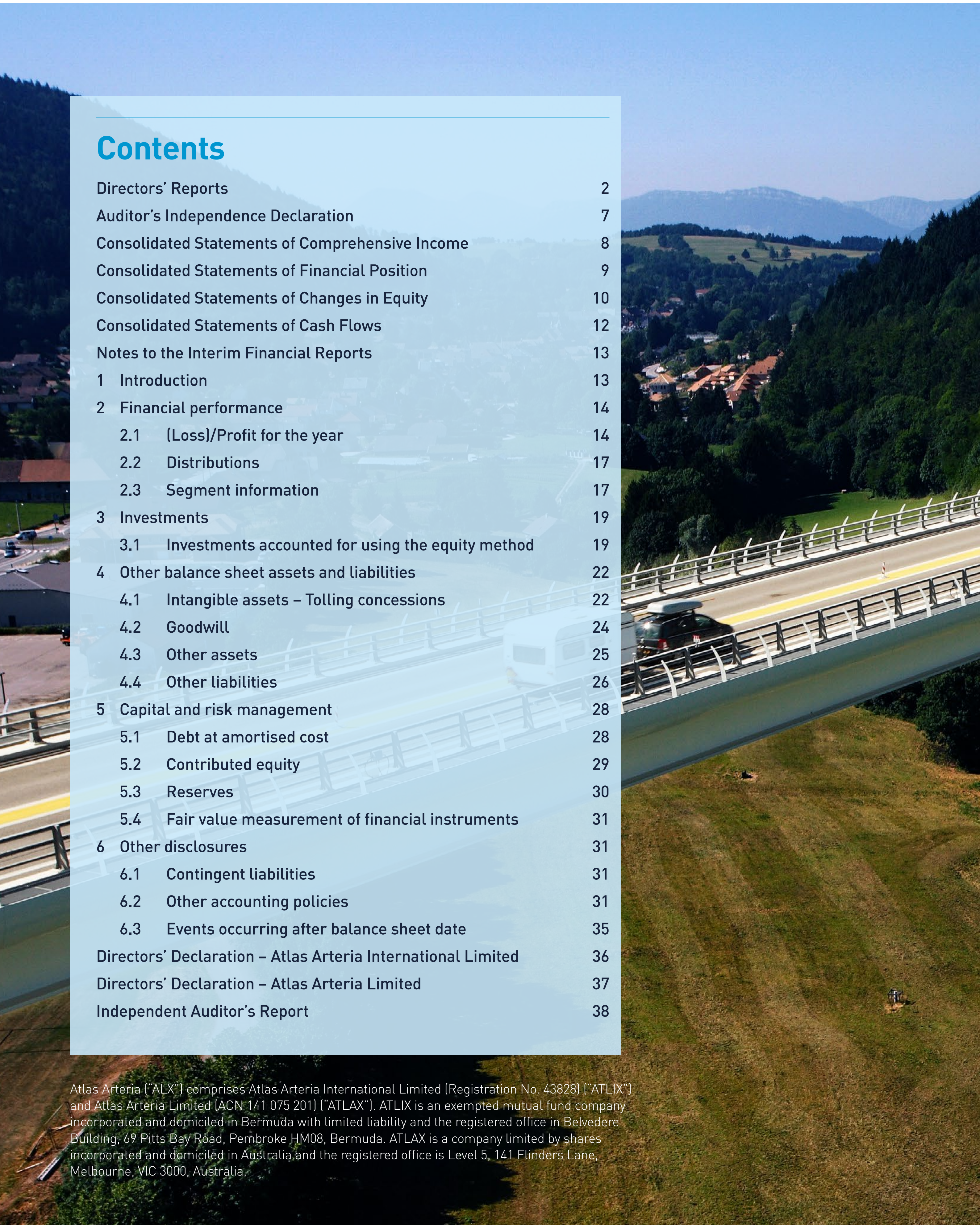
Atlas Arteria

Interim Reports
for the half year ended 30 June 2019

This report comprises:
Atlas Arteria International Limited and its controlled entities
Atlas Arteria Limited and its controlled entities

atlasArteria



Contents

Atlas Arteria ("ALX") comprises Atlas Arteria International Limited (Registration No. 43828) ("ATLIX") and Atlas Arteria Limited (ACN 141 075 201) ("ATLAX"). ATLIX is an exempted mutual fund company incorporated and domiciled in Bermuda with limited liability and the registered office in Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. ATLAX is a company limited by shares incorporated and domiciled in Australia and the registered office is Level 5, 141 Flinders Lane, Melbourne, VIC 3000, Australia.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Directors' Reports

The directors of Atlas Arteria International Limited ("ATLIX") and the directors of Atlas Arteria Limited ("ATLAX") submit the following reports, together with the Interim Financial Report for Atlas Arteria and the Interim Financial Report for ATLAX and its controlled entities ("ATLAX Group"), for the half year ended 30 June 2019.

An Atlas Arteria stapled security comprises one ATLIX share 'stapled' to one ATLAX 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 Interim Financial Report. In accordance with this requirement, and consistent with previous reporting periods, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities ("ATLIX Group") and ATLAX Group, together comprising "Atlas Arteria" or "ALX".

The management services being provided by Macquarie Fund Advisers Pty Limited ("Macquarie Advisers") under the Atlas Arteria Management and Advisory Agreements were terminated on 31 March 2019. From 1 April 2019, the Atlas Arteria management team assumed full management of Atlas Arteria.

All values are in Australian Dollars unless otherwise indicated.

Directors

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

- Jeffrey Conyers (Chairman)
- James Keyes
- Christopher Leslie (Resigned on 1 April 2019)
- Nora Scheinkestel
- Derek Stapley

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

- Nora Scheinkestel (Chairman)
- David Bartholomew
- Graeme Bevans (Appointed on 1 April 2019)
- Debra Goodin
- Jean-Georges Malcor

Operating and financial review

Principal activities

The principal activities of Atlas Arteria are to own, operate and develop toll roads globally, creating value for investors over the long term through considered and disciplined management. The roads developed, operated or managed by Atlas Arteria benefit communities through reduced travel times, greater time certainty, reduced fuel consumption and carbon emissions.

As of the date of this report, Atlas Arteria owned four businesses. The ATLIX Group has a 25% interest in the Autoroute Paris-Rhin-Rhone (APRR) toll road group in France. Adjacent to the APRR business is the smaller Autoroute des deux lacs (ADELAC) business which connects to APRR in south-east France. Together APRR and ADELAC comprise a 2,318km motorway network located in the East and South East of France. In the US, Atlas Arteria has 100% of the economic interest in the Dulles Greenway, a 22km toll road in the Commonwealth of Virginia. In Germany, the ATLIX Group owns 100% of Warnowquerung GmbH & Co. KG (the Warnow Tunnel) in the north-east city of Rostock.

Distributions

Distributions paid to security holders were as follows:

	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000
Distribution of 15.0 cents per stapled security ("cps") paid on 5 April 2019 [a]	102,491	
Dividend of 12.0 cps paid on 13 April 2018 [b]		80,375
	102,491	**80,375**

Notes to the table:

(a) The distribution paid on 5 April 2019 comprised a capital return of 7.8 cps and an unfranked Australian ordinary dividend of 0.2cps paid by ATLAX and an ordinary dividend of 7.0 cps paid by ATLIX.

(b) The dividend paid on 13 April 2018 comprised an ordinary dividend 12.0 cps. The dividend was paid in full by ATLIX.

Review and results of operations

The Atlas Arteria Management and Advisory Agreements with Macquarie Advisers ended on 31 March 2019. Under the transition arrangements these management arrangements could have continued until 15 May 2019, however, the Boards were satisfied in March that the internal team was ready for transition on 1 April 2019. The appointment of the new internal team became effective 1 April 2019, being Graeme Bevans as Chief Executive Officer, Nadine Lennie as Chief Financial Officer, Vincent Portal-Barrault as Chief Operating Officer, and Clayton McCormack as General Counsel and Company Secretary.

