

Macquarie Atlas Roads

Annual Report 2013



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Special Notice

Macquarie Atlas Roads (MQA) comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL) and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL). Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFSL 318123) (MFA) is the manager/adviser of MARL and MARIL. MFA is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279), (MGL).

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove either or both of MARL and MARIL from the official list of ASX if, while the stapling arrangements apply, the securities in one of the entities ceases to be stapled to the securities in the other entity.

Takeover provisions

Unlike MARL, MARIL is not subject to takeover provisions of Chapters 6, 6A, 6B and 6C of the Corporations Act. However, as the takeover provisions of the Corporations Act apply to MARL and its shareholders, by virtue of the stapling arrangements, the takeover provisions will apply to the holders of MQA stapled securities. This is notwithstanding that MARIL and its shareholders are not subject to the takeover provisions of the Corporations Act.

Disclaimer

None of the entities noted in this document is an authorised deposit-taking institution for the purposes of the Banking Act 1959 (Commonwealth of Australia). The obligations of these entities do not represent deposits or other liabilities of Macquarie Bank Limited ABN 46 008 583 542 (MBL). MBL does not guarantee or otherwise provide assurance in respect of the obligations of these entities. Investments in MQA are subject to investment risk, including possible delays in repayment and loss of income and capital invested.

Advice warning

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by MQA or its officers.

This annual report is not an offer or invitation for subscription or purchase of, or a recommendation of, securities. It does not take into account the investment objectives, financial situation and particular needs of the investor.

Before making an investment in MQA, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Manager fees

MFA as manager of MARL and adviser to MARIL is entitled to fees for so acting. MGL and its related corporations (including MFA), together with their officers and directors, may hold stapled securities in MQA from time to time.

Complaint handling

A formal complaint handling procedure is in place for MQA. MFA is a member of the Financial Ombudsman Service. Complaints should in the first instance be directed to Macquarie Atlas Roads.

If you have any enquiries or complaints please contact:

Macquarie Atlas Roads Investor Relations
Level 11, No. 1 Martin Place
Sydney, NSW, 2000
Telephone (Australia): 1800 621 694
Telephone (International): 61 2 8232 7455

MQA's ongoing commitment to your privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. MQA's privacy policy is available on the MQA website at www.macquarie.com/mqa or you can contact our investor relations team on 1800 621 694.



Paris

Melun

Troyes

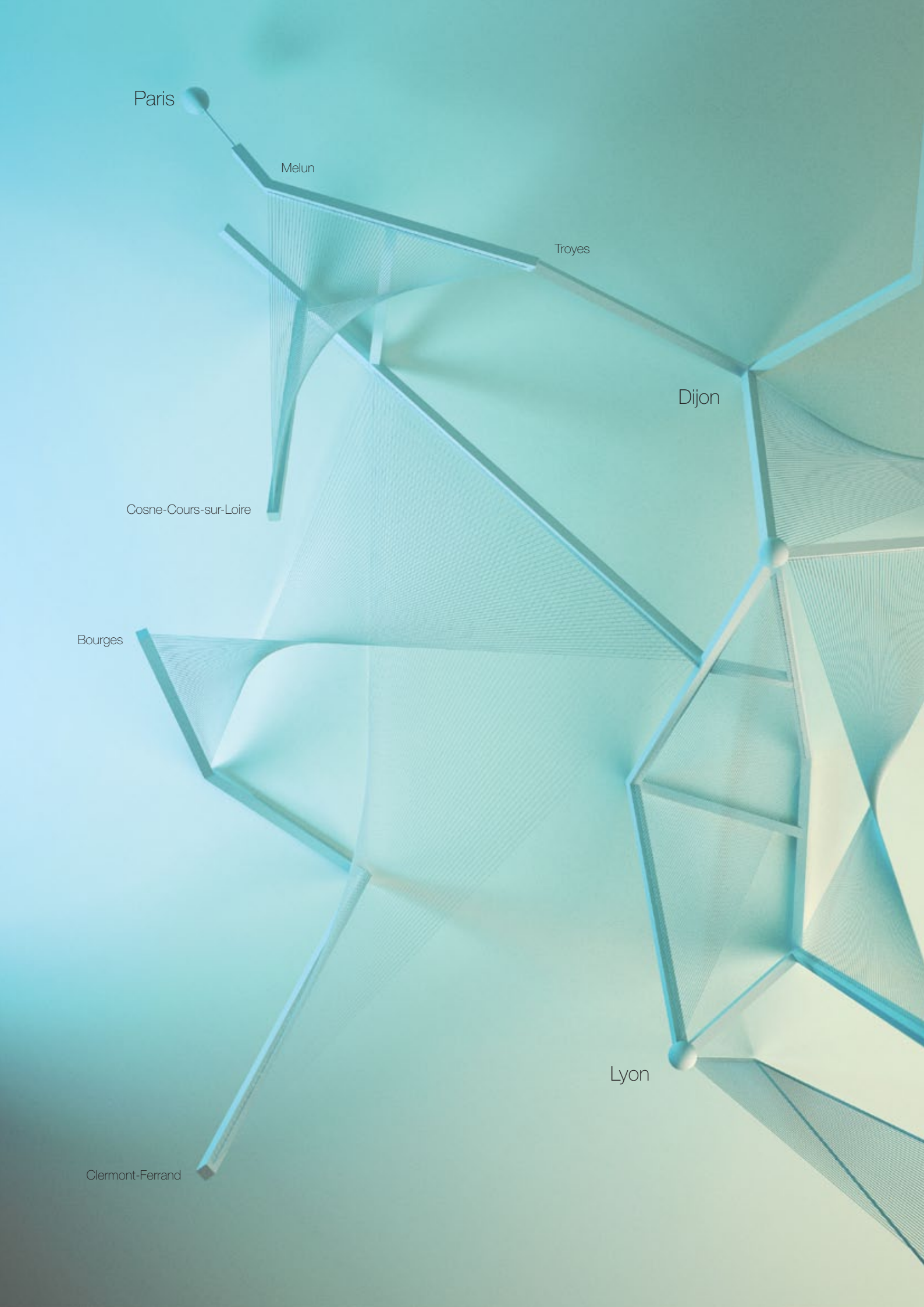
Dijon

Cosne-Cours-sur-Loire

Bourges

Lyon

Clermont-Ferrand



About Macquarie Atlas Roads¹

Position on ASX
Top 200

Securities on issue
487.2 million

Market capitalisation
A\$1.47 billion

Security holders
~19,000

Toll roads in portfolio
**6, across
4 countries**

Total km travelled on
MQA roads in 2013
25.1 billion

MQA's strategy

To deliver value for investors from its existing portfolio of toll road businesses. Key strategies include:

- Active management of portfolio assets to deliver improved operational performance
- Efficient, disciplined capital and portfolio management
- Refinancing of project debt as suitable opportunities emerge over the medium term
- Delivering and growing dividends.

MQA's structure

MQA's structure is integral to this strategy, allowing maximum value to be derived from each individual investment:

- MQA has no corporate level debt
- Each asset is in a separate holding company structure
- All asset level debt is non-recourse to MQA or any other portfolio asset.

Portfolio assets

Autoroutes Paris-Rhin-Rhône (APRR)

One of the largest motorway networks in Europe, and the second largest in France, APRR is MQA's flagship asset and represents most of MQA's portfolio by value.

Dulles Greenway

Northern Virginia, USA

Chicago Skyway

Illinois, USA

Indiana Toll Road

Indiana, USA

Warnow Tunnel

Rostock, Germany

M6 Toll

West Midlands, UK

¹ As at 27 February 2014.

Letter from the Chairmen and the CEO

Overview

2013 was another year of positive performance and milestone achievement for Macquarie Atlas Roads (MQA). Highlights included the declaration of MQA's maiden dividend and reaching A\$1 billion in market capitalisation, as well as higher year on year portfolio traffic, revenue and EBITDA.¹

Across the portfolio, on a like for like proportionately consolidated basis, traffic, revenue and EBITDA increased on 2012 levels by 0.9%, 3.6% and 3.5% respectively. This is reflective of slightly improving economic conditions in Europe and the United States. A more detailed review of the portfolio's operating performance can be found in the Chief Financial Officer's report overleaf.

Security price performance

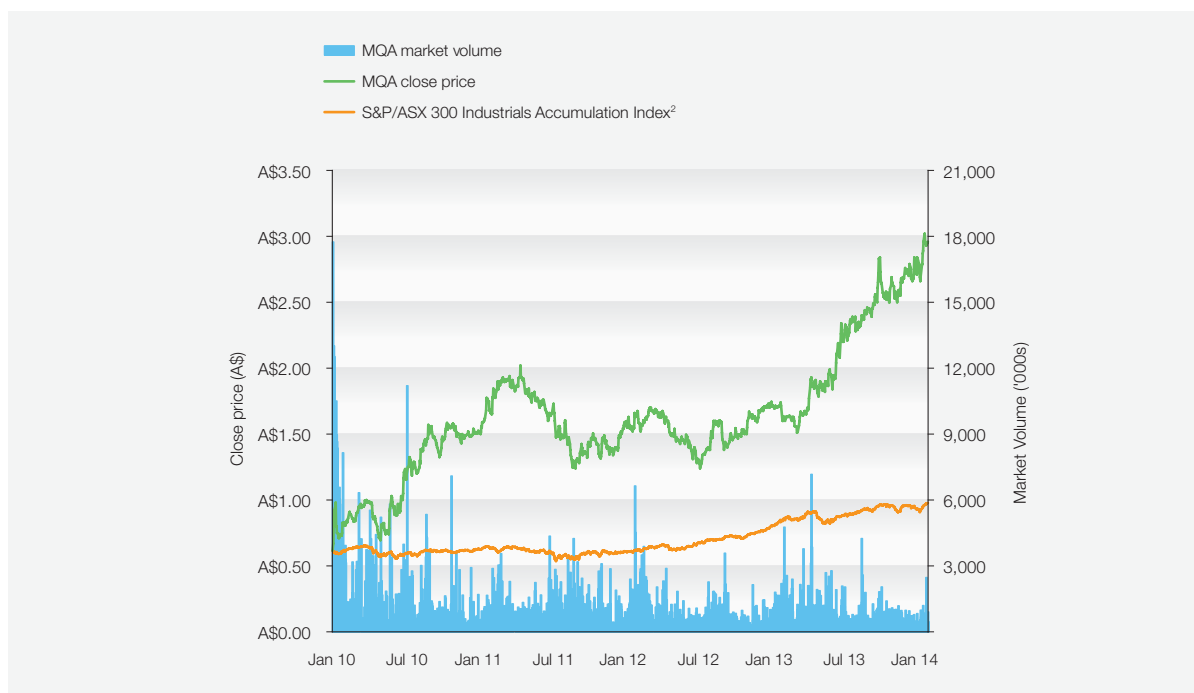
MQA's security price performed well during 2013. On 11 July 2013, MQA closed at A\$2.11, reaching a market capitalisation of A\$1 billion for the first time. As at 31 December 2013, MQA's market capitalisation was over A\$1.3 billion, an increase of 68% from the end of 2012 and of 382% since listing. A chart of MQA's security price performance since listing is presented below.

Operations

APRR saw traffic increase by 0.8% on the previous year with both light and heavy vehicle kilometres travelled up on 2012 levels. This together with the February 2013 tariff increase and a focus on cost control has led to another year of record EBITDA at APRR, with 2013 EBITDA totalling €1.475 billion and the EBITDA margin reaching 70.3%.

In early 2014, new management contracts with the French State were entered into by APRR and AREA. The two contracts provide for total capital expenditure of around €500 million in return for higher annual tariff increases than would otherwise have applied.

Average daily traffic on Dulles Greenway was 1.5% higher than 2012, the first annual increase in traffic volumes since 2005. Revenue was up 3.5%, totalling US\$74.5 million while EBITDA increased by 1.0% as the business absorbed higher property taxes and various one-off costs, including legal costs. While the road continues to improve its performance, MQA does not expect any distributions from the project in the medium term.



¹ Earnings Before Interest, Tax, Depreciation and Amortisation. Proportionately consolidated numbers aggregate the results of each asset in proportion to MQA's beneficial ownership interest. Comparative numbers have been normalised for changes in ownership interests and foreign exchange rates.

² Benchmark rebased to A\$0.615, the MQA close price on the first day of listing (25 January 2010).

³ MQA close price of A\$3.01 as at 27 February 2014.

M6 Toll refinancing

In December 2013, the debt facilities at the holding company for the M6 Toll were refinanced. The debt has been reorganised with a new maturity date of 1 June 2020. MQA remains the owner of the M6 Toll but does not expect to receive any further equity distributions from the project. MQA will, however, receive a small annual fee for continuing to manage the asset.

Management fees

Macquarie has notified MQA that for the 2014 calendar year and for subsequent years until further notice, the base management fee rates payable by MQA on market capitalisations up to A\$3 billion will be reduced by 0.25% per annum. The base management fee rates that will now apply are 1.75% per annum of market capitalisation up to A\$1 billion, and 1.0% per annum of market capitalisation in excess of A\$1 billion.

Macquarie has informed MQA that the fee reduction has been determined following four years of restructuring and repositioning of MQA's portfolio leading to a more streamlined portfolio and the commencement of payment of dividends.

In 2014, at MQA's current market capitalisation of A\$1.47 billion³ the reduction will produce a saving in fees for MQA of approximately A\$3.7 million. MQA's directors welcome the fee reduction as an initiative that will benefit MQA's security holders.

Dividend

MQA declared its first dividend of 2.4 cents per security (cps) in March 2013 and another of 3.3 cps in September 2013 bringing the total distributed for the year to 5.7 cps.

The dividends were underpinned by distributions received from MQA's investment in APRR, and it is expected that these will continue to form the basis of MQA's future dividends to shareholders. APRR retains a proportion of the cash it generates to fund capital expenditure and reduce debt. This should increase the value of MQA's investment in APRR over time.

As with any foreign investment, distributions received by MQA from its assets are affected by fluctuations in foreign exchange rates. As a result, the level of dividend MQA pays to its shareholders may be impacted by foreign exchange rates, in particular the A\$/€.

MQA capital management

MQA continues to maintain a disciplined strategy in relation to capital management. MQA has no corporate level debt, and all debt secured against the assets remains non-recourse to MQA. After payment of each dividend, MQA retains a prudent working capital balance. MQA's available cash position at 27 February 2014 was approximately A\$11.7 million.

Outlook

Over the coming year we will continue to pursue our strategy of maximising revenue and improving operational efficiencies at our assets to deliver growth in dividends and value to shareholders. A key objective will be to take advantage of the current low interest rate environment to achieve lower financing costs for the APRR group as existing debt matures.

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

We are pleased to provide dividend guidance of 5.0 cps for the first half of 2014.

On behalf of the boards and management team, we would like to thank you for your support of MQA.



David Walsh
Chairman
Macquarie Atlas Roads Limited



Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited



Peter Trent
Chief Executive Officer
Macquarie Atlas Roads

CFO's report

FOR THE YEAR ENDED 31 DECEMBER 2013

Overview

Global economic conditions have recovered slightly this year, with marginal improvements in Europe and the United States starting to be reflected in traffic across MQA's toll road portfolio. Tolling structures and a continued focus on maximising operational efficiency at each asset have delivered overall growth in portfolio revenue and EBITDA in excess of underlying economic growth.

Distributions received from APRR have enabled MQA to pay its first dividends to shareholders during 2013.

Financial highlights – statutory

As noted in the letter from the Chairmen and the CEO, the M6 Toll was refinanced in December 2013. This followed discussions with the M6 Toll lender group during the year which, by June 2013, had progressed to a point where MQA was no longer expected to be exposed to significant variable returns from the asset. As a result, the M6 Toll was no longer controlled by MQA for accounting purposes and accordingly was deconsolidated.

The deconsolidation has resulted in significant one-off items in the statutory accounts. All the M6 Toll related items to the date of deconsolidation are recorded in one line in the income statement, 'profit from deconsolidated operation'. This totals A\$1.38 billion and reflects an accounting gain on removal of the M6 Toll's net liability position from MQA's balance sheet as well as all other M6 Toll income/expense items for the ~5 months to deconsolidation. The deconsolidation of the M6 Toll has no impact on MQA's cash flows or future dividends.

MQA now equity accounts for all the assets in its portfolio.

A summary of MQA's statutory financial performance for the periods ended 31 December 2013 and 2012 is set out in the table above.

Statement of comprehensive income

	Year ended 31 Dec 13 A\$m	Year ended 31 Dec 12 A\$m
Profit/(loss) from continuing operations after income tax	41.9	(58.1)
Profit/(loss) from deconsolidated operation	1,381.5	(66.4)
Profit/(loss) attributable to MQA security holders	1,423.5	(124.4)

Balance sheet

	As at 31 Dec 13 A\$m	As at 31 Dec 12 A\$m
Total assets	882.3	1,582.7
Total liabilities	(6.8)	(2,563.3)
Total MQA security holders' interest	875.6	(980.6)

MQA's profit/(loss) from continuing operations after income tax represents MQA's underlying result. The increase from 2012 is driven by a number of factors, the largest being fair valuation movements on derivatives and foreign exchange movements.

Due to the deconsolidation of the M6 Toll, MQA's balance sheet no longer shows a net liability position at 31 December 2013. The liability position at 31 December 2012 was driven by M6 Toll related balances as its non-recourse debt exceeded the depreciated carrying value of its toll road related assets.

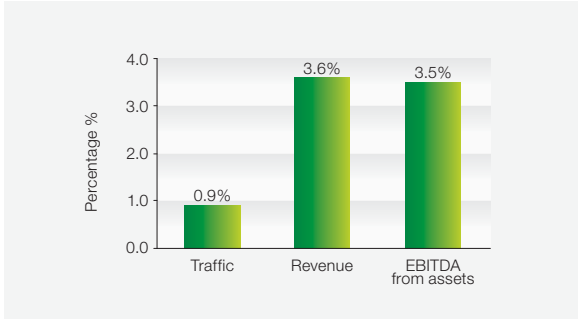
In future years the main items included in MQA's statutory result will be the equity accounted results of MQA's toll road investments and fund level expenses.

Further information on the statutory results is provided in the Financial Report on pages 37 to 108.

Financial highlights – proportionate results from toll road assets

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

The following chart shows the operating performance of MQA's portfolio as a whole for 2013 compared to 2012.

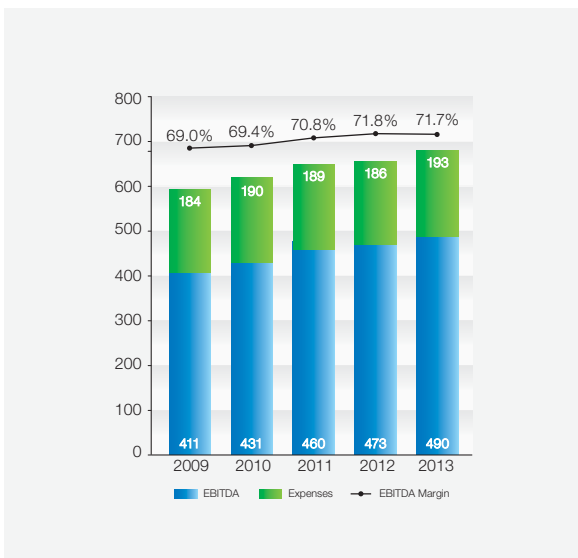


Summary 2013 pro forma¹ asset performance vs prior corresponding period

All roads experienced increases in traffic except for Chicago Skyway, which was down compared to last year following a significant scheduled toll increase in January 2013.

All toll roads recorded revenue and EBITDA increases over and above traffic growth. This reflects the positive impact of changes to tolling structures and continued focus on cost control at the assets. EBITDA has grown at a slightly lower rate than revenue due to increased expenses at some assets including refinancing fees at Indiana Toll Road and property taxes at Dulles Greenway.

A summary of MQA's portfolio performance for the last five years is set out in the graph below. Portfolio revenue and EBITDA continue to trend positively, with EBITDA margin slightly down this year due to the increased expenses at some assets mentioned above. This is a pleasing result in light of the challenging macroeconomic climate over the period.



Pro forma¹ proportionate EBITDA from road assets (A\$m), 12 months ended 31 December

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

Cash flow and cash position – fund level

A summarised fund level cash flow statement for the period is set out below.

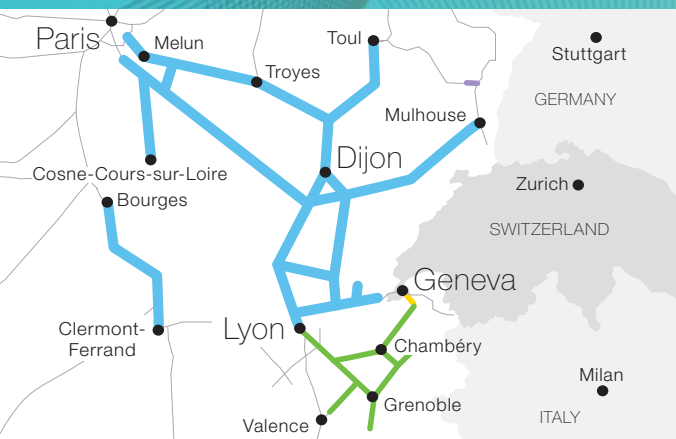
Available cash ²		A\$m
Opening balance – 1 January 2013		13.7
Cash flows received from APRR (via Financière Eiffarie)		48.8
Other operating cash flows, net of foreign exchange movements		(17.0)
Distributions paid		(27.6)
Closing balance – 31 December 2013		17.7

MQA expects to receive further distributions from APRR (via Financière Eiffarie) in March and September 2014. Together with the cash balance above, these are expected to allow MQA to continue paying dividends to shareholders as well as to maintain a prudent working capital balance which will enable future fund level cash requirements to be met. MQA continues to have no fund level debt.

Mary Nicholson
Chief Financial Officer
Macquarie Atlas Roads

¹ Pro forma results are normalised for changes in ownership interests and foreign exchange rates. For comparative purposes, the results of MQA's portfolio have been presented for calendar years prior to 2010, notwithstanding that MQA acquired the assets from Macquarie Infrastructure Group (MIG) on 2 February 2010. The M6 Toll is not included because MQA's estimated beneficial interest in the asset is 0.0%.

² Available cash represents cash immediately available for MQA use. In addition, MQA has €1.2m not currently available for use, representing secured cash deposits in relation to outstanding guarantees.



Autoroutes Paris-Rhin-Rhône FRANCE

- APRR
- AREA
- ADELAC
- ML TUNNEL



Results

Revenue

3.0% increase on the prior corresponding period (pcp)

Traffic

0.8% increase on pcp

Asset description

Overview: APRR is the concessionaire of a 2,264km motorway network located in the east of France. APRR consists of four separate concessions: APRR, Autoroutes Rhône-Alpes (AREA), ADELAC and the Maurice Lemaire Tunnel. APRR is the second largest motorway network in France and the fourth largest in Europe. The network includes a number of highly travelled routes including the Paris-Lyon route (A5, A6 and A39), the Bourgogne-Northern Europe route (A31 and A36), the Alpine motorways in the Rhône-Alpes region (A40, A41, A42, A43, A48, A49, A51) and motorways in central France (A71 and A77). The concession provides for a further 24km of motorways to be constructed and opened from 2016.

Opened: March 1970, MIG invested in February 2006.

Concession expiry: 31 December 2032 (APRR, AREA); 31 December 2060 (ADELAC), 31 December 2068 (Maurice Lemaire Tunnel).

