

**MACQUARIE ATLAS ROADS**

CONCISE FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER  
2010



MACQUARIE

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

# Concise Financial Report

## for the period ended 31 December 2010

---

Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads Limited (ACN 141 075 201) ("MARL") and Macquarie Atlas Roads International Limited (Registration No. 43828) ("MARIL"). MARL is a company limited by shares incorporated and domiciled in Australia and the registered office is C/- Company Secretarial, Mezzanine Level, No 1 Martin Place, Sydney, NSW 2000, Australia. MARIL is an exempted mutual fund company incorporated in Bermuda with limited liability and the registered office is C/- Rosebank Centre, 11 Bermudiana Road, Pembroke, HM 08, Bermuda. Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFS License No.318123) ("MFAPL") (formerly Macquarie Capital Fund Advisory Services Pty Limited) is the manager/adviser of MARL and MARIL. MFAPL is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) ("MGL").

None of the entities noted in this report 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.

This 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.

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

---

# Concise Financial Report

## for the period ended 31 December 2010

---

### Contents

Directors' Report.....	4
Consolidated Statement of Comprehensive Income.....	8
Consolidated Statement of Financial Position.....	9
Consolidated Statement of Changes in Equity.....	10
Consolidated Statement of Cash Flows.....	11
Discussion and Analysis.....	12
Discussion and analysis of financial position.....	13
Discussion and analysis of statement of changes in equity.....	13
Discussion and analysis of statement of cash flows.....	13
Notes to the Consolidated Financial Statements.....	14
1 Summary of Significant Accounting Policies.....	14
2 Loss for the period.....	17
3 Investments Accounted for using the Equity Method.....	19
4 Derivative Financial Instruments.....	21
5 Interest Bearing Financial Liabilities.....	22
6 Segment Information.....	23
8 Contingent Liabilities.....	25
9 Events Occurring After Balance Sheet Date.....	26
Statement by the Directors of Macquarie Atlas Roads International Limited.....	27
Independent auditor's report to the members of Macquarie Atlas Roads International Limited.....	28

# Directors' Report

## for the period ended 31 December 2010

### Directors' Report

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report on the Consolidated Financial Report of Macquarie Atlas Roads ("MQA") for the period from 15 December 2009 to 31 December 2010. *AASB 3 Business Combinations* and *AASB 127 Consolidated and Separate 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 Macquarie Atlas Roads ("MQA" or "the Group").

Macquarie Fund Advisers Pty Ltd formerly known as Macquarie Capital Fund Advisory Services Pty Ltd ("the Adviser/Manager") acts as the adviser for MARIL and the manager of MARL.

### Restructure of Macquarie Infrastructure Group

On 2 February 2010, MQA was demerged from Macquarie Infrastructure Group ("MIG") following its restructure into two separate Australian Securities Exchange ("ASX") listed toll road groups, being MQA and Intoll. The demerger was effected through an in specie distribution to MIG security holders of one share in each of MARIL and MARL for every five MIG stapled securities. MARIL and MARL were stapled and listed on the ASX as Macquarie Atlas Roads (ASX: MQA). As part of this restructure the interests in the M6 Toll, Chicago Skyway, Indiana Toll Road, Dulles Greenway, Autoroutes Paris-Rhine-Rhône ("APRR"), South Bay Expressway, Warnow Tunnel and Transtoll were transferred to MQA.

### Principal Activities

The principal activity of the Group 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 Group's activities during the period.

### Directors

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

— Jeffrey Conyers (Chairman)	(appointed 16 December 2009)
— Dr Peter Dyer	(appointed 16 December 2009)
— Alison Guilfoyle	(appointed 15 December 2009; resigned 16 December 2009)
— Charles Collis	(appointed 15 December 2009; resigned 16 December 2009)
— Mark Johnson	(appointed 16 December 2009; resigned 2 February 2010)
— Robert Mulderig	(appointed 16 December 2009; resigned 1 June 2010)
— David Walsh	(appointed 2 February 2010)
— Derek Stapley	(appointed 1 June 2010)

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

— David Walsh (Chairman)	(appointed 16 December 2009)
— Paul McClintock	(appointed 16 December 2009; resigned 2 February 2010)
— Mark Johnson	(appointed 16 December 2009; resigned 1 June 2010)
— David Mortimer	(appointed 16 December 2009; resigned 1 June 2010)
— John Roberts	(appointed 2 February 2010)
— Richard England	(appointed 1 June 2010)
— Marc de Cure	(appointed 1 June 2010; resigned 1 November 2010)
— Jeffrey Conyers	(appointed 1 November 2010)

# Directors' Report

## for the period ended 31 December 2010

### Dividends

No dividend was paid or declared by MARIL for the period ended 31 December 2010.