Macquarie Advisers received the base management fees under their Atlas Arteria Management and Advisory Agreements until 15 May 2019. This equated to $15.1 million from 1 January to 15 May. Atlas Arteria did not pay any further base or performance management fees to Macquarie Advisers for the general management of Atlas Arteria after 15 May. Macquarie Advisers has continued to provide specific services under a Transition Services Agreement for a fee of A$750,000 per month from 15 May and this will continue until 31 December 2019. Total fees under these agreements were $16.2 million for the half year ended 30 June 2019.

Macquarie Infrastructure and Real Assets (Europe) Limited continues to act as manager of Atlas Arteria's indirect interest in APRR and, following the cancellation of the Atlas Arteria Management And Advisory Agreements with Macquarie Advisers on 15 May 2019, is entitled to receive fees of €7.4 million (approximately $12 million) per annum for this service (excluding any potential performance fees). Atlas Arteria will continue to review the management arrangements for its indirect interests in APRR and will continue to work with all the other parties to explore mutually acceptable alternative arrangements.

The performance fees incurred in the half year ended 30 June 2018 of $70.6 million reflects the full 2018 performance fee of $54.7 million and the second and third instalments of the 2017 performance fee of $16 million and these were the final performance fees incurred by Atlas Arteria under the Atlas Arteria Management and Advisory Agreements. The performance fees reflected Atlas Arteria's performance against the S&P/ASX300 Industrials Accumulation Index.

After purchasing the remaining 30% interest in September 2018, Warnow Tunnel is now fully consolidated in the Interim Financial Reports for the half year ended 30 June 2019 (prior year equity accounted).

Directors' Reports continued

Operating and financial review (continued)

Review and results of operations (continued)

The table below reflects the performance of Atlas Arteria including fully consolidated operations of Dulles Greenway and for the first full period Warnow Tunnel, over the half year ended 30 June 2019.

	ALX		
	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000	% change
Revenue and other income from operations			
– Toll Revenue	72,758	57,590	26%
– Other Revenue	13,311	1,973	575%
Operating expenses			
– Business operations	(28,548)	(15,337)	(86%)
– Corporate costs	(7,712)	(6,454)	(19%)
– Macquarie management fees	(1,484)	(88,315)	98%
Finance costs	(55,783)	(58,927)	5%
Depreciation and amortisation	(34,847)	(28,975)	(20%)
Share of net profits/(losses) of investments accounted for using the equity method	129,737	127,493	2%
Income tax (expense)/benefit	771	504	53%
Net (Loss)/profit from operations after tax (normalised)	**88,203**	**(10,448)**	**944%**
Notable items			
– Transition costs to internalised management	(2,268)	(5,046)	55%
– Macquarie management fees	(16,248)	–	–
– Impairments	(162,864)	–	–
– Income tax (expense)/benefit of notable items	5,631	–	–
Net (Loss)/profit from operations after tax	**(87,546)**	**(15,494)**	**(465%)**

The statutory results for the half year ended 30 June 2019 show a loss for Atlas Arteria of $87.5 million (2018: loss after tax of $15.5 million). The result reflects a decision by the Boards of ATLIX and ATLAX to impair their respective investments in Dulles Greenway by a total US$115.0 million ($162.9 million). These decisions take into account the operating performance of Dulles Greenway, combined with a more conservative outlook for traffic growth. With the upgrades to the surrounding roads, traffic is taking longer than previously expected to reflect the population growth and economic development in the area. In the last six months, the Dulles Greenway has also seen the impact on its traffic of the toll increases at the Dulles Toll Road ("DTR"). The impairment has been recorded as an expense but importantly, this is a non-cash item and a point in time assessment at 30 June 2019.

Other notable costs that impacted results for the half were the final management fees paid to Macquarie Advisers under the Atlas Arteria Management and Advisory Agreements and the Transition Services Agreement, and the change to internal management which saw higher operating costs in both H1 2019 (with final preparations for internalisation) and H1 2018 (with the preparation for the securityholder vote on 15 May 2018).

Adjusting for these various notable expenses, Atlas Arteria showed strong performance for the half underpinned by its investment in APRR. Atlas Arteria's investment in APRR is reflected in the share of net profit of investments and is accounted for using the equity method of accounting. Share of net profit of investments increased to $129.7 million (2018: $127.5 million) reflecting a 6.5% increase in net profit after tax at APRR and reduction in financing costs at Effaire SAS, offset by the mark to market impacts of interest rate hedges at ADELAC.

Other items that impacted performance were as follows:

- Application of AASB Interpretation 12 *Service Concession Agreements* (IFRIC 12) resulted in revenue increase of $9.4 million and relates to the Dulles Toll Road connector project currently under construction at the Dulles Greenway. The increase in revenue is offset by a corresponding increase in Operating Expenses
- The consolidation of a full six months of Warnow Tunnel's performance with toll revenue of $10.2 million (2018: nil), operating expenses $6.6 million (2018: nil) and $7.3 million (2018: nil) financing costs reflecting the purchase of an additional 30% interest in September 2018.

Significant changes in state of affairs

Change in management arrangements

Following the announcement of the Boards' intention to internalise the management of Atlas Arteria in November 2017, Atlas Arteria reached an agreement with Macquarie Advisers on the terms of the internalisation of management. This agreement was approved by the shareholders at the 2018 Annual General Meeting. The terms of the internalisation of management became effective on 1 April 2019 including the appointment of the senior executive team.

Likely developments and expected results of operations

No change is contemplated to the principal activities outlined on page 2.

Events occurring after balance sheet date

On 11 July 2019, the French Government passed a bill to repeal previous legislation that reduced the corporate income tax rate from 33.3% to 31.0% for companies which have greater than €250 million turnover. It is estimated that the impact of this change for APRR will be an increase to the tax expense of around €15 million from 1 January 2019 to 30 June 2019. Atlas Arteria's proportionate share of this will be approximately $5 - $6 million.

The directors of ATLIX and ATLAX 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 years subsequent to the half year ended 30 June 2019.

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 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 Atlas Arteria and the ATLAX Group have been presented in the one report, as permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) instrument 2015.

Directors' Reports continued

Auditor's Independence Declaration

A copy of the auditor's independence declaration for ATLAX and its controlled entities during the period, as required under section 307C of the *Corporations Act 2001* and an independence declaration for ATLIX and its controlled entities during the period, is set out on page 7.

Signed in accordance with a resolution of the directors of Atlas Arteria International Limited:

Jeffrey Conyers
Chairman
Atlas Arteria International Limited
Hamilton, Bermuda
28 August 2019

Derek Stapley
Director
Atlas Arteria International Limited
Hamilton, Bermuda
28 August 2019

Signed in accordance with a resolution of the directors of Atlas Arteria Limited:

Nora Scheinkestel
Chairman
Atlas Arteria Limited
Melbourne, Australia
28 August 2019

Debra Goodin
Director
Atlas Arteria Limited
Melbourne, Australia
28 August 2019

Auditor’s Independence Declaration

Auditor’s Independence Declaration

As lead auditor for the audits of Atlas Arteria International Limited and Atlas Arteria Limited for the half-year ended 30 June 2019, 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 Atlas Arteria International Limited and its controlled entities during the period and Atlas Arteria Limited and its controlled entities during the period.