MQA's interest: 19.44%

Autoroutes Paris-Rhin-Rhône

FRANCE (CONTINUED)

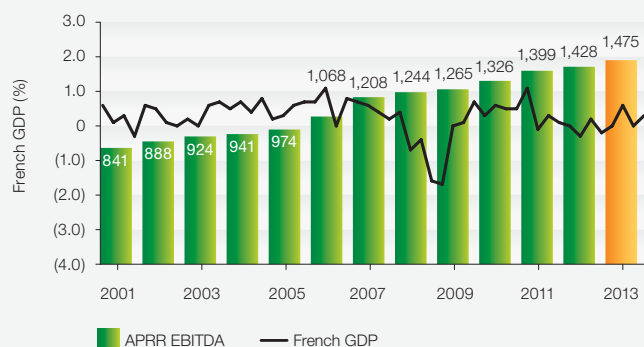


Fig 1: EBITDA against French GDP 2001-2013

Operating performance

- APRR saw a slight recovery in traffic in 2013 with an overall increase of 0.8% in total vehicle kilometres travelled from 2012. This higher traffic, together with tariff increases across the network over the last 12 months and a continued focus on cost control, has resulted in revenue and EBITDA increasing 3.0% and 3.4% to record highs of €2.1 billion and €1.5 billion respectively.
- Light vehicle traffic increased by 0.9% for the year as a result of improved confidence and high traffic during the summer months compared to 2012.
- Heavy vehicle traffic declined in the first quarter but increased at an accelerating rate for the three quarters thereafter, reflecting the gradual recovery of the French economy.
- Scheduled toll increases of 1.94% for APRR and AREA were implemented with effect from 1 February 2013. These, combined with the traffic growth, contributed to a revenue increase in 2013 of 3.0%.
- The EBITDA margin increased to 70.3% compared to 70.0% in 2012 and 62.0% in 2005, before APRR was privatised.
- Figure 1 shows APRR's financial performance over the last ten years: throughout the economic cycle, APRR has continued to demonstrate growth in revenue and EBITDA (shown in the chart) year on year.

Automation

- Automated transactions (tag, credit card and coin machine) accounted for 93.3% of total transactions during 2013 compared with 89.7% in 2012, demonstrating the ongoing progress made in increasing the level of automation across the network.
- The level of electronic toll collection, which represented 51.2% total transactions in 2013 (2012: 49.4%), continues to grow, with the number of active Liber-t tags increasing by 18% in 2013. There are now more than 1.45 million tags on issue.
- 139 of the 150 toll plazas operated by APRR are now operated either completely or partially remotely, resulting in a more centralised and streamlined service.

Capital expenditure contracts

- APRR and AREA may enter into periodic management contracts (Contrats de Plan) with the French State, under which capital works are performed by APRR and AREA in return for an improved toll schedule. Typically these contracts run for a five-year period: the most recent completed contracts for APRR and AREA covered the period 2009-2013.

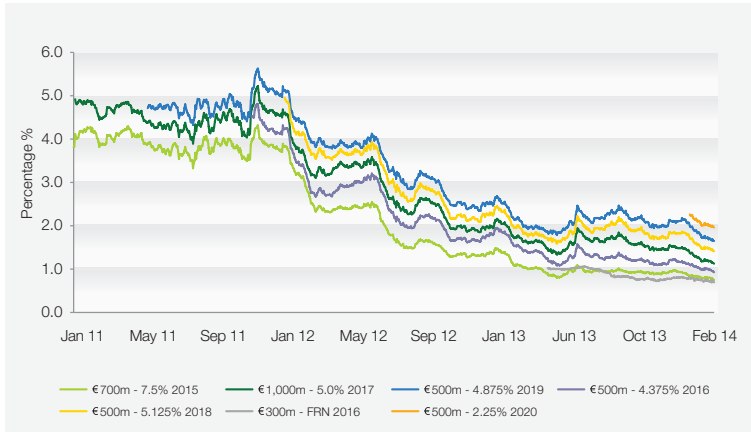


Fig 2: APRR traded yields

- In early 2014, APRR and AREA entered into new management contracts covering the 2014-2018 period. The two contracts provide for total capital expenditure of around €500 million, with annual tariff increases, applicable from 2014 to 2018, of 85% of CPI (excl. tobacco) + 0.37% for APRR and 85% of CPI (excl. tobacco) + 0.41% for AREA.
- APRR and AREA are also in discussions with the French State regarding an additional package of capital expenditure, part of a broad package for the toll road industry which aims to stimulate the French economy. If agreed, this package would be in return for an extension to the APRR and AREA concessions.

S&P rating upgrade and refinancing of debt facilities at APRR

- Since the acquisition of APRR in 2006 by Eiffarie, the consortium vehicle through which MQA, Eiffage and other Macquarie-managed funds hold their investment in APRR, the Eiffarie-APRR group has been financed at both operating company (APRR) and consortium holding company (Eiffarie) levels.
- On 9 December 2013, S&P upgraded APRR's rating from BBB- (stable outlook) to BBB (positive outlook), reflecting improved financial metrics and perspectives at APRR.¹
- Fitch rates APRR at BBB+ (stable outlook).²

¹ S&P rates APRR on a consolidated basis (APRR and Eiffarie).

² Fitch rates APRR on a non-consolidated APRR standalone basis.

³ The cash and debt balances have been adjusted to reflect the January 2014 €500m EMTN bond issue (maturing 2020).

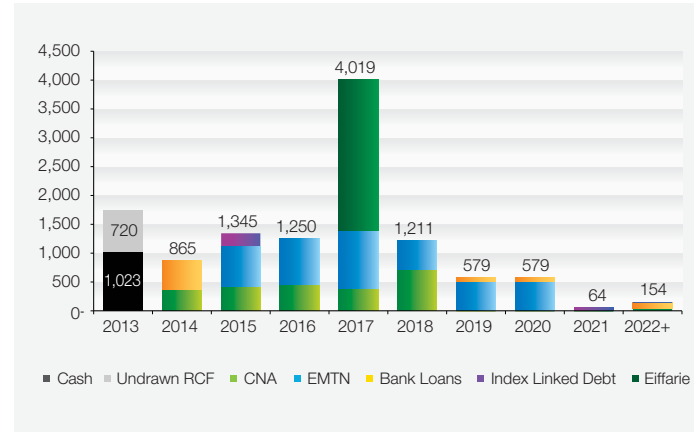


Fig 3: APRR and Eiffarie debt maturities³

- APRR debt continues to enjoy strong support in the debt markets, with two major issuances during the last 12 months agreed at the following terms:
 - €300 million floating rate note issued on 26 April 2013. The notes were issued with a margin of 0.87% to 3-month EURIBOR and a maturity of January 2016
 - €500 million fixed rate bonds issued on 9 January 2014 as part of the EMTN programme. The bonds were issued with a coupon of 2.25% and a maturity of January 2020. This represents a margin of 90bps over mid-rate swaps.
- Figure 2 shows the traded yields of APRR's fixed rate EMTN bonds since the end of 2010: yields are currently at historically low levels, reflecting the strong market appetite for APRR debt and APRR's improved credit rating as well as improved debt market conditions generally.
- Figure 3 sets out the current debt maturity profile of the group as of 31 December 2013. APRR has sufficient liquidity to meet its upcoming maturities for the next 18 months. The average cost of debt at APRR and Eiffarie is higher than the levels at which APRR has recently issued bonds. For as long as current conditions continue, APRR will have the opportunity of lowering the cost of its debt over time as existing tranches are repaid or refinanced.

Dulles Greenway

VIRGINIA, USA



Asset description

Overview 22km toll road in Loudoun County, northern Virginia, part of a road corridor connecting Leesburg and other suburban communities with Washington DC.

Opened September 1995, MIG invested in September 2005.

Concession expiry
15 February 2056

MQA's interest 50%¹

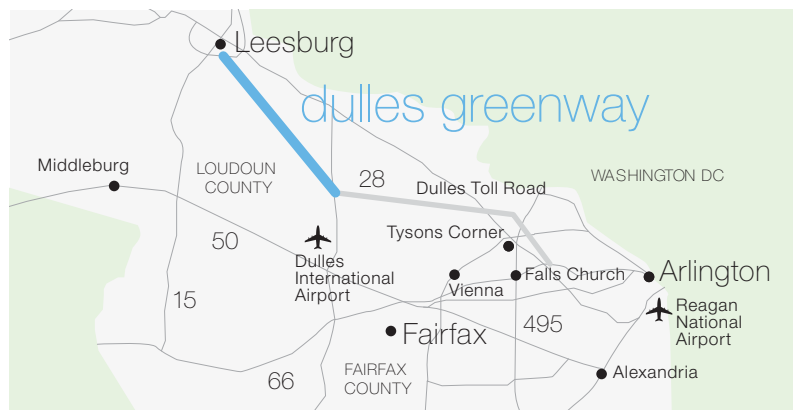
Results

Revenue

3.5% increase on pcp

Traffic

1.5% increase on pcp



Operational update

- Revenue for 2013 was 3.5% higher than in 2012, reflecting the impact of both traffic growth and increased tolls (effective 21 January 2013, tolls were increased by an average of ~3%).
- 2013 traffic was 1.5% above 2012 levels, despite the negative impact of the US government shut-down in October 2013, which resulted in reduced commuter traffic over a three-week period. While the traffic comparison was more favourable because of the impact of Hurricane Sandy in 2012, the underlying trend was positive.
- EBITDA for the year increased by ~US\$0.6million, the higher revenue being partially offset by an increase in operating expenses due to higher property taxes and various one-off costs, including legal costs.
- The project has undergone an extensive regulatory hearing process with the State Corporation Commission during 2013, with respect to its existing toll levels. The outcome of this process is expected to be concluded during 2014.
- A toll increase application has been lodged for 2014 and is expected to be determined in the near term.

¹ Estimated economic interest.

Chicago Skyway

ILLINOIS, USA



Asset description

Overview 12.5km majority elevated toll road in Chicago, Illinois, connecting the Dan Ryan Expressway to the Indiana Toll Road and providing an important link to downtown Chicago and surrounding communities.

Opened 1959, leased to the private sector in January 2005.

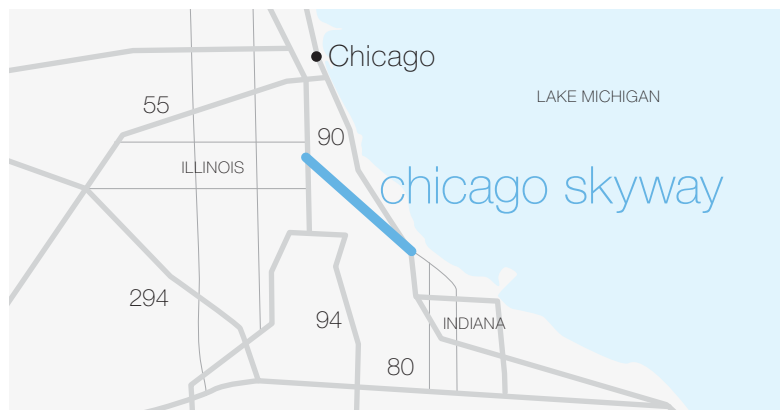
Concession expiry
24 January 2104

MQA's interest 22.5%

Results

Revenue
14.3% increase on pcp

Traffic
2.3% decrease on pcp



Operational update

- Skyway benefited from higher toll rates in 2013 (in accordance with the concession agreement, tolls increased by 14% for light vehicles and 25% for heavy vehicles on 1 January 2013) leading to 14.3% higher revenue compared to 2012, against a 2.3% decrease in traffic.
- EBITDA increased by 15.3% due to the higher revenue, and the EBITDA margin increased by 0.8% over 2012 levels.
- The next scheduled Skyway toll increase will be on 1 January 2015.

Indiana Toll Road

INDIANA, USA



Asset description

Overview 253km limited access, divided toll road spanning northern Indiana, connecting to the Chicago Skyway in the west and the Ohio Turnpike in the east. The westernmost 37km operates on a barrier tolling system and acts primarily as a commuter link to Chicago and surrounding areas. The eastern 216km section operates on a ticket tolling system and is primarily an interurban road.

Opened 1956, leased to the private sector in June 2006.

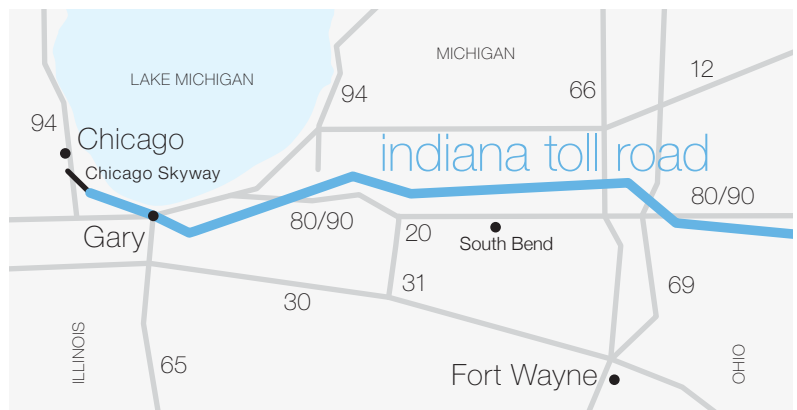
Concession expiry
29 June 2081

MQA's interest 25%

Results

Revenue
5.5% increase on pcp

Traffic
1.7% increase on pcp



Operational update

- Ticket system trips for the year were up 2.1% compared to 2012. Heavy vehicle traffic for the ticket system increased 2.5% compared to 2012.
- Barrier system trips were up 0.5% for the year. Heavy vehicle traffic for the barrier system increased 1.9% compared to 2012.
- There was a scheduled increase in ITR toll rates on 1 July 2013. Tolls charged on the barrier system increased 7.2% for light vehicles and 1.3% for heavy vehicles. Tolls charged on the ticket system increased 2.5% for light vehicles and 3.6% for heavy vehicles.
- A state subsidised "toll freeze" is currently scheduled to remain in place until 2016. During this period, the State of Indiana will reimburse ITR for the difference between the actual toll paid by each ETC passenger vehicle and the higher toll applicable to cash users.

Warnow Tunnel

ROSTOCK, GERMANY



Asset description

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

Opened September 2003

Concession expiry
15 September 2053

MQA's interest 70%



Results

Revenue

7.1% increase on pcp

Traffic

4.5% increase on pcp

Operational update

- Increases in toll prices were implemented for the summer and winter seasons from 1 May 2013 and 1 November 2013 respectively. For cars (~94% of total traffic) the summer cash toll increased by 2.9%, the winter cash toll by 3.6% and the discounted tag tariff by 2.6%. A summer season cash toll increase is scheduled for 1 May 2014.
- Traffic increased by 4.5% on 2012 levels with construction works on alternative routes positively impacting traffic volumes from early April onwards.
- September 2013 marked the 10th anniversary of the opening of the Warnow Tunnel. To celebrate the event, an open day was held with over 6,000 people attending.

M6 Toll

WEST MIDLANDS, UK



Asset description

Overview 43km motorway that bypasses Birmingham and connects to the existing M6 at both ends.

Opened December 2003

Concession expiry
31 January 2054

MQA's interest 100%¹



Results

Revenue
13.0% increase on pcp

Traffic
12.7% increase on pcp

Operational update

- Roadworks on a competing section of the free M6 Motorway continued to provide a positive effect on traffic throughout 2013. Traffic also benefited from overnight closures on the M6, and for 2013 was 12.7% higher than 2012 levels. Combined with slowly recovering economic conditions in the UK, underlying performance has developed positively over the last 12 months.
- Revenue increased in line with traffic, as there was no toll increase during 2013.
- Contactless cards, allowing for faster payment and reducing card processing fees payable, continue to be positively received with an average proportion of 10.7% of all card transactions on a monthly basis.
- In December 2013 the debt facilities at the holding company for the M6 Toll concessionaire were refinanced. Under the terms of the refinancing, the debt has been reorganised and has a new maturity date of 1 June 2020. MQA will remain the owner of the M6 Toll and will receive a small annual fee for continuing to manage the asset. MQA does not expect to receive further equity distributions from the project as all surplus cash flows from the asset will be applied to service the new debt.

¹ MQA holds 100% of the ordinary equity in the project. Estimated beneficial interest is 0%.

Environmental and social responsibility (ESR) management

Macquarie Group (Macquarie) manages a range of investment vehicles within the Macquarie Infrastructure and Real Assets division. MQA is one of these investment vehicles. Macquarie has made a public statement on corporate citizenship and information regarding Macquarie's environmental, social and governance performance is published in the Macquarie Group Annual Report.

The commitment to corporate citizenship is based on Macquarie taking a long-term view of its business activities and acknowledging the importance of good custodianship to the communities in which it operates.

As set out on Macquarie's website, this commitment is underpinned by:

- A clear expectation of ethical behaviour from all Macquarie staff
- A robust framework of policies including those relevant to environmental, social and governance (ESG) responsibilities.

All Macquarie staff, including those working on behalf of MQA, have a collective responsibility to ensure that Macquarie continues to be a good corporate citizen. MQA management is supported in this by Macquarie's integrity, equal employment and sustainability and environment officers, as well as the Risk Management Group.

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

MQA's environmental, social and governance policies

MQA believes that many social, environmental and economic benefits arise from responsible private sector development and operation of infrastructure. MQA is also aware that with these benefits lies the potential for risks, including ESG risks.

MQA has adopted a number of policies to manage these risks that are consistent with Macquarie's policies and reflect the risks specifically associated with management of and investment in infrastructure assets.

These policies form part of MQA's overarching risk management framework in accordance with Principle 7 of its corporate governance statement. (See MQA's website for details.)

The framework is applied throughout MQA's investment process as follows:

- Asset selection – ESG risk and responsibilities are reviewed as part of the acquisition due diligence process
- Ongoing asset management – regular asset board reporting enables compliance with environmental and social requirements to be monitored and environmental and social responsibility issues to be identified. MQA promotes good environmental, social and governance practices within each asset
- Stakeholder reporting – social and environmental policies, initiatives and compliance performance are reported internally and, where appropriate, externally.

In this section we provide details of MQA's environmental and social responsibilities and initiatives undertaken during 2013. MQA's governance responsibilities and policies are covered on pages 21 to 35.

In addition to MQA's own processes and policies, many new infrastructure projects undergo extensive social and environmental impact reviews before being given approval to proceed. The process is typically run by governments, which will have balanced the costs and benefits of the project. Accordingly, a government-run process will usually require new infrastructure to produce more efficient environmental outcomes than existing alternative infrastructure; or, where an investment is made in existing infrastructure, for that investment to produce improved environmental outcomes over those that existed prior to the investment being approved.

ESR-related regulatory requirements

MQA is not aware of any material breaches of relevant ESR-related regulatory standards by its assets during the year ended 31 December 2013.

Environmental and social responsibility (ESR) management

CONTINUED

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

Environmental initiatives at MQA assets during 2013

Autoroutes Paris-Rhin-Rhône (APRR)

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

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

Other environmental projects include:

- Maintenance of more than 10,000 hectares of green space adjacent to its motorways, including more than 10 million trees planted throughout the network and its surrounding areas, using less and less pesticides
- The use of no-stop toll gates, reducing idling time and minimising greenhouse gas emissions
- Continued use by AREA of locally sourced salt to prevent and alleviate snow and ice on roads during the winter. This reduces costs by 80%, heavy vehicle travel by 19,000km and carbon dioxide emissions by 17 tonnes compared with the use of sea salt

- Studies and inventories of flora and fauna. In 2013, studies of bats' use of bridges on the network have been continued and some under-bridge shelters for bats installed
- During 2013 APRR began an internal initiative to promote biodiversity by installing beehives in four different locations. A commitment has been taken to maintain these until 2020. During this period, volunteer employees will look after the bees
- *Carnets d'Autoroutes*, a series of booklets showcasing APRR and AREA's sustainability initiatives. At the end of 2013, APRR edited the 6th volume in the series, which describes the group's conservation management of wet meadows crossed by motorway
- Broadcast messages on motorway information panels about waste (e.g. "Litter = in the garbage can, thank you").

In 2009 APRR became the first motorway concession operator in France to obtain ISO 14001 environmental certification. This has been maintained through 2013.

Dulles Greenway

In recent years, local conservancy groups have been monitoring the Greenway Wetlands for all kinds of wildlife, including birds and butterflies. The Loudoun Wildlife Conservancy – with the assistance of the local Audubon Society – has conducted thorough animal counts and currently has sighted red foxes, deer, painted turtles, snapping turtles, box turtles, great blue herons, American egrets, green herons, mallard ducks, black ducks, green teals, red tailed hawks, snipe, sandpipers, and American Bald Eagles.

Dulles Greenway has continued to support the Loudoun Wildlife Conservancy by donating a portion of funds received from its annual Drive for Charity. Funds raised in 2013 were used to protect Loudoun County's water supply against erosion and sediment problems; to establish new wetlands; to collect scientific data on the condition of local wildlife; and to engage in tree reforestation.

Chicago Skyway and Indiana Toll Road

Both Skyway Concession Company and ITR Concession Company have undertaken initiatives to reduce electricity usage and manage facilities more efficiently. Both Skyway and ITR have introduced various non-cash tolling methods including Electronic Toll Collection (ETC), which allows users to pay tolls without the need to stop at toll booths. This is faster and easier for toll road users while at the same time easing traffic congestion. Non-cash tolling now accounts for over 65% of Skyway's transactions and over 70% of all ITR transactions.

Warnow Tunnel

Warnow Tunnel has implemented an environmental management system consistent with ISO 14001 and is planning to develop an energy efficiency programme according to ISO 50001.

M6 Toll

The M6 Toll has undertaken several environmental initiatives through the year including:

- The procurement of a new Impact Protection Vehicle which has a more efficient diesel engine as well as improved suppression of equipment noise and vibration
- The use of in-situ filter drain media cleaning and recycling, leading to a reduction in carbon emissions for transporting, off-site recycling requirements and raw material depletion.

Creswell Associates, the M6 Toll's environmental consultants, have successfully completed a scheduled inspection and audit against required control requirements.

The M6 Toll has successfully maintained its ISO 14001 certification through 2013.

Social responsibility initiatives at MQA assets during 2013

Autoroutes Paris-Rhin-Rhône

During 2013, APRR continued to support the training and education of students, by welcoming 62 trainees and 137 employees in through its 'alternating education' programme, which combines part-time study with practical experience.

For the first time, APRR supported OXFAM's Trailwalker in May 2013. Five teams took part in this charity challenge.

APRR has supported the development of "SOS AUTOROUTE", an emergency call app for smartphones, which had been downloaded by 280,000 customers at the end of 2013. It covers nearly 60% of the French motorway network.

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

In 2013, AREA obtained the OHSAS 180001 safety certification.

APRR promotes diversity by providing each of its ~3,700 employees equal opportunities irrespective of gender, age, ethnicity, sexual orientation or any non-merit based characteristics. APRR's values of open-mindedness, diversity and anti-discrimination are expressed through its three commitments:

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

An internal communication campaign was implemented during four months (September to December 2013), detailing these three undertakings, with indicators and the following headline: "At APRR, we act to lift the barriers."

Environmental and social responsibility (ESR) management

CONTINUED

The deployment of a new organisation structure for APRR's operating department in 2013 has been an opportunity to promote APRR's new mobility guide (recruitment and promotions).

An APRR-produced short film exploring themes including equal opportunity in hiring, the integration of young workers and disabled workers, professional mobility, knowledge sharing and gender equality, can be found on the APRR website (www.aprr.com).

At 31 December 2013, APRR's workforce consisted of 41% women and 59% men.

Dulles Greenway

This is the eighth year that Dulles Greenway has participated in an annual Drive for Charity. In 2013 approximately US\$268,000 was donated to six local organisations through tolls and the assistance of Greenway sponsors within the local business community, bringing the total amount raised through the event during the last seven years to nearly US\$1,800,000.

The Greenway has policies in place to ensure that management hires and promotes staff on the basis of demonstrated ability, experience and training, without regard to race, colour, national origin, religion, age, sex, disability, or any other status protected by law.

As at 31 December 2013, women made up 29% and men 71% of the Greenway's workforce.

Chicago Skyway and Indiana Toll Road

The Indiana Toll Road is active in supporting numerous causes, including support for persons with disabilities, underprivileged youth, health initiatives and more.

In 2013, ITR Concession Company made contributions in the form of monetary donations, E-Z Pass transponders or other requested items to a number of local organisations.

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

At 31 December 2013, women made up 62% of Chicago Skyway's workforce and 38% of Indiana Toll Road's workforce.

Warnow Tunnel

Warnow Tunnel continued its sponsorship of Rostock Food for People, an organisation that collects food nearing its expiry date and distributes it to people in need within the region during 2013.

