involved in assessing impairment indicators and in determining the recoverable amounts of the assets. Once an impairment has been recorded this impairment is then monitored to assess if any reversal of impairment is required. A sensitivity analysis was undertaken to examine the effect that a change in variables would have on the impairment calculation. This analysis concluded that discount rates would need to increase by more than 50% from the current level in order for the recoverable amounts of assets to be below their carrying amounts.

Provision for performance fees

In accordance with the accounting policy stated in Note 1(f), to determine the probability of payment of performance fee instalments which are still subject to future performance criteria, an assessment of the level of outperformance is undertaken. The level of outperformance for the 2016 performance fee calculation was 63.2%.

Control assessment

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

(i) Accounting standards and interpretations issued

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting half year. The Groups' assessment of the impact of the relevant new standards and interpretations which have not been early adopted in preparing the Interim 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, de-recognition of financial assets and financial liabilities and sets out new rules for hedge accounting. The standard is effective for annual reporting periods beginning on or after 1 January 2018. The Groups are assessing the new standard's impact and do not anticipate a significant impact on the Groups' Financial Reports.

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

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

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 recognized 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.

(j) Presentation of financial reports

The Interim Financial Reports for MARIL and MARL have been presented in this single document, as permitted by ASIC Class Order 13/1050.

(k) Rounding of amounts

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

2 Profit for the half year

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

(i) Income

	MQA Half year ended 30 Jun 2016 $'000	MQA Half year ended 30 Jun 2015 $'000	**MARL Group** Half year ended 30 Jun 2016 $'000	MARL Group Half year ended 30 Jun 2015 $'000
Income from operations				
Interest income:				
Related parties	**624**	112	**438**	299
Other persons and corporations	**-**	266	**-**	266
Total interest income	**624**	378	**438**	565
Other income:				
M6 Toll management fee income	**691**	752	**-**	-
Other income	**233**	315	**-**	-
Net foreign exchange gain/(loss)	**1,521**	240	**(17)**	2
Total other income	**2,445**	1,307	**(17)**	2
Total income from operations	**3,069**	1,685	**421**	567

(ii) Operating expenses

	MQA Half year ended 30 Jun 2016 $'000	MQA Half year ended 30 Jun 2015 $'000	**MARL Group** Half year ended 30 Jun 2016 $'000	MARL Group Half year ended 30 Jun 2015 $'000
Cost of operations:				
Directors' fees	**460**	453	**288**	289
	460	453	**288**	289
Other operating expenses:				
Consulting and administration fees	**400**	457	**117**	116
Manager's and adviser's base fees	**16,366**	12,042	**1,598**	923
Manager's and adviser's performance fees*	**134,066**	-	**13,010**	-
Other expenses	**648**	550	**326**	258
Total other operating expenses	**151,480**	13,049	**15,051**	1,297
Total operating expenses	**151,940**	13,502	**15,339**	1,586

* Includes instalments anticipated to become payable in 2017 and 2018, contingent on meeting ongoing performance criteria. Refer to note 5.

3 Distributions

	MQA Half year ended 30 Jun 2016 $'000	MQA Half year ended 30 Jun 2015 $'000	**MARL Group** Half year ended 30 Jun 2016 $'000	MARL Group Half year ended 30 Jun 2015 $'000
Distributions paid during the half year				
Distribution paid on 31 March 2016*	**46,573**	**-**	**-**	**-**
Distribution paid on 31 March 2015**	**-**	30,692	**-**	**-**
Total distributions paid during the half year	**46,573**	30,692	**-**	-
	Cents per stapled security	Cents per stapled security	**Cents per stapled security**	Cents per stapled security
Distributions paid during the half year				
Distribution per security paid on 31 March 2016*	**9.0**	**-**	**-**	**-**
Distribution per security paid on 31 March 2015**	**-**	6.0	**-**	**-**

All of the distributions were paid in full by MARIL.

* Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.
** Comprised a capital return of 4.7 cps and an ordinary dividend of 1.3 cps.