SJ Smith
Partner
PricewaterhouseCoopers

Sydney
28 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757

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Consolidated Statements of Comprehensive Income

for the half year ended 30 June 2019

		ALX		ATLAX Group	
	Note	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000
Revenue and other income from operations					
Revenue from operations		86,054	59,557	3,838	2,204
Other income from operations		15	6	115	40
Total revenue and other income from operations	2.1.1	**86,069**	**59,563**	**3,953**	**2,244**
Operating expenses	2.1.2	(253,971)	(144,127)	(8,810)	(10,411)
Finance costs	2.1.3	(55,783)	(58,927)	(93)	–
Share of net profits/(losses) of investments accounted for using the equity method	3.1.2	129,737	127,493	(18,905)	(2,697)
Profit/(loss) from operations before income tax		**(93,948)**	**(15,998)**	**(23,855)**	**(10,864)**
Income tax benefit/(expense)		6,402	504	–	(20)
(Loss)/profit for the half year		**(87,546)**	**(15,494)**	**(23,855)**	**(10,884)**
(Loss)/profit attributable to:					
Equity holders of the parent entity – ATLIX		(63,691)	(4,610)	–	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		(23,855)	(10,884)	(23,855)	(10,884)
Stapled security holders		(87,546)	(15,494)	(23,855)	(10,884)
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		1,298	86,395	519	8,411
Other comprehensive income/(loss) for the half year, net of tax		**1,298**	**86,395**	**519**	**8,411**
Total comprehensive income/(loss) for the half year		**(86,248)**	**70,901**	**(23,336)**	**(2,473)**
Total comprehensive income/(loss) attributable to:					
Equity holders of the parent entity – ATLIX		(62,912)	73,374	–	–
Equity holders of other stapled entity – ATLAX (as non-controlling interest/parent entity)		(23,336)	(2,473)	(23,336)	(2,473)
Stapled security holders		(86,248)	70,901	(23,336)	(2,473)
		Cents	Cents	Cents	Cents
(Loss)/profit per share attributable to ATLIX/ATLAX shareholders					
Basic and diluted (loss)/profit per share attributable to:					
ATLIX (as parent entity)		(9.3)	(0.7)	–	–
ATLAX (as non-controlling interest)		–	–	(3.5)	(1.6)
Basic (loss)/profit per ALX stapled security		**(12.8)**	**(2.3)**	**(3.5)**	**(1.6)**

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

Consolidated Statements of Financial Position

as at the half year ended 30 June 2019

		ALX		ATLAX Group	
	Note	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Current assets					
Cash and cash equivalents		150,987	186,468	4,265	12,461
Other assets	4.3	2,497	2,495	3,964	47,337
Total current assets		**153,484**	**188,963**	**8,229**	**59,798**
Non-current assets					
Intangible assets – Tolling concessions	4.1	2,464,105	2,578,434	–	–
Investments accounted for using the equity method	3.1	1,572,312	1,569,970	146,142	164,644
Restricted cash		197,111	203,961	–	–
Goodwill	4.2	14,243	79,390	–	–
Property, plant and equipment		11,744	4,595	2,463	561
Derivative financial instruments		361	2,900	–	–
Other assets	4.3	257	319	48	8,274
Total non-current assets		**4,260,133**	**4,439,569**	**148,653**	**173,479**
Total assets		**4,413,617**	**4,628,532**	**156,882**	**233,277**
Current liabilities					
Debt at amortised cost	5.1	(45,191)	(77,322)	–	–
Other liabilities	4.4	(37,617)	(34,859)	(3,032)	(3,398)
Derivative financial instruments		(3,146)	(3,108)	–	–
Total current liabilities		**(85,954)**	**(115,289)**	**(3,032)**	**(3,398)**
Non-current liabilities					
Debt at amortised cost	5.1	(2,103,208)	(2,101,962)	–	–
Deferred tax liabilities		(51,408)	(57,709)	–	–
Other liabilities	4.4	(19,400)	(11,571)	(1,831)	–
Derivative financial instruments		(14,961)	(13,495)	–	–
Total non-current liabilities		**(2,188,977)**	**(2,184,737)**	**(1,831)**	**–**
Total liabilities		**(2,274,931)**	**(2,300,026)**	**(4,863)**	**(3,398)**
Net assets		**2,138,686**	**2,328,506**	**152,019**	**229,879**
Equity					
Equity attributable to equity holders of the parent – ATLIX					
Contributed equity	5.2	1,995,994	1,995,994	–	–
Reserves	5.3	190,934	190,155	–	–
Accumulated losses		(200,261)	(87,522)	–	–
ATLIX security holders' interest		**1,986,667**	**2,098,627**	**–**	**–**
Equity attributable to other stapled security holders – ATLAX					
Contributed equity	5.2	144,016	197,311	144,016	197,311
Reserves	5.3	(6,651)	(7,528)	(6,651)	(7,528)
Accumulated Income		14,654	40,096	14,654	40,096
Other stapled security holders' interest		**152,019**	**229,879**	**152,019**	**229,879**
Total equity		**2,138,686**	**2,328,506**	**152,019**	**229,879**

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 28 August 2019 and was signed on its behalf by:

Jeffrey Conyers,
Atlas Arteria International Limited,
Hamilton, Bermuda

Derek Stapley,
Atlas Arteria International Limited,
Hamilton, Bermuda

Consolidated Statements of Changes in Equity

for the half year ended 30 June 2019

ALX	Attributable to ATLIX security holders: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX security holders $'000	Total $'000
Total equity at 31 December 2018	1,995,994	190,155	(87,522)	**2,098,627**	**229,879**	**2,328,506**
Adjustment on adoption of AASB 16 (refer note 6.2.7)	–	–	(1,219)	**(1,219)**	**(220)**	**(1,439)**
Total equity at 1 January 2019 (restated)	1,995,994	190,155	(88,741)	**2,097,408**	**229,659**	**2,327,067**
Profit/(loss) for the year	–	–	(63,691)	**(63,691)**	**(23,855)**	**(87,546)**
Exchange differences on translation of foreign operations	–	779	–	**779**	**519**	**1,298**
Total comprehensive income/(expense)	–	779	(63,691)	**(62,912)**	**(23,336)**	**(86,248)**
Transactions with equity holders in their capacity as equity holders:						
Capital return (refer note 2.2)	–	–	–	**–**	**(53,295)**	**(53,295)**
Dividends paid (refer note 2.2)	–	–	(47,829)	**(47,829)**	**(1,367)**	**(49,196)**
Employee Performance rights	–	–	–	**–**	**358**	**358**
	–	–	(47,829)	**(47,829)**	**(54,304)**	**(102,133)**
Total equity at 30 June 2019	**1,995,994**	**190,934**	**(200,261)**	**1,986,667**	**152,019**	**2,138,686**

ALX	Attributable to ATLIX security holders: Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000	Attributable to ATLAX security holders $'000	Total $'000
Total equity at 1 January 2018	1,911,877	28,122	(84,040)	1,855,959	306,116	2,162,075
Profit/(loss) for the year	–	–	(4,610)	(4,610)	(10,884)	(15,494)
Exchange differences on translation of foreign operations	–	77,984	–	77,984	8,411	86,395
Adjustment to retained earnings from adoption of AASB 9 on 1 January 2018	–	–	288	288	(288)	–
Total comprehensive income/(expense)	–	77,984	(4,322)	73,662	(2,761)	70,901
Transactions with equity holders in their capacity as equity holders:						
Dividends paid (refer note 2.2)	–	–	(80,375)	(80,375)	–	(80,375)
	–	–	(80,375)	(80,375)	–	(80,375)
Total equity at 30 June 2018	1,911,877	106,106	(168,737)	1,849,246	303,355	2,152,601

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

ATLAX Group	Attributable to ATLAX security holders Contributed equity $'000	Reserves $'000	Accumulated Profits $'000	Total $'000
Total equity at 31 December 2018	197,311	(7,528)	40,096	**229,879**
Adjustment on adoption of AASB 16 (refer note 6.2.7)	–	–	(220)	**(220)**
Total equity at 1 January 2019 (restated)	197,311	(7,528)	39,876	**229,659**
Profit for the half year	–	–	(23,855)	**(23,855)**
Exchange differences on translation of foreign operations	–	519	–	**519**
Total comprehensive income/(expense)	**–**	**519**	**(23,855)**	**(23,336)**
Transactions with equity holders in their capacity as equity holders:				
Application of performance fees to subscription for new securities	–	–	–	**–**
Employee performance rights	–	358	–	**358**
Capital return (refer note 2.2)	(53,295)	–	–	**(53,295)**
Dividends paid (refer note 2.2)	–	–	(1,367)	**(1,367)**
	(53,295)	358	(1,367)	**(54,304)**
Total equity at 30 June 2019	**144,016**	**(6,651)**	**14,654**	**152,019**

ATLAX Group	Attributable to ATLAX security holders Contributed equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
Total equity at 1 January 2018	268,334	(24,216)	61,998	**306,116**
Profit for the half year	–	–	(10,884)	**(10,884)**
Exchange differences on translation of foreign operations	–	8,411	–	**8,411**
Adjustment to retained earnings from adoption of AASB 9 on 1 January 2018	–	–	(288)	**(288)**
Total comprehensive income/(expense)	–	8,411	(11,172)	**(2,761)**
Total equity at 30 June 2018	**268,334**	**(15,805)**	**50,826**	**303,355**