Warnow Tunnel again partnered with the Rostock Marathon Night organising team, providing assistance in organising the event. Staff has also represented Warnow Tunnel on various committees and working groups aimed at strengthening the cultural and economic underpinnings of the region.

Warnow Tunnel offers various programmes to employees to promote and ensure workplace health and safety.

As at 31 December 2013, women made up over 50% of the full-time equivalent staff at Warnow Tunnel.

M6 Toll

The M6 Toll awarded a further five Student Scholarships in 2013, aimed at awarding students who consistently reflect excellence in character, and who have demonstrated their leadership skills by making a positive contribution to the local community.

The M6 Toll has also committed to supporting local primary schools, offering grants for specific projects that aid the development of their students, as well as providing free passage on the M6 Toll for local school minibuses.

The M6 Toll actively encourages good workplace health and safety practices through the provision of appropriate training and resources and has maintained its OHSAS 18001 certification through 2013.

The M6 Toll is committed to diversity and equality in its operations. The M6 Toll's diversity, recruitment and selection, and training and development policies ensure that applicants and employees are treated in a fair and consistent manner.

Women currently make up 43% of the M6 Toll's workforce.

Corporate governance statement

Legal framework and management arrangements

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

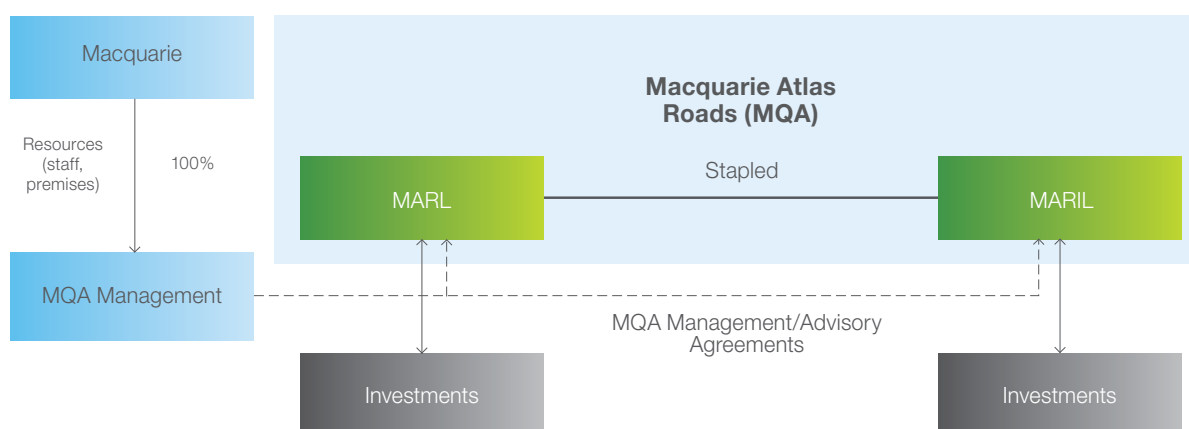
MQA comprises Macquarie Atlas Roads Limited (ACN 141 075 201) (MARL), an Australian public company, and Macquarie Atlas Roads International Limited (Registration No. 43828) (MARIL), an exempted mutual fund company incorporated in Bermuda. MQA is listed as a stapled structure on the Australian Securities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

Management and advisory agreements (MQA Management Agreements) with Macquarie Fund Advisers Pty Limited (ABN 84 127 735 960) (AFS Licence Number 318123) (the MQA Manager) were entered into by MARL and MARIL respectively at the time of establishment.

MARL and MARIL have also entered into a cooperation deed which provides for sharing of information, adoption of consistent accounting policies and coordination of reporting to security holders (MQA Cooperation Deed).

Macquarie's expertise in managing funds and their businesses and sourcing new value-adding opportunities is a key attraction for investors in its managed vehicles, as well as the expertise of appropriately qualified external directors.

Macquarie Atlas Roads Structure



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

¹ Holds a 6.7% shareholding.

² Holds a ~43.3% economic interest through subordinated loans.

Corporate governance statement

CONTINUED

External management delivers to investors a global team dedicated to sourcing, analysing and executing investment opportunities, and business management specialists who can drive improved performance across the businesses globally.

In the case of MQA, the primary focus currently is to deliver growth in the value of the existing MQA assets. Priorities include active management of project operations to improve earnings, efficient capital management and the refinancing of project debt as suitable opportunities emerge over the medium term.

MARL and MARIL have no employed staff at the stapled company level. The MQA Management Agreements are non-discretionary and substantially similar in their terms. They require the MQA Manager to assist with the general administration of the companies, to provide active management of the MQA assets and to make investment and divestment recommendations.

Key decision making is reserved to the MARL Board and the MARIL Board (together the MQA Boards). The MQA Boards have no obligation to act on the recommendations of the MQA Manager and can appoint other advisers if they wish.

The MQA Manager has sub-advisory agreements with appropriately licensed or registered Macquarie Group companies in various non-Australian jurisdictions to assist with its management and advisory functions at no additional cost to MQA. All staff are supplied to these Macquarie management and advisory entities via resourcing arrangements with the Macquarie employing entity in the relevant jurisdiction.

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

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

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

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

References to 'Macquarie' throughout this statement are references to Macquarie Group Limited (MGL) and its affiliates.

MQA's approach to corporate governance

The MQA Boards are committed to MQA's achievement of superior financial performance and long-term prosperity, while meeting stakeholders' expectations of sound corporate governance practices. This corporate governance statement has been approved by the MQA Boards and outlines MQA's main corporate governance practices for the year ended 31 December 2013 and up to the date of issue of this 2013 Annual Report.

The MQA Boards determine the corporate governance arrangements for MQA. As with all its business activities, MQA is proactive in respect of corporate governance and puts in place those arrangements it considers are in the best interests of MQA and its investors, and consistent with its responsibilities to other stakeholders. It actively reviews Australian and international developments in corporate governance.

In particular, the MQA Boards have determined that MQA will be managed and operated consistently with the ASX Corporate Governance Principles and Recommendations as well as Macquarie's corporate governance framework for its managed funds, the principles of which can be viewed on the Macquarie website (www.macquarie.com.au).

ASX Corporate Governance Principles

The ASX Corporate Governance Council (the Council) has issued Corporate Governance Principles and Recommendations (the ASX Principles) that are designed to maximise corporate performance and accountability in the interests of shareholders and the broader economy. The ASX Principles encompass matters such as board composition, committees and compliance procedures.

The ASX Principles (being those under ASX's 2nd edition of Corporate Governance Principles and Recommendations dated August 2007, with 2010 amendments) can be viewed at www.asx.com.au. The ASX Principles are not prescriptive; however listed entities (including MQA) are required to disclose the extent of their compliance with the ASX Principles, and to explain why they have not adopted one of the ASX Principles if they consider it inappropriate in their particular circumstances.

MQA's corporate governance policies conform to the ASX Principles, taking into account MQA being an externally managed vehicle. We have noted any relevant implications in our reporting.

There is also a compliance checklist at the end of this statement which, for each recommendation under the ASX Principles, notes where the detail may be found within this statement and MQA's compliance status in respect of the recommendation.

Principle 1 Lay solid foundations for management and oversight

Responsibility for corporate governance and the internal workings of MARL and MARIL rests with their respective Boards. Each company has adopted a formal charter of directors' functions and matters to be delegated to management, having regard to the recommendations in the ASX Principles.

An outline of the MQA Boards' responsibilities as set out in each company's charter is set out below:

- Setting objectives, goals and strategic direction for management, with a view to maximising investor wealth
- Determining and monitoring the implementation of MQA's investment policy

- Approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestments
- Adopting an annual budget and monitoring financial performance
- Approving the appointment of the CEO and CFO in accordance with the MQA Management Agreements
- Participating in the review of the performance of the CEO and CFO or their equivalents and, where appropriate, replacing those officers
- Appointing and removing the company secretary in accordance with the MQA Management Agreements
- Monitoring the MQA Manager's performance, implementation of strategy, and resources
- Reviewing, ratifying and monitoring systems of risk management, compliance and codes of conduct
- Approving and monitoring financial and other reporting
- Setting appropriate business standards and codes for ethical behaviour and monitoring compliance with them.

In addition to the matters outlined above, the MQA Boards make all decisions in respect of investments and divestments, any further funding or security required for existing investments, managed vehicle level capital management and restructuring, significant related party transactions (in accordance with the MQA related party protocol), approval of financial accounts, auditors, budgets for the managed vehicle and controlled assets, distributions, annual reports and any significant changes to policies or debt facilities.

The CEO and CFO have delegated authority (through the external management arrangements and directorships on asset boards) to make decisions in respect of managed vehicle level day-to-day administration up to certain delegated levels and day-to-day matters for asset administration including appointment of advisers, approvals of asset business plans, budgets for non-controlled assets, capital expenditure, refinancings, hedging and valuations.

Corporate governance statement

CONTINUED

Full Board meetings are held at least every two months for both MARL and MARIL, and other meetings are called as required. Directors are provided with Board reports in advance of Board meetings, which contain sufficient information to enable informed discussion of all agenda items.

Each new director of MARL and MARIL is provided with a letter of appointment that details the key terms of his or her appointment, which include all of the recommended matters in the ASX Principles.

The CEO and CFO, being MQA's senior executives, have formalised job descriptions and, as Macquarie employees, letters of appointment.

To ensure that the MQA senior executives properly perform their duties, the following procedures are in place:

- The CEO and CFO are Macquarie employees seconded to MARL and MARIL as required. Their performance is assessed by Macquarie each year as part of Macquarie's formal employee performance evaluation process. Employees are assessed against set behavioural and technical competencies. The MQA Boards annually review the performance of the CEO and CFO
- Reviewing the performance of the MQA Manager against its contractual obligations by the MARL and MARIL independent directors, with external assistance if required
- A formal induction program to allow senior executives to participate fully and actively in management decision making
- Access to continuing education to update and enhance their skills and knowledge.

The above procedures were carried out for the 2013 financial year.

What you can find on our website:

- A summary of each of the MARL and MARIL Board charters.

Principle 2

Structure the Board to add value

1. Composition

MARL

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

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

David Walsh

(Independent Chairman)

Director since establishment on 16 December 2009

Richard England

(Independent Director)

Director from 1 June 2010

Marc de Cure

(Independent Director)

Director from 3 August 2011

John Roberts

(Non-Executive Director)

Director since restructure implementation on 2 February 2010

What you can find on our website:

- MARL director profiles.

MARIL

The MARIL Board comprises four directors, each with broad industry experience. Until February 2013 three members were independent directors and there was one non-independent, non-executive director. The non-independent, non-executive director retired in February 2013 and was replaced with an independent director taking the board composition to four independent directors. It is a requirement of the MARIL Bye-Laws that no more than two directors must be resident in the same jurisdiction (other than Bermuda), and no person may be appointed as a director if it would cause a majority of the MARIL Board to be resident for tax purposes in a single jurisdiction other than Bermuda. The MARIL Board composition is in compliance with the ASX Principles and all the directors of MARIL will stand for re-election on a three-year rotational basis as required by the Listing Rules.

The MARIL Board of directors is comprised as follows (refer page 115 of this report for director profiles):

Jeffrey Conyers

(Independent Chairman)

Bermuda-based – director since establishment on 16 December 2009

Derek Stapley

(Independent Director)

Bermuda-based – director from 1 June 2010

James Keyes

(Independent Director)

Bermuda-based – director from 21 February 2013

David Walsh

(Independent Director)

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

What you can find on our website:

- MARIL director profiles.

2. Appointment to the Boards

The following Board composition and membership criteria have been adopted by each of the MQA Boards:

- The Board is to comprise at least three directors, but not more than five directors
- Directors nominated by the Nominations Committee for election require Board approval
- A majority of the directors must be independent as defined below
- The Board is to comprise directors with an appropriate range of qualifications and expertise
- The chairman of the Board will be appointed by the MARL or MARIL Board as the case may be and must be independent as defined below
- In the case of the MARL Board a majority of directors must be resident in Australia
- In the case of the MARIL Board, no more than two directors must be resident in the same jurisdiction (other than Bermuda), and no person may be appointed as a director if it would cause a majority of the MARIL Board to be resident for tax purposes in a single jurisdiction other than Bermuda
- To ensure that the Board has the benefit of regular new input and to avoid the potential for loss of objectivity over time, independent directors will retire after 12 years.

The following guidelines apply to director selection and nomination by the Board:

- Integrity
- Particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members
- Reputation and standing in the market
- In the case of independent directors, actual (and perceived) independence from Macquarie.

Corporate governance statement

CONTINUED

Nominations Committee

The MARL and MARIL Boards have each constituted a Nominations Committee with a similar composition to the respective Audit and Risk Committees i.e. Richard England (Chairman), David Walsh and Marc de Cure for MARL and Derek Stapley (Chairman), Jeffrey Conyers and David Walsh for MARIL, in accordance with the ASX Principles.

The relevant Nominations Committee in conjunction with the relevant Board conducts an appropriate review of Board candidates to ascertain that they meet director selection criteria before they are put forward for election.

What you can find on our website:

- Each of the MARL and MARIL Nominations Committee charters.

Independence

In determining the status of a director, MQA has adopted standards of independence that are similar to but not the same as the ASX Principles. These are incorporated in the MARL and MARIL Board charters. The full details of MQA's independence criteria are as follows:

An independent director is a director who is not a member of management (a non-executive director) and who (to the satisfaction of the relevant MQA Board) meets the following criteria:

- Is not a substantial shareholder of MGL or MQA or a company holding more than 5% of the voting securities of MGL or MQA
- Is not an officer or otherwise associated directly with a shareholder holding more than 5% of the voting securities of MGL or MQA
- Has not, within the last three years, been:
 - Employed in an executive capacity by MQA or any Macquarie-managed vehicle or Macquarie entity; or
 - A director of any such entity after ceasing to hold any such employment

- Is not and has not within the last three years been a principal or employee of a material professional adviser to MQA, Macquarie or other Macquarie-managed vehicles. A director who is or within the last three years has been a principal or employee of a professional adviser will not participate in any consideration of the possible appointment of the professional adviser and will not participate in the provision of any service to MQA, Macquarie or another Macquarie-managed vehicle
- Is not a material supplier or customer of MQA, Macquarie or other Macquarie-managed vehicles, or an officer of or otherwise associated directly or indirectly with a material supplier or customer
- Has no material contractual relationship with Macquarie other than as a director of a responsible entity and/or managed vehicle head board
- Is not a director of more than two Macquarie-related responsible entities or other Macquarie-managed vehicle head boards
- Has no other interest or relationship that could interfere with the director's ability to act in the best interests of the Macquarie-managed vehicle and independently of management of Macquarie and MQA.

The Boards believe that independence is evidenced by an ability to constructively challenge and independently contribute to the work of the Boards. Accordingly, the above criteria are satisfied if any interest or relationship does not materially interfere with the exercise of a director's independent judgment. Materiality is assessed having regard to each individual director's circumstances, the circumstances of the supplier, customer or adviser and any other significant relationships with Macquarie or its subsidiaries.

The main areas of difference from the independence criteria set out in the ASX Principles are:

- The independence criteria are designed to ensure that directors are not only independent from MQA but also independent from Macquarie and its other managed vehicles. Accordingly, the independence criteria must be satisfied in respect of relationships with each of MQA, Macquarie and other Macquarie-managed vehicles

- The MQA Boards have a general discretion to determine that the criteria are satisfied if they form the view that any interest or relationship a director may have does not materially interfere with or otherwise disqualify the exercise of the director's independent judgment.

The ability of independent directors to serve on up to two separate Macquarie-managed vehicle boards is considered appropriate because the time commitment and level of remuneration for these roles is not so significant as to compromise independence.

If any independent director serves on two Macquarie-managed vehicle boards or has been determined by the MQA Boards as independent despite not satisfying all of the criteria, they will be noted as such in their descriptions in any MQA public disclosures. Reasons will be provided for any independence determination in this statement.

Each year independent directors are required to provide MQA with written confirmation of their independence status and they have each undertaken to inform MQA if they cease to satisfy the MQA independence criteria at any time. The MARL company secretary also monitors compliance with the MQA independence criteria and seeks information from the independent directors in this regard, if necessary, and reports to the MQA Boards.

3. Chairman

MARL has an independent chairman, David Walsh, in compliance with the ASX Principles and the MARL Board Charter.

MARIL has an independent chairman, Jeffrey Conyers, in compliance with the ASX Principles and the MARIL Board Charter.

In both cases, the chairman does not exercise the role of CEO. That role is performed by Peter Trent, who was appointed as CEO on establishment of MQA.

The MQA Boards' Charters provide that all independent directors will meet at least once per year in the absence of management and at other times as they determine. The convener of the meetings will be the independent chairman or lead independent director in the absence of the independent chairman.

4. Independent professional advice

The directors of MARL and MARIL are entitled to obtain independent professional advice at the cost of the relevant company, subject to the estimated costs being first approved by the chairman as reasonable.

5. Board performance

To ensure that the directors of MARL and MARIL are properly performing their duties, the following procedures have been put in place:

- A formal annual performance self-assessment of the Board, the Audit and Risk Committees and individual directors
- A formal induction programme for directors
- Access by directors to continuing education to update and enhance their skills and knowledge.

The procedure for evaluation of the Boards' performance is:

- Directors are given the opportunity to discuss individual performance and provide feedback on performance with the chairman and to discuss the effectiveness of the Board and Board committees as a whole
- The Board as a whole discusses and analyses Board and committee performance during the year, including suggestions for change or improvement, based on the chairman's feedback from meetings with the non-executive and independent directors.

The above evaluation process was carried out by MQA in the 2013 financial year.

Corporate governance statement

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Principle 3 **Promote ethical and responsible decision making**

1. Managing conflicts

MQA has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that the MQA Manager is part of Macquarie and that MQA may transact from time to time or share staff or information with other Macquarie companies or managed vehicles. In particular there is a comprehensive related party protocol. All transactions with or services to be provided by Macquarie entities or managed vehicles must be on arm's length terms and approved by MQA independent directors only. Fees paid to Macquarie for services are disclosed in MQA financial statements.

2. Ethical conduct

MQA's code of conduct covers MQA's dealing with external parties and how it operates internally. The code applies to MQA directors and Macquarie employees who work for MQA. It sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour. The code includes whistleblower, anti-corruption and dealing with governments and anti-money laundering policies.

3. Staff and director trading

A policy on securities dealings is in place under which directors and staff involved in the management of MQA are restricted in their ability to deal in MQA stapled securities. Security trading by MQA directors, officers and staff is permitted during four-week special trading windows following the release of MQA's half-yearly and yearly financial results, and following the annual general meeting or lodgement with ASIC and ASX of a disclosure document for a capital raising or a cleansing statement for a rights issue.

If the trading window is not opened as scheduled for any reason, a special four-week trading window may be permitted at a later date.

The policy also covers trading by the MQA Manager and its associates of MQA securities issued in connection with base fees and performance fees. These are usually traded during trading windows.

4. Environmental and social responsibility

MQA's approach to environmental and social responsibility management is set out in a formal environmental and social responsibility management policy. In general, the regulatory/governing framework and minimum standards under which MQA's assets operate are set out by local laws and regulations and so are not controlled by MQA or its businesses. It is MQA's policy to confirm compliance by assets with such minimal standards and, in addition, to assess the environmental risk management framework against accepted good practice (e.g. International Organization for Standardization) and make recommendations for improvements where necessary.

5. Diversity

MQA respects and values diversity in its Boards and workforce at all levels as reflected in its diversity policy.

Macquarie makes management staff available to MQA under formal resourcing arrangements. MQA seeks to influence diversity in the MQA group based on the principles outlined in its diversity policy:

- At the Board level through the appointment of women as part of the Board renewal process
- At MQA management level through consultation with Macquarie. Macquarie has its own diversity policy in place which is based on similar principles to those of MQA's diversity policy
- At the businesses in which MQA invests, through MQA appointed portfolio company directors supporting the implementation of appropriate diversity policies in these businesses.

An annual review of diversity and the associated reporting is overseen by the MQA Nominations Committees. This monitors MQA's progress in influencing diversity at the Board level, in its management team and in the workforces of its businesses.

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

- The number of women that over time are appointed to the MQA Boards as part of the Board renewal process
- Continued strong representation of women in senior management roles within MQA

- Relative numbers of women in senior management roles at MQA's controlled operating businesses over time.

Currently there are no women on the MQA Boards. On the formal MQA senior management team comprising the CEO, CFO and MARL and MARIL company secretaries, three of the four officers are women (being the CFO, and the two company secretaries). Overall there are approximately 52% (2012: 48%) women in the MQA management team, and women occupy 29% (2012: 22%) of senior management positions.

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

What you can find on our website:

- The MQA code of conduct
- The MQA securities (windows) trading policy
- MQA's environmental and social responsibility management policy
- The MQA diversity policy
- Summary of Management Arrangements – details of related party protocol.

Principle 4 **Safeguard integrity in financial reporting**

1. Audit and Risk Committees

Each of MARL and MARIL has appointed an Audit and Risk Committee.

MARL

The Audit and Risk Committee, which complies with the requirements of the ASX Principles, is comprised as follows:

Richard England,
Chairman, Independent

David Walsh
Independent

Marc de Cure
Independent

MARIL

The Audit and Risk Committee, which complies with the requirements of the ASX Principles, is comprised as follows:

Derek Stapley,
Chairman, Independent

Jeffrey Conyers
Independent

David Walsh
Independent

The qualifications of the members of both Audit and Risk Committees can be found on our website.

2. Audit and Risk Committee charters

In establishing its Audit and Risk Committee, each of MARL and MARIL has established a charter under which the committee is to operate. The charter is materially the same for both companies. The responsibilities of the Audit and Risk Committee under each charter in relation to financial reporting are to:

- Monitor the quality and reliability of the financial information prepared by the MQA Manager for approval by the MQA Boards
- Review and report to the Board on the financial statements and related notes, and on the external auditor's audit of the financial statements and its accompanying report
- Recommend to the Board the appointment and removal of the external auditor, review the terms of its engagement including arrangements for the rotation of external audit partners, and the scope and quality of the audit
- Monitor auditor independence.

The Audit and Risk Committees meet with the external auditor at least twice a year and more frequently if required.

Details of the risk monitoring duties of the Audit and Risk Committees are set out in the Principle 7 commentary below.

Corporate governance statement

CONTINUED

3. Auditor independence

The Audit and Risk Committees have adopted a policy that includes the following to ensure the independence of the external auditor:

- The external auditor must remain independent from Macquarie and MQA at all times and must comply with APES 110: Code of Ethics for Professional Accountants pertaining to financial independence, and business and employment relationships
- The external auditor must monitor its independence and report to the Board every six months that it has remained independent
- Significant permissible non-audit assignments awarded to the external auditor must be approved in advance by the Audit and Risk Committees (or the chairman between meetings)
- All non-audit assignments are to be reported to the Audit and Risk Committees every six months
- The MQA audit engagement partner and review partner must be rotated every five years.

MQA's current auditor is PricewaterhouseCoopers (PwC). PwC is also auditor for Macquarie.

The auditor is required to be independent from MQA and Macquarie. PwC meets this requirement.

The auditor will attend MQA's annual general meetings and be available to answer security holder questions on the conduct of the audit, and the preparation and content of the auditor's report.

What you can find on our website:

- The Audit and Risk Committee charters for MARL and MARIL
- Details of the procedure for selection and appointment of the external auditor and for rotation of external audit engagement partners.

Principle 5

Make timely and balanced disclosure

It is MQA's policy to provide timely, open and accurate information to all stakeholders, including investors, regulators and the wider investment community. Under the terms of the Cooperation Deed, MARL and MARIL are obliged to exchange relevant information and coordinate ASX releases and financial reporting.

MQA has an external communications policy that includes policies and procedures in relation to disclosure and compliance with the disclosure requirements in the ASX Listing Rules.

The procedures include dealing with potentially price-sensitive information, which includes referral to the CEO, CFO and company secretary/general counsel and sometimes the MQA Boards for a determination as to disclosure required. The ASX liaison person is the MARL company secretary.

What you can find on our website:

- External communications policy summary.

Principle 6

Respect the rights of shareholders

MQA has developed an external communications policy. The cornerstone of this policy is the delivery of timely and relevant information as described below.