### Review and Results of Operations

The performance of the Group for the period, as represented by the results of its operations, was as follows:

	MQA Period to 31 Dec 2010 \$'000
<b>Revenue from continuing operations</b>	<b>103,113</b>
Loss from continuing operations after income tax benefit	(227,646)
Profit from discontinued operations	746
<b>Loss for the period</b>	<b>(226,900)</b>
<b>Loss attributable to:</b>	
Equity holders of the parent – MARIL	(68,285)
Equity holders of other stapled entity – MARL (as non controlling interest/parent entity)	(74,203)
Stapled security holders	(142,488)
Other non-controlling interests	(84,412)
	<b>(226,900)</b>
	<b>Cents</b>
Basic loss from continuing operations attributable to MQA stapled security holders	(31.66)
Basic loss attributable to MQA stapled security holders	(31.50)

### Significant Changes in State of Affairs

#### *Autoroutes Paris-Rhin Rhône ("APRR")*

On 17 June 2010, MQA announced that an agreement had been reached by Eiffarie SAS ("Eiffarie") to acquire a further 13.73% interest in APRR from minority shareholders for €55.00 per APRR share. Eiffarie, an associate of MQA, previously owned 81.48% interest in APRR. The total acquisition price was €853.7 million. MQA contributed a total of €155.0 million, funded from its existing cash reserves. The balance of funds was contributed by Macquarie European Infrastructure Fund II and Eiffage SA.

Eiffarie launched a repurchase offer for the remaining shares in APRR, followed by a compulsory acquisition. The completion of this acquisition has not yet occurred at the date of this report. MQA will not contribute additional funds for this purchase. Following completion of the compulsory acquisition, Eiffarie's ownership interest in APRR would increase to 100% and MQA would hold an estimated 19.4% interest in Eiffarie.

#### *South Bay Expressway ("SBX")*

On 23 March 2010, MQA announced that SBX had filed for bankruptcy by making a voluntary petition for relief under Chapter 11 of the US Bankruptcy code. This was foreshadowed as a possible outcome for SBX in MQA's December 2009 prospectus.

MQA owns 50% of SBX which was transferred at zero value as part of the MIG restructure.

Other than a US\$2.5 million letter of credit regarding environmental obligations, which is not expected to be called, MQA has no further contingent or other funding obligations with regards to SBX.

In the opinion of the directors, there were no significant changes in the state of affairs of the Group other than those disclosed in this report, that occurred during the period under review.

# Directors' Report

## for the period ended 31 December 2010

---

### Events Occurring after Balance Sheet Date

Since balance date, the directors of MARIL 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 Group, the results of those operations or the state of affairs of the Group in periods subsequent to the period ended 31 December 2010.

### Likely Developments and Expected Results of Operations

Further information on likely developments relating to the operations of the Group in future years and the expected results of those operations have not been included in this report because the directors of MARIL believe it would be likely to result in unreasonable prejudice to the Group.

### Indemnification and Insurance of Officers and Auditors

During the period, MARIL paid a premium of \$108,885 to insure the directors and officers of MARIL. The liabilities insured are legal 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 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 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 MARIL act in accordance with the Constitutions and the law, the directors and officers remain indemnified out of the assets of the Group against any losses incurred while acting on behalf of the Group.

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

### Environmental Regulation

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

The following environmental regulations apply to MQA's controlled assets:

#### *United Kingdom*

Midland Expressway Limited constructed the M6 Toll road under a series of orders made in 1998 by the Secretary of State for Transport pursuant to his powers under the Highways Act 1980 and the New Roads and Street Works Act 1991. Prior to that, the M6 toll had been the subject of a full environmental impact assessment that was considered in detail at a public inquiry held in 1994 and 1995. The public inquiry produced a list of specific environmental commitments and undertakings. There have been no significant breaches of the environmental legislation, commitments or undertakings.

# Directors' Report

## for the period ended 31 December 2010

---

### **Rounding of Amounts in the Directors' Report and the Concise Financial Report**

The Group is 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 Concise Financial Report. Amounts in the Directors' Report and Concise Financial Report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

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



Jeffrey Conyers  
Chairman  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
24 February 2011



Derek Stapley  
Director  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
24 February 2011

# Concise Financial Report

## for the period ended 31 December 2010

### Consolidated Statement of Comprehensive Income

	Note	MQA Period to 31 Dec 2010 \$'000
<b>Revenue from continuing operations</b>		
Revenue from continuing operations		103,113
<b>Total revenue from continuing operations</b>	2(i)	<b>103,113</b>
<b>Operating expenses from continuing operations</b>		
Finance costs		(95,619)
Other operating expenses		(96,399)
<b>Total operating expenses from continuing operations</b>	2(ii)	<b>(192,018)</b>
Share of net loss of investments accounted for using the equity method		(208,755)
Gain on deconsolidation	2(ii)	54,018
<b>Loss from continuing operations before income tax benefit</b>		<b>(243,642)</b>
Income tax benefit		15,996
<b>Loss from continuing operations after income tax benefit</b>		<b>(227,646)</b>
Profit from discontinued operations		746
<b>Loss for the period</b>		<b>(226,900)</b>
<b>Other comprehensive income</b>		
Exchange differences on translation of foreign operations		92,849
Cash flow hedges, net of tax		(43,879)
Other comprehensive income for the period, net of tax		48,970
<b>Total comprehensive income for the period</b>		<b>(177,930)</b>
<b>Loss attributable to:</b>		
Equity holders of the parent entity - MARIL		(68,285)
Equity holders of other stapled entity - MARL (as non-controlling interest/ parent entity)		(74,203)
Stapled security holders		(142,488)
Other non-controlling interest		(84,412)
		<b>(226,900)</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the parent entity - MARIL		4,526
Equity holder of other stapled entity - MARL (as non-controlling interest/ parent entity)		(85,975)
Stapled security holders		(81,449)
Other non-controlling interest		(96,481)
		<b>(177,930)</b>
		<b>Cents</b>
Basic Loss from continuing operations attributable to MQA stapled security holders		(31.66)
Basic Loss attributable to MQA stapled security holders		(31.50)