4 Investments accounted for using the equity method

	MQA	MQA	**MARL Group**	MARL Group
	As at 30 Jun 2016 $'000	As at 31 Dec 2015 $'000	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000
Investments in associates & joint arrangements – equity method	**805,454**	807,969	**15,142**	16,448
	805,454	807,969	**15,142**	16,448

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

(a) Carrying amounts

Name of Entity[(1)]	**Country of incorporation/ Principal Place of Business**	**Principal Activity**	**MQA Economic Interest**	**MQA**	MQA	**MARL Economic Interest**	**MARL Group**	MARL Group
			As at 30 Jun 2016 and 31 Dec 2015 %	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000	**As at 30 Jun 2016 and 31 Dec 2015 %**	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	**40.3**	**667,708**	661,219	**-**	**-**	**-**
Dulles Greenway Partnership ("DGP")[(2)]	USA	Investment in toll road located in northern Virginia, USA	**50.0**	**137,709**	146,514	**6.7**	**15,105**	16,212
Warnowquerung GmbH & Co KG ("WQG") (Limited Partnership) [(3)]	Germany	Investment in toll road located in Rostock, north-eastern Germany	**70.0**	**-**	-	**-**	-	-
Chicago Skyway Partnership ("CSP") [(4)]	USA	Former owner of an investment in a toll road located south of Chicago, USA	**50.0[(4)]**	**27**	-	**50.0[(4)]**	**27**	**-**
ITRP[(5)]	USA	Former owner of investment in a toll road located in northern Indiana, USA	**49.0[(5)]**	**10**	236	**49.0 [(5)]**	**10**	236
Peregrine Motorways Limited[(6)]	UK	Investment in toll road located in the West Midlands, UK	**0.0[(6)]**	**-**	-	**-**	-	-
				805,454	807,969		**15,142**	16,448

(1) Except for Macquarie Autoroutes de France 2 SA, CSP and ITRP, all associates and joint arrangements are in "lockup" under their debt documents, meaning that they are currently unable to make distributions to MQA and the MARL Group. DGP's investment in Toll Road Investors Partnership II LP ("TRIP II") cannot come out of lockup before December 2018 and therefore is not expected to make a distribution to MQA before 2019.

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

(3) A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WQG Limited partnership and the General Partner ("GP") of the partnership which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The balance of 30% is held by Bouygues Travaux Publics SA ("BTP"). Per the agreement, any decisions made with regard to the relevant activities require 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.

(4) 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. MQA's interest in the ongoing operations of SCC is nil at 30 June 2016 and historic equity accounting losses are no longer disclosed in Notes 4(d) and 4(e). The small residual investment balance represents cash left in CSP, the former owner of SCC, for payment of expenses.

(5) At 30 June 2016 and 31 December 2015, MQA legally owned a 49% equity interest in ITRP, the former owner of ITRCCH but was no longer exposed to any variable returns from the ongoing operations of ITRCCH. Historic equity accounting losses are no longer disclosed in Notes 4(d) and 4(e). The small residual investment balance represents cash left in ITRP for payment of expenses.

(6) On 4 June 2013, MQA deconsolidated Macquarie Motorways Group Limited ("MMG") (the previous holding company for the M6 Toll) and commenced equity accounting for its interest as an investment in an associate. A new entity, Peregrine Motorways Limited ("PML"), was incorporated on 2 August 2013 and inserted as the 100% owner of MMG. MQA legally owns a 100% ordinary equity interest in PML but was no longer exposed to any variable returns from the ongoing operations of the investment. As a result, at 30 June 2016 MQA's economic interest in the ongoing operations of PML is nil. However, MQA's representation and participation at Board level leads to significant influence over the asset and as such it is accounted for as an associate.

4 Investment accounted for using the equity method (continued)

(b) Movement in carrying amounts

	MQA	MQA	**MARL Group**	MARL Group
	Half year ended 30 Jun 2016 $'000	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Carrying amount at the beginning of the half year	**807,969**	835,431	**16,448**	16,456
Impact of adoption of IFRIC 21	**-**	(6,270)	**-**	-
Investment in associates	**1,012**	-	**-**	-
Share of profit after income tax*	**210,820**	68,348	**144,771**	31,193
Distributions received/receivable	**(200,315)**	(72,035)	**(137,572)**	(32,284)
Foreign exchange movement	**(14,032)**	(9,886)	**(8,505)**	949
Carrying amount at the end of the half year	**805,454**	815,588	**15,142**	16,314

* Included in the share of profit after income tax for MQA and the MARL Group are fair value movements on interest rate swaps not subject to hedge accounting.