Investors are provided with an annual report and financial statements, either by accessing MQA's website, or in hard copy if specifically requested, which keep them informed of MQA's performance and operations. Investors are notified in writing when this material becomes available and are provided with details of how to access it.

MQA's policy is to lodge market-sensitive information with the ASX and place it on its website, including annual and interim result announcements and analyst presentations, as soon as practically possible. MQA's website (www.macquarie.com/mqa) contains recent announcements, presentations, past and current reports to security holders, answers to frequently asked questions and historical key financial data. Investors may also register here to receive email copies of MQA's significant ASX announcements.

Domestic and international roadshows are held regularly for institutional investors. Where they contain new information, analyst and roadshow presentations are released to the ASX and included on the MQA website.

MQA has produced an analyst package which is updated periodically. This comprehensive guide aims to provide transparency of MQA's investments and structure. The analyst package is released to the ASX and consists of detailed business descriptions, corresponding financial variables and financial modelling tools.

Each of MARL and MARIL is required to hold an annual general meeting (AGM). These will usually be held by May each year, with the 2014 AGMs to be held in April 2014. Presentations by the Chairmen and the CEO at the AGMs will be webcast.

For formal meetings, an explanatory memorandum on the resolutions is included with the notice of meeting. Unless specifically stated in the notice of meeting, all holders of fully paid securities are eligible to vote on all resolutions. In the event that security holders cannot attend formal meetings, they are able to lodge a proxy in accordance with the Corporations Act or Bermudan Companies Act, as applicable. Proxy forms can be mailed or lodged by facsimile.

What you can find on our website:

- External communications policy summary
- MQA's annual reports and other financial and management reports.

Principle 7 **Recognise and manage risk**

Both MARL and MARIL have formalised risk management policies. Compliance with these policies is monitored by their respective Audit and Risk Committees.

Risks are managed through the risk management framework in place and include:

- Investment risks
- Regulatory and reporting risks
- Financial risks (such as liquidity, interest rate, currency, investment, credit)
- Legal risks (such as contract enforceability, covenants, litigation)

- Compliance risks
- Operational risks (such as people, processes, infrastructure, technology, systems, outsourcing and geographic coverage)
- Environmental and social risks
- Occupational health and safety risks
- Project risks
- Business performance risks
- Reputation risks
- Strategic risks.

As part of its risk monitoring duties, each Audit and Risk Committee is required to:

- I. Enquire of the MQA Manager and the external auditor about significant risks or exposures and assess the steps the MQA Manager has taken to minimise such risk to the companies, as applicable;
- II. Consider and review with the external auditor:
 - a. The adequacy of the internal controls for each company, including computerised information system controls and security;
 - b. Any related significant findings and recommendations of the external auditor on the matter of internal controls together with management's responses thereto;
- III. Monitor and review (at least annually) the effectiveness of each company's operational risk management framework and compliance with key risk management policies; and
- IV. Ensure that matters identified by internal audits are appropriately addressed and acted upon.

The MQA Manager, as part of Macquarie, is subject to periodic review conducted by Macquarie's internal audit division.

Each of MQA's businesses maintains its own risk management framework and supporting infrastructure to manage its own risk. MQA's ability to control or influence this framework and infrastructure differs based on MQA's level of ownership and control. It is MQA's policy to confirm that each business has an appropriate risk management framework in place to assist the business to effectively manage its risks.

Corporate governance statement

CONTINUED

The MQA Manager must report at least half yearly to the Audit and Risk Committees as to the effectiveness of MQA's management of its material risks. In addition, the CEO and CFO must provide assurance to MARL that their declaration under s295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks.

What you can find on our website:

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

Principle 8 Remunerate fairly and responsibly

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

1. MQA Manager fees

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

These fees are calculated in accordance with a defined formula under the management and advisory agreements. The fee arrangements were fully disclosed to investors on fund inception and were

voted on and approved by security holders at the time as part of the MIG restructure proposal. They will continue to be disclosed on the MQA website and in annual reports. The structure and level of the fee arrangements are consistent with those paid in the market in respect of similar externally managed vehicles and are not subject to review.

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

2. Reimbursement of responsible entity and adviser expenses

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

3. Staff remuneration

The MQA Manager makes available employees, including senior executives, to discharge their obligations to the relevant MQA entity. These staff are employed by entities in Macquarie and made available through resourcing arrangements with the MQA Manager or the Macquarie entities who are sub-advisers to the MQA Manager. Their remuneration is not an MQA expense. It is paid by Macquarie. Instead, MQA pays management fees to Macquarie for providing management and advisory services. These fees are MQA expenses and will be disclosed in the remuneration report. Neither MARL nor MARIL have employees at the parent level and rely on the MQA management staff under the management and advisory agreement arrangements to implement operational decisions and carry out administrative functions.

MQA holds its toll road businesses through interests in special purpose project vehicles. Most of these vehicles have their own internal management paid for at the business level. Where MQA Manager staff are required to serve as directors on the boards of these vehicles, or are seconded to them from time to time, any fees paid in respect of these arrangements are paid to MQA.

4. Director remuneration

MQA independent and non-executive director fees are paid by the relevant company. No director fees are paid to John Roberts, the director originally nominated by Macquarie.

None of the MQA directors is entitled to MQA options or securities or to retirement benefits as part of their remuneration package.

5. Remuneration Committee

The MARL and MARIL Boards have each constituted a Remuneration Committee with a similar composition to the respective Audit and Risk Committees, i.e. Richard England (Chairman), David Walsh and Marc de Cure for MARL and

Derek Stapley (Chairman), Jeffrey Conyers and David Walsh for MARIL. The MARL and MARIL Remuneration Committees have each adopted a formal Remuneration Committee Charter in accordance with the requirements of ASX Listing Rule 12.8 and for the purpose of discharging the responsibilities of the Boards relating to the compensation of MQA's key management personnel (as defined in Accounting Standard AASB 124 Related Party Disclosures). In particular the Remuneration Committees have overall responsibility for recommending the remuneration, if any, of the MQA directors in their role as a director and chairman or member of any committee or subcommittee of the Board, as the case may be.

What you can find on our website:

- Each of the MARL and MARIL Remuneration Committee Charters
- The MQA remuneration report.

Corporate governance statement

CONTINUED

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

ASX Principle		2013 Annual Report page reference	Follows ASX recommendation
Principle 1: Lay solid foundations for management and oversight			
1.1	Establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	23	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	24	Yes
1.3	Provide the information indicated in the Guide to reporting on Principle 1.	23-24	Yes
Principle 2: Structure the Board to add value			
2.1	A majority of the Board should be independent directors.	24-25	Yes
2.2	The chair should be an independent director.	27	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	27	Yes
2.4	The Board should establish a nomination committee.	26	Yes
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	27	Yes
2.6	Provide the information indicated in the Guide to reporting in Principle 2.	24-27	Yes
Principle 3: Promote ethical and responsible decision-making			
3.1	Establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> • The practices necessary to maintain confidence in the company's integrity • The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • The responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	28	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	28-29	Yes
3.3	Disclose the measurable objectives for achieving gender diversity.	28-29	Yes
3.4	Disclose the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	29	Yes
3.5	Provide the information indicated in the Guide to reporting on Principle 3.	28-29	Yes
Principle 4: Safeguard integrity in financial reporting			
4.1	The Board should establish an audit committee.	29	Yes
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> • Consists of only non-executive directors • Consists of a majority of independent directors • Is chaired by an independent chair, who is not chair of the Board • Has at least three members. 	29	Yes
4.3	The audit committee should have a formal charter.	29-30	Yes
4.4	Provide the information indicated in the Guide to reporting on Principle 4.	29-30	Yes

ASX Principle		2013 Annual Report page reference	Follows ASX recommendation
Principle 5: Make timely and balanced disclosure			
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	30	Yes
5.2	Provide the information indicated in the Guide to reporting on Principle 5.	30	Yes
Principle 6: Respect the rights of shareholders			
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	30-31	Yes
6.2	Provide the information indicated in the Guide to reporting on Principle 6.	30-31	Yes
Principle 7: Recognise and manage risk			
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of these policies.	31-32	Yes
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	31-32	Yes
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	32	Yes
7.4	Provide the information indicated in the Guide to reporting on Principle 7.	31-32	Yes
Principle 8: Remunerate fairly and responsibly			
8.1	The Board should establish a remuneration committee.	33	Yes
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members. 	33	Yes
8.3	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	32-33	Yes
8.4	Provide the information indicated in the Guide to reporting on Principle 8.	32-33	Yes

Guide to MQA's financial report

MQA is a dual stapled security. The shares of MARIL and MARL are combined and trade as one stapled security on the ASX. Under Australian Accounting Standards, stapled groups must identify one of the stapled entities as the accounting parent. MARIL has been identified as the parent entity for the MQA group.

Deconsolidation of the M6 Toll

On 4 June 2013, MQA deconsolidated the M6 Toll group. Ongoing discussions with the M6 Toll lender group had progressed by that date to the point where a reassessment of the variable return to which MQA is exposed from its involvement with the M6 Toll group was necessary to be performed. This reassessment led to the conclusion that MQA was no longer expected to be exposed to significant variable returns from the asset and should therefore no longer consolidate the M6 Toll group.

Upon deconsolidation, MQA recorded an accounting gain of A\$1.8 billion which reflects the M6 Toll's net liability position being removed from MQA's consolidated balance sheet. This gain, together with all other M6 Toll items up to the point of deconsolidation is included within the "profit from deconsolidated operation" in the Statement of Comprehensive Income. MQA currently continues to legally own 100% of the ordinary equity in the M6 Toll and due to its power to participate in the financial and operating policy decisions, will account for its investment using the equity method. Refer to note 5 of the Financial Report for further details.

Result from continuing operations

After deconsolidation of the M6 Toll, MQA now only holds interests in non-controlled toll road assets, for which MQA applies equity accounting. Application of equity accounting for its associates results in MQA recognising its share of the results and net assets of those toll roads as a single line item in both the statement of comprehensive income and the statement of financial position.

Consequently, the continuing operations of MQA comprise solely:

- MQA's share of the results and net assets of its non-controlled toll road assets, primarily APRR and Dulles Greenway. These results are presented as a single line item in both the statement of comprehensive income (Share of net profit/(loss) of investments accounted for using the equity method) and the statement of financial position (Investments accounted for using the equity method)
- MQA fund level income, expenses, assets and liabilities.

Indebtedness

Each of the toll roads in which MQA has an interest is established as a separate legal entity in which MQA is simply a shareholder. The debt borrowed by these separate legal entities is limited-recourse debt, i.e. project finance, where the lenders only have recourse to the cash flows of that project other than, in the case of Warnow Tunnel, where MQA has provided limited support to the project in the form of guarantees totalling A\$1.8 million at 31 December 2013. Refer to note 29 of the Financial Report for further details.

MQA discloses the levels of debt at all its assets in the Management Information Report.

Supplementary information

MQA's Management Information Report provides information on the results of MQA's portfolio asset operations and other relevant information. The Management Information Report is available from the MQA website at <http://www.macquarie.com/mgl/com/mqa/investor-centre/investor-reports>.

The Management Information Report is prepared on a different basis to the MQA Financial Report, which is prepared in accordance with Australian Accounting Standards. The Management Information Report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and cash flows of MQA as in the Financial Report.

Macquarie Atlas Roads

Financial report

for the year ended
31 December 2013

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

Macquarie Atlas Roads Limited and its controlled entities

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Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the Financial Report of Macquarie Atlas Roads ("MQA" or "the Group") for the year ended 31 December 2013. *AASB 3 Business Combinations* and *AASB 10 Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its controlled entities and Macquarie Atlas Roads Limited ("MARL") and its controlled entities ("the MARL Group"), together comprising MQA.

The directors of MARL submit the following report for the MARL Group for the year ended 31 December 2013.

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

Directors

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

- Jeffrey Conyers (Chairman)
- David Walsh
- Derek Stapley
- James Keyes (appointed 21 February 2013)
- Peter Dyer (resigned 21 February 2013)

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

- David Walsh (Chairman)
- John Roberts
- Richard England
- Marc de Cure

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

Operating and Financial Review

Principal Activities

The principal activity of the Group and the MARL Group (together "the Groups") is the development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector. Other than as disclosed elsewhere in this report, there were no significant changes in the nature of the Groups' activities during the year.

Dividends

Dividends paid to members during the financial year were as follows:

	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Ordinary dividend of 2.4 cents (2012: nil) per stapled security paid on 19 April 2013*	11,485	-
Ordinary dividend of 3.3 cents (2012: nil) per stapled security paid on 4 October 2013*	16,079	-
	27,564	-

*Paid in full by MARIL.

Review and Results of Operations

On 4 June 2013, MQA deconsolidated the M6 Toll group. Ongoing discussions with the M6 Toll lender group progressed such that a reassessment of the variable return to which MQA is exposed from its involvement with the M6 Toll group was necessary to be performed as at that date, in accordance with *AASB 10 Consolidated Financial Statements*. This reassessment led to the conclusion that MQA was no longer expected to be exposed to significant variable returns from the asset and should therefore no longer consolidate the M6 Toll group. In December 2013 the debt refinancing was completed.

AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires the deconsolidation to be accounted for as a discontinued operation and consequently, MQA has combined the income and expense items of the M6 Toll group for the period of approximately 5 months up to the date of deconsolidation into one line item. Upon deconsolidation MQA recorded an accounting gain of \$1.8 billion which reflects the M6 Toll's net liability position being removed from MQA's consolidated balance sheet. The sum of these M6 Toll items is included within the "profit from deconsolidated operation" in the Statement of Comprehensive Income (refer to note 5). MQA currently continues to legally own 100% of the ordinary equity in the M6 Toll and due to its power to participate in the financial and operating policy decisions, will account for its investment using the equity method.

Operating and Financial Review (continued)

Review and Results of Operations (continued)

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

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Revenue from continuing operations	403	381	1,679	1,681
Profit/(loss) from continuing operations after income tax	41,926	(58,083)	4,085	(3,073)
Profit/(loss) from deconsolidated operation	1,381,543	(66,352)	-	-
Profit/(loss) for the year	1,423,469	(124,435)	4,085	(3,073)
Profit/(loss) attributable to:				
Equity holders of the parent – MARIL	1,419,384	(121,362)	-	-
Equity holders of other stapled entity – MARL (as non controlling interest/parent entity)	4,085	(3,073)	4,085	(3,073)
Stapled security holders	1,423,469	(124,435)	4,085	(3,073)
	Cents	Cents	Cents	Cents
Profit/(loss) from continuing operations per MQA stapled security	8.71	(12.32)	0.85	(0.65)
Profit/(loss) per MQA stapled security	295.80	(26.40)	0.85	(0.65)

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

MQA's revenue from continuing operations solely reflects interest income due to the fact that, after deconsolidation of the M6 Toll group, MQA no longer has any consolidated toll roads.

MQA's profit from continuing activities after tax for the year ended 31 December 2013 was \$41.9 million (2012: loss of \$58.1 million). The movement is primarily due to the share of net profits/(losses) of investments accounted for using the equity method increasing to a profit of \$64.5 million (2012: loss of \$40.6 million), comprising:

- Autoroutes Paris-Rhin-Rhône ("APRR") profit of \$72.8 million (2012: loss of \$26.0 million);
- Chicago Skyway profit of \$7.5 million (2012: \$nil); and
- Dulles Greenway loss of \$15.7 million (2012: loss of \$14.6 million).

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

Operating and Financial Review (continued)

Review and Results of Operations (continued)

The change in the share of net profits/(losses) of investments accounted for using the equity method is primarily due to:

- I. The inclusion of fair value gains on APRR interest rate swaps of \$33.9 million for the year ended 31 December 2013 compared to fair value losses of \$27.0 million during the year ended 31 December 2012. Derivative instruments are recorded at fair value which can result in significant volatility in a given period as market expectations of interest rates fluctuate;
- II. MQA's share of APRR profit before tax and fair value gains on interest rate swaps increased to \$60.8 million from \$14.5 million last year. This was driven by a decrease in the value of the Australian Dollar, increase in underlying APRR revenue, a reduction in Finance Costs and the fact that in the comparative period \$12.1 million of overlay amortisation was taken in relation to the old Eiffarie debt package. This was the remaining amortisation that was taken to the P&L on refinancing. No Eiffarie debt overlays were required for the 12 months to 31 December 2013; and
- III. Chicago Skyway was held at \$nil historically and there were equity accounted losses not brought to account. In 2013 profits of \$7.5 million have been recognised over and above the unrecognised losses of \$36.5 million, leaving a positive carrying value at 31 December 2013.

Significant Changes in State of Affairs

As mentioned above, in accordance with *AASB 10 Consolidated Financial Statements*, MQA deconsolidated the M6 Toll on 4 June 2013. Accordingly, approximately 5 months of M6 Toll income and expense items as well as a large gain on deconsolidation are included on one line in the Statement of Comprehensive Income. The large gain on deconsolidation reflects the net liability position of the M6 Toll being removed from MQA's consolidated balance sheet. MQA currently continues to legally own 100% of the ordinary equity in the M6 Toll and, due to its power to participate in the financial and operating policy decisions, will account for its investment using the equity method.

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

Likely Developments and Expected Results of Operations

There is no expectation that MQA will deviate from its stated principal activity of development and operation of toll roads, bridges and tunnels and investment in entities in the same industry sector. Comments on the expected outlook for MQA are included in the annual report within the letter from the Chairman and CEO.

Events Occurring after Balance Sheet Date

Since balance date, the directors of MARIL and MARL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2013.

Indemnification and Insurance of Officers and Auditors

During the year, MARL and MARIL paid premiums of \$118,902 each to insure the directors and officers of MARL and MARIL. The liabilities insured are legal and defence costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and officers of MARL and MARIL and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use by the directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to MARL or MARIL. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. So long as the directors and officers of MARL and MARIL act in accordance with the Constitutions and the law, the directors and officers remain indemnified out of the assets of the Groups against any losses incurred while acting on behalf of the Groups.

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

Environmental Regulation

The operations of the underlying assets in which the Groups invest are subject to environmental regulations particular to the countries in which they are located.

Rounding of Amounts in the Directors' Report and the Financial Reports

The Groups are of a kind referred to in Class Order 98/100 as amended by Class Order 04/667 and Class Order 05/641, issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the Directors' Report and Financial Reports. Amounts in the Directors' Report and Financial Reports have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Application of Class Order

The Directors' Reports and Financial Reports for MQA and the MARL Group have been presented in the one report, as permitted by ASIC Class Order 13/1050 as amended by Class Order 13/1644.

Additional Specific MARL Disclosures

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

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

Information on Directors

	Experience and Directorships	Special Responsibilities	Particulars of director's interests in MQA stapled securities as at	
			31 Dec 2013	31 Dec 2012
David Walsh LLB Independent Director	Experience: David Walsh is an experienced corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jaques from 1962 to 2004, and the senior partner from 1991. From 2005-2011 he was a senior legal consultant to Telstra. Other current listed company directorships: MARIL. Former listed company directorships in last 3 years: Templeton Global Growth Fund Limited, Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited) and PaperlinX Limited.	Chairman of Board	7,000*	7,000*
John Roberts LLB Non-Executive Director	Experience: John Roberts is a Consultant to Macquarie and Chairman of Macquarie Infrastructure and Real Assets (MIRA) (a division of the Macquarie Funds Group) which has approximately \$100 billion of assets under management. John was employed by the Macquarie Group for over 22 years, during which time he held various roles within the organisation, including Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds (now MIRA). Other current listed company directorships: Sydney Airport Limited and DUET group entities. Former listed company directorships in last 3 years: Macquarie International Infrastructure Fund Limited (SGX) and Macquarie Infrastructure Company (NYSE).	-	46,108*	46,108*
Richard England FCA MAICD Independent Director	Experience: Richard England, who is also the Chairman of the Audit and Risk, Nominations and Remuneration Committees of MARL, is a former partner of Ernst & Young (Australia) where he was national director of the Corporate Recovery and Insolvency practice. Other current listed company directorships: Ruralco Holdings Limited, Nanosonics Limited and Chandler Macleod Group Limited. Former listed company directorships in last 3 years: None	Chairman of Audit and Risk Committee, Remuneration Committee and Nominations Committee	40,000	40,000
Marc de Cure BCom (Hons) MWQ FCA Independent Director	Experience: Marc de Cure is a company director and advisor. His former executive roles Group Chief Financial Officer of American International Assurance Company Ltd in Hong Kong, Group Chief Financial Officer and General Manager Strategy and Development of AMP Limited, Executive Chair of GIO Australia Group and Executive Director of Henderson plc. He was a Principal Advisor to Bain & Company and a senior partner and practice leader at PricewaterhouseCoopers. Other Current listed company directorships: None Former listed company directorships in last 3 years: MARL (1 June 2010 to 1 November 2010).	-	-	-

*Acquired on demerger of Macquarie Infrastructure Group ("MIG").

MARL Company Secretary

The Company Secretary of MARL is Ms Christine Williams, a practising solicitor. Ms Christine Williams is an Executive Director of Macquarie Group Limited ("MGL").

Meetings of MARL Directors

The number of meetings of the MARL board of directors, Audit and Risk Committee, Nominations Committee and Remuneration Committee held during the year ended 31 December 2013, and the numbers of meetings attended by each director were:

MARL Director	Board		Audit and Risk Committee		Nominations and Remuneration Committees	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
David Walsh (Chairman)	8	8	4	4	2	2
John Roberts	8	8	N/A	N/A	N/A	N/A
Richard England	8	8	4	4	2	2
Marc de Cure	8	8	4	4	2	2

MARL Remuneration Report (audited)

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

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

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

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

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

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

Non-executive directors

The MARL constitution provides that directors (other than the managing or executive directors) are entitled to remuneration in aggregate not exceeding \$1,000,000 per annum. For the year ended 31 December 2013 independent directors were entitled to director's fees per the remuneration table on page 46.

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

Executives

MARL has no company executives.

Directors' Report

FOR THE YEAR ENDED 31 DECEMBER 2013

Details of remuneration (audited)

Remuneration of directors

	MARL Group Year ended 31 Dec 13 Director's fees \$	MARL Group Year ended 31 Dec 12 Director's fees \$
MARL Non-executive Directors		
David Walsh (Chairman)	185,000	185,000
Richard England	140,000	140,000
Marc de Cure	125,000	125,000
	450,000	450,000

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

Service agreements (audited)

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

Loans to directors and executives

There were no loans to directors and executives.

Share options granted to directors

No options over unissued ordinary securities of MQA exist nor were granted to directors at 31 December 2013.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 44.

MARL Non-Audit Services

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

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for non-audit services provided during the year are set out on page 47.

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

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

MARL Non-Audit Services (continued)

	MARL Group Year ended 31 Dec 13 \$	MARL Group Year ended 31 Dec 12 \$
Taxation services		
PricewaterhouseCoopers Australian firm	4,028	-
PricewaterhouseCoopers Overseas firm	-	70,869
Total remuneration for taxation services	4,028	70,869
Other services		
PricewaterhouseCoopers Australian firm	3,663	6,163
PricewaterhouseCoopers Overseas firm	1,149	-
Total remuneration for other services	4,812	6,163
Total	8,840	77,032

Auditor's Independence Declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001* for MARL is set out on page 48.

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



Jeffrey Conyers

Chairman
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
26 February 2014



Derek Stapley

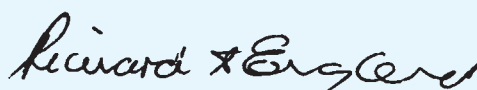
Director
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
26 February 2014

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



David Walsh

Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
27 February 2014



Richard England

Director
Macquarie Atlas Roads Limited
Sydney, Australia
27 February 2014



Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Atlas Roads Limited for the year ended 31 December 2013, I declare that to the best of my knowledge and belief there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

A handwritten signature in black ink that reads 'Craig Stafford'.