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

# Concise Financial Report

## for the period ended 31 December 2010

### Consolidated Statement of Financial Position

	Note	MQA As at 31 Dec 2010 \$'000
<b>Current assets</b>		
Cash and cash equivalents		66,047
Receivables		8,343
Prepayments		998
<b>Total current assets</b>		<u>75,388</u>
<b>Non-current assets</b>		
Investments accounted for using the equity method	3	931,068
Property, plant and equipment		773,195
Tolling concessions		72,317
<b>Total non-current assets</b>		<u>1,776,580</u>
<b>Total assets</b>		<u>1,851,968</u>
<b>Current liabilities</b>		
Payables		(34,528)
Derivative financial instruments	4	(34,299)
<b>Total current liabilities</b>		<u>(68,827)</u>
<b>Non-current liabilities</b>		
Payables		(152,037)
Interest-bearing financial liabilities	5	(1,726,056)
Derivative financial instruments	4	(79,188)
Deferred tax liabilities		(51,152)
<b>Total non-current liabilities</b>		<u>(2,008,433)</u>
<b>Total liabilities</b>		<u>(2,077,260)</u>
<b>Net liabilities</b>		<u>(225,292)</u>
<b>Equity</b>		
<b>Equity attributable to equity holders of the parent - MARIL</b>		
Contributed equity		1,316,674
Reserves		(1,582,346)
Accumulated losses		(68,285)
<b>MARIL security holders' interest</b>		<u>(333,957)</u>
<b>Equity attributable to other stapled security holders - MARL</b>		
Contributed equity		194,640
Reserves		(11,772)
Accumulated losses		(74,203)
<b>Other stapled security holders' interest</b>		<u>108,665</u>
Other non-controlling interest		-
<b>Total equity</b>		<u>(225,292)</u>

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

# Concise Financial Report

## for the period ended 31 December 2010

### Consolidated Statement of Changes in Equity

MQA	Attributable to MARIL security holders			Total	Attributable to MARL security holders	Other Non-controlling interest	Total equity
	Contributed equity	Reserves	Accumulated losses				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Total equity at 15 December 2009</b>	-	-	-	-	-	-	-
<b>Loss for the period</b>	-	-	(68,285)	<b>(68,285)</b>	(74,203)	(84,412)	<b>(226,900)</b>
Exchange differences on translation of foreign operations	-	116,690	-	<b>116,690</b>	(11,772)	(12,069)	<b>92,849</b>
Cash flow hedges, net of tax	-	(43,879)	-	<b>(43,879)</b>	-	-	<b>(43,879)</b>
Total comprehensive income	-	72,811	(68,285)	<b>4,526</b>	(85,975)	(96,481)	<b>(177,930)</b>
<b>Transactions with equity holders in their capacity as equity holders:</b>							
Demerger of MIG	1,316,674	(1,655,157)	-	<b>(338,483)</b>	194,640	175,702	<b>31,859</b>
Distribution provided for or paid	-	-	-	-	-	(287)	<b>(287)</b>
Deconsolidation of subsidiaries	-	-	-	-	-	(78,934)	<b>(78,934)</b>
	1,316,674	(1,655,157)	-	<b>(338,483)</b>	194,640	96,481	<b>(47,362)</b>
<b>Total equity at 31 December 2010</b>	1,316,674	(1,582,346)	(68,285)	<b>(333,957)</b>	108,665	-	<b>(225,292)</b>

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

# Concise Financial Report

## for the period ended 31 December 2010

### Consolidated Statement of Cash Flows

Note	MQA Period to 31 Dec 2010 \$'000
<b>Cash flows from operating activities</b>	
Toll revenue received	112,515
Interest received	4,396
Net indirect taxes (paid)/received	(13,017)
Payments to suppliers and employees (inclusive of GST/VAT)	(22,411)
Management and Advisory base fees paid	(7,101)
Management and Advisory performance fees paid	(4,206)
Payments on settlement of derivative financial instruments	(3,157)
Reimbursement of bid costs	6,504
Operating lease rent paid	(17,008)
Income taxes paid	(202)
Other income received	10,639
<b>Net cash flows from operating activities</b>	<b>66,952</b>
<b>Cash flows used in investing activities</b>	
Payment for purchase of investments (including transaction costs)	(219,948)
Payments for purchase of property, plant and equipment	(1,149)
Proceeds from return of capital from investments	315
Deconsolidated cash balance from discontinued operations	(509)
<b>Net cash flows used in investing activities</b>	<b>(221,291)</b>
<b>Cash flows from financing activities</b>	
Proceeds from issue of equity prior to demerger of MIG	151,722
Cash acquired on the acquisition of subsidiaries	140,259
Proceeds from bank borrowings	1,144
Borrowing costs paid	(59,326)
<b>Net cash flows from financing activities</b>	<b>233,799</b>
<b>Net increase in cash assets held</b>	<b>79,460</b>
Cash and cash equivalents at the beginning of the period	-
Effects of exchange rate movements on cash and cash equivalents	(13,413)
<b>Cash and cash equivalents at the end of the period</b>	<b>66,047</b>

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

# Concise Financial Report

## for the period ended 31 December 2010

---

### Discussion and Analysis

#### Overview of operating performance

MQA consolidates the wholly owned M6 Toll's income and expense items into its statutory financial statements. MQA's share of results of its non controlled toll road assets are disclosed as investments accounted for using the equity method.