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

Consolidated Statements of Cash Flows

for the half year ended 30 June 2019

	ALX		ATLAX Group	
	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000	Half year ended 30 Jun 2019 $'000	Half year ended 30 Jun 2018 $'000
Cash flows from operating activities				
Toll revenue received (net of transaction fees)	72,259	55,902	–	–
Interest received	3,588	626	1,599	236
Other income received	336	265	–	–
Net indirect taxes received	338	217	338	217
Property taxes paid	(2,998)	(2,744)	–	–
Manager's and adviser's base fees paid	(19,086)	(17,251)	(854)	(1,397)
Payments to suppliers and employees (inclusive of GST/VAT)	(23,804)	(18,222)	(8,128)	(4,711)
Net income taxes paid (received)	68	(8)	–	–
Net cash flows from operating activities	**30,701**	**18,785**	**(7,045)**	**(5,655)**
Cash flows from investing activities				
Return on preferred equity certificates issued by Macquarie Autoroutes de France 2 SA ("MAF2")	123,438	103,670	–	–
Payment for purchase of investments, net of cash acquired	–	–	–	–
Purchase of fixed assets	(8,785)	(265)	(31)	(29)
Sale of fixed assets	15	4	–	–
Net cash flows from investing activities	**114,668**	**103,409**	**(31)**	**(29)**
Cash flows from financing activities				
Proceeds from borrowings (net of transaction costs)	–	534,699	–	–
Repayment of borrowings (including transaction costs)	(4,553)	(465,187)	–	–
Repayment of Toll Road Investors Partnership ("TRIP II") bonds and accrued interest thereon	(74,336)	(65,828)	–	–
Interest paid on borrowings	(7,538)	(10,516)	(93)	–
Proceeds from issue of securities (net of transaction costs)	–	–	–	–
Transfer from restricted cash	6,850	2,473	–	–
Capital return	(53,295)	–	(53,295)	–
Dividends paid	(49,196)	(80,375)	(1,367)	–
Loan repayment by related parties	–	–	53,633	(8,232)
Payment for purchase of derivative financial instrument	–	(4,818)	–	–
Net cash flows from financing activities	**(182,068)**	**(89,552)**	**(1,122)**	**(8,232)**
Net increase/(decrease) in cash and cash equivalents	**(36,699)**	**32,642**	**(8,198)**	**(13,916)**
Cash and cash equivalents at the beginning of the half year	186,468	122,690	12,461	34,304
Effects of exchange rate movements on cash and cash equivalents	1,218	632	2	113
Cash and cash equivalents at the end of the half year	**150,987**	**155,964**	**4,265**	**20,501**

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

Notes to the Interim Financial Reports

for the half year ended 30 June 2019

1 Introduction

Atlas Arteria – Stapled security

An Atlas Arteria ("ALX") stapled security comprises one Atlas Arteria International Limited ("ATLIX") share 'stapled' to one Atlas Arteria Limited ("ATLAX") 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 Interim Financial Report. In accordance with this requirement, ATLIX has been identified as the parent entity of the consolidated group comprising ATLIX and its controlled entities and ATLAX and its controlled entities ("ATLAX Group"), together comprising Atlas Arteria or ALX.

As permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838, these reports consist of the Interim Financial Report of ATLIX and its controlled entities ("ATLIX Group") at the end of and during the half year and separately the Interim Financial Report for the ATLAX Group. The ATLIX Group and the ATLAX Group are collectively referred to as the Atlas Arteria, ALX or the Groups.

These general purpose Interim Financial Reports for the half year ended 30 June 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (where applicable). Compliance with AASB 134 ensures compliance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB").

These 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 2018 and any public announcements made by Atlas Arteria during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (where applicable).

Basis of preparation

Both ATLIX and ATLAX 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 ATLIX Board and the ATLAX Board (together, the "Boards") on 28 August 2019. The Boards have the power to amend and reissue the Interim Financial Reports.

The Interim 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).
- have also been prepared in accordance with and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").
- include the assets and liabilities of all subsidiaries as at 30 June 2019 and the results of the subsidiaries for the half 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 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 periods presented, unless otherwise stated. Refer note 6.2 for other accounting policies which have not been presented along with their respective notes.

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

1 Introduction (continued)

New and amended standards adopted by the Group

AASB 16 *Leases* became applicable for the current reporting period and the Groups changed their accounting policies as a result of adopting AASB 16 *Leases*.

The impact of the adoption of the leasing standard and the new accounting policies are disclosed in note 6 below.

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 year are discussed in the following notes:

- Control assessment (Note 3.1)
- Impairment of assets and associates (Note 3.1)
- Intangible assets – Tolling concessions (Note 4.1)

2 Financial performance

2.1 (Loss)/profit for the year

Revenue recognition

Revenue and other income is recognised as follows:

Toll revenue	Toll revenue from customers is earned as performance obligations are satisfied. A singular performance obligation has been assessed as the use of the road, and the transaction price which is calculated based on passing through toll points, is fully allocated to this performance obligation. Toll revenue is recognised at the time the customers use the road.
Other revenue	Other revenue from customers 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 over the period of the contract in accordance with the contracts governing these services as performance obligations are satisfied.
Interest income	Interest income is brought to account on an accruals basis.
Construction revenue	Revenue for the construction of service concession infrastructure assets is recognised in accordance with the percentage of completion method, which is measured by reference to costs incurred to date as a percentage of total forecast costs for each project.

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

2.1.1 Revenue and other income

	ALX		ATLAX Group	
	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000
Revenue from operations:				
Toll revenue	72,758	57,590	–	–
Other revenue	336	265	3,371	–
Construction revenue from road development activities	9,377	–	–	–
Interest income:				
Related parties	368	252	410	2,204
Other persons and corporations	3,215	1,450	57	–
Total interest income	3,583	1,702	467	2,204
Total revenue from operations	**86,054**	**59,557**	**3,838**	**2,204**
Other income from operations:				
Other income	15	4	115	–
Net gain on derivatives	–	2	–	–
Net foreign exchange gain	–	–	–	40
Total other income from operations	**15**	6	**115**	40
Total revenue and other income from operations	**86,069**	**59,563**	**3,953**	**2,244**

2 Financial performance (continued)

2.1.2 Operating expenses

	ALX		ATLAX Group	
	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000
Operating expenses				
Amortisation of tolling concession	34,577	28,834	–	–
Cost of Operations:				
Toll road maintenance expenses	7,025	4,783	–	–
Interest paid to related parties	–	–	–	–
Other operating expenses	6,040	6,301	110	27
Employment costs	8,767	3,130	2,054	536
Total cost of operations	**21,832**	**14,214**	**2,164**	**563**
Consulting and administration fees	3,324	6,520	2,014	3,035
Manager's and adviser's base fees	17,732	17,701	619	1,236
Manager's and adviser's performance fees	–	70,614	–	4,973
Net foreign exchange loss	149	3,337	20	–
Impairment losses on financial assets	–	–	–	19
Impairment loss on goodwill	65,004	–	–	–
Impairment loss on tolling concession	97,860	–	–	–
Construction costs from road development activities	9,377	–	–	–
Other Expenses	3,846	2,766	3,929	571
Depreciation and amortisation	270	141	64	14
Total operating expenses	**253,971**	**144,127**	**8,810**	**10,411**

2.1.3 Finance costs

	ALX		ATLAX Group	
	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000
Interest on debt	50,853	44,286	93	–
Mark to market loss on derivatives	4,016	–	–	–
Fee on early repayment of borrowings from financial institutions	–	4,576	–	–
Issue costs written off on loans repaid during the year	–	6,688	–	–
Amortisation of issue cost on borrowings from financial institutions (refer note 5.1(c))	914	3,377	–	–
Total finance costs	**55,783**	**58,927**	**93**	**–**

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.