Craig Stafford

Partner
PricewaterhouseCoopers
Sydney
27 February 2014

PricewaterhouseCoopers, ABN 52 780 433 757

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

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

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Consolidated Statements of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Revenue from continuing operations					
Revenue from continuing operations		403	381	1,679	1,681
Total revenue from continuing operations	2(i)	403	381	1,679	1,681
Operating expenses from continuing operations					
Operating expenses		(23,042)	(17,746)	(2,961)	(2,742)
Total operating expenses from continuing operations	2(ii)	(23,042)	(17,746)	(2,961)	(2,742)
Share of net profits/(losses) of investments accounted for using the equity method	10	64,543	(40,644)	5,367	(1,951)
Profit/(loss) from continuing operations before income tax		41,904	(58,009)	4,085	(3,012)
Income tax benefit/(loss)	4	22	(74)	-	(61)
Profit/(loss) from continuing operations after income tax		41,926	(58,083)	4,085	(3,073)
Profit/(loss) from deconsolidated operation	5	1,381,543	(66,352)	-	-
Profit/(loss) for the year		1,423,469	(124,435)	4,085	(3,073)
Profit/(loss) attributable to:					
Equity holders of the parent entity – MARIL		1,419,384	(121,362)	-	-
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)		4,085	(3,073)	4,085	(3,073)
Stapled security holders		1,423,469	(124,435)	4,085	(3,073)
Other comprehensive income					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operations		(18,228)	(48,982)	220	(304)
Cash flow hedges, net of tax		461,767	(6,712)	-	-
Other comprehensive income for the year, net of tax		443,539	(55,694)	220	(304)
Total comprehensive income for the year		1,867,008	(180,129)	4,305	(3,377)
Total comprehensive income attributable to:					
Equity holders of the parent entity – MARIL		1,862,703	(176,752)	-	-
Equity holder of other stapled entity – MARL (as non-controlling interest/parent entity)		4,305	(3,377)	4,305	(3,377)
Stapled security holders		1,867,008	(180,129)	4,305	(3,377)
Profit/(loss) per share from continuing operations attributable to MARIL/MARL shareholders					
Basic profit/(loss) per share from continuing operations attributable to:		Cents	Cents	Cents	Cents
MARIL (as parent entity)	23	7.86	(11.67)	-	-
MARL (as non-controlling interest)	23	-	-	0.85	(0.65)
Profit/(loss) per share attributable to MARIL/MARL shareholders					
Basic profit/(loss) per share attributable to:		Cents	Cents	Cents	Cents
MARIL (as parent entity)	23	294.95	(25.75)	-	-
MARL (as non-controlling interest)	23	-	-	0.85	(0.65)

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

Consolidated Statements of Financial Position

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Current assets					
Cash and cash equivalents	7	19,492	56,002	15,738	2,102
Receivables	8	44	5,468	321	29,113
Prepayments	9	70	913	30	30
Total current assets		19,606	62,383	16,089	31,245
Non-current assets					
Receivables	8	-	-	15,201	1,514
Investments accounted for using the equity method	10	862,708	702,783	22,101	16,470
Property, plant and equipment	11	-	746,740	-	-
Tolling concessions	12	-	70,775	-	-
Total non-current assets		862,708	1,520,298	37,302	17,984
Total assets		882,314	1,582,681	53,391	49,229
Current liabilities					
Payables	15	(6,754)	(50,596)	(717)	(2,313)
Derivative financial instruments	16	-	(42,906)	-	-
Total current liabilities		(6,754)	(93,502)	(717)	(2,313)
Non-current liabilities					
Payables	15	-	(175,161)	-	-
Interest-bearing financial liabilities	17	-	(1,872,085)	-	-
Derivative financial instruments	16	-	(405,974)	-	-
Deferred tax liabilities	18	-	(16,545)	-	-
Total non-current liabilities		-	(2,469,765)	-	-
Total liabilities		(6,754)	(2,563,267)	(717)	(2,313)
Net assets/(liabilities)		875,560	(980,586)	52,674	46,916

	Note	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	19	1,369,408	1,354,159	-	-
Reserves	20	38,745	(1,964,553)	-	-
Accumulated losses	21	(585,267)	(417,108)	-	-
MARIL security holders' interest		822,886	(1,027,502)	-	-
Equity attributable to other stapled security holders – MARL					
Contributed equity	19	200,330	198,877	200,330	198,877
Reserves	20	(12,437)	(12,657)	(12,437)	(12,657)
Accumulated losses	21	(135,219)	(139,304)	(135,219)	(139,304)
Other stapled security holders' interest		52,674	46,916	52,674	46,916
Total equity		875,560	(980,586)	52,674	46,916

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

As required by the Bermuda regulations, the MQA financial information was approved by the Macquarie Atlas Roads International Limited (“MARIL”) board of directors on 26 February 2014 and was signed on MARIL’s behalf by:



Jeffrey Conyers
Chairman
Macquarie Atlas Roads International Limited
Hamilton, Bermuda



Derek Stapley
Director
Macquarie Atlas Roads International Limited
Hamilton, Bermuda

Consolidated Statements of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2013

MQA	Attributable to MARIL security holders			Total \$'000	Attributable to MARL security holders		Total equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000		\$'000	\$'000	
Total equity at 1 January 2013	1,354,159	(1,964,553)	(417,108)	(1,027,502)	46,916		(980,586)
Profit for the year	-	-	1,419,384	1,419,384	4,085		1,423,469
Exchange differences on translation of foreign operations	-	(18,448)	-	(18,448)	220		(18,228)
Cash flow hedges, net of tax*	-	461,767	-	461,767	-		461,767
Total comprehensive income	-	443,319	1,419,384	1,862,703	4,305		1,867,008
Transactions with equity holders in their capacity as equity holders:							
Application of performance fees to subscription for new securities	15,249	-	-	15,249	1,453		16,702
Transfer from other reserve to accumulated losses*	-	1,559,979	(1,559,979)	-	-		-
Dividends and distributions paid	-	-	(27,564)	(27,564)	-		(27,564)
	15,249	1,559,979	(1,587,543)	(12,315)	1,453		(10,862)
Total equity at 31 December 2013	1,369,408	38,745	(585,267)	822,886	52,674		875,560

*Refer to note 20 for further details.

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

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

MARL Group				
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Total equity at 1 January 2013	198,877	(12,657)	(139,304)	46,916
Profit for the year	-	-	4,085	4,085
Exchange differences on translation of foreign operations	-	220	-	220
Total comprehensive income	-	220	4,085	4,305
Transactions with equity holders in their capacity as equity holders:				
Issue of securities for performance fees to Manager	1,453	-	-	1,453
	1,453	-	-	1,453
Total equity at 31 December 2013	200,330	(12,437)	(135,219)	52,674

MARL Group				
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total equity \$'000
Total equity at 1 January 2012	196,781	(12,353)	(136,231)	48,197
Loss for the year	-	-	(3,073)	(3,073)
Exchange differences on translation of foreign operations	-	(304)	-	(304)
Total comprehensive income	-	(304)	(3,073)	(3,377)
Transactions with equity holders in their capacity as equity holders:				
Issue of securities for performance fees to Manager	2,096	-	-	2,096
	2,096	-	-	2,096
Total equity at 31 December 2012	198,877	(12,657)	(139,304)	46,916

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

Consolidated Statements of Cash Flows

FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Cash flows from operating activities					
Toll revenue received		45,438	106,336	-	-
Interest received		645	659	2,188	264
Net indirect taxes (paid)/received		(7,640)	(16,640)	213	197
Payments to suppliers and employees (inclusive of GST/VAT)		(13,363)	(17,477)	(1,798)	(1,557)
Manager's and Adviser's base fees paid		(18,087)	(14,280)	(1,720)	(1,639)
Reimbursement from Macquarie Autoroutes de France SAS		510	-	-	-
Operating lease rent paid		-	(16,982)	-	-
Income taxes refunded/(paid)		2,716	(19)	3,052	-
Other income received		685	3,658	-	-
Net cash flow from operating activities	24	10,904	45,255	1,935	(2,735)
Cash flows from investing activities					
Payment for purchase of investments (including transaction costs)		-	(73)	-	(73)
Return on preferred equity certificates		48,290	9,722	-	-
Proceeds from sale of property, plant and equipment		35	4	-	-
Payments for purchase of property, plant and equipment		(738)	(4,330)	-	-
Deconsolidated cash balance from M6 Toll entities		(70,311)	-	-	-
Net cash flow from investing activities		(22,724)	5,323	-	(73)
Cash flows from financing activities					
Dividends and distributions paid		(27,564)	-	-	-
Proceeds from bank borrowings		-	3,827	-	-
Repayment of external borrowings		-	(2,640)	-	-
Borrowing costs paid		(66)	(56,134)	-	-
Loans advanced to related parties		-	-	(7,900)	(6,285)
Repayment of loans from related parties		-	2,801	19,511	3,280
Net cash flow from financing activities		(27,630)	(52,146)	11,611	(3,005)
Net (decrease)/increase in cash and cash equivalents		(39,450)	(1,568)	13,546	(5,813)
Cash and cash equivalents at the beginning of the year		56,002	56,114	2,102	7,967
Effects of exchange rate movements on cash and cash equivalents		2,940	1,456	90	(52)
Cash and cash equivalents at the end of the year*	24	19,492	56,002	15,738	2,102
Non-cash financing and investing activities	24				

*Included in the cash and cash equivalents balance at the end of the year is cash not available for use of \$1.8 million (2012: \$37.1 million).

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of significant accounting policies

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

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

(a) Basis of preparation

This general purpose Financial Report for the reporting year ended 31 December 2013 has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* (where applicable). Both Macquarie Atlas Roads International Limited ("MARIL") and Macquarie Atlas Roads Limited ("MARL") are for-profit entities for the purpose of preparing the financial statements.

As permitted by ASIC Class Order 13/1050 as amended by Class Order 13/1644, this report consists of the consolidated financial statements of MARIL and the entities it controlled at the end of and during the year (collectively referred to as "MQA" or "the Group") and the consolidated financial statements of MARL and the entities it controlled at the end of and during the year (collectively referred to as "the MARL Group").

The Financial Report was authorised for issue by the directors of the MARIL and the MARL Boards on 26 February 2014 and 27 February 2014 respectively. The Boards have the power to amend and reissue the Financial Report.

Going concern and deficiency of net assets

The Financial Reports have been prepared on a going concern basis. At 31 December 2013, MQA had a net current asset position of \$12.9 million (31 December 2012: net current liability position of \$31.1 million). MQA forecasts indicate that MQA will be able to meet its liabilities as and when they become due and payable.

MQA is in a net asset position of \$875.6 million at 31 December 2013. At 31 December 2012, MQA had a deficiency of capital and reserves of \$980.6 million. This was primarily driven by the M6 Toll related balances; its non-recourse liabilities of \$2.5 billion exceeded the depreciated carrying value of its toll road related assets of \$0.8 billion. The debt was non-recourse so there were no going concern implications for MQA. At 31 December 2013, MQA no longer consolidates the M6 Toll, thus the M6 Toll related balances referred to above no longer form part of the MQA Consolidated Statement of Financial Position.

Compliance with International Financial Reporting Standards ("IFRS")

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

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities at fair value.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

Stapled security

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

Changes in accounting policies

The Groups changed one of their accounting policies as a result of new accounting standards which became effective for the reporting period commencing on 1 January 2013. The affected policy is the Principles of consolidation, this was changed for new standards *AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements*. For further information refer to Note 1 (c).

The Groups' Performance Fee policy was changed such that performance fee instalments that are still subject to future performance are now accounted for in accordance with *AASB 137 Provisions, Contingent Liabilities and Contingent Assets*. Also, performance fee liabilities that are no longer subject to future performance are now recognised at amortised cost rather than fair value after initial recognition. The impact of the change is immaterial in the current period but it will provide users of the Financial Report with more relevant and reliable information given that the future instalments are subject to performance criteria which creates uncertainty and the revised treatment will better reflect the amount that will ultimately be paid. For further information refer to Note 1 (k).

Other new standards which are applicable for the first time are *AASB 12 Disclosure of Interest in Other Entities, AASB 13 Fair Value Measurement and AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*. These standards have introduced new disclosures for the financial statements but did not materially

affect the Groups' accounting policies or any of the amounts recognised in the financial statements.

Comparative figures

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

Business combinations under common control

Business combinations under common control have been accounted for in the consolidated accounts prospectively from the date the Groups obtain the ownership interest. The transfer of MQA Investments Limited (formerly MIG Investments Limited) and its subsidiaries, which included Midland Expressway Limited ("MEL") (the concessionaire for the M6 Toll), was treated as a common controlled transaction on acquisition by MARIL prior to the demerger from Macquarie Infrastructure Group ("MIG"). The difference between the fair value of the consideration paid by MARIL and the amounts at which the assets and liabilities are recorded in the consolidated MQA financial statements, being at historical cost, was recognised directly in equity in the other reserve. In order to simplify the disclosures, this other reserve has been transferred to accumulated losses in 2013.

(b) Consolidated accounts and stapling arrangements

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

The financial statements of MQA should be read in conjunction with the separate consolidated financial statements of the MARL Group presented in this report for the year ended 31 December 2013.

1 Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation

AASB 10 was issued in August 2011 and replaces the guidance on control and consolidation in *AASB 127 Consolidated and Separate Financial Statements and in Interpretation 112 Consolidation - Special Purpose Entities*. Under the new principles, the Groups control an entity when the Groups are exposed to, or have the right to, variable returns from involvement with the entity and have the ability to affect those returns through power over the entity.

The Groups have reviewed their investments to assess whether the consolidation conclusion in relation to these entities is different under AASB 10. No differences were found and therefore no adjustments to any of the carrying amounts in the financial statements are required as result of the adoption of AASB 10.

The consolidated financial statements of MQA incorporate the assets and liabilities of the entities controlled by MARIL for the year ended 31 December 2013, including those deemed to be controlled by MARIL by identifying it as the parent of MQA, and the results of those controlled entities for the year then ended. The consolidated financial statements of the MARL Group incorporate the assets and liabilities of the entities controlled by MARL for the year ended 31 December 2013. The effects of all transactions between entities in the consolidated entities are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statement of Comprehensive Income and the Statement of Financial Position. Non-controlling interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MARL or MARIL.

Subsidiaries

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

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

Associates

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

The Groups' share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation (continued)

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, rather than the legal structure of the joint arrangement. The Groups have no joint operations and account for joint ventures using the equity method.

Transactions with Non-Controlling Parties

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

(d) Cash, cash equivalents and other financial assets

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

(e) Intangible Assets - Tolling Concessions

Tolling concessions are intangible assets and represent the right to levy tolls in respect of controlled motorways.

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

Asset Description	Start Date	Estimated Useful Life	Depreciation basis
M6 Toll	26 January 2001	Period to January 2054	Straight line basis
Autoroutes Paris-Rhine-Rhône (APRR)	02 February 2010	Period to December 2032	Straight line basis
Indiana Toll Road	02 February 2010	Period to June 2081	Straight line basis
Chicago Skyway	02 February 2010	Period to January 2104	Straight line basis
Dulles Greenway	02 February 2010	Period to February 2056	Straight line basis
Warnow Tunnel	02 February 2010	Period to September 2053	Straight line basis

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

1 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment

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

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

Leasehold improvements

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

Borrowing costs

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

(g) Depreciation and amortisation of non-current assets

Property, plant and equipment

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

Asset Description	Asset Classification	Estimated Useful Life	Depreciation Basis
Road Infrastructure	Toll Road	50 years	Vehicle usage over useful life
Roadbase	Toll Road	15 years	Vehicle usage over useful life
Wearing Course	Toll Road	8 years	Vehicle usage over useful life
Road Buildings Infrastructure	Toll Road	50 years	Straight line basis
Non Road Buildings including Motorway Service Area	Leasehold Land and Buildings	50 years	Straight line basis
Masts and Columns	Plant and Machinery	12 years	Straight line basis
Office Furniture and Fittings	Plant and Machinery	3-12 years	Straight line basis
Signage	Plant and Machinery	6 years	Straight line basis
Vehicles and Maintenance Equipment	Plant and Machinery	3-5 years	Straight line basis
IT Equipment	Plant and Machinery	3-5 years	Straight line basis
Toll Collection System/ Equipment	Plant and Machinery	3-8 years	Straight line basis

Leasehold improvements

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(h) Application of AASB Interpretation 12 – Service Concession Arrangements

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

(i) Impairment of assets

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

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

Discounted cash flow analysis is the methodology applied in determining recoverable amount. Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset is reflective of

the uncertainty associated with the future cash flows. Independent traffic forecasting experts provide a view on the most likely level of traffic to use the toll road having regard to a wide range of factors including development of the surrounding road network and economic growth in the traffic corridor.

(j) Interest bearing financial liabilities

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

(k) Performance fees

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

Future potential performance fees relating to a performance fee period that has not yet concluded, and hence are contractually determined based on performance in the future, are accounted for in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Please refer to Note 1 (z).

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

1 Summary of Significant Accounting Policies (continued)

(l) Financial instruments transaction costs

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

(m) Dividends

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

(n) Revenue recognition

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

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

(o) Income tax

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

Deferred income tax is determined using the Balance Sheet method, being the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial

statements. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

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

(p) Foreign Currency Translation

Functional and presentation currency

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(p) Foreign Currency Translation (continued)

Transactions and balances

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

Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity. When a foreign operation is disposed of or borrowings that form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in profit or loss as part of the gain or loss on

disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(q) Prepayments

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

(r) Derivative financial instruments

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

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

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

Where embedded derivatives are closely related to their host contract, they are not separated.

Fair value hedges

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

1 Summary of Significant Accounting Policies (continued)

(r) Derivative financial instruments (continued)

Cash flow hedges

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

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

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

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

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

Fair value estimation

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the directors with assumptions that are based on market conditions existing at each balance date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows. The fair values of forward exchange contracts are determined using forward exchange market rates at the balance date.

(s) Loans and receivables

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

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

(t) Payables and other liabilities

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

(u) Earnings per stapled security

Basic earnings per stapled security

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(v) Goods and Services Tax (“GST”) and Value Added Tax (“VAT”)

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

(w) Segment reporting

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

(x) Business Combinations

The acquisition method of accounting is used to account for all business combinations other than those under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Groups. The consideration transferred also includes the fair value of any

contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Contingent consideration is subsequently remeasured to its fair value with changes recognised in the statement of comprehensive income. On an acquisition-by-acquisition basis, the Groups recognise any non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Groups’ share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts have been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange.

Business combinations under common control are accounted for in the consolidated accounts prospectively from the date the Groups obtain the ownership interest. Assets and liabilities are recognised upon consolidation at their carrying amount in the consolidated financial statements of the ultimate parent entity at the time. Any difference between the fair value of the consideration paid and the historical amounts at which the assets and liabilities are recorded is recognised directly in equity in the other reserve.

1 Summary of Significant Accounting Policies (continued)

(y) Leases

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

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

(z) Provisions

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

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

(aa) Critical Accounting Estimates and Judgements

The preparation of the Financial Report in accordance with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the accounting policies. Estimates and judgements are continually evaluated and are based on historic experience and other factors, including reasonable expectations of future events. The directors believe the estimates used in the preparation of the Financial Report are reasonable. Actual results in the future may differ from those reported.

Significant judgments made in applying accounting policies, estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Derivative financial instruments

The fair values of over-the-counter derivatives are determined using valuation techniques adopted by the directors with assumptions that are based on market conditions existing at each balance date. The fair values of interest rate swaps are calculated as the present values of the estimated future cash flows. Judgements are also made in applying the Group's financial instrument accounting policies at initial recognition and on an ongoing basis.

Income Tax

The Groups are subject to income taxes in Australia and jurisdictions where they have foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Groups recognise anticipated tax liabilities based on their current understanding of the current tax law.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(aa) Critical Accounting Estimates and Judgements (continued)

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

Impairment testing

In accordance with the accounting policy stated in Note 1(i) the carrying amount of non controlled investments is assessed every reporting period to determine whether there are indications of any impairment of the carrying value. If that is the case, an impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount. There are also estimates and judgements involved in assessing impairment indicators and in determining the recoverable amounts of the assets (refer to Note 10).

Provision for performance fees

In accordance with the accounting policy stated in Note 1 (k) the liability in relation to performance fees is determined by taking into account the performance of MQA and the relevant benchmark. The future performance is inherently uncertain and consequently judgement is used in determining any amount to be recognised.

Control assessment

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

(bb) Accounting Standards and Interpretations issued

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

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards arising from AASB 9 - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective for annual reporting periods beginning on or after 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2017 but this application date is subject to review and may be revised upon finalisation. The Groups are assessing the new standard's impact and do not anticipate a significant impact on the Groups' financial statements.

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

In July 2011, the AASB decided to remove the individual key management personnel ("KMP") disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the *Corporations Act 2001*. While this will reduce the disclosures that are required in the annual financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from 1 July 2013 and cannot be adopted early. The *Corporations Act 2001* requirements in relation to remuneration reports will remain

1 Summary of Significant Accounting Policies (continued)

(bb) Accounting Standards and Interpretations issued (continued)

unchanged for now, but these requirements are currently subject to review and may also be revised in the near future. The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' financial statements. The Groups expect to adopt the new standard from 1 January 2014.

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities (effective 1 July 2014)

In June 2012, the AASB made amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from 1 July 2014. They are unlikely to affect the accounting for any of the Groups current offsetting arrangements.

AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities (effective 1 January 2014)

In August 2013, the AASB made amendments to *AASB 10 Consolidated Financial Statements*, *AASB 12 Disclosure of Interests in Other Entities* and *AASB 127 Separate Financial Statements* which exempt investment entities from consolidating controlled investees. MQA does not qualify as an investment entity under the new definition.

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective 1 January 2014)

In June 2013, the AASB made amendments to the disclosures required under AASB 136 Impairment of Assets. These amendments may result in additional disclosures if the Groups recognise an impairment loss or the reversal of an impairment loss during the period. The Groups have assessed the new standard's impact and do not anticipate a

significant impact on the Groups' financial statements. The amendments are effective from 1 July 2014.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable transactions.

(cc) Parent Entity Financial Information

The financial information for MARIL and MARL disclosed in Note 27 has been prepared on the same basis as the consolidated financial statements, except as set out below:

Investments in subsidiaries, associates and joint venture entities

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

Tax consolidation legislation

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

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

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

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

1 Summary of Significant Accounting Policies (continued)

(cc) Parent Entity Financial Information (continued)

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

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

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

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

Financial guarantees

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

(dd) Presentation of Financial Reports

The Financial Reports for MARIL and MARL have been presented in this single document, pursuant to ASIC Class Order 13/1050 as amended by Class Order 13/1644.

(ee) Rounding of Amounts

The Groups are of a kind referred to in Class Order 98/100, as amended by Class Order 04/667 and Class Order 05/641, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Financial Report. Amounts in the Financial Reports have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2 Profit/(loss) for the year

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

(i) Revenue

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Revenue from continuing operations				
Interest income:				
Related parties	81	76	1,357	1,448
Other persons and corporations	322	305	322	233
Total interest income	403	381	1,679	1,681
Total revenue from continuing operations	403	381	1,679	1,681

2 Profit/(loss) for the year (continued)

(ii) Operating expenses

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Operating expenses from continuing operations				
Cost of operations:				
Employment costs	736	742	450	450
	736	742	450	450
Operating expenses:				
Consulting and administration fees	1,474	1,350	530	407
Manager's and Adviser's base fees	19,985	14,820	1,615	1,468
Net foreign exchange (gain)/loss	(487)	(145)	(76)	32
Reversal of provision for impairment	-	(62)	-	(63)
Other expenses	1,334	1,041	442	448
Total operating expenses	22,306	17,004	2,511	2,292
Total operating expenses from continuing operations	23,042	17,746	2,961	2,742

3 Dividends

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Dividends paid during the year				
Ordinary dividend paid on 19 April 2013*	11,485	-	-	-
Ordinary dividend paid on 4 October 2013*	16,079	-	-	-
Total dividends paid during the year	27,564	-	-	-
	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Dividends paid during the year				
Ordinary dividend per security paid on 19 April 2013*	2.4	-	-	-
Ordinary dividend per security paid on 4 October 2013*	3.3	-	-	-

*Paid in full by MARIL.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

4 Income tax benefit

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

Note	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
(a) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
Profit/(loss) from continuing operations before income tax	41,904	(58,009)	4,085	(3,012)
Profit/(loss) from for the year*	41,904	(58,009)	4,085	(3,012)
Prima facie income tax on loss at the Australian tax rate of 30%	12,571	(17,403)	1,226	(904)
Impact of different tax rates of operations in jurisdictions other than Australia	7,716	5,518	(1)	(8)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	-	(19)	-	(19)
Non-deductible expenditure	319	1,205	319	1,204
Share of net (gain)/loss of investments accounted for using the equity method	(19,363)	12,193	(1,610)	585
Temporary differences not brought to account	(347)	(623)	(339)	(636)
Deferred tax asset on taxable losses not brought to account	(896)	(612)	405	37
Unbooked prior year tax losses utilised in the current year	-	(259)	-	(259)
(Over)/under provision in prior year	(22)	61	-	61
Other	-	13	-	-
Aggregate income tax (benefit)/expense	(22)	74	-	61
(b) Income tax (benefit)/expense				
Aggregate income tax (benefit)/expense comprises:				
Current taxation (benefit)/expense	(22)	74	-	61
	(22)	74	-	61
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity	-	-	-	-
Deferred tax – credited directly to equity	-	-	-	-
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	1,222,976	889,122	1,222,217	888,595
Potential tax benefit of unused tax losses	471,541	345,101	471,334	344,948

* The profit/(loss) for the year excludes profit from deconsolidated operations of \$1,381.5 million. The amount of income tax expense/(benefit) excludes the tax benefit from deconsolidated operations of \$5.9 million (2012: \$16.0 million) and tax on gain on deconsolidated operation of \$nil (2012: \$nil); both of these were included in the 'profit/(loss) from deconsolidated operations'.