The loss for the period ended 31 December 2010 was \$226.9 million and the loss attributable to MQA stapled security holders for the period ended 31 December 2010 was \$142.5 million. These results are reflective of accounting losses recorded in respect of MQA's toll road assets.

#### Revenue from continuing activities of \$103.1 million

Revenue from continuing activities primarily comprises tolling and other revenue relating to the M6 Toll of \$99.0 million and MQA interest income of \$3.9 million.

#### Finance costs of \$95.6 million

Finance costs consist mainly of interest expense relating to the M6 Toll debt of \$90.2 million.

#### Other operating costs of \$96.4 million

Other operating expenses include costs associated with operations at the M6 Toll of \$65.5 million and Manager's and Adviser's base fees/performance fees of \$22.9 million.

#### Share of net loss of equity accounted investments of \$208.8 million

MQA's statutory net loss for the period of \$226.9 million includes MQA's share of net losses of investments accounted for using the equity method of \$208.8 million. These losses include fair value losses on interest rate swaps of \$104.6 million, which are not accounted for as effective hedges under Australian Accounting Standards albeit that they represent commercially economic hedges. Derivative instruments are recorded at fair value which can result in significant volatility in a given period as market expectations of interest rates fluctuate.

MQA's share of net losses is made up as follows: Autoroutes Paris-Rhine-Rhône (APRR) \$119.1 million, Dulles Greenway \$20.3 million, Chicago Skyway \$35.5 million, Indiana Toll Road \$32.6 million and Warnow Tunnel \$1.3 million.

Losses brought to account in relation to both Indiana Toll Road and Warnow Tunnel have resulted in investment carrying values of \$Nil. No further losses have been brought to account in relation to these investments.

#### Gain on deconsolidation of \$54.0 million

On 17 June 2010 MQA announced that agreement had been reached by Eiffarie SAS, an associate of MQA, to acquire a further 13.73% interest in APRR from minority shareholders. The total acquisition price was €853.7 million. MQA contributed a total of €155 million, funded from its existing cash reserves. As a consequence of this transaction, on 21 June 2010 MQA ceased to control certain subsidiaries and recognised a gain on deconsolidation of \$54.0 million.

#### Income tax benefit of \$16.0 million

The MQA income tax benefit relates primarily to the reversal of deferred tax liabilities relating to the M6 Toll of \$14.7 million.

Components of other comprehensive income are discussed in the discussion and analysis of statement of changes in equity.

# Concise Financial Report

## for the period ended 31 December 2010

---

### Discussion and analysis of financial position

MQA consolidates the wholly owned M6 Toll's assets and non-recourse liabilities in its statutory financial statements. MQA's investments in its non controlled toll road assets are disclosed as investments accounted for using the equity method.

As foreshadowed in the MQA prospectus (dated 18 December 2009), MQA's statement of financial position shows a net liability position of \$225.3 million as at 31 December 2010. This has been driven by M6 Toll related balances: its non-recourse debt of \$1.5 billion exceeds the depreciated carrying value of its toll road related assets of \$0.8 billion.

This deficiency does not reflect any solvency issues in MQA and it does not impact on MQA's operating performance or cash flows. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on its non-recourse debt. The head stapled entities within MQA have positive net current assets and generated positive net cash flows from operating activities during the period.

MQA's investments in its non controlled assets of \$931.1 million comprises its interests in APRR \$636.5 million, Dulles Greenway \$243.6 million and Chicago Skyway \$51.0 million. At 31 December 2010 MQA's interests in Indiana Toll Road and Warnow Tunnel were \$Nil.

### Discussion and analysis of statement of changes in equity

As part of the demerger from MIG, MQA issued 452,345,905 securities for the transfer of MIG's interests in APRR, M6 Toll, Dulles Greenway, Chicago Skyway, Indiana Toll Road, Warnow Tunnel, South Bay Expressway and cash balances. The demerger was effected through an in specie distribution to MIG security holders of one share in each of MARIL and MARL for every five MIG stapled securities.

At 31 December 2010, reserves comprised a foreign currency translation reserve of \$104.9 million, a negative cash flow hedging reserve of \$139.0 million and a negative other reserve of \$1,560.0 million.

Where an investment in a toll road company is held by a group entity having a non Australian dollar functional currency, but the same functional currency as the assets, the effects of foreign exchange that result from the translation of that group entity's assets and liabilities are taken to the foreign currency translation reserve. As noted in the discussion of financial position, MQA is recognising net liabilities in relation to the consolidated M6 Toll, whose assets and liabilities are denominated in pounds sterling. Consequently, the strengthening of the Australian dollar during the period has resulted in a net foreign exchange gain. This gain is in part offset by foreign currency losses on MQA's non controlled investments.