	ALX		ATLAX Group	
	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000
Distributions paid				
Distribution paid on 5 April 2019	102,491	–	54,662	–
Dividend paid on 13 April 2018	–	80,375	–	–
Total distributions paid	**102,491**	**80,375**	**54,662**	**–**

	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions paid				
Distribution paid on 5 April 2019	15	–	8	–
Dividend paid on 13 April 2018	–	12	–	–
Total distributions paid	**15**	**12**	**8**	**–**

The distribution paid on 5 April 2019 comprised a capital return of 7.8 cps and an unfranked Australian ordinary dividend of 0.2cps paid by ATLAX and ordinary dividend of 7.0 cps paid by ATLIX.

The dividend paid on 13 April 2018 comprised an ordinary dividend 12.0 cps. The dividend was paid in full by ATLIX.

2.3 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 are responsible for allocating resources and assessing performance of the operating segments.

2.3.1 Description of segments

Management has determined the operating segments based on the reports reviewed by the Boards. The Boards do not manage the day-to-day activities of the business. The directors have appointed a management team to run and manage the ongoing operations of the business.

Management considers the business from the aspect of each of the portfolio assets and have identified four operating segments for Atlas Arteria and one operating segment for the ATLAX Group. The segments of Atlas Arteria are the investments in APRR, ADELAC, Dulles Greenway and Warnow Tunnel. The only segment for the ATLAX Group is the investment in Dulles Greenway.

2 Financial performance (continued)

2.3 Segment information (continued)

2.3.2 Segment information

The proportionally consolidated segment information for the reportable segments for the half year ended 30 June 2019, based on Atlas Arteria's economic ownership interest is as follows:

ALX	Half year ended	APRR $'000	ADELAC $'000	Dulles Greenway $'000	Warnow Tunnel $'000	Total ALX $'000	Total ATLAX $'000
Segment revenue	**30-Jun-19**	**500,491**	**11,203**	**62,886**	**10,185**	**584,765**	**8,447**
	30-Jun-18	484,506	11,007	57,937	6,446	559,896	7,783
Segment expenses	**30-Jun-19**	**(120,364)**	**(1,954)**	**(13,104)**	**(2,271)**	**(137,693)**	**(1,760)**
	30-Jun-18	(116,129)	(1,862)	(11,310)	(1,481)	(130,782)	(1,519)
Segment EBITDA	**30-Jun-19**	**380,127**	**9,249**	**49,782**	**7,914**	**447,072**	**6,687**
	30-Jun-18	368,377	9,145	46,627	4,965	429,114	6,264
EBITDA margin	**30-Jun-19**	**76%**	**83%**	**79%**	**78%**	**76%**	**79%**
	30-Jun-18	76%	83%	80%	77%	77%	80%

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

The segment expenses disclosed in the table above relate directly to costs associated with the operation of that segment.

ATLAX Group information includes its economic ownership in Dulles Greenway only.

A reconciliation of Groups' segment revenue and EBITDA to its total revenue and profit from operations before income tax is provided as follows:

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 30 Jun 2018 $'000	As at 30 Jun 2019 $'000	As at 30 Jun 2018 $'000
Reconciliation of segment revenue to revenue				
Segment revenue	584,765	559,896	8,447	7,783
Revenue attributable to non-consolidated investments	(511,694)	(501,959)	(8,447)	(7,783)
Construction revenue from road development activities	9,377	–	–	–
Unallocated revenue and other income	3,621	1,626	3,953	2,244
Total revenue and other income from operations	**86,069**	**59,563**	**3,953**	**2,244**
Reconciliation of segment EBITDA to profit/(loss) before income tax				
Segment EBITDA	447,072	429,114	6,687	6,264
EBITDA attributable to non-consolidated investments	(389,376)	(382,487)	(6,687)	(6,264)
Construction expense from road development activities	(9,377)	–	–	–
Impairment of Dulles Greenway expense	(162,864)	–	–	–
Unallocated revenue	3,621	1,626	3,953	2,244
Unallocated expenses	(56,978)	(132,817)	(8,810)	(10,411)
Finance costs	(55,783)	(58,927)	(93)	–
Share of net profits/(losses) of investments accounted for using the equity method	129,737	127,493	(18,905)	(2,697)
Profit/(loss) from operations before income tax	**(93,948)**	**(15,998)**	**(23,855)**	**(10,864)**

3 Investments

3.1 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 is recognised in profit or loss, and their 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 in the current year and have previously accounted 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.

3 Investments (continued)

3.1 Investments accounted for using the equity method (continued)

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Investment in associates and joint venture – equity method	1,572,312	1,569,970	146,142	164,644
	1,572,312	**1,569,970**	**146,142**	**164,644**

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

3.1.1 Carrying amounts

			ALX Economic Interest	ALX		ATLAX Economic Interest	ATLAX Group	
Name of Entity [a]	Country of Incorporation/ Principal Place of Business	Principal Activity	As at 30 Jun 2019 and 31 Dec 2018 %	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 and 31 Dec 2018 %	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
MAF2 [b]	Luxembourg	Investment in toll road network located in the east of France (APRR)	**50.0**/50.0	1, 572,295	1,569,953	**–**/–	–	–
TRIP II [c], [d]	USA	Investment in toll road located in northern Virginia, USA	**–**/ –	–	–	**13.4**/13.4	146,125	164,627
Chicago Skyway Partnership ("CSP") [e]	USA	Former owner of an investment in toll road located south of Chicago, USA	**50.0**/50.0	14	14	**50.0**/50.0	14	14
Indiana Toll Road Partnership ("ITRP") [f]	USA	Former owner of an investment in toll road located in northern Indiana, USA	**49.0**/49.0	3	3	**49.0**/49.0	3	3
				1,572,312	**1,569,970**		**146,142**	**164,644**

Notes to the table:

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

(b) Atlas Arteria's investment in MAF2 is classified as an associate as any decision made with regard to the relevant activities requires 85% of the voting members to proceed.

(c) The ATLAX Group has a 13.4% interest in TRIP II, the concessionaire for Dulles Greenway and is accounted for as equity accounted associate. Atlas Arteria has a 100% estimated economic interest in TRIP II after combining ATLAX Group's 13.4% equity interest with ATLIX Group's 86.6% economic interest. Accordingly, TRIP II is accounted for as subsidiary of Atlas Arteria.

(d) TRIP II is in "lockup" under its debt documents, meaning that it is currently unable to make distributions to Atlas Arteria or the ATLAX Group.

(e) At 30 June 2019, Atlas Arteria legally owned a 50% equity interest in CSP, the former owner of the Chicago Skyway Toll Road, but was no longer exposed to any variable returns from the ongoing operation of the toll road. The small residual investment balance represents cash left in CSP for payment of expenses.

(f) At 30 June 2019, Atlas Arteria legally owned a 49% equity interest in ITRP, the former owner of the Indiana Toll Road, but was no longer exposed to any variable returns from the ongoing operations of the toll road. The small residual investment balance represents cash left in ITRP for payment of expenses.

3.1.2 Movement in carrying amounts

	ALX		ATLAX Group	
	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000	Half Year ended 30 Jun 2019 $'000	Half Year ended 30 Jun 2018 $'000
Carrying amount at the beginning of the year	1,569,970	1,483,337	164,644	153,110
Adjustment on adoption of AASB 16 (refer note 6.2.7)	–	–	(220)	–
Share of profits/(losses) after income tax	129,737	127,493	(2,657)	(2,697)
Distributions received	(123,438)	(103,670)	–	–
Foreign exchange movement	(3,957)	41,099	732	8,338
Impairment of asset [a]	–	–	(16,357)	–
Carrying amount at the end of the year	**1,572,312**	**1,548,259**	**146,142**	**158,751**

Notes to the table:

(a) Impairment of asset includes an impairment of $21.9 million (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.6 million.

3.1.3 Summarised financial information for material associates

The following tables summarise financial information for those associates that are material to the Atlas Arteria and ATLAX Group. The information disclosed reflects the amounts presented in the Interim Financial Reports of those relevant entities and not Atlas Arteria's or ATLAX Group's share of those amounts. Additional disclosures at the end of the tables reflect the adjustments required for relevant disclosure in the Atlas Arteria or ATLAX Group accounts.