5 Deconsolidated operation

On 4 June 2013, MQA deconsolidated the M6 Toll group. Ongoing discussions with the M6 Toll lender group progressed such that a reassessment of the variable return to which MQA is exposed from its involvement with the M6 Toll group was necessary to be performed as at that date in accordance with *AASB 10 Consolidated Financial Statements*. This reassessment led to the conclusion that MQA was no longer expected to be exposed to significant variable returns from the asset because whilst MQA remained the legal owner of the M6 Toll it would only receive a small annual fee for continuing to manage the asset. There were no expectations of further equity distributions from the project because all surplus cash flows will be applied to service debt. Therefore MQA concluded that it should no longer consolidate the M6 Toll group. In December 2013, the debt refinancing was completed as expected.

AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires the deconsolidation to be accounted for as a discontinued operation and consequently, MQA has combined the income and expense items of the M6 Toll group for the period of approximately 5 months up to the date of deconsolidation into one line item. Upon deconsolidation MQA recorded an accounting gain of \$1.8 billion which reflects the M6 Toll's net liability position being removed from MQA's consolidated balance sheet. The sum of these M6 Toll items is included within "profit/(loss) from deconsolidated operation" in the Statement of Comprehensive Income.

MQA currently continues to legally own 100% of the ordinary equity in the M6 Toll and due to its power to participate in the financial and operating policy decisions, will account for its investment using the equity method (refer to note 10). The financial performance and cash flow information relating to the deconsolidated operation to 4 June 2013 is presented below.

	MQA Dec 2013 \$'000	MQA Dec 2012 \$'000	MARL Group Dec 2013 \$'000	MARL Group Dec 2012 \$'000
Cash flow information				
Net cash flow from operating activities	28,253	63,016	-	-
Net cash used in investing activities	(703)	(4,326)	-	-
Net cash used in financing activities	(66)	(54,946)	-	-
Net increase in cash generated from deconsolidated operations	27,484	3,744	-	-
Financial performance				
Revenue	99,192*	93,098	-	-
Expenses	(572,571)*	(175,451)	-	-
Loss before income tax	(473,379)	(82,353)	-	-
Income tax benefit	5,867	16,001	-	-
Loss after income tax of deconsolidated operation	(467,512)	(66,352)	-	-
Gain from deconsolidation	1,849,055	-	-	-
Total profit/(loss) from deconsolidated operation	1,381,543	(66,352)	-	-
Total comprehensive income from deconsolidated operation attributable to:				
Equity holders of the parent entity - MARIL	1,681,440	(121,664)	-	-
Equity holders of the parent entity - MARL	-	-	-	-
Stapled security holder	1,681,440	(121,664)	-	-
Basic profit/(loss) per share from deconsolidated operation attributable to MARIL/MARL shareholders				
	Cents	Cents	Cents	Cents
MARIL (as parent entity)	287.09	(14.08)	-	-
MARL (as parent entity)	-	-	-	-

*Revenue and expenses include one-off items relating to the discontinuation of hedge accounting for the M6 Toll swaps (refer to Note 20).

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

5 Deconsolidated operation (continued)

The carrying amounts of assets and liabilities as at the date of deconsolidation on 4 June 2013 were:

	04 June 2013
	\$'000
Cash and cash equivalents	70,311
Receivables	3,243
Prepayments	845
Property, plant and equipment	749,345
Tolling concessions	71,158
Total assets	894,902
Payable	233,005
Derivative financial instruments	446,655
Interest bearing financial liabilities	1,921,086
Deferred tax liability	10,628
Total liabilities	2,611,374
Net (liabilities)/assets	(1,716,472)

6 Remuneration of auditors

	MQA	MQA	MARL	MARL
	Year ended	Year ended	Group	Group
	31 Dec 2013	31 Dec 2012	Year ended	Year ended
	\$'000	\$'000	31 Dec 2013	31 Dec 2012
			\$'000	\$'000
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	490,387	513,212	192,760	234,367
Other services:				
Other services	37,325	12,867	3,663	6,163
Taxation compliance services	4,028	-	4,028	-
	531,740	526,079	200,451	240,530
Amounts paid or payable to Network firms of PricewaterhouseCoopers for:				
Audit services	92,785	152,964	21,855	15,173
Other services:				
Taxation compliance services	11,435	249,902	-	70,869
Other services	1,149	-	1,149	-
	105,369	402,866	23,004	86,042

7 Cash and cash equivalents

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Cash at bank	2,529	18,919	611	2,102
Short term money market investments	15,127	-	15,127	-
Cash not available for use	1,836	37,083	-	-
	19,492	56,002	15,738	2,102

(a) Short term money market investments

The short term money market investments outstanding at 31 December 2013 matured within 6 days (2012: nil days) and paid interest at 3.50% (2012: nil) per annum.

During the year the majority of the cash available for use is held in bank accounts earning money market rates of interest between nil - 3.00% (2012: nil - 4.00%) per annum.

(b) Cash not available for use

This comprises of cash-backed guarantees provided in relation to Warnowquerung GmbH & Co. KG ("Warnow Tunnel") amounting to \$1.8 million (2012: \$1.5 million). Prior year also included restricted amounts relating to MMG's debt service obligations and blocked deposits required under Midland Expressway Limited's ("MEL") concession agreement obligations amounting to \$35.6 million. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 26.

8 Receivables

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Current				
GST and VAT recoverable	44	101	42	88
Receivables from related parties	-	519	279*	25,923*
Tax receivables	-	3,102	-	3,102
Other receivables	-	1,746	-	-
Total current receivables	44	5,468	321	29,113
Non-current				
Receivables from related parties	-	-	15,201*	1,514*
Total non-current receivables	-	-	15,201	1,514

*MARIL had a non-collateral associated interest bearing loan with MARL at 31 December 2013 and at 31 December 2012. For further information relating to related party loans please refer to Note 25.

The Groups' maximum credit exposure for receivables is the carrying value. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 26. The fair values of receivables approximate their carrying values.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

9 Prepayments

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Current				
Prepaid expenses	70	913	30	30
Total current prepayments	70	913	30	30

10 Investments accounted for using the equity method

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Shares in associates – equity method	862,708	702,783	22,101	16,470
	862,708	702,783	22,101	16,470

10 Investments accounted for using the equity method (continued)

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

(a) Carrying amounts

Name of Entity*	Country of incorporation	Principal Activity	MQA Economic Ownership Interest	MQA		MARL Economic Ownership Interest	MARL Group	MARL Group
			As at 31 Dec 2013 and 31 Dec 2012 %	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2013 %	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	38.9	710,819	562,156	-	-	-
Dulles Greenway Partnership**	USA	Investment in toll road located in northern Virginia, USA	50.0	146,681	140,627	6.7	16,893	16,470
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	50.0	5,208	-	50.0	5,208	-
Indiana Toll Road Partnership	USA	Investment in toll road located in northern Indiana, USA	49.0	-	-	49.0	-	-
Warnowquerung GmbH & Co KG ("WKG") (Limited Partnership)***	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0	-	-	-	-	-
Peregrine Motorways Limited****	UK	Investment in toll road located in the West Midlands, UK	0.0	-	-	-	-	-
				862,708	702,783		22,101	16,470

* All associates and joint arrangements except Macquarie Autoroutes de France 2 SA have borrowing restrictions in place on the ability to transfer funds to MQA and the MARL Group.

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

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

**** On 4 June 2013, MQA deconsolidated Macquarie Motorways Group Limited ("MMG") and commenced equity accounting for its interest as an investment in an associate. A new entity, Peregrine Motorways Limited ("PML"), was incorporated on 2 August 2013 and inserted as the 100% owner of MMG. MQA legally owns a 100% ordinary equity interest in PML but is not expected to be exposed to any significant variable returns. As a result, at 31 December 2013 MQA's economic interest in PML is nil. Refer to note 5.

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

10 Investments accounted for using the equity method (continued)

(b) Movement in carrying amounts

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Carrying amount at the beginning of the year	702,783	753,412	16,470	18,608
Associates acquired/equity invested	-	73	-	73
Share of profits/(losses) after income tax*	64,543	(40,644)	5,367	(1,951)
Distributions received/receivable	(48,290)	(9,722)	-	-
Foreign exchange movement	143,672	(336)	264	(260)
Carrying amount at the end of the year	862,708	702,783	22,101	16,470

* Included in the share of profits/(losses) after income tax for MQA and the MARL Group are fair value gains on interest rate swaps for which hedge accounting has not been applied.

(c) Summarised financial information for associates

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

Summarised Statement of Financial Position	Macquarie Autoroutes de France 2 SA (APRR)		Dulles Greenway Partnership		Chicago Skyway Partnership	
	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Total current assets	867,042	749,680	175,769	147,550	13,517	9,035
Total non-current assets	10,123,180	8,543,978	1,697,302	1,484,633	1,151,455	998,629
Total current liabilities	(1,311,485)	(758,635)	(70,424)	(55,914)	(6,725)	(5,799)
Total non-current liabilities	(7,949,306)	(7,170,422)	(1,354,895)	(1,162,347)	(1,147,832)	(1,074,365)
Net Assets	1,729,431	1,364,601	447,752	413,922	10,415	(72,500)

Reconciliation to carrying amounts:

Opening net assets as on 1 January	1,364,601	1,465,878	413,922	449,370	(72,500)	(25,433)
Profit/(loss) for the period	187,019	(67,054)	(31,351)	(29,118)	87,879	(47,679)
Dividends paid	-	-	-	-	-	-
Foreign exchange movement	177,811	(34,223)	65,181	(6,330)	(4,964)	612
Closing net assets	1,729,431	1,364,601	447,752	413,922	10,415	(72,500)

MQA's share in %	38.9%	38.9%	50.0%	50.0%	50.0%	50.0%
MQA's share in \$	672,749	530,830	223,876	206,961	5,208	-
MARL Group's share in %	-	-	6.70%	6.70%	50.0%	50.0%
MARL Group's share in \$	-	-	29,999	27,733	5,208	-
MQA's carrying amount	710,819	562,156	146,681	140,627	5,208	-
MARL Group's carrying amount	-	-	16,893	16,470	5,208	-

10 Investments accounted for using the equity method (continued)

(c) Summarised financial information for associates (continued)

Summarised Statement of Comprehensive Income	Macquarie Autoroutes de France 2 SA (APRR)		Dulles Greenway Partnership		Chicago Skyway Partnership	
	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Revenue	1,658,072	1,381,302	77,627	69,896	37,388	30,389
Profit/(loss) for the period	187,019	(67,054)	(31,351)	(29,118)	87,879	(47,679)
MQA's share in \$	72,751	(26,084)	(15,676)	(14,559)	43,940	(23,840)
MARL Group's share in \$	-	-	(2,101)	(1,951)	43,940	(23,840)
MQA's distributions received	48,290	9,722	-	-	-	-
MARL Group's distributions received	-	-	-	-	-	-

(d) Individually immaterial associates and joint arrangements

In addition to the interest in associates disclosed above the group also has interests in a number of individually immaterial associates and joint arrangements that are accounted for using the equity method.

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Aggregate carrying amount of individually immaterial associates	-	-	-	-
Aggregate amounts of the group's share of:				
Profit/(loss) from continuing operation	272,678	(130,607)	272,678	(130,607)
Total comprehensive income	272,678	(130,607)	272,678	(130,607)
Aggregate carrying amount of individually immaterial joint arrangements	-	-	-	-
Aggregate amounts of the group's share of:				
Loss from continuing operation	(3,741)	(4,535)	-	-
Total comprehensive income	(3,741)	(4,535)	-	-

Notes to the Consolidated Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2013

10 Investments accounted for using the equity method (continued)

(e) Share of contingent liabilities of associates and joint arrangements

As at 31 December 2013 and 31 December 2012, there was no share of contingent liabilities incurred jointly with other investors and no contingent liabilities relating to liabilities of associates or joint arrangements for which MARIL and MARL are severally liable.

European Transport Investments (UK) Limited ("ETIUK"), a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million (\$1.8 million) (31 December 2012: €1.2 million (\$1.5 million)), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co. KG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.2 million (\$1.8 million) (31 December 2012: €1.2 million (\$1.5 million)) has been deposited. These funds are restricted and are not accessible.

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

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Share of associates' losses not brought to account				
Balance at the beginning of the year	(573,899)	(443,292)	(573,899)	(443,292)
Share of profits/(losses) not brought to account	309,150	(130,607)	309,150	(130,607)
Balance at the end of the year	(264,749)	(573,899)	(264,749)	(573,899)
Share of joint arrangements' losses not brought to account				
Balance at the beginning of the year	(12,086)	(7,551)	-	-
Share of losses not brought to account	(3,741)	(4,535)	-	-
Balance at the end of the year	(15,827)	(12,086)	-	-

11 Property, plant and equipment

	Plant and machinery \$'000	Land and buildings \$'000	Toll road \$'000	Total property, plant and equipment \$'000
Net book amount at 1 January 2013	12,406	29,395	704,939	746,740
Additions	451	-	209	660
Depreciation expense	(1,753)	(290)	(8,402)	(10,445)
Disposals	-	-	-	-
Exchange differences	126	445	11,819	12,390
Assets relating to deconsolidated operations	(11,230)	(29,550)	(708,565)	(749,345)
Net book amount at 31 December 2013	-	-	-	-
At 31 December 2013				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount at 31 December 2013	-	-	-	-
At 31 December 2012				
	Plant and machinery \$'000	Land and buildings \$'000	Toll road \$'000	Total property, plant and equipment \$'000
Net book amount at 1 January 2012	14,363	29,180	698,666	742,209
Additions	1,781	-	1,827	3,608
Depreciation expense	(4,148)	(703)	(20,036)	(24,887)
Disposals	(467)	-	-	(467)
Exchange differences	877	918	24,482	26,277
Net book amount at 31 December 2012	12,406	29,395	704,939	746,740
At 31 December 2012				
Cost	63,264	35,897	944,815	1,043,976
Accumulated depreciation	(50,858)	(6,502)	(239,876)	(297,236)
Net book amount at 31 December 2012	12,406	29,395	704,939	746,740

Property, plant and equipment pledged as security

Property, plant and equipment as at 31 December 2012 were solely related to MEL. Non-recourse loans of MMG were secured by way of debentures over the assets of MEL.

The MARL Group has no property, plant and equipment as at 31 December 2013 and 31 December 2012.

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12 Tolling concessions

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000
M6 Toll	-	70,775
Total tolling concessions	-	70,775

Until the date of deconsolidation, tolling concessions were amortised over the remaining life of each concession, expiring in January 2054 for the M6 Toll.

	M6 Toll \$'000
Net book amount at 1 January 2013	70,775
Amortisation expense	(688)
Exchange difference	1,071
Tolling concession related to deconsolidated operations	(71,158)
Net book amount at 31 December 2013	-

At 31 December 2013

Cost	-
Accumulated amortisation	-
Net book amount at 31 December 2013	-

	M6 Toll \$'000
Net book amount at 1 January 2012	70,255
Amortisation expense	(1,695)
Exchange difference	2,215
Net book amount at 31 December 2012	70,775

At 31 December 2012

Cost	82,645
Accumulated amortisation	(11,870)
Net book amount at 31 December 2012	70,775

The MARL Group has no tolling concessions as at 31 December 2013 and 31 December 2012.

13 Subsidiaries

(a) MQA

Name of controlled entity	Country of establishment	2013 voting %	2012 voting %	Date of Liquidation/ Incorporation/ Deconsolidation
Macquarie Atlas Roads Limited	Australia	100.0	100.0	
Macquarie Green Bermudian Holdings Limited	Bermuda	100.0	100.0	
MQA Investments Limited	Bermuda	100.0	100.0	
Tollway Holdings Limited	UK	100.0	100.0	
European Transport Investments (UK) Limited	UK	100.0	100.0	
Macquarie Midland Holdings Limited	UK	100.0	100.0	
Tipperhurst Limited	UK	100.0	100.0	
MIBL Finance Luxembourg Sarl	Luxembourg	100.0	100.0	
Macquarie Infrastructure US Pty Limited	Australia	100.0	100.0	
Macquarie 125 Holdings Inc	USA	100.0	100.0	
Macquarie Infrastructure Australia Pty Limited	Australia	100.0	100.0	
MQA Holdings 2 (US) LLC	USA	100.0	100.0	
MQA Investments Australia Pty Limited	Australia	100.0	100.0	
MQA Indiana Holdings LLC	USA	100.0	100.0	
MQA Holdings (US) LLC	USA	100.0	100.0	
Greenfinch Motorways Limited (incorporated)	UK	100.0	-	02/08/2013
Macquarie Motorways Group Limited (deconsolidated)	UK	-	100.0	04/06/2013
Midland Expressway Limited (deconsolidated)	UK	-	100.0	04/06/2013
Potamus Infrastructure (UK) Limited (formerly known as Macquarie Infrastructure (UK) Limited) (liquidated)	UK	-	100.0	20/05/2013

(b) MARL Group

Name of controlled entity	Country of establishment	2013 voting %	2012 voting %
Macquarie Infrastructure Australia Pty Limited	Australia	100.0	100.0
MQA Holdings 2 (US) LLC	USA	100.0	100.0
MQA Investments Australia Pty Limited	Australia	100.0	100.0
MQA Indiana Holdings LLC	USA	100.0	100.0
MQA Holdings (US) LLC	USA	100.0	100.0

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14 Investment in associates and joint arrangements

(a) MQA

Name of associate	Country of establishment	Principal activity	Balance date	2013 voting %	2012 voting %
Macquarie Autoroutes de France 2 SA	Luxembourg	Holding company	31 Mar	38.9	38.9
Dulles Greenway Partnership*	2012	Holding company	31 Dec	50.0	50.0
Chicago Skyway Partnership	USA	Holding company	31 Dec	50.0	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	49.0	49.0
Warnowquerung GmbH & Co. KG (WKG) (limited partnership)**	Germany	Investment in toll tunnel	31 Dec	70.0	70.0
Warnowquerung Verwaltungsgesellschaft GmbH**	Germany	General Partner of WKG	31 Dec	70.0	70.0
Peregrine Motorways Limited***	UK	Investment in M6 Toll	31 Dec	-	100.0

(b) MARL Group

Name of associate	Country of establishment	Principal activity	Balance date	2013 voting %	2012 voting %
Dulles Greenway Partnership*	USA	Holding company	31 Dec	50.0	50.0
Chicago Skyway Partnership	USA	Holding company	31 Dec	50.0	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	49.0	49.0

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

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

*** On 4 June 2013, MQA deconsolidated Macquarie Motorways Group Limited ("MMG") and commenced equity accounting for its interest as an investment in an associate. A new entity, Peregrine Motorways Limited ("PML"), was incorporated on 2 August 2013 and inserted as the 100% owner of MMG. MQA legally owns a 100% ordinary equity interest in PML but is not expected to be exposed to any significant variable returns. As a result, at 31 December 2013 MQA's economic interest in PML is nil. Refer to note 5.

The voting power held in the other associates and joint arrangements disclosed above is in proportion to the ownership interest held except for PML. The above associates and joint arrangements are accounted for using the Equity Method. Refer also to Note 10.

15 Payables

	Note	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Current					
VAT payable		-	3,290	-	-
Manager and Adviser fees payable		5,994	3,949	420	379
Manager and Adviser performance fees payable	(i)	-	16,702	-	1,714
Lease payable	(ii)	-	18,027	-	-
Sundry creditors and accruals		760	8,628	297	220
		6,754	50,596	717	2,313
Non current					
Lease payable	(ii)	-	175,161	-	-
		-	175,161	-	-

(i) Manager and Adviser performance fees payable

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

For the financial year ended 30 June 2013 and 30 June 2012, MQA did not meet the performance criteria for a new performance fee to be accrued.

For the financial year ended 30 June 2011, a total performance fee of \$50.1 million (excluding GST) was calculated for MQA. The first, second and third instalments of \$16.7 million each were applied to a subscription for new MQA securities in August 2011, July 2012 and September 2013 respectively.

Current Manager and Adviser performance fees payable

There are no Manager and Adviser performance fees payable at 31 December 2013 (2012: \$16.7 million).

(ii) Lease payable

The current and non-current lease payables were in relation to the M6 Toll group which has been deconsolidated.

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16 Derivative financial instruments

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Current liabilities				
Interest rate swap contracts	-	42,906	-	-
Total current derivative financial instrument liabilities	-	42,906	-	-
Non-current liabilities				
Interest rate swap contracts	-	405,974	-	-
Total non-current derivative financial instrument liabilities	-	405,974	-	-

The derivative financial instruments were in relation to the M6 Toll group which has been deconsolidated.

17 Interest bearing financial liabilities

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Non-current				
Non-recourse loans	-	1,590,242	-	-
Accrued interest rate swap liability	-	281,843	-	-
	-	1,872,085	-	-
The maturity profile of the above interest bearing financial liabilities is:				
Due within one year	-	-	-	-
Due between one and five years	-	1,590,242	-	-
Due after five years	-	281,843	-	-
	-	1,872,085	-	-

All interest bearing financial liabilities were in relation to the M6 Toll group which has been deconsolidated.

18 Deferred tax liabilities

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Deferred tax liability	-	16,545	-	-

The balance of deferred tax liabilities comprises temporary differences attributable to:

Amounts recognised in profit or loss

Temporary differences on property, plant and equipment	-	195,169	-	-
Deferred tax asset in relation to tax losses	-	(178,624)	-	-
Net deferred tax liabilities	-	16,545	-	-

Movements:

Opening balance at beginning of year	16,545	31,862	-	-
(Credited)/charged to profit or loss	(5,867)	(16,001)	-	-
Foreign currency exchange differences	(50)	684	-	-
Deferred tax related to deconsolidated operations	(10,628)	-	-	-
Closing balance at end of year	-	16,545	-	-

The deferred tax liability was in relation to the M6 Toll group which has been deconsolidated.

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19 Contributed equity

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	Attributable to MARL equity holders	Attributable to MARL equity holders
	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Ordinary shares	1,369,408	1,354,159	200,330	198,877
Contributed equity	1,369,408	1,354,159	200,330	198,877

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	Attributable to MARL equity holders	Attributable to MARL equity holders
	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
On issue at the beginning of the year	1,354,159	1,335,394	198,877	196,781
Issued				
Application of performance fees to subscription for new securities*	15,249	18,765	1,453	2,096
On issue at the end of the year	1,369,408	1,354,159	200,330	198,877

	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	478,531	464,280	478,531	464,280
Issued				
Application of performance fees to subscription for new securities*	8,700	14,251	8,700	14,251
On issue at the end of the year	487,231	478,531	487,231	478,531

* During the year ended 31 December 2013, the third instalment of the June 2011 performance fee, totalling \$15.2 million (31 December 2012: \$18.8 million), was applied to a subscription for new MARIL securities. During the year ended 31 December 2013, the third instalment of the June 2011 performance fee totalling \$1.5 million (31 December 2012: \$2.1million), was applied to a subscription for new MARL securities.