The cash flow hedging reserve balance reflects movements in the fair market value of the interest rate swaps hedging the non-recourse debt at the M6 Toll. The increase in the fair value liability during the period, reflecting the downward shift in the forward interest rate curve, has been taken to a separate reserve in accordance with the hedge accounting rules of Australian Accounting Standards.

The other reserve balance represents the difference between the fair value of securities issued on the demerger from MIG, as noted above, and the historical cost carrying values of certain assets transferred as part of the transaction.

### Discussion and analysis of statement of cash flows

MQA's initial cash balance on demerger from MIG was \$292.0 million. The decrease in the cash position during the period primarily reflects MQA's participation in the acquisition of a further interest in APRR from minority shareholders. MQA contributed a total of €155.0 million (excluding transaction costs).

MQA generated positive net cash flows from operating activities of \$67.0 million. Operating cash flows of the M6 Toll during the period were sufficient to service borrowing costs on its non recourse loans. As already noted the Australian dollar strengthened against all portfolio currencies and consequently MQA recorded a loss on its foreign currency cash balances of \$13.4 million due to exchange rate movements.

# Concise Financial Report

## for the period ended 31 December 2010

### Notes to the Consolidated Financial Statements

#### 1 Summary of Significant Accounting Policies

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

##### (a) Basis of preparation

This concise financial report has been prepared in accordance with *Corporations Act 2001* and Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

The concise financial report was authorised for issue by the directors of the MARIL Board on 24 February 2011. The Board has the power to amend and reissue the concise financial report.

##### *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 (including derivative financial instruments) at fair value.

##### *Stapled security*

The shares of MARL and MARIL are listed on the ASX as stapled securities in MQA. The shares of MARL and MARIL cannot be traded separately and can only be traded as stapled securities.

The concise financial report consists of consolidated financial statements of MARIL which comprises of MARIL and its controlled entities and MARL and its controlled entities, together acting as MQA.

##### *Comparative figures*

There are no comparatives as this is the first financial reporting period of MQA.

##### *Business combinations under common control*

Business combinations under common control have been accounted for in the consolidated accounts prospectively from the date the Group obtains 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 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, has been recognised directly in equity in the other reserve.

##### *Going concern*

The Financial Report has been prepared on a going concern basis. As at 31 December 2010, MQA has a deficiency of capital and reserves of \$225.3 million. This includes non-current liabilities of \$1.5 billion relating to the non-recourse M6 Toll loans (refer to Note 5). These project related liabilities are non-recourse beyond the M6 Toll assets and MQA has no commitments to provide further debt or equity funding to the M6 Toll in order to meet these liabilities. Operating cash flows of the M6 Toll are expected to be sufficient to service the ongoing interest charges on the non-recourse loans.

At 31 December 2010 MQA has positive net current assets of \$6.6 million and MQA generated positive net cash flows from its operating activities for the period ended 31 December 2010 after servicing its financial obligations.

# Concise Financial Report

## for the period ended 31 December 2010

### 1 Summary of Significant Accounting Policies (continued)

#### *Change in accounting methodology*

MQA elected on a prospective basis to change the accounting policy for the depreciation of certain toll road assets from the straight line basis applied by MIG to a usage based methodology. The impact of this change on the results of MQA for the period ended 31 December 2010 is considered immaterial.

#### (b) Consolidated accounts and stapling arrangements

*AASB 3 Business Combinations* and *AASB 127 Consolidated and Separate 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.

#### (c) Principles of consolidation

The consolidated financial statements of MQA incorporate the assets and liabilities of the entities controlled by MARIL for the period from 15 December to 31 December 2010, 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 period then ended. 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 MARIL.

#### *Subsidiaries*

Subsidiaries, other than those that MARIL has been deemed to have directly acquired through stapling arrangements, are those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than fifty percent of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Where control of an entity is obtained during a financial period, 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 period, its results are included for that part of the period during which control existed and subsidiary is de-consolidated from the date that control ceases.

#### *Associates*

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

The Group's 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.

When the Group's 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 Group's net investment in the associate, the Group does not recognise further losses, unless they have incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's 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 Group.

# Concise Financial Report

## for the period ended 31 December 2010

---

### 1 Summary of Significant Accounting Policies (continued)

#### (c) Principles of consolidation (continued)

##### *Transactions with Non-Controlling Parties*

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

#### (d) 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 Group. 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. On an acquisition-by-acquisition basis, the Group recognises 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 Group's 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 Group obtains 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 amounts at which the assets and liabilities are recorded is recognised directly in equity in the other reserve.

#### (e) 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.

The 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.

# Concise Financial Report

## for the period ended 31 December 2010

### 1 Summary of Significant Accounting Policies (continued)

#### (e) Critical Accounting Estimates and Judgements (continued)

##### *Income Tax*

The Group is subject to income taxes in Australia and jurisdictions where it has 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 Group recognises anticipated tax liabilities based on its understanding of the current tax law.

In addition, the Group has 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) to the full financial report the carrying amount of tolling concessions, non controlled investments, leasehold improvements and property, plant and equipment 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 judgements involved in assessing impairment indicators.