	MAF2		TRIP II	
Summarised Statement of Financial Position	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Total current assets	1,170,161	1,098,238	96,609	117,034
Total non-current assets	9,628,754	9,721,036	2,588,825	2,603,485
Total current liabilities	(2,343,340)	(1,870,916)	(72,603)	(83,568)
Total non-current liabilities	(6,563,411)	(7,064,727)	(1,403,255)	(1,411,403)
Net assets	**1,892,164**	**1,883,631**	**1,209,576**	**1,225,548**
Reconciliation to carrying amounts:				
Opening net assets	1,883,631	1,778,233	1,225,548	1,139,729
Profit/(loss) for the year	259,431	492,192	(19,784)	(35,774)
Distributions paid	(246,835)	(498,753)	–	–
Foreign exchange and other equity movements	(4,063)	111,959	3,812	121,593
Closing net assets	**1,892,164**	**1,883,631**	**1,209,576**	**1,225,548**
ALX's share in %	50%	50%	–	–
ALX's share of net assets in $	946,235	941,967	–	–
ATLAX Group's share in %	–	–	13.4%	13.4%
ATLAX Group's share of net assets in $	–	–	162,482	164,627
ALX's carrying amount	1,572,295	1,569,953	–	–
Impairment of asset [a]			(16,357)	
ATLAX Group's carrying amount	**–**	**–**	**146,125**	**164,627**

MAF2 proportionately consolidates the results of APRR.

Notes to the table:

(a) Impairment of asset includes an impairment of $21.9 million (refer to notes 4.1 & 4.2) offset by the impact of the deferred tax liability $5.6 million.

3 Investments (continued)

3.1 Investments accounted for using the equity method (continued)

3.1.3 Summarised financial information for material associates (continued)

Summarised Statement of Comprehensive Income	MAF2 Half Year ended 30 Jun 2019 $'000	MAF2 Half Year ended 31 Dec 2018 $'000	TRIP II Half Year ended 30 Jun 2019 $'000	TRIP II Half Year ended 31 Dec 2018 $'000
Revenue	1,172,999	1,084,788	72,262	57,856
Profit/(loss) for the year	259,431	254,948	(19,784)	(20,065)
ALX's share	129,737	127,495	–	–
ATLAX Group's share	–	–	(2,657)	(2,695)
ALX's distributions received	(123,438)	(103,670)	–	–
ATLAX Group's distributions received	–	–	–	–

MAF2 proportionately consolidates the results of APRR.

3.1.4 Share of losses not brought to account attributable to immaterial associate

	ALX Half Year ended 30 Jun 2019 $'000	ALX Year ended 31 Dec 2018 $'000	ATLAX Group Half Year ended 30 Jun 2019 $'000	ATLAX Group Year ended 31 Dec 2018 $'000
Share of losses not brought to account attributable to immaterial associate and joint venture				
Balance at the beginning of the year	–	(24,816)	–	(2)
Derecognition of joint venture	–	24,376	–	–
Share of profits/(losses) brought to account	–	2	–	2
Share of profits/(losses) not brought to account	–	438	–	–
Balance at the end of the year	**–**	**–**	**–**	**–**

Includes Chicago Skyway Partnership and Indiana Toll Road Partnership. Residual investment balance represents cash left in these structures for the payment of expenses.

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:

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

There has been no change to the estimated useful life during the year.

In relation to APRR & ADELAC, the tolling concessions in relation to these 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 these 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 note 3.1 for additional detail on the accounting policy for impairment of assets and reversal of impairment.

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Balance at the beginning of the half year/year	2,578,434	2,189,724	–	–
Acquisition cost [a]	9,377	214,772	–	–
Amortisation of tolling concession	(34,577)	(61,768)	–	–
Impairment of tolling concession [b]	(97,860)	–	–	–
Foreign exchange movement	8,731	235,706	–	–
Balance at the end of the period	**2,464,105**	**2,578,434**	**–**	**–**

Notes to the table:

(a) In the current year, $9.4 million was recognised on the DTR Connector (refer also to note 2.1 for the construction revenue policy). In the prior year, a tolling concession of $214.8 million was recognised following the acquisition of the remaining 30% equity interest in Warnow Tunnel.

(b) An impairment charge of $162.9 million has been recognised as an expense, comprising $97.9 million tolling concession impairment expense and $65.0 million goodwill impairment expense (refer note 4.2).

4 Other balance sheet assets and liabilities (continued)

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 note 3.1 for additional detail on the accounting policy for impairment.

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Balance at the beginning of the year	79,390	58,726	–	–
Acquisition cost [b]	–	14,193	–	–
Impairment on Goodwill in Dulles Greenway [a]	(65,004)	–	–	–
Foreign exchange movement	(143)	6,471	–	–
Balance at the end of the year	**14,243**	**79,390**	**–**	**–**

Notes to the table:

(a) An impairment charge of $162.9 million has been recognised as an expense, comprising $97.9 million tolling concession impairment expense (refer note 4.1) and $65.0 million goodwill impairment expense.

(b) In the prior year, goodwill of $14.2 million was recognised as a result of the deferred tax liability calculated on concession rights value following the acquisition of the remaining 30% equity interest in Warnow Tunnel.

Key assumptions used for fair value less costs of disposal calculations – Dulles Greenway

Assumption	Approach used to determine values
Traffic volume	Based on historic trends and the Groups' internal long-term traffic forecasting models. Traffic forecasts for Dulles Greenway are based on assumptions of long-term traffic growth broadly in line with economic development and population growth within its catchment area.
Long term CPI (% annual growth)	Based on the Group's long-term internal forecasts and independent third-party projections, long term CPI rates are forecast to grow by between 2.2% and 2.3%.

Assumption	Approach used to determine values
Average toll (% annual growth)	Based on current regulation and the Group's long-term internal forecasts. Toll rates for Dulles Greenway were determined by decisions of the State Corporations Commission (SCC) from the road's inception until 31 December 2012. From 1 January 2013 to 1 January 2020, toll rates for Dulles Greenway were determined by a legislated formula that specified that rates would increase annually at the highest of CPI+1%, real GDP or 2.8%. From 2020, the SCC will again determine the rates under the legislative framework that was used pre-2013. The Groups' long-term assumption forecasts toll rates to escalate in a range within the historical experience from inception to 1 January 2020. However, historical results provide no guarantee as new legislation or regulatory decisions could impact future outcomes.
Post-tax discount rate	Detailed cash flows were discounted using an equity discount rate of 8.5%. The discount rate is based on a number of factors including, but not limited to, the asset's nature of operations, regulatory environment, macroeconomic conditions, risk profile and observed market prices for similar transactions.

Impact of possible changes in key assumptions

The assets and liabilities associated with the CGU were initially recognised in Atlas Arteria's balance sheet at their fair values on the dates on which Atlas Arteria achieved control of the CGU. The Boards of ATLIX and ATLAX have decided to impair their respective investments in Dulles Greenway by a total $162.9 million. These decisions take into account the operating performance of Dulles Greenway, combined with a more conservative outlook for traffic growth. With the upgrades to the surrounding roads, traffic is taking longer than previously expected to reflect the population growth and economic development in the area. In the last six months, the Dulles Greenway has also seen the impact on its traffic of the toll increases at the DTR. The impairment is a point in time assessment at 30 June 2019 (refer notes 4.1 & 4.2). An adverse change in any of the key assumptions used for the purpose of the impairment assessment could result in the recoverable amount of the CGU falling below its carrying amount. For example, an increase in the discount rate applied to the Dulles Greenway valuation of 0.5% would lead to a reduction in the recoverable value of the Dulles Greenway CGU by $90.6 million.

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 Other assets

Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost because their cash flows represent solely payments of principal and interest. 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.

Impairment

Atlas Arteria and the ATLAX Group assess, on a forward-looking basis, the expected credit losses associated with their loan assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. Atlas Arteria and the ATLAX Group use judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Groups' past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

4 Other balance sheet assets and liabilities (continued)

4.3 Other assets (continued)

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Current				
Receivables from related parties	–	–	3,554	46,510
Less: Loss allowance	–	–	(11)	(108)
Prepayments	1,300	723	187	125
Tax receivable	179	279	179	279
Trade Receivables and other assets	1,018	1,493	55	531
Total current other assets	**2,497**	**2,495**	**3,964**	**47,337**
Non-current				
Receivables from related parties	–	–	–	8,232
Less: Loss allowance	–	–	–	(18)
Prepayments	83	120	48	60
Other assets	174	199	–	–
Total non-current other assets	**257**	**319**	**48**	**8,274**

4.4 Other liabilities

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.