(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.

	Macquarie Autoroutes de France 2 SA		**Dulles Greenway Partnership**	
Summarised Statement of Financial Position	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000
Total current assets	**1,316,987**	1,358,872	**185,413**	224,164
Total non-current assets	**9,012,349**	9,142,526	**1,922,144**	2,003,876
Total current liabilities	**(1,902,022)**	(1,518,929)	**(92,545)**	(93,942)
Total non-current liabilities	**(6,948,939)**	(7,518,434)	**(1,554,513)**	(1,651,820)
Net assets	**1,478,375**	1,464,035	**460,499**	482,278
Reconciliation to carrying amounts:				
Opening net assets as at 1 January	**1,464,035**	1,547,688	**482,278**	456,835
Impact of adoption of IFRIC 21	**-**	(15,564)	**-**	-
Profit/(loss) for the period	**176,139**	236,197	**(11,343)**	(28,699)
Distributions paid	**(155,999)**	(325,117)	**-**	-
Foreign exchange and other equity movements	**(5,800)**	20,831	**(10,436)**	54,142
Closing net assets	**1,478,375**	1,464,035	**460,499**	482,278
MQA's share in %	**40.3%**	40.3%	**50.0%**	50.0%
MQA's share of net assets in $	**595,578**	589,801	**230,250**	241,139
MARL Group's share in %	**-**	-	**6.7%**	6.7%
MARL Group's share of net assets in $	**-**	-	**30,853**	32,313
MQA's carrying amount	**667,708**	661,219	**137,709**	146,514
MARL Group's carrying amount	**-**	-	**15,105**	16,212

4 Investments accounted for using the equity method (continued)

(c) Summarised financial information for material associates (continued)

	Macquarie Autoroutes de France 2 SA		Dulles Greenway Partnership	
Summarised Statement of Comprehensive Income	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Revenue	**934,628**	793,735	**61,426**	52,368
Profit/(loss) for the half year	**176,138**	109,744	**(11,343)**	(16,295)
MQA's share	**70,959**	44,212	**(5,673)**	(8,147)
MARL Group's share	**-**	-	**(763)**	(1,091)
MQA's distributions received	**62,743**	39,751	**-**	-
MARL Group's distributions received	**-**	-	**-**	-

*(d) Individually immaterial joint venture**

In addition to the interest in associates disclosed above MQA also has an interest in an individually immaterial joint venture that is accounted for using the equity method.

	MQA	MQA	**MARL Group**	MARL Group
	Half year ended 30 Jun 2016 $'000	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Aggregate amount of individually immaterial joint venture				
Aggregate amounts of the Group's share of:				
Loss from operations of joint venture	**(1,119)**	(1,468)	**-**	-
Total comprehensive income	**(1,119)**	(1,486)	**-**	-

*(e) Share of losses not brought to account attributable to immaterial joint venture**

	MQA	MQA	**MARL Group**	MARL Group
	Half year ended 30 Jun 2016 $'000	Half year ended 30 Jun 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Half year ended 30 Jun 2015 $'000
Share of losses not brought to account attributable to immaterial joint venture				
Balance at the beginning of the half year	**(21,335)**	(19,036)	**-**	-
Share of losses not brought to account	**(1,119)**	(1,468)	**-**	-
Balance at the end of the half year	**(22,454)**	(20,504)	**-**	-

* Accounted for using the equity method.

5 Payables and provisions

	MQA	MQA	**MARL Group**	MARL Group
	As at 30 Jun 2016 $'000	As at 31 Dec 2015 $'000	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000
Current				
Manager and adviser fees payable	**8,386**	7,131	**814**	625
Manager and adviser performance fees payable (i)	**64,089**	19,400	**5,578**	1,287
Sundry creditors and accruals	**1,091**	1,835	**632**	1,390
Provision for tax (ii)	**6,620**	-	**6,605**	-
Total current payables and provisions	**80,186**	28,366	**13,629**	3,302
Non current				
Provision for manager and adviser performance fees (i)	**89,378**	-	**8,719**	-
Total non-current payables and provisions	**89,378**	-	**8,719**	-

(i) In accordance with MARIL and MARL's advisory and management agreements (the "Agreements") with Macquarie Fund Advisers Pty Limited ("MFA"), a performance fee calculation is performed for each year ended 30 June. The performance fee is calculated with reference to the performance of the MQA accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. Any performance fee calculated is payable in three equal annual instalments, with the second and third instalments subject to performance criteria at each instalment date.