### 2 Loss for the period

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

#### (i) Revenue from continuing operations

	MQA
	Period to
	31 Dec 2010
	\$'000
<b>Consolidated</b>	
<b>Revenue from continuing operations</b>	
Toll revenue	94,724
Other revenue	4,491
Interest Income:	
Related parties	163
Other persons and corporations	3,735
Total Interest income	3,898
<b>Total revenue from continuing operations</b>	<b>103,113</b>

# Concise Financial Report

## for the period ended 31 December 2010

### 2 Loss for the period (continued)

#### (ii) Operating expenses from continuing operations

	MQA Period to 31 Dec 2010 \$'000
<b>Consolidated</b>	
<b>Operating expenses from continuing operations</b>	
<b>Finance costs :</b>	
Interest expense:	
Other persons and corporations	95,619
<b>Total Finance Costs</b>	<b>95,619</b>
<b>Other operating expenses:</b>	
Loss on derivative financial instruments	490
Amortisation of tolling concessions	1,668
<b>Depreciation:</b>	
Plant and machinery	3,624
Land and buildings	705
Toll road	20,356
	<b>24,685</b>
<b>Cost of operations:</b>	
Employment costs	6,987
Operating expenses	5,202
Operating lease rentals	26,816
	<b>39,005</b>
<b>Other operating expenses:</b>	
Consulting and administration fees	1,551
Manager's and Adviser's base fees	10,425
Manager's and Adviser's performance fees	12,476
Foreign exchange loss	2,490
Other expenses	3,609
	<b>30,551</b>
<b>Total other operating expenses</b>	<b>96,399</b>
<b>Total operating expenses from continuing operations</b>	<b>192,018</b>
<b>Gain on deconsolidation *</b>	<b>54,018</b>

\* On 17 June 2010, MQA announced that an agreement had been reached by Eiffarie SAS ("Eiffarie") to acquire a further 13.73% interest in APRR from minority shareholders for €55.00 per APRR share. Eiffarie is a wholly owned subsidiary of Financiere Eiffarie SAS ("FE"). The total acquisition price was €853.7 million. MQA contributed a total of €155.0 million, funded from its existing cash reserves. As a consequence of this transaction, on 21 June 2010 MQA ceased to control Macquarie Autoroutes de France SAS ("MAF"), MAF Finance Sarl ("MAF Finance"), MARI SAS and MARE SAS and MQA has recognised a gain on deconsolidation of \$54.0 million. MAF and MAF Finance hold MQA's interests in FE. Refer to Note 3 (b).

# Concise Financial Report

## for the period ended 31 December 2010

### 3 Investments Accounted for using the Equity Method

	MQA
	As at
	31 Dec 2010
	\$'000
Shares in associates – equity method	931,068
	<b>931,068</b>

Information relating to associates is set out below:

#### (a) Carrying amounts

Name of Company	Country of incorporation	Principal Activity	Ownership Interest	MQA
			As at 31 Dec 2010 %	As at 31 Dec 2010 \$'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRF)	38.9	636,446
Dulles Greenway Partnership*	USA	Investment in toll road located in northern Virginia, USA	50.0	243,608
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	50.0	51,014
Indiana Toll Road Partnership	USA	Investment in toll road located in northern Indiana, USA	49.0	-
Warnowquerung GmbH & Co KG ("WKG") (limited partnership)**	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0	-
				<b>931,068</b>

\* The MARL Group holds a 6.7% equity interest in Toll Road Investors Partnership II LP ("TRIP II"), the concessionaire for Dulles Greenway, through its associate 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. Per the agreement any decision made in regard to the financial and operational policies requires 75% of the voting members to proceed. As a result MQA does not control WKG.

#### South Bay Expressway

On 23 March 2010, MQA announced that South Bay Expressway L.P. ("SBX") had filed for bankruptcy by making a voluntary petition for relief under Chapter 11 of the US Bankruptcy code. MQA owns 50% of SBX, which was transferred at zero value as part of the MIG restructure. The impending restructure process is expected to result in MQA losing significant influence over the asset. MQA does not expect to receive any further economic benefit from SBX.

# Concise Financial Report

## for the period ended 31 December 2010

### 3 Investments Accounted for using the Equity Method (continued)

#### (b) Movement in carrying amounts

	MQA
	Period to 31 Dec 2010 \$'000
Carrying amount at the beginning of the period	-
Associates acquired during MIG Demerger	1,336,183
Disposal of associates *	(663,781)
Associates acquired/equity invested *	646,586
Share of losses after income tax **	(208,755)
Distributions received/receivable	(297)
Foreign exchange movement	(178,868)
Carrying amount at the end of the period	931,068

\* On 21 June 2010 MQA disposed of its interests in its associate Financiere Eiffarie SAS ("FE") and acquired additional interests in Macquarie Autoroutes de France 2 SA ("MAF2"). FE is an associate of MAF 2. As a consequence, certain entities were deconsolidated on 21 June 2010 and a gain of \$54.0 million recognised.

\*\* Included in the share of losses after income tax for MQA are fair value losses on interest rate swaps of \$104.6 million for which hedge accounting has not been applied.

#### (c) Share of associates' profits or losses

Revenue	1,072,189
Expenses	(1,368,316)
Loss before income tax	(296,127)
Income tax expense	(27,893)
Loss after income tax	(324,020)

#### (d) Share of associates assets and liabilities

Group's share of:	
Assets	6,460,658
Liabilities	(5,630,140)
Net assets	830,518

#### (e) Share of contingent liabilities of associates

Share of contingent liabilities incurred jointly with other investors	-
Contingent liabilities relating to liabilities of the associate for which the company is severally liable	-
	-

Refer to Note 8 for details of contingent liabilities relating to Toll Road Investors Partnership II LP, an associate of Dulles Greenway Partnership.