Employee benefits

Short-term obligation

Liabilities for salaries, including non-monetary benefits and leaves that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. This balance is captured under sundry creditors and accruals.

Performance fees

Historically, under the Atlas Arteria Management and Advisory Agreements with Macquarie Advisers, performance fees were payable at 30 June each year in the event that the Atlas Arteria security price outperformed its benchmark in that year after making up any carried forward underperformance. The performance fees were calculated with reference to the performance of the Atlas Arteria accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. As a result of the agreement to internalise management, the performance fees that became payable at 30 June 2018 were the last performance fees to be paid.

Performance fees payable are accounted for as a liability in accordance with AASB 9. The liability is recognised at its fair value upon initial and subsequent recognition.

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Current				
Manager and adviser fees payable	7,710	9,063	236	471
Provision for toll maintenance	17,727	14,987	–	–
Sundry creditors and accruals	8,558	8,288	2,627	2,905
Tax payables	2,461	2,521	–	22
Lease Liability [a]	1,161	–	169	–
Total current other liabilities	**37,617**	34,859	**3,032**	3,398
Non-Current				
Easement accruals [b]	–	11,571	–	–
Lease Liability [a]	19,400	–	1,831	–
Total non-current other liabilities	**19,400**	11,571	**1,831**	–

Notes to the table:

(a) AASB 16 *Leases* became applicable for the current reporting period and the groups changed their accounting as a result of adopting AASB 16 *Leases*.

(b) 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. This has now been incorporated into the Lease Liability as a result of adopting AASB16 *Leases*.

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.

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Current				
Non-recourse TRIP II bonds and accrued interest thereon [a]	41,259	73,595	–	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	3,932	3,696	–	–
Accrued interest on borrowings from financial institutions [c]	–	31	–	–
Total current debt at amortised cost	**45,191**	**77,322**	**–**	**–**
Non-current				
Non-recourse TRIP II bonds and accrued interest thereon [a]	1,360,104	1,356,286	–	–
Non-recourse Warnow Tunnel borrowings and interest accrued thereon [b]	178,546	180,730	–	–
Borrowings from financial institutions [c]	564,558	564,946	–	–
Total non-current debt at amortised cost	**2,103,208**	**2,101,962**	**–**	**–**

Notes to the table:

(a) Non-recourse TRIP II bonds

The Atlas Arteria 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 Atlas Arteria 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$987.1 million of zero coupon bonds with maturities extending to 2056.

(b) Non-recourse Warnow Tunnel borrowings

The Atlas Arteria consolidated financial statements incorporate borrowings raised by Warnow Tunnel to finance the construction of infrastructure assets. These borrowings are non-recourse beyond the Warnow Tunnel assets and Atlas Arteria has no commitments to provide further debt or equity funding to Warnow Tunnel in order to meet these liabilities. The borrowings are payable in three tranches with maturities extending to 2053.

(c) Borrowings from financial institutions

On 31 May 2018, Atlas Arteria repaid the previous APRR asset finance facility of €150.0 million with a new APRR facility of €350.0 million negotiated with revised terms. On 4 June 2018, a portion of the additional proceeds were used to repay the US$175.0 million Dulles Greenway asset finance facility along with accrued interest up to that date.

Atlas Arteria incurred upfront issue costs of €4.0 million ($6.5 million) on the APRR finance facility, of which, €0.6 million ($0.9 million) has been amortised in the half year ended 30 June 2019 (2018: €0.3 million ($0.5 million)). Prior year costs also included amortisation costs associated with the facilities refinanced in 2018.

5.2 Contributed equity

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Ordinary shares	1,995,994	1,995,994	144,016	197,311
Contributed equity	**1,995,994**	1,995,994	**144,016**	197,311
On issue at the beginning of the year	**1,995,994**	1,911,877	**197,311**	268,334
Application of performance fees to subscription for new securities	–	84,117	–	6,186
Capital return	–	–	(53,295)	(77,209)
On issue at the end of the year	**1,995,994**	**1,995,994**	**144,016**	**197,311**

During the year ended 31 December 2018, $90.3 million of the full 2018 performance fee, the second and third instalments of the 2017 performance fee and the third instalment of June 2016 performance fee were applied to a subscription for new ATLAX and ATLIX securities, the remaining $25.0 million of performance fees were settled in cash.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2019 Number of shares '000	As at 31 Dec 2018 Number of shares '000	As at 30 Jun 2019 Number of shares '000	As at 31 Dec 2018 Number of shares '000
On issue at the beginning of the year	**683,265**	669,789	**683,265**	669,789
Issue of Placement securities	–	–	–	–
Issue of Security Purchase Plan securities	–	–	–	–
Application of performance fees to subscription for new securities [a]	–	13,476	–	13,476
Issue of Institutional entitlement securities	–	–	–	–
Issue of Retail entitlement securities	–	–	–	–
On issue at the end of the year	**683,265**	**683,265**	**683,265**	**683,265**

Notes to the table:

(a) During the year ended 31 December 2018, full 2018 performance fee, the second and third instalments of the 2017 performance fee and the third instalment of June 2016 performance fee were applied to a subscription of new ATLAX and ATLIX securities.

Ordinary shares in ATLIX and in ATLAX

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

On a poll, every security holder who is present in person or by proxy has one vote for each fully paid share in respect of ATLIX and one vote for each fully paid share in respect of ATLAX.

The directors of ATLIX and ATLAX may declare distributions which are appropriate given the financial position of ATLIX and ATLAX.

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

5 Capital and risk management (continued)

5.3 Reserves

Share-based payments

Share-based compensation benefits are provided to employees via the Long-Term Incentive Plan (LTI Plan). The fair value of performance rights granted under the LTI Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted including the market performance conditions and the number of equity instruments expected to vest.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, Atlas Arteria and the ATLAX Group revise their estimates of the number of performance rights that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	As at 31 Dec 2018 $'000
Balance of reserves				
Foreign currency translation reserve	190,934	190,155	(7,150)	(7,669)
Other reserve	–	–	499	141
Balance at the end of the year	**190,934**	**190,155**	**(6,651)**	**(7,528)**

	Attributable to ATLIX equity holders		Attributable to ATLAX equity holders	
	As at 30 Jun 2019 $'000	Year ended 31 Dec 2018 $'000	As at 30 Jun 2019 $'000	Year ended 31 Dec 2018 $'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	190,155	28,122	(7,669)	(24,216)
Net exchange differences on translation of foreign controlled entities	779	161,955	519	16,547
Transfer to accumulated losses [a]		78	–	–
Balance at the end of the year	**190,934**	**190,155**	**(7,150)**	**(7,669)**
Other reserve				
Balance at the beginning of the year	–	–	141	–
Other equity transactions	–	–	–	–
Employee share performance rights [b]			358	141
Balance at the end of the year	**–**	**–**	**499**	**141**

Notes to the table:

(a) During the year ended 31 December 2018, foreign exchange translation gains in ATLIX Group of $0.1 million were transferred to accumulated losses from foreign currency translation reserves following the acquisition of the remaining 30% interest of Warnow Tunnel. These transfers arose as the increase in investment is treated as a disposal of the existing interest in joint venture.

(b) Expenses arising from share based benefits relating to LTI's as at 30 June 2019 $0.4 million (31 December 2018: $0.1 million).

5.4 Fair value measurement of financial instruments

The fair value measurements of financial assets and liabilities are assessed in accordance with the following hierarchy.

(i) Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

(ii) Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

(iii) Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable valuation input).

Atlas Arteria has derivative financial instruments that are measured at fair value on a recurring basis. These instruments are entered to minimize potential variations in cash flows resulting from fluctuations in interest rates and their impact on its variable-rate debt. Atlas Arteria does not enter into derivative instruments for any purpose other than economic interest rate hedging. That is, Atlas Arteria does not speculate using derivative instruments. They are presented as current assets or liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. These instruments are measured at Level 2 hierarchy and are revalued using externally provided dealer quotes.