For the year ended 30 June 2016, a total performance fee of $134.1 million (excluding GST) was calculated for MQA (30 June 2015: $nil). Current performance fees payable is made up of the first instalment of the 2016 performance fee of $44.7 million (excluding GST) and the third instalment of the 2014 performance fee of $19.4 million (excluding GST), both of which became payable at 30 June 2016.

Non current performance fees payable is made up of the second and third instalments of the 2016 performance fee of $44.7 million each, which will become payable should the performance criteria be met at 30 June 2017 and 30 June 2018 respectively. Accounting standards require the full liability to be recorded at 30 June 2016 as it is deemed probable that the performance criteria will be met, due to the level of outperformance achieved (63.2%).

(ii) Proceeds from the sale of SCC are subject to both United States Federal Income Tax and State of Illinois Income Tax. An estimated tax expense of US$5.7 million ($7.8 million) is expected on the SCC sale. The amount of the tax is estimated after deducting the carried forward net operating losses of previous years which are allowed as a deduction against the tax liability. Two equal instalments totalling US$0.8 million ($1.1 million) were paid on 14 April 2016 and 15 June 2016 respectively and US$4.9 million ($6.6 million) is payable as at 30 June 2016.

6 Contributed equity

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	**Attributable to MARL equity holders**	Attributable to MARL equity holders
	As at 30 Jun 2016 $'000	As at 31 Dec 2015 $'000	**As at 30 Jun 2016 $'000**	As at 31 Dec 2015 $'000
Ordinary shares	**1,311,904**	1,355,890	**207,024**	207,024
Contributed equity	**1,311,904**	1,355,890	**207,024**	207,024

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	**Attributable to MARL equity holders**	Attributable to MARL equity holders
	Half year ended 30 Jun 2016 $'000	Year ended 31 Dec 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Year ended 31 Dec 2015 $'000
On issue at the beginning of the half/full year	**1,355,890**	1,410,130	**207,024**	205,552
Application of performance fees to subscription for new securities*	**-**	17,928	**-**	1,472
Capital return	**(43,986)**	(72,168)	**-**	-
On issue at the end of the half/full year	**1,311,904**	1,355,890	**207,024**	207,024

	Number of shares '000	Number of shares '000	**Number of shares '000**	Number of shares '000
On issue at the beginning of the half/full year	**517,485**	511,539	**517,485**	511,539
Application of performance fees to subscription for new securities*	**-**	5,946	**-**	5,946
On issue at the end of the half/full year	**517,485**	517,485	**517,485**	517,485

* During the year ended 31 December 2015, the second instalment of June 2014 performance fee, totalling $17.9 million was applied to a subscription for new MARIL securities and the second instalment of June 2014 performance fee, totalling $1.5 million was applied to a subscription for new MARL securities.

7 Reserves

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	**Attributable to MARL equity holders**	Attributable to MARL equity holders
	Half year ended 30 Jun 2016 $'000	Year ended 31 Dec 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Year ended 31 Dec 2015 $'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the half/full year	**45,404**	22,991	**(7,284)**	(11,164)
Net exchange differences on translation of foreign controlled entities	**(5,743)***	22,413	**(7,147)***	3,880
Balance at the end of the half/full year	**39,661**	45,404	**(14,431)**	(7,284)

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

8 Accumulated (losses)/income

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	**Attributable to MARL equity holders**	Attributable to MARL equity holders
	Half year ended 30 Jun 2016 $'000	Year ended 31 Dec 2015 $'000	**Half year ended 30 Jun 2016 $'000**	Year ended 31 Dec 2015 $'000
Balance at the beginning of the half/full year	**(614,994)**	(657,029)	**(121,082)**	(147,587)
Adjustment in opening accumulated losses on adoption of IFRIC 21	**-**	(6,270)	**-**	-
(Loss)/profit attributable to shareholders	**(67,909)**	58,577	**122,085**	26,505
Dividends paid	**(2,587)**	(10,272)	**-**	-
Balance at the end of the half/full year	**(685,490)**	(614,994)	**1,003**	(121,082)

9 Segment information

(a) Description of segments

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

The MQA Boards consider the business from the aspect of each of the portfolio assets and have identified three and one operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in APRR, Dulles Greenway and Warnow Tunnel. The only segment of the MARL Group is the investment in Dulles Greenway. Following the deconsolidation of M6 Toll and the sale of Indiana Toll Road and Chicago Skyway, these assets are no longer considered operating segments by the MQA Boards (refer to note 4).