#### (f) Share of associates' losses not brought to account

Carrying amount at the beginning of the period	-
Share of associates' losses not brought to account	(115,265)
Carrying amount at the end of the period	(115,265)

# Concise Financial Report

## for the period ended 31 December 2010

### 4 Derivative Financial Instruments

	MQA
	As at
	31 Dec 2010
	\$'000
<b>Consolidated</b>	
<b>Current liabilities</b>	
Interest rate swap contracts	34,299
<b>Total current derivative financial instrument liabilities</b>	<b>34,299</b>
<b>Non-current liabilities</b>	
Interest rate swap contracts	79,188
<b>Total non-current derivative financial instrument liabilities</b>	<b>79,188</b>

#### Instruments used by MQA

At 31 December 2010, the MQA is party to derivative financial instruments entered into in the normal course of business, in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies.

#### *Interest rate swap contracts – cash flow hedges*

In 2006, Macquarie Motorways Group Limited ("MMG") entered into a 30 year interest rate hedge, such that all floating rate payments due on the £1.00 billion term loan (refer to Note 5) have been fixed. The swap contracts entered into have structured fixed payments at levels that increase from period to period. The levels of fixed payments start at a low rate and then increase over 20 years until they reach a plateau rate for the remainder of the term. The swap contracts are currently being settled on a six monthly basis.

The interest rate swap contracts have been designated and qualify as a cash flow hedge. The gain or loss arising from remeasuring the hedging instruments at fair value is deferred in equity in the hedging reserve, to the extent that the hedge is effective, and re-classified into the profit or loss when the hedged interest expense is recognised.

At the 31 December 2010 these contracts were liabilities with a fair value of £74.5 million (\$113.5 million) and have been disclosed as derivative financial instrument liabilities in the Statement of Financial Position. The fair value movement of the swaps in the period was a loss of £21.8 million (\$44.4 million). Of this movement a loss of £21.6 million (\$43.9 million) has been recognised in the Statement of Changes in Equity in the cash flow hedging reserve and a loss of £0.2 million (\$0.5 million) has been recognised in profit or loss.

A liability of £116.2 million (\$176.9 million) has been recognised in interest bearing financial liabilities (refer to Note 5) to reflect the low rates of fixed payments currently being paid under the swap contracts.

At 31 December 2010, the notional principal amounts and periods of expiry of MMG'S interest rate swap contracts are:

	MQA
	As at
	31 Dec 2010
	\$'000
<b>Consolidated</b>	
1 - 5 years	-
25 – 27 years	1,522,363

# Concise Financial Report

## for the period ended 31 December 2010

### 5 Interest Bearing Financial Liabilities

<b>Consolidated</b>	<b>Note</b>	<b>MQA</b> <b>As at</b> <b>31 Dec 2010</b> <b>\$'000</b>
<b>Non-current</b>		
Non-recourse loans	(i)	1,549,111
Accrued interest rate swap liability	(ii)	176,945
		<b>1,726,056</b>
The maturity profile of the above interest bearing financial liabilities is:		
Due within one year		-
Due between one and five years		1,549,111
Due after five years		176,945
		<b>1,726,056</b>

#### (i) Non-Recourse Loans

The MQA consolidated financial statements incorporate interest bearing financial liabilities raised by controlled project entities to finance the construction of infrastructure assets. These project-related liabilities are non-recourse to MQA.

The non-recourse loans represent Macquarie Motorway Group Limited's ("MMG"), a subsidiary of MQA, debt facilities of £1.03 billion (\$1.5 billion) relating to the M6 Toll.

The facilities are due for repayment in August 2015, with a cash sweep commencing in 2012, and comprise a £1.00 billion (\$1.5 billion) term loan and a £30.0 million (\$45.7 million) capital expenditure facility. Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR). At 31 December 2010 the interest rate was 2.22%.

At 31 December 2010, the term loan was fully drawn down and £8.86 million (\$13.5 million) of the capital expenditure facility had been utilised. The facilities have certain covenants attached and are secured by way of a debentures over Midland Expressway Limited's ("MEL") assets.

Interest rate hedging has been put in place in relation to 100% of the face value of the term loan and future refinancing to 2036. Interest expense on the term loan is calculated by applying the effective fixed interest rate of 5.67%.

#### (ii) Accrued Interest Rate Swap Liability

The swap liability represents a separate element associated with the MMG 30 year interest rate hedge. This reflects the low rates of fixed payments currently being paid under the swap contracts being less than the effective swap rate over the term of the swap. As at 31 December 2010, this element incurs fixed interest at 7.12% per annum

# Concise Financial Report

## for the period ended 31 December 2010

### 6 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 MARIL Board of Directors ("MARIL Board").

The MARIL Board consider the business from the aspect of each of the toll roads and has identified six operating segments for MQA. The segments of MQA are the investments in M6 Toll, APRR, Warnow Tunnel, Indiana Toll Road, Chicago Skyway and Dulles Greenway

The operating segment note discloses the segment revenue and segment EBITDA for the 11 months to 31 December 2010, being the period of ownership following the MIG demerger, and segment assets at 31 December 2010 by individual portfolio asset. The Board is provided on a monthly basis with performance information on each asset, in its capacity as chief operating decision maker, to monitor the operating performance of each asset.