The Groups' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers in the current half year.

The Groups do not measure any financial assets or financial liabilities at fair value on a non-recurring basis.

Fair values of other financial instruments (unrecognised)

The Groups also have a number of financial instruments which are not measured at fair value in the balance sheet. With the exception to those listed below, the fair values are not materially different to their carrying amounts as: the interest receivable/payable is either close to current market rates; the instruments are short-term in nature, or the instruments have recently been brought onto the balance sheet and therefore the carrying amount approximated the fair value. The fair value of these financial instruments is determined using discounted cash flow analysis. The fair value of all financial assets (excluding Investments accounted for using the equity method) and financial liabilities approximated their carrying amounts at 30 June 2019. There is no debt at amortised cost in the ATLAX Group.

Debt at amortised cost	Carrying amount $'000	Fair value $'000
Non-recourse TRIP II bonds and accrued interest thereon	1,401,363	1,436,634

6 Other disclosures

6.1 Contingent liabilities

European Transport Investments (UK) Limited (ETIUK), a subsidiary of ATLIX, has made guarantees, totalling €2 million ($3.2 million) (31 December 2018: €2 million ($3.2 million)), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co KG.

This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €2 million ($3.2 million) (31 December 2018: €2 million ($3.2 million)) has been deposited. These funds are restricted and are classified as restricted cash on the Consolidated Statements of Financial Position. No provision has been raised against this item.

6.2 Other accounting policies

This note provides a list of the significant accounting policies adopted in preparation of these Interim Financial Reports to the extent they have not already been disclosed in the other notes above.

6.2.1 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.

6 Other disclosures (continued)

6.2 Other accounting policies (continued)

6.2.2 Business combination

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.

6.2.3 Subsidiaries

Subsidiaries, other than those that ATLIX 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.

6.2.4 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.

6.2.5 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.

6.2.6 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 Interim Financial Reports are presented in Australian Dollars, which is the functional and presentation currency of ATLIX and ATLAX.

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 period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

6.2.7 Change in accounting policy – AASB 16 *Leases*

This note explains the impact of the adoption of AASB 16 *Leases* on the Groups' Interim Financial Reports and discloses the new accounting policies that have been applied from 1 January 2019.

The Groups have applied the standard from its mandatory adoption date of 1 January 2019. The Groups applied the simplified transition approach and have not restated comparative amounts for the year prior to first adoption.

Adjustments recognised on adoption of AASB 16

On adoption of AASB 16, the Groups recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was between 1.934% to 7.43%. There were no leases previously recorded as finance leases.

	ALX	ATLAX Group
	As at 1 Jan 2019 $'000	As at 1 Jan 2019 $'000
Operating lease commitments as at 31 December 2018	76,619	2,285
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(56,129)	(218)
Lease liabilities recognised as at 1 January 2019	**20,490**	**2,067**

Of which are:

	ALX	ATLAX Group
	As at 1 Jan 2019 $'000	As at 1 Jan 2019 $'000
Current lease liabilities	1,161	169
Non-current lease liabilities	19,329	1,898
	20,490	**2,067**

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The material recognised right-of-use assets relate to the following types of assets:

	ALX		ATLAX Group	
	As at 30 Jun 2019 $'000	As at 1 Jan 2019 $'000	As at 30 Jun 2019 $'000	As at 1 Jan 2019 $'000
Properties	2,064	2,235	1,932	2,026
Easement	5,174	5,224	–	–
Total right-of-use assets	**7,238**	**7,459**	**1,932**	**2,026**

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets (refer Consolidated Statements of Financial Position -property plant and equipment) – increase by $7.5 million in ALX and an increase by $2.0 million in ATLAX
- easement accruals (refer note 4.4 Other Liabilities) – net decrease by $11.6 million in ALX
- lease liabilities (refer note 4.4 Other Liabilities) – increase by $20.5 million in ALX and an increase by $2.1 million in ATLAX
- investments accounted for using the equity method (refer note 3.1.2 Movements in carrying amount) – a decrease by $0.2 million in ATLAX.

6 Other disclosures (continued)

6.2 Other accounting policies (continued)

6.2.7 Change in accounting policy – AASB 16 Leases (continued)

The net impact on retained earnings (refer Consolidated Statements of Changes in Equity) on 1 January 2019 was a decrease of $1.2 million in ATLIX and a decrease of $0.2 million in ATLAX.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard where applicable:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application,
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- the materiality of the application of AASB16 on the financial accounts when choosing whether to recognise the impact of an operating lease.

Atlas Arteria has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date Atlas Arteria relied on its assessment made applying AASB 117 and Interpretation 4 *Determining Whether an Arrangement Contains a Lease*.

The Group's leasing activities and how these are accounted for

The Groups lease various properties, offices and cars. Rental contracts are for a period of 2 to 64 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases (no leases were classified as finance leases). Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Groups. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities may include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets measured at cost may comprise the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture and cars.

Extension and termination options

Extension and termination options are included in a number of leases across Atlas Arteria. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Groups and not by the respective lessor. No lease payments made in 2019 were optional.

6.3 Events occurring after balance sheet date

On 11 July 2019, the French Government passed a bill to repeal previous legislation that reduced the corporate income tax rate from 33.3% to 31.0% for companies which have greater than €250 million turnover. It is estimated that the impact of this change for APRR will be an increase to the tax expense of around €15 million up to 30 June 2019. Atlas Arteria's proportionate share of this will be approximately $5 - $6 million.

The directors of ATLIX and ATLAX 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 years subsequent to the half year ended 30 June 2019.

Directors' Declaration Atlas Arteria International Limited

for the half year ended 30 June 2019

The directors of Atlas Arteria International Limited ("ATLIX") declare that:

(a) the Interim Financial Report of ATLIX and its controlled entities ("ALX") and notes set out on pages 8 to 35:
   (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 Atlas Arteria as at 30 June 2019 and of its performance for the half year ended on that date; and

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

The directors confirm that the Interim 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	**Derek Stapley**
Chairman	*Director*
Atlas Arteria International Limited	Atlas Arteria International Limited
Hamilton, Bermuda	Hamilton, Bermuda
28 August 2019	28 August 2019

Directors' Declaration Atlas Arteria Limited

for the half year ended 30 June 2019

The directors of Atlas Arteria Limited ("ATLAX") declare that:

(a) the Interim Financial Report of ATLAX and its controlled entities ("ATLAX Group") and notes set out on pages 8 to 35:
are in accordance with the constitution of ATLAX 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 ATLAX Group as at 30 June 2019 and of its performance for the half year ended as on that date; and

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

The directors confirm that the Interim 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
Atlas Arteria Limited
Melbourne, Australia

28 August 2019

Debra Goodin
Director
Atlas Arteria Limited
Melbourne, Australia

28 August 2019

Independent auditor's review report to the stapled security holders of Atlas Arteria International Limited and Atlas Arteria Limited

Report on the Interim Financial Reports

We have reviewed the accompanying interim financial reports of Atlas Arteria International Limited ("ATLIX") and Atlas Arteria Limited ("ATLAX"), which comprises the consolidated statements of financial position as at 30 June 2019, the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declarations for ATLIX and ATLAX. Atlas Arteria ("ALX") comprises ATLIX and the entities it controlled during that half-year and ATLAX and the entities it controlled during that half-year. Atlas Arteria Limited Group ("ATLAX Group") comprises ATLAX and the entities it controlled during that half year.

Directors' responsibility for the Interim Financial Reports

The directors of ATLIX and ATLAX are responsible for the preparation of the interim financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001 (as applicable)* and for such internal control as the directors determine is necessary to enable the preparation of the 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 the ALX's and ATLAX Group's financial positions as at 30 June 2019 and their performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Atlas Arteria International Limited and Atlas Arteria Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial reports.

A review of a half-year 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.

Independence

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

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Independent auditor's review report to the stapled security holders of Atlas Arteria International Limited and Atlas Arteria Limited (continued)

Conclusion

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

1. giving a true and fair view of the ALX and ATLAX Group's financial positions as at 30 June 2019 and of their performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001 (as applicable)*.

PricewaterhouseCoopers

SJ Smith
Partner

Sydney
28 August 2019