The operating segment note discloses the segment revenue and segment EBITDA for the half year ended 30 June 2016 by individual portfolio asset. The MQA Boards are provided with performance information on each asset to monitor the operating performance of each asset.

(b) Segment information provided to the MQA Boards

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the half year ended 30 June 2016, based on MQA's economic ownership is as follows:

	APRR	**Dulles Greenway**	**Warnow Tunnel**	**Total MQA**
MQA	**Half year ended 30 Jun 2016 $'000**	**Half year ended 30 Jun 2016 $'000**	**Half year ended 30 Jun 2016 $'000**	**Half year ended 30 Jun 2016 $'000**
Segment revenue	**342,039**	**30,671**	**5,337**	**378,047**
Segment expenses	**(87,585)**	**(6,191)**	**(1,610)**	**(95,386)**
Segment EBITDA	**254,454**	**24,480**	**3,727**	**282,661**
EBITDA margin	**74%**	**80%**	**70%**	**75%**

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

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the half year ended 30 June 2015, based on MQA's effective economic ownership is as follows:

	APRR	Dulles Greenway	Warnow Tunnel	Total MQA
MQA	Half year ended 30 Jun 2015 $'000	Half year ended 30 Jun 2015 $'000	Half year ended 30 Jun 2015 $'000	Half year ended 30 Jun 2015 $'000
Segment revenue	303,777	26,197	4,670	334,644
Segment expenses	(76,582)	(5,743)	(1,540)	(83,865)
Segment EBITDA	227,195	20,454	3,130	250,779
EBITDA margin	75%	78%	67%	75%

9 Segment information (continued)

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

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the half year ended 30 June 2016 and half year ended 30 June 2015, based on the MARL Group's effective economic ownership interests is as follows:

MARL Group	**Dulles Greenway** Half year ended 30 Jun 2016 $'000	**Total MARL Group** Half year ended 30 Jun 2016 $'000	Dulles Greenway Half year ended 30 Jun 2015 $'000	Total MARL Group Half year ended 30 Jun 2015 $'000
Segment revenue	**4,110**	**4,110**	3,510	3,510
Segment expenses	**(830)**	**(830)**	(770)	(770)
Segment EBITDA	**3,280**	**3,280**	2,740	2,740
EBITDA margin	**80%**	**80%**	78%	78%

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

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

	MQA Half year ended 30 Jun 2016 $'000	MQA Half year ended 30 Jun 2015 $'000	**MARL Group** Half year ended 30 Jun 2016 $'000	MARL Group Half year ended 30 Jun 2015 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	**378,047**	334,644	**4,110**	3,510
Revenue attributable to investments accounted for under the equity method*	**(378,047)**	(334,644)	**(4,110)**	(3,510)
Unallocated revenue	**3,069**	1,685	**421**	567
Total revenue from operations	**3,069**	1,685	**421**	567
Reconciliation of segment EBITDA to profit from operations before income tax				
Segment EBITDA	**282,661**	250,779	**3,280**	2,740
EBITDA attributable to investments accounted for under the equity method*	**(282,661)**	(250,779)	**(3,280)**	(2,740)
Unallocated revenue	**3,069**	1,685	**421**	567
Unallocated expenses	**(151,940)**	(13,502)	**(15,339)**	(1,586)
Share of net profit of investments accounted for using the equity method	**210,820**	68,348	**144,771**	31,193
Profit from operations before income tax	**61,949**	56,531	**129,853**	30,174

* Revenue and EBITDA attributable to investments accounted for under the equity method is included within the "Share of net profit/(loss) of investments accounted for using the equity method" line in the Statements of Comprehensive Income. Proportionate revenue and EBITDA relating to investments accounted for under the equity method is included in the information reported to the MQA Boards.