Ordinary shares in MARL and in MARIL

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

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

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

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

20 Reserves

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	Attributable to MARL equity holders	Attributable to MARL equity holders
	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2012 \$'000
Balance of reserves				
Hedging reserve – cash flow hedges (net of tax)	-	(461,767)	-	-
Foreign currency translation reserve	38,745	57,193	(12,437)	(12,657)
Other reserve	-	(1,559,979)	-	-
	38,745	(1,964,553)	(12,437)	(12,657)

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	Attributable to MARL equity holders	Attributable to MARL equity holders
	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000

Movements of reserves

Hedging reserve – cash flow hedges (net of tax)

Balance at the beginning of the year	(461,767)	(455,055)	-	-
Revaluation (gross) on interest rate swap contracts	(48,037)	(6,712)	-	-
Cash flow hedge reserve recycled to profit & loss*	509,804	-	-	-
Balance at the end of the year	-	(461,767)	-	-

Foreign currency translation reserve

Balance at the beginning of the year	57,193	105,871	(12,657)	(12,353)
Net exchange differences on translation of foreign controlled entities	114,135	(48,678)	220	(304)
Deconsolidation of subsidiaries	(132,583)	-	-	-
Balance at the end of the year	38,745	57,193	(12,437)	(12,657)

Other reserve**

Balance at the beginning of the year	(1,559,979)	(1,559,979)	-	-
Transfer of other reserve to accumulated losses	1,559,979	-	-	-
Balance at the end of the year	-	(1,559,979)	-	-

* Hedge accounting for the M6 Toll swaps was discontinued on 24 April 2013. Fair value gains of \$60.1m between this date and the date from which the M6 Toll group was no longer consolidated have been recorded in the profit and loss account.

** On the demerger from MIG, a reserve was recognised representing the difference between the fair value of securities issued and the historical carrying values of the interests in the assets acquired. For simplified disclosure purposes, the balance of this "other reserve" has been transferred to accumulated losses in 2013.

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21 Accumulated losses

	Attributable to MARIL equity holders	Attributable to MARIL equity holders	Attributable to MARL equity holders	Attributable to MARL equity holders
	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000	Year ended 31 Dec 2013 \$'000	Year ended 31 Dec 2012 \$'000
Balance at the beginning of the year	(417,108)	(295,746)	(139,304)	(136,231)
Profit/(loss) attributable to shareholders	1,419,384	(121,362)	4,085	(3,073)
Dividends and distributions paid	(27,564)	-	-	-
Other reserve balance transferred	(1,559,979)	-	-	-
Balance at the end of the year	(585,267)	(417,108)	(135,219)	(139,304)

22 Segment information

(a) Description of segments

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

The MQA Boards consider the business from the aspect of each of the toll road portfolio assets and have identified five and three operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in APRR, Warnow Tunnel, Indiana Toll Road, Chicago Skyway and Dulles Greenway. The segments of the MARL Group are the investments in Indiana Toll Road, Chicago Skyway and Dulles Greenway. Following deconsolidation, the M6 Toll is no longer considered an operating segment by the MQA Boards (refer to note 10).

The operating segment note discloses the segment revenue and segment EBITDA for the year ended 31 December 2013 and segment assets & liabilities at 31 December 2013 by individual portfolio asset. The MQA Boards are provided with performance information on each asset, in their capacity as chief operating decision maker, to monitor the operating performance of each asset.

22 Segment information (continued)

(b) Segment information Provided to the MQA Boards

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for the year ended 31 December 2013, based on MQA's effective ownership interest is as follows:

MQA	Indiana Toll Road Year ended 31 Dec 2013 \$'000	Chicago Skyway Year ended 31 Dec 2013 \$'000	Dulles Greenway Year ended 31 Dec 2013 \$'000	APRR Year ended 31 Dec 2013 \$'000	Warnow Tunnel Year ended 31 Dec 2013 \$'000	Total MQA Year ended 31 Dec 2013 \$'000
Segment revenue	53,340	18,647	38,808	562,017	8,711	681,523
Segment expenses	(12,233)	(2,122)	(8,327)	(167,218)	(2,986)	(192,886)
Segment EBITDA	41,107	16,525	30,481	394,799	5,725	488,637
EBITDA Margin	77%	89%	79%	70%	66%	72%

	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000
Segment assets	1,044,253	582,486	936,535	4,275,196	171,086	7,009,556
Segment liabilities	(1,334,525)	(577,278)	(712,659)	(3,602,448)	(192,796)	(6,419,706)

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

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

MQA	Indiana Toll Road Year ended 31 Dec 2012 \$'000	Chicago Skyway Year ended 31 Dec 2012 \$'000	Dulles Greenway Year ended 31 Dec 2012 \$'000	M6 Toll Year ended 31 Dec 2012 \$'000	APRR Year ended 31 Dec 2012 \$'000	Warnow Tunnel Year ended 31 Dec 2012 \$'000	Total MQA Year ended 31 Dec 2012 \$'000
Segment revenue	47,116	15,197	34,947	92,928	486,810	7,328	684,326
Segment expenses	(8,762)	(1,847)	(6,828)	(13,532)	(146,252)	(2,559)	(179,780)
Segment EBITDA	38,354	13,350	28,119	79,396	340,558	4,769	504,546
EBITDA Margin	81%	88%	80%	85%	70%	65%	74%

	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000
Segment assets	910,075	503,832	816,092	860,837	3,634,779	144,964	6,870,579
Segment liabilities	(1,427,075)	(540,082)	(609,059)	(2,541,987)	(3,072,623)	(158,959)	(8,349,785)

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22 Segment information (continued)

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

The proportionally consolidated segment information provided to the MQA Boards for the reportable segments for year ended 31 December 2013, based on the MARL Group's effective ownership interest is as follows:

	Indiana Toll Road Year ended 31 Dec 2013 \$'000	Chicago Skyway Year ended 31 Dec 2013 \$'000	Dulles Greenway Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2013 \$'000
MARL Group				
Segment revenue	53,340	18,647	5,200	77,187
Segment expenses	(12,233)	(2,122)	(1,116)	(15,471)
Segment EBITDA	41,107	16,525	4,084	61,716
EBITDA Margin	77%	89%	79%	80%
	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000	As at 31 Dec 2013 \$'000
Segment assets	1,044,253	582,486	114,043	1,740,782
Segment liabilities	(1,334,525)	(577,278)	(93,203)	(2,005,006)

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

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

	Indiana Toll Road Year ended 31 Dec 2012 \$'000	Chicago Skyway Year ended 31 Dec 2012 \$'000	Dulles Greenway Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
MARL Group				
Segment revenue	47,116	15,197	4,683	66,996
Segment expenses	(8,762)	(1,847)	(915)	(11,524)
Segment EBITDA	38,354	13,350	3,768	55,472
EBITDA Margin	81%	88%	80%	83%
	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000	As at 31 Dec 2012 \$'000
Segment assets	910,075	503,832	99,327	1,513,234
Segment liabilities	(1,427,075)	(540,082)	(79,465)	(2,046,622)

22 Segment information (continued)

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

A reconciliation of MQA and the MARL Group's segment revenue and EBITDA to its total revenue and loss from continuing activities before income tax, and of segment assets to total assets is provided as follows:

	MQA Year ended 31 Dec 2013 \$'000	MQA Year ended 31 Dec 2012 \$'000	MARL Group Year ended 31 Dec 2013 \$'000	MARL Group Year ended 31 Dec 2012 \$'000
Reconciliation of segment revenue to revenue				
Segment revenue	681,523	684,326	77,187	66,996
Revenue attributable to investments accounted for under the equity method*	(681,523)	(591,398)	(77,187)	(66,996)
Revenue attributable to deconsolidated operation	-	(92,928)	-	-
Unallocated revenue	403	381	1,679	1,681
Total revenue	403	381	1,679	1,681

Reconciliation of segment EBITDA to profit/(loss) before income tax benefit

Segment EBITDA	488,637	504,546	61,716	55,472
EBITDA attributable to investments accounted for under the equity method*	(488,637)	(425,150)	(61,716)	(55,472)
EBITDA attributable to deconsolidated operation	-	(79,396)	-	-
Unallocated revenue	403	381	1,679	1,681
Unallocated expenses	(23,042)	(17,746)	(2,961)	(2,742)
Share of net profit/(loss) of investments accounted for using the equity method	64,543	(40,644)	5,367	(1,951)
Profit/(loss) from continuing operations before income tax benefit	41,904	(58,009)	4,085	(3,012)

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000	MARL Group As at 31 Dec 2013 \$'000	MARL Group As at 31 Dec 2012 \$'000
Reconciliation of segment assets to total assets				
Segment assets	7,009,556	6,870,579	1,740,782	1,513,234
Other cash assets	19,492	15,258	15,738	2,102
Other assets	114	3,804	15,552	30,657
Investments accounted for using the equity method	862,708	702,783	22,101	16,470
Assets included in investments accounted for using the equity method	(7,009,556)	(6,009,743)	(1,740,782)	(1,513,234)
Total assets	882,314	1,582,681	53,391	49,229

Reconciliation of segment liabilities to total liabilities

Segment liabilities	(6,419,706)	(8,349,785)	(2,005,006)	(2,046,622)
Other payable balance	(6,754)	(21,280)	(717)	(2,313)
Liabilities included in investments accounted for using the equity method	6,419,706	5,807,798	2,005,006	2,046,622
Total liabilities	(6,754)	(2,563,267)	(717)	(2,313)

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

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23 Earnings per stapled security/share

	MARIL Year ended 31 Dec 2013 cents	MARIL Year ended 31 Dec 2012 cents	MARL Year ended 31 Dec 2013 cents	MARL Year ended 31 Dec 2012 cents
Basic earnings/(loss) from continuing operations per MARIL/MARL share	7.86	(11.67)	0.85	(0.65)
Basic earnings/(loss) from deconsolidated operation	287.09	(14.08)	-	-
Basic earnings/(loss) per MARIL/MARL share	294.95	(25.75)	0.85	(0.65)
	\$'000	\$'000	\$'000	\$'000
Earnings used in the calculation of basic profit/loss from continuing operations per MARIL/MARL share*	37,841	(55,010)	4,085	(3,073)
Earnings used in the calculation of basic profit/loss from deconsolidated operations per MARIL/MARL share*	1,381,543	(66,352)	-	-
Earnings used in the calculation of basic profit/loss per MARIL/MARL share*	1,419,384	(121,362)	4,085	(3,073)
	Number	Number	Number	Number
Weighted average number of shares used in calculation of basic loss per MARIL/MARL share*	481,224,583	471,366,576	481,224,583	471,366,576

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

The basic profit/(loss) per MQA stapled security for the year ended 31 December 2013 was 295.80 cents (2012: loss of 26.40 cents) per stapled security using MQA profit/(loss) attributable to MQA stapled security holders of \$1,423.5 million (2012: loss of \$124.4 million).

24 Cash flow information

	MQA Year ended 31 Dec 2013 \$'000	Continued Operation Year ended 31 Dec 2013 \$'000	Deconsolidated Operation Year ended 31 Dec 2013 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities			
Profit from continuing activities after income tax	1,423,469	41,926	1,381,543
Gain on equity accounted assets	(64,543)	(64,543)	-
Expenses relating to financing activities	30,808	-	30,808
Net foreign exchange differences	(487)	(487)	-
Net loss on derivative contracts	449,688	-	449,688
Gain on deconsolidation of subsidiaries	(1,849,055)	-	(1,849,055)
Gain on sale of non-current assets	(35)	-	(35)
Impairment of investments	-	-	-
Depreciation and amortisation	11,132	-	11,132
Changes in operating assets and liabilities			
Decrease/(increase) in receivables	(2,187)	(815)	(1,372)
Decrease/(increase) in other assets	2	2	-
Decrease/(increase) in tax receivables	3,049	3,049	-
Increase/(decrease) in deferred tax liability	(5,867)	-	(5,867)
Increase/(decrease) in payables	2,677	3,519	(842)
Increase/(decrease) in other liabilities	12,253	-	12,253
Net cash inflow from operating activities	10,904	(17,349)	28,253

24 Cash flow information (continued)

	MQA Year ended 31 Dec 2012 \$'000	Continued Operation Year ended 31 Dec 2012 \$'000	Deconsolidated Operation Year ended 31 Dec 2012 \$'000
Reconciliation of profit after income tax to the net cash flows from operating activities			
Loss from continuing activities after income tax	(124,435)	(58,083)	(66,352)
Loss on Equity accounted assets	40,644	40,644	-
Expenses relating to financing activities	104,629	-	104,629
Net foreign exchange differences	(146)	(145)	(1)
Net gain on derivative contracts	(95)	-	(95)
Gain on deconsolidation of subsidiaries	-	-	-
Gain on sale of non-current assets	(4)	-	(4)
Impairment of investments	(62)	(62)	-
Depreciation and amortisation	26,582	-	26,582
Changes in operating assets and liabilities			
Decrease/(increase) in receivables	(1,268)	-	(1,268)
Decrease/(increase) in other assets	2	2	-
Decrease/(increase) in tax receivables	43	43	-
Increase/(decrease) in deferred tax liability	(16,001)	-	(16,001)
Increase/(decrease) in payables	3,226	(160)	3,386
Increase/(decrease) in other liabilities	12,140	-	12,140
Net cash inflow from operating activities	45,255	(17,761)	63,016
Reconciliation of profit/(loss) after income tax to the net cash flows from operating activities			
Profit/(loss) from continuing activities after income tax		4,085	(3,073)
(Profit)/loss on equity accounted assets		(5,367)	1,951
Net foreign exchange differences		(76)	32
Impairment of non-current assets		-	(63)
Changes in operating assets and liabilities			
Decrease/(increase) in receivables		509	(1,417)
Decrease/(increase) in tax receivables		3,052	61
Increase/(decrease) in payables		(268)	(226)
Net cash inflow from operating activities		1,935	(2,735)

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24 Cash flow information (continued)

Non-cash financing and investing activities

Application of performance fees to subscription of new securities

During the year ended 31 December 2013, the third instalment of the June 2011 performance fee totalling \$15.2 million (31 December 2012: \$18.8 million), was applied to a subscription for new MARIL securities. During the year ended 31 December 2013, the third instalment of the June 2011 performance fee totalling \$1.5 million (31 December 2012: \$2.1 million), was applied to a subscription for new MARL securities.

25 Related party disclosures

Adviser and Manager

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

Directors

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

- Jeffrey Conyers (Chairman)
- David Walsh
- Derek Stapley
- James Keyes (appointed 21 February 2013)
- Peter Dyer (resigned 21 February 2013)

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

- David Walsh (Chairman)
- Richard England
- John Roberts
- Marc de Cure

Key Management Personnel

The above directors are the Key Management Personnel of MQA and the MARL Group.

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

25 Related party disclosures (continued)
Key Management Personnel (continued)

Compensation in the form of directors' fees that were paid to directors is as follows for the year ended 31 December 2013:

	Year ended 31 Dec 2013 Director's fees \$	Year ended 31 Dec 2012 Director's fees \$
MARIL		
Jeffrey Conyers	78,595	72,277
David Walsh	65,000	65,000
Derek Stapley	73,355	67,458
Dr Peter Dyer	8,597	61,540
James Keyes	54,760	-
	280,307	266,275
MARL		
David Walsh	185,000	185,000
Richard England	140,000	140,000
Marc de Cure	125,000	125,000
	450,000	450,000

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

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

	Directors interests in MQA Stapled Securities At 31 Dec 2013	Directors interests in MQA Stapled Securities At 31 Dec 2012
Jeffrey Conyers	40,000	40,000
Dr Peter Dyer	-	-
David Walsh	7,000	7,000
Derek Stapley	-	-
John Roberts	46,108	46,108
Marc de Cure	-	-
Richard England	40,000	40,000
James Keyes	-	-
Total	133,108	133,108

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25 Related party disclosures (continued)

Adviser/Manager fees

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

	MQA Year ended 31 Dec 2013 \$	MQA Year ended 31 Dec 2012 \$	MARL Group Year ended 31 Dec 2013 \$	MARL Group Year ended 31 Dec 2012 \$
Base fee	19,985,168	14,819,881	1,614,990	1,467,942
Total	19,985,168	14,819,881	1,614,990	1,467,942

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

The performance fee is calculated with reference to the performance of the accumulated security price of MQA compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. For the 12 months ending 30 June 2014, refer to note 29. For the 12 months ended 30 June 2013 and 30 June 2012, MQA did not meet the performance criteria for a new performance fees to be earned. For the period ended 30 June 2011, a total performance fee of \$50.1 million (excluding GST) was calculated for MQA. This fee was payable in three equal instalments, with all three instalments of \$16.7 million being applied to a subscription for new shares in August 2011, July 2012 and September 2013 respectively.

For the period ended 30 June 2010, a total performance fee of \$12.5 million (excluding GST) was calculated for MQA. This fee was payable in three equal instalments, with the third and final instalment of \$4.2 million being applied to a subscription of new shares in July 2012.

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

Other transactions

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

At 31 December 2013, Macquarie Capital Group Limited, a subsidiary of MGL, beneficially held 95,080,259 (2012: 90,281,185) stapled securities through its principal position in MQA.

At 31 December 2013, entities within the Groups had the following funds on deposit with MBL, a wholly owned subsidiary of MGL:

- MQA \$2,272,411 (2012: \$13,318,326)
- MARL Group \$611,823 (2012: \$2,102,024)

25 Related party disclosures (continued)

Other transactions (continued)

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

- MQA \$81,349 (2012: \$76,127)
- MARL Group \$32,224 (2012: \$30,789)

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

- MQA \$679,760 (2012: \$914,799)
- MARL Group \$449,274 (2012: \$619,319)

For the year ended 31 December 2013 and the year ended 31 December 2012, the Group did not incur any advisory fees.

Other balances and transactions

At 31 December 2013, MARL had a receivable balance with MARIL of \$15,469,564 (2012: \$27,428,291) which is made up of an interest bearing loan of \$15,201,380 (2012: \$26,628,706), accrued interest on this loan of \$246,810 (2012: \$755,870) and other non-interest bearing receivables of \$21,374 (2012: \$43,715). The loan owing from MARIL to MARL bears interest at BBSW plus a margin of 4.0%. The principal of \$15,201,380 (2012: \$25,114,977) is due in 2016 and the interest of \$246,810 (2012: \$755,870) is payable in 2014. Related party interest between MARIL and MARL totalled \$1,324,946 (2012: \$1,416,814) for the year.

At 31 December 2013, entities within the Groups had the following balances receivable from associates:

- MQA \$nil (2012: \$519,270)
- MARL Group \$nil (2012: \$nil)

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

- MQA \$nil (2012: \$7,315)
- MARL Group \$nil (2012: \$7,315)

For the year ended 31 December 2013, the associates reimbursed MQA \$509,990 (2012: \$nil) for expenses incurred on their behalf.

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

- MQA \$48,290,257 (2012: \$9,721,832)
- MARL Group \$nil (2012: \$nil)

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

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

Notes to the Consolidated Financial Statements

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26 Financial risk and capital management

Financial risk management

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

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

Since the M6 Toll group has been deconsolidated, the assets and liabilities of this group have not been considered for the risk analysis.

Market risk

(a) Foreign exchange risk

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

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

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

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

(b) Interest rate risk

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

MQA's main interest rate risk arises from long term borrowings which are taken out at variable interest rates and therefore expose MQA to a cash flow interest rate risk. MQA only has long term borrowings issued at floating interest rates. For floating rate exposures, MQA hedges the exposure by entering into interest rate swaps, whereby the entities within MQA agree with their counterparties to exchange at specified intervals, the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts. Refer to Note 16.

26 Financial risk and capital management (continued)

Credit risk

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

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

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

	MQA				MARL Group			
	Financial Institutions \$'000	Corporates and other \$'000	Government \$'000	Total \$'000	Financial Institutions \$'000	Corporates and other \$'000	Government \$'000	Total \$'000
2013								
Cash and cash equivalents	19,492	-	-	19,492	15,738	-	-	15,738
Receivables	-	-	44	44	-	15,479	43	15,522
Total	19,492	-	44	19,536	15,738	15,479	43	31,260

	MQA				MARL Group			
	Financial Institutions \$'000	Corporates and other \$'000	Government \$'000	Total \$'000	Financial Institutions \$'000	Corporates and other \$'000	Government \$'000	Total \$'000
2012								
Cash and cash equivalents	56,002	-	-	56,002	2,102	-	-	2,102
Receivables	-	2,265	3,203	5,468	-	27,437	3,190	30,627
Total	56,002	2,265	3,203	61,470	2,102	27,437	3,190	32,729

Financial institutions

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

Corporates and other and Government

The MQA credit risk relates primarily to receivables from government authorities (2012: includes balances relating to M6 Toll group which has been deconsolidated on 4 June 2013). The MARL Group credit risk relates primarily to receivables from related parties and other receivables from government authorities. These counterparties have a range of credit ratings.

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26 Financial risk and capital management (continued)

Liquidity risk

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

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

MQA	Less than 1 Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-5 Years \$'000	Greater than 5 Years \$'000	Total \$'000
2013						
Non-recourse loans	-	-	-	-	-	-
Payables	6,754	-	-	-	-	6,754
Derivative liability	-	-	-	-	-	-
Accrued interest rate swap liability	-	-	-	-	-	-
Total	6,754	-	-	-	-	6,754

MARL Group	Less than 1 Year \$'000	1-2 Years \$'000	2-3 Years \$'000	3-5 Years \$'000	Greater than 5 Years \$'000	Total \$'000
2013						
Payables	717	-	-	-	-	717
Total	717	-	-	-	-	717

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

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

26 Financial risk and capital management (continued)

Fair value estimation

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

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

- (a) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (b) 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
- (c) Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following tables present MQA's and the MARL Group's financial assets and liabilities measured and recognised at fair value at 31 December 2013 and 31 December 2012.

	Level 1 \$'000 2013	Level 1 \$'000 2012	Level 2 \$'000 2013	Level 2 \$'000 2012	Level 3 \$'000 2013	Level 3 \$'000 2012	Total \$'000 2013	Total \$'000 2012
MQA								
Liabilities								
Financial derivatives	-	-	-	(448,880)	-	-	-	(448,880)
Total Liabilities	-	-	-	(448,880)	-	-	-	(448,880)

	Level 1 \$'000 2013	Level 1 \$'000 2012	Level 2 \$'000 2013	Level 2 \$'000 2012	Level 3 \$'000 2013	Level 3 \$'000 2012	Total \$'000 2013	Total \$'000 2012
MARL Group								
Liabilities								
Financial derivatives	-	-	-	-	-	-	-	-
Total Liabilities	-	-	-	-	-	-	-	-

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

Foreign exchange risk

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

- AUD/EUR exchange rate increased/decreased by 9 Euro cents (2012: 9 Euro cents)
- AUD/GBP exchange rate increased/decreased by 8 UK pence (2012: 7 UK pence)
- AUD/USD exchange rate increased/decreased by 15 United States cents (2012: 19 United States cents)

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26 Financial risk and capital management (continued)

Foreign exchange risk (continued)

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

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000
MQA								
Total financial assets	(383)	(1,515)	-	-	516	1,948	-	-
Total financial liabilities	18	10	-	-	(26)	(14)	-	-
Total	(365)	(1,505)	-	-	490	1,934	-	-

	Foreign exchange risk							
	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000
MARL Group								
Total financial assets	(10)	(245)	-	-	13	353	-	-
Total financial liabilities	1	-	-	-	(1)	-	-	-
Total	(9)	(245)	-	-	12	353	-	-

Interest rate risk

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

- Bank bill swap reference rate (AUD BBSW 90 days) increased/decreased by 88 bps (2012: 148 bps)
- Bank bill swap reference rate (EUR LIBOR 90 days) increased/decreased by 76 bps (2012: 104 bps)
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 41 bps (2012: 80 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 58 bps (2012: 107 bps)
- London interbank offered rate (LIBOR 180 days) increased/decreased by 63 bps (2012: 111 bps)
- Bank bill swap reference rate (AUD BBSW 12 months) increased/decreased by 126 bps (2012: 214 bps)

26 Financial risk and capital management (continued)

Interest rate risk (continued)

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

Interest rate risk								
	Increase in interest rates				Decrease in interest rates			
	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000
MQA								
Total financial assets	150	542	-	-	(150)	(542)	-	-
Total financial liabilities	-	(219)	-	283,898	-	219	-	(354,377)
Total	150	323	-	283,898	(150)	(323)	-	(354,377)

Interest rate risk								
	Increase in interest rates				Decrease in interest rates			
	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000	P&L 2013 \$'000	P&L 2012 \$'000	Equity 2013 \$'000	Equity 2012 \$'000
MARL Group								
Total financial assets	330	589	-	-	(330)	(589)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
Total	330	589	-	-	(330)	(589)	-	-

Financial assets include cash and cash equivalents, receivables and prepayments.