10 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 Interim Financial Reports.

11 Contingent liabilities

MQA had the following contingent liabilities at 30 June 2016. No provisions have 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 2015: €1.2 million ($1.8 million)), in the event of a senior debt payment event of default by WQG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions.

This contingent liability is backed by an on-demand guarantee, provided through a pledged cash account into which €1.2 million ($1.8 million) (31 December 2015: €1.2 million ($1.8 million)) has been deposited. These funds are restricted and are classified as cash not available for use on the Consolidated Statements of Financial Position.

12 Events occurring after balance sheet date

Base Management Fees

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

Market Capitalisation	**Revised fee waiver***	**Initial fee waiver****	**Contract**
Up to $1 billion	**1.00%**	**1.75%**	**2.00%**
Over $1 billion and up to $3 billion	**1.00%**	**1.00%**	**1.25%**
Over $3 billion	**1.00%**	**1.00%**	**1.00%**

* For the period after 1 July 2016 until further notice

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

Performance Fee

On 4 July 2016, as permitted under MARIL's and MARL's advisory and management agreements with MFA, MFA and MQA's independent directors agreed that the first instalment of June 2016 Manager and Adviser performance fee of $44.7 million (excluding GST) which became payable at 30 June 2016 will be applied to a subscription for new MQA securities at a price of $5.0683 per security. Accordingly 8,817,342 MQA securities will be issued to MFA or its assignee.

It was also agreed that the third instalment of June 2014 Manager and Adviser performance fee of $19.4 million (excluding GST) which became payable at 30 June 2016 will be applied to a subscription for new MQA securities at a price of $5.0683 per security. Accordingly an additional 3,827,822 MQA securities will also be issued to MFA or its assignee.

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' Reports 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 periods subsequent to the half year ended 30 June 2016.

Directors' Declaration – Macquarie Atlas Roads International Limited

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

a) the Interim Financial Report of MARIL and its controlled entities ("MQA") and notes set out on pages 9 to 26:

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

   ii) give a true and fair view of the financial position of MQA as at 30 June 2016 and of its performance for the half 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.

The directors confirm that the Interim Financial Report also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
29 August 2016

Derek Stapley
Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
29 August 2016

Interim Financial Reports
for the half year ended 30 June 2016

Directors' Declaration – Macquarie Atlas Roads Limited

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

a) the Interim Financial Report of MARL and its controlled entities (the "MARL Group") and notes set out on pages 9 to 26 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;

   ii) giving a true and fair view of the financial position of the MARL Group as at 30 June 2016 and of its performance for the half 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.

The directors confirm that the Interim Financial Report also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Nora Scheinkestel
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
29 August 2016

Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
29 August 2016

Independent auditor's review report to the security holders of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, which comprise the consolidated statements of financial position as at 30 June 2016, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the interim period ended on that date, selected explanatory notes and the directors' declaration for Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited. Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads International Limited and the entities it controlled at the interim period's end or from time to time during the interim period, and Macquarie Atlas Roads Limited and the entities it controlled at the interim period's end or from time to time during the interim period. Macquarie Atlas Roads Limited Group ("MARL Group") comprises Macquarie Atlas Roads Limited and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim financial reports

The directors of the Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are responsible for the preparation of the interim financial reports that give a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001 (as applicable)* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial reports that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial reports based on our reviews. We conducted our reviews in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial reports are not in accordance with the *Corporations Act 2001 (as applicable)* including: giving a true and fair view of Macquarie Atlas Roads International Limited's and Macquarie Atlas Roads Limited's financial positions as at 30 June 2016 and their performances for the interim period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001 (as applicable)*. As the auditor of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audits of the annual financial reports.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

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

Independence

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

Conclusion

Based on our reviews, which are not audits, we have not become aware of any matters that makes us believe that the interim financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are not in accordance with the *Corporations Act 2001 (as applicable)* including:

1. giving a true and fair view of the Macquarie Atlas Roads' and Macquarie Atlas Roads Limited Group's financial positions as at 30 June 2016 and of their performance for the interim period ended on that date;

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001 (as applicable)*.

PricewaterhouseCoopers

PricewaterhouseCoopers

C Stafford

Craig Stafford
Partner

Sydney
29 August 2016