Financial liabilities include payables.

Capital management

The Groups' capital management objectives are to:

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

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

Capital is defined as contributed equity plus reserves. As at 31 December 2013 the Groups do not have any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

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27 Parent entity financial information

(a) Summary financial information

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

	MARIL 31 Dec 2013 \$'000	MARIL 31 Dec 2012 \$'000	MARL 31 Dec 2013 \$'000	MARL 31 Dec 2012 \$'000
Statement of Financial Position				
Current assets	1,902	11,995	16,097	28,130
Non-current assets	710,667	749,490	91,247	78,587
Total assets	712,569	761,485	107,344	106,717
Current liabilities	(7,311)	(45,692)	(681)	(2,284)
Non-current liabilities	(15,201)	(1,514)	-	-
Total liabilities	(22,512)	(47,206)	(681)	(2,284)
Shareholders' equity				
Issued capital	1,369,407	1,354,159	200,330	198,877
Reserves	-	-	-	-
Retained earnings	(679,350)	(639,880)	(93,667)	(94,444)
	690,057	714,279	106,663	104,433
Profit/(loss) for the year	(39,470)	(94,343)	777	(21,202)
Total comprehensive income	(39,470)	(94,343)	777	(21,202)

(b) Guarantees entered into by the parent entities

MARIL and MARL have not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries as at 31 December 2013 and 31 December 2012. MARIL and MARL have not given any unsecured guarantees at 31 December 2013 and 31 December 2012.

(c) Contingent liabilities of the parent entities

Refer to Note 29 for MARIL and MARL's contingent liabilities as at 31 December 2013 and 31 December 2012.

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

As at 31 December 2013 and 31 December 2012, MARIL and MARL had no contractual commitments.

28 Commitments for expenditure

	MQA As at 31 Dec 2013 \$'000	MQA As at 31 Dec 2012 \$'000
Operating leases commitments		
Commitments in relation to land leased by MEL from the Highways Agency in the UK and other non cancellable operating leases are payable as follows:		
Within one year	-	18,087
Later than one year but not later than five years	-	77,329
Later than five years	-	1,316,620
	-	1,412,036

Operating lease commitments were made by the M6 Toll group which has been deconsolidated.

The MARL Group had no commitments for expenditure at 31 December 2013 and 31 December 2012.

29 Contingent liabilities

MQA and the MARL Group had the following contingent liabilities at 31 December 2013 and 31 December 2012. No provisions have been raised against these items unless stated below.

Warnow Tunnel

European Transport Investments (UK) Limited ("ETIUK"), a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million (\$1.8 million) (31 December 2012: €1.2 million (\$1.5 million)), in the event of a senior debt payment event of default by Warnowquerung GmbH & Co. KG, the owner of the Rostock Fixed Crossing Concession. The Group believes it is unlikely to have to make these contributions.

This contingent commitment is backed by an on-demand guarantee, provided through a blocked account into which €1.2 million (\$1.8 million) (31 December 2012: €1.2 million (\$1.5 million)) has been deposited. These funds are restricted and are not accessible.

Performance fee

There is a possible obligation for MQA and the MARL Group to pay a performance fee in relation to the 12 months ended 30 June 2014, the existence of which will only be confirmed by the future performance of both MQA and the benchmark to the calculation date. It is not practicable to disclose an estimate of the possible amount due to the future performance criteria creating significant uncertainty.

30 Events occurring after balance sheet date

Since balance date, there have been no other matters or circumstances not otherwise dealt with in the Financial Report that has significantly affected or may significantly affect the operations of the groups, the result of those operations or the state of affairs of the Groups in period subsequent to the year ended 31 December 2013.

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2013

Macquarie Atlas Roads International Limited

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

- a) the Financial Report of MARIL and its controlled entities ("MQA") and Notes set out on pages 49 to 105:
 - I. comply with Australian Accounting Standards and other mandatory professional reporting requirements; and
 - II. give a true and fair view of the financial position of the MQA as at 31 December 2013 and of its performance for the year ended on that date; and
- b) there are reasonable grounds to believe that MARIL will be able to pay its debts as and when they become due and payable; and

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

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



Jeffrey Conyers

Chairman
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
26 February 2014



Derek Stapley

Director
Macquarie Atlas Roads International Limited
Hamilton, Bermuda
26 February 2014

Macquarie Atlas Roads Limited

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

- a) the Financial Report of MARL and its controlled entities ("the MARL Group") and Notes set out on pages 49 to 105 are in accordance with the constitution of MARL and the *Corporations Act 2001*, including:
 - I. complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
 - II. giving a true and fair view of the financial position of the MARL Group as at 31 December 2013 and of their performance for the year ended as on that date; and
- b) there are reasonable grounds to believe that MARL will be able to pay its debts as and when they become due and payable; and

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

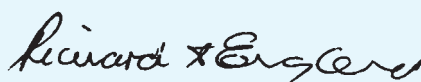
The directors have been given the declaration by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



David Walsh

Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
27 February 2014



Richard England

Director
Macquarie Atlas Roads Limited
Sydney, Australia
27 February 2014



Independent Auditor's Report to the Members of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited

Report on the financial reports

We have audited the accompanying financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, which comprise the consolidated statements of financial position as at 31 December 2013, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declarations for Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited. Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads International Limited and the entities it controlled during the year, and Macquarie Atlas Roads Limited and the entities it controlled during the year. Macquarie Atlas Roads Limited Group ("MARL Group") comprises Macquarie Atlas Roads Limited and the entities it controlled during the year.

Directors' responsibility for the financial reports

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial reports based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial reports are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial reports. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial reports, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial reports.

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

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

PricewaterhouseCoopers, ABN 52 780 433 757

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

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Independence

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

Auditor's opinion

In our opinion:

- (a) the financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are in accordance with the *Corporations Act 2001* (as applicable), including:
 - I. giving a true and fair view of Macquarie Atlas Roads' and Macquarie Atlas Roads Limited Group's financial position as at 31 December 2013 and of their performance for the year ended on that date; and
 - II. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 (as applicable); and
- (b) the financial reports and notes also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the remuneration report for Macquarie Atlas Roads Limited included in pages 45 to 46, in the directors' report for the year ended 31 December 2013. The directors of Macquarie Atlas Roads Limited are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Macquarie Atlas Roads Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

Craig Stafford

Partner
PricewaterhouseCoopers
Sydney
27 February 2014

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Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2013

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

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

The MQA Manager makes available employees (including senior executives) to discharge its obligations to the relevant MQA entity. These staff are employed by entities in the Macquarie Group and made available to MQA through formalised resourcing arrangements. Their remuneration is not an MQA expense as it is paid by Macquarie Group. Instead, MQA pays management fees to the MQA Manager (and therefore the Macquarie Group) for providing management and advisory services. These fees are an MQA expense and are therefore disclosed below.

Under the Corporations Act it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, the remuneration report that appears in the MARL directors' report (which forms part of the financial report and is audited) is only for MARL, and only MARL security holders participate in a non-binding vote in respect of it. MARIL and MQA as a whole are not required to prepare a remuneration report.

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

Management fees

Under the terms of the MQA Management Agreements, the MQA Manager is entitled to base and performance fees for acting as manager and adviser to the stapled entities that comprise MQA.

Base and performance fees are calculated in accordance with defined formulae under the MQA Management Agreements. The management fee structure is linked to MQA's market performance and, in the case of performance fees, ongoing MQA outperformance against a market benchmark.

The management fees paid or payable by MQA to the MQA Manager for the financial year ended 31 December 2013 were:

Base fee	A\$20.0 million
Performance fee	A\$16.7 million

All base fees for the financial year ended 31 December 2013 were paid in cash.

As permitted under the terms of the MQA Management Agreements, all performance fees paid in the financial year ended 31 December 2013, being the third instalment of the 2011 performance fee, were applied by the MQA Manager to a subscription for new MQA securities.

The structure and level of the fee arrangements were fully disclosed to investors on fund inception and continue to be disclosed on the MQA website and in annual reports. Investors originally invested and continue to invest with this knowledge. Any changes to the structure of the fee provisions which would have the effect of increasing the fees would need to be approved by MQA stapled security holders.

Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2013

Base fees

Since listing, MQA's base fees have been calculated quarterly as follows:

- 2.00% per annum of the Market Value of MQA at the end of each calendar quarter up to A\$1 billion or less; plus
- 1.25% per annum of the Market Value of MQA at the end of each calendar quarter in excess of A\$1 billion but less than or equal to A\$3 billion; plus
- 1.00% per annum of the Market Value of MQA at the end of each calendar quarter in excess of A\$3 billion.

Macquarie has notified MQA that for the 2014 calendar year and for subsequent years until further notice, the base management fee rates payable by MQA on market capitalisations up to A\$3 billion will be reduced by 0.25% per annum. That is, for 2014 and thereafter until further notice, base fees will be calculated quarterly as follows:

- 1.75% per annum of the Market Value of MQA at the end of each calendar quarter up to A\$1 billion; plus
- 1.00% per annum of the Market Value of MQA at the end of each calendar quarter in excess of A\$1 billion.

For the purposes of calculating the base fee, 'Market Value' means the market capitalisation of MQA calculated on the basis of the average number of MQA securities on issue during the last 10 ASX trading days in the relevant Calendar Quarter multiplied by the volume weighted average price (VWAP) of all MQA securities traded on the ASX during those 10 trading days.

The quantum of the base management fee can increase or decrease as a result of both the movement in MQA securities on issue and any movement in the security price.

Performance fees

A performance fee is payable at 30 June each year in the event that the MQA accumulation index outperforms its benchmark, the S&P/ASX 300 Industrials Accumulation Index, in the year to that date having made up for any previous underperformance.

The performance fee is 15% of the dollar amount of the net outperformance for the period and is payable in three equal annual instalments. The first instalment is payable immediately. The second instalment is payable on the first anniversary of the calculation date, only if MQA's performance equals or exceeds that of the benchmark over the two-year period to that date. The third instalment is payable on the second anniversary of the calculation date, only if MQA's performance equals or exceeds that of the benchmark over the three-year period to that date.

Where MQA underperforms the benchmark a fee deficit exists. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated ensuring that any performance fees are paid as a result of sustained benchmark outperformance. This requirement for sustained outperformance creates a strong alignment of interest between the MQA Manager and MQA security holders.

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

Oversight of fee payments

There is independent oversight in respect of the calculation and payment of management fees as follows:

- The calculation and payment of management fees (both base and performance fees) are audited as part of the annual financial statement audit
- The performance fee calculation is subject to review by MQA's auditors, PricewaterhouseCoopers, at the time the fee is calculated
- The performance fee calculation is checked by an actuarial firm
- MQA's independent directors review the certification process prior to payment of the performance fee.

Reinvestment of fees

Under MQA's constituent documents and the MQA Management Agreements, the MQA Manager has the ability to request the application of base or performance fees payable to it for a subscription in new MQA securities, subject to the approval of MQA's independent directors.

In this event, the issue price for the new MQA stapled securities is the VWAP of all MQA stapled securities traded on the ASX during the last 10 trading days of the relevant period.

Expense reimbursement

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

This includes routine ongoing expenses such as the third-party costs of acquiring assets and managing them, as well as capital raising costs, registry, audit, insurance, compliance costs and other expenses as set out in the MQA Management Agreements.

Fees paid or payable by MQA group entities for related party services are disclosed in the MQA financial statements.

Directors

The independent and non-executive directors of MARL and MARIL are remunerated by MQA. David Walsh, Richard England and Marc de Cure as independent directors of MARL each receive fees of A\$125,000 per annum, with David Walsh receiving an additional A\$60,000 per annum for his role as chairman and Richard England receiving an additional

A\$15,000 per annum as chairman of the Audit and Risk Committee. John Roberts, as a director on the MARL Board, was originally nominated by Macquarie and is a consultant to and remunerated by the Macquarie Group.

Jeffrey Conyers, Derek Stapley and James Keyes as independent directors of MARIL each receive fees of US\$60,000 per annum, with Jeffrey Conyers receiving an additional US\$15,000 per annum for his role as chairman and Derek Stapley receiving an additional US\$10,000 as chairman of the Audit and Risk Committee. David Walsh is also an independent director of MARIL and receives fees of A\$65,000 per annum in this capacity. Peter Dyer, who was a non-executive director of MARIL until 21 February 2013, received a fee of £40,000 per annum.

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

Set out below are details of the total remuneration paid by MQA to independent and non-executive directors for the financial year 2013:

Name	MARL director fees	MARIL director fees
Jeffrey Conyers	-	US\$75,000
Marc de Cure	A\$125,000	-
Peter Dyer ¹	-	£5,778
Richard England	A\$140,000	-
James Keyes ²	-	US\$51,616
Derek Stapley	-	US\$70,000
David Walsh	A\$185,000	A\$65,000

¹ Peter Dyer ceased to be a director of MARIL on 21 February 2013.

² James Keyes became a director of MARIL on 21 February 2013.

Remuneration report

FOR THE YEAR ENDED 31 DECEMBER 2013

None of the MARL or MARIL independent and non-executive directors is entitled to MQA options or securities or to retirement benefits as part of his remuneration package.

Executives

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

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

Macquarie Group's approach to employee remuneration, which is detailed in the Macquarie Group Annual Report, produces a strong alignment of interest between MQA management executives and MQA investors.

As detailed in that report, Macquarie Group's remuneration system ensures that a significant amount of remuneration is at risk and solely dependent on performance. The remuneration package of all Macquarie Group executives consists of a base salary and an annual profit share allocation.

The base salary is reviewed annually and the profit share allocation, which is not guaranteed, is based on performance. Performance assessment of Macquarie Group employees takes place half-yearly. The MQA Boards, which comprise a majority of independent and non-executive directors, provide feedback in respect of performance of the MQA CEO and CFO, and can request that they be replaced if not performing satisfactorily.

The levels of base salary for senior executives take into consideration the role of the individual and market conditions. However, the levels of base salary can be low compared to similar roles in non-investment banking companies.

The profit share allocations to executives provide substantial incentives for superior performance but low or no participation for less satisfactory outcomes. Profit share allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. The level of profit share received by

members of the MQA management team is driven predominantly by their individual contribution to the performance of MQA, taking into account the following elements:

- MQA's overall performance as a listed entity
- Management and leadership of MQA and the management of MQA's investments
- Effective risk management and capital management
- Maintenance of Macquarie's reputation and track record in respect of its branded funds.

There is no formulaic approach to determining MQA management's profit share allocation. It is completely discretionary and takes into account factors outlined above as well as input from the MQA Boards in the case of the MQA CEO and CFO. Deferral and restriction arrangements apply to a portion of allocated profit share to encourage a long-term perspective and commitment from Macquarie employees.

A further alignment of interests

Further to the remuneration matters discussed above, alignment between MQA security holders and Peter Trent, the CEO of MQA (and an executive director of Macquarie Group), is reflected in his profit share arrangements.

Under these arrangements 40% is retained from Mr Trent's profit share allocation (the retention amount). 50% of the retention amount is notionally invested in MQA securities and the remainder in fully paid ordinary Macquarie shares through an employee retention share plan.

The investment in MQA securities from Mr Trent's profit share is described as 'notional' because Mr Trent may not directly hold securities in relation to this specific investment. However, the value of the retained amounts varies as if these amounts were directly invested in MQA securities.

All retained amounts vest and are released from three to five years after the year retained. The retained amounts are subject to forfeiture on leaving Macquarie, except in cases of genuine retirement, redundancy and other limited exceptional circumstances.

Alignment between the Macquarie Group and MQA security holders is also demonstrated through the interest the Macquarie Group holds in MQA. At 27 February 2014 the Macquarie Group held a 19.51% principal holding in MQA.

Stapled security holder information

AS AT 27 FEBRUARY 2014

Distribution of securities

Investor Ranges	Holders	Total securities	% of issued securities
1 – 1,000	12,872	4,623,219	0.95
1,001 – 5,000	4,856	10,315,576	2.12
5,001 – 10,000	602	4,273,590	0.88
10,001 – 100,000	442	11,631,759	2.39
100,001 and over	66	456,386,396	93.67
Total	18,838	487,230,540	100.00
Investors with less than the minimum marketable parcel ¹	4,302	235,526	0.05

Twenty largest investors

Investor	Number of securities	% of issued securities
1 HSBC Custody Nominees (Australia) Limited	104,336,470	21.41
2 Macquarie Capital Group Ltd	95,080,289	19.51
3 JP Morgan Nominees Australia Limited	83,711,524	17.18
4 National Nominees Limited	65,866,403	13.52
5 Citicorp Nominees Pty Limited	32,954,609	6.76
6 BNP Paribas Nominations Pty Ltd	20,333,901	4.17
7 JP Morgan Nominees Australia Limited	9,543,674	1.96
8 HSBC Custody Nominees (Australia) Limited	7,841,547	1.61
9 SmallCo Investment Manager Ltd	2,999,311	0.62
10 Citicorp Nominees Pty Limited	2,905,151	0.60
11 RBC Investor Services Australia Nominees Pty Limited	2,887,419	0.59
12 UBS Wealth Management Australia Nominees Pty Ltd	2,828,303	0.58
13 HSBC Custody Nominees (Australia) Limited	2,603,780	0.53
14 Netwealth Investments Limited	2,443,895	0.50
15 AMP Life Limited	2,378,596	0.49
16 RBC Investor Services Australia Nominees Pty Limited	1,776,204	0.36
17 RBC Investor Services Australia Nominees Pty Limited	1,628,360	0.33
18 BNP Paribas Nominations Pty Ltd	1,038,128	0.21
19 Australian Executor Trustees SA Ltd	1,024,779	0.21
20 Share Direct Nominees Pty Ltd	884,100	0.18
Total	445,066,443	91.35

Details of substantial stapled security holders

Holder	Date of most recent substantial holder notice	Number of securities	% of issued securities ²
Macquarie Group Limited	3 December 2013	100,998,300	20.72
Lazard Asset Management	9 December 2010	64,629,673	13.26

¹ Minimum marketable parcel is A\$500.00 equating to 167 shares at A\$3.01 per share.

² For substantial notices prior to 10 September 2013, the % of issued securities shown in the table has been adjusted to reflect the current number of securities on issue being 487,230,540.

Directors' profiles

MQA comprises Macquarie Atlas Roads Limited (MARL) and Macquarie Atlas Roads International Limited (MARIL). Macquarie Fund Advisers Pty Limited, a wholly owned subsidiary of Macquarie Group Limited, is the manager of MARL and the adviser to MARIL. Each of the MARL and MARIL Boards is made up of four directors with a diverse range of backgrounds and experience. The directors take an active role in the management of MQA, meeting on a regular basis to review MQA's affairs and to carry out their statutory and fiduciary duties. Where required, the Boards convene at short notice to consider matters as they arise.

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

David Walsh LLB (Melb)
Independent Chairman

Director since establishment on 16 December 2009

David Walsh is an experienced corporate and commercial lawyer and company director. He was a partner of the law firm Mallesons Stephen Jaques from 1962 to 2004, and the senior partner from 1991. He established the firm's Hong Kong office and was resident in Hong Kong from 1988 to 1991. David had a wide-ranging corporate and commercial practice which included mergers and acquisitions, cross-border investment and international trade, anti-trust law, industrial property, insurance, telecommunications, civil engineering and construction, and commercial litigation. From 2005-2011 he was a senior legal consultant to Telstra. David has also served as chairman of Templeton Global Growth Fund Limited and as a director of Intoll Management Limited (formerly Macquarie Infrastructure Investment Management Limited), Malcolm Moore Industries Limited, Asia Pacific Specialty Chemicals Limited, PaperlinX Limited and Dyno Nobel Limited.

Marc de Cure BCom (Hons) (UNSW) MWQ FCA
Independent Director

Director from 3 August 2011

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

Richard England FCA MAICD
Independent Director

Director from 1 June 2010

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

John Roberts LLB (Canterbury)

Non-Executive Director

Director since restructure implementation on 2 February 2010

John Roberts is a Consultant to Macquarie and Chairman of Macquarie Infrastructure and Real Assets (MIRA) (a division of the Macquarie Funds Group) which has approximately \$100 billion of assets under management. John serves on a number of Boards and Investment Committees in MIRA to provide oversight and strategic direction to individual fund management executive teams. John was employed by the Macquarie Group for over 22 years, during which time he held various roles within the organisation, including Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds (now MIRA). John's other listed current directorships include Sydney Airport Limited and DUET group entities.

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

Jeffrey Conyers BA (Toronto)

Independent Chairman

Bermuda-based – director since establishment on 16 December 2009

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

Jeffrey Conyers is married to Edith Conyers, who is Executive Director, Chief Executive Officer and a shareholder in ISIS Fund Services Limited, a Bermuda-based firm that provides company secretarial and funds administration services to clients including other Macquarie-managed vehicles. Jeffrey has no involvement with the operations of

ISIS Fund Services Limited but is a beneficiary of his wife's investment in the business. Edith Conyers is an independent businesswoman of 30 years' standing as a fund administrator in Bermuda. She is not involved with the day-to-day provision of services to MQA. Jeffrey's initial appointment to the MQA Boards was made in view of his expertise. The MQA Boards have assessed Jeffrey's independence and confirmed his independent status.

James Keyes MA (Oxon)

Independent Director

Bermuda-based – director from 21 February 2013

James Keyes is a Bermudan solicitor and barrister with 25 years' experience. He is currently on the board of a number of private and listed companies. He began his career with Freshfields in London and New York then moved to the Funds and Investment Services team at Appleby, one of the largest offshore law firms in Bermuda. James retired as a partner from Appleby in 2008, and held a part-time position as Managing Director of Renaissance Capital and related entities until December 2012. James was a director of the Bermudan entity within the Transurban Group for six years, from which he gained experience in the toll road sector.

Derek Stapley BA (Glas Cal) CA

Independent Director

Bermuda-based – director from 1 June 2010

Derek Stapley, who is also the Chairman of the Audit and Risk, Nominations and Remuneration Committees of MARIL, is a Scottish Chartered Accountant with 27 years' experience.

He is a former partner and industry group leader with Ernst & Young in Financial Services. Derek was the chair of Ernst & Young's Global Hedge Fund Steering Committee, which was responsible for providing strategic direction to Ernst & Young's global hedge fund practice. He now serves as an independent director on the board of several public and private investment funds, insurance companies and family offices.

David Walsh LLB (Melb)

Independent Director

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

See biography on page 114.

Corporate directory

Macquarie Atlas Roads

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Email: mqa@macquarie.com
Website: www.macquarie.com/mqa

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

Macquarie Fund Advisers Pty Limited
ABN 84 127 735 960
AFS Licence No. 318123

Macquarie Atlas Roads Limited

Level 11, No.1 Martin Place
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Australia

Directors

David Walsh (Chairman)
Marc de Cure
Richard England
John Roberts

Secretary

Christine Williams

Macquarie Atlas Roads International Limited

26 Burnaby Street
Hamilton HM 11
Bermuda

Directors

Jeffrey Conyers (Chairman)
James Keyes
Derek Stapley
David Walsh

Secretary

Donna Phillips

Registry

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