#### (b) Segment Information Provided to the MARIL Board

The segment information provided to the MARIL Board for the reportable segments for the period ended 31 December 2010, based on MQA'S effective ownership interest is as follows:

	Indiana Toll Road Period to 31 Dec 2010 \$'000	Chicago Skyway Period to 31 Dec 2010 \$'000	Dulles Greenway Period to 31 Dec 2010 \$'000	M6 Toll Period to 31 Dec 2010 \$'000	APRR Period to 31 Dec 2010 \$'000	Warnow Tunnel Period to 31 Dec 2010 \$'000	<b>Total Continuing operations Period to 31 Dec 2010 \$'000</b>	Transtoll Discontinued operations Period to 31 Dec 2010 \$'000	<b>Total Discontinued operations Period to 31 Dec 2010 \$'000</b>	<b>Total MQA Period to 31 Dec 2010 \$'000</b>
<b>Segment Result</b>										
Segment Revenue	43,892	13,514	32,775	94,724	507,201	7,597	<b>699,703</b>	5,803	<b>5,803</b>	<b>705,506</b>
Segment Expenses	(8,412)	(1,950)	(8,701)	(11,475)	(160,873)	(2,522)	<b>(193,933)</b>	(5,938)	<b>(5,938)</b>	<b>(199,871)</b>
Segment EBITDA	35,480	11,564	24,074	83,249	346,328	5,075	<b>505,770</b>	(135)	<b>(135)</b>	<b>505,635</b>
EBITDA Margin	81%	86%	73%	88%	68%	67%		(2)%	<b>(2)%</b>	
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
<b>Segment assets</b>	976,487	515,943	867,668	889,802	3,941,838	158,722	<b>7,350,460</b>	-	<b>-</b>	<b>7,350,460</b>

# Concise Financial Report

## for the period ended 31 December 2010

### 6 Segment Information (continued)

#### (b) Segment Information provided to the MQA Boards (continued)

A reconciliation of MQA 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 Period to 31 Dec 2010 \$'000
<b>Reconciliation of Segment Revenue to MQA Revenue</b>	
Segment Revenue	699,703
Revenue attributable to investments accounted for under the equity method*	(604,979)
Unallocated revenue	8,389
<b>Total revenue</b>	<b>103,113</b>
<b>Reconciliation of Segment EBITDA to MQA Loss Before Income Tax Benefit</b>	
Segment EBITDA	505,770
EBITDA attributable to investments accounted for under the equity method *	(422,521)
Operating expenses from consolidated toll road assets	(144,191)
Unallocated revenue	8,389
Unallocated expenses	(36,352)
Share of net loss of investments accounted for using the equity method	(208,755)
Gain on deconsolidation of subsidiaries	54,018
<b>Loss from continuing operations before income tax benefit</b>	<b>(243,642)</b>
	<b>MQA As at 31 Dec 2010 \$'000</b>
<b>Reconciliation of Segment Assets to MQA Total Assets</b>	
Segment assets	7,350,460
Other cash assets	23,102
Other assets	7,998
Liabilities included in investments accounted for using the equity method	(5,529,592)
<b>Total assets</b>	<b>1,851,968</b>

\* 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 Statement of Comprehensive Income. Proportionate revenue and EBITDA relating to investments accounted for under the equity method is included in the information reported to the MARIL Board.

# Concise Financial Report

## for the period ended 31 December 2010

### 7 Commitments for Expenditure

<b>Consolidated</b>	<b>MQA As at 31 Dec 2010 S'000</b>
<b>Operating leases commitments</b>	
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	15,521
Later than one year but not later than five years	65,019
Later than five years	1,263,034
	<b>1,343,574</b>

MQA leases land from the Highways Agency in respect of the M6 Toll. The lease payments are established via a formula set out by the Highways Agency, which settles all costs associated with the purchase by the Highways Agency of that land, and interest on those costs at 6% real per annum. Lease payments commenced in 2010 and will be made through to 2054.

#### Other Commitments

As part of the debt refinancing of the M6 Toll in August 2006, Macquarie European Infrastructure Limited, a subsidiary of MARIL made a commitment to contribute up to a maximum of £70 million (\$124.3 million) towards a road enhancement project which would provide a link to the M6 Toll. This commitment amount is indexed according to the Road and Construction Tender Index from May 2006. As this contribution is conditional upon the project being undertaken at a future date, the Group believes that no provisions are necessary in the financial statements at 31 December 2010.

### 8 Contingent Liabilities

MQA had the following contingent liabilities at 31 December 2010. No provisions have been raised against these items unless stated below.

#### Warnow Tunnel

European Transport Investments (UK) Limited ("ETI"), a subsidiary of MARIL, has made two separate guarantees, totalling €1.19 million (\$1.55 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 €1.19 million (\$1.55 million) has been deposited. These funds are restricted and are not accessible.

#### South Bay Expressway

Macquarie Infrastructure US Pty Limited, a subsidiary of MARIL has provided letters of credit totalling US\$2.5 million (\$2.4 million) (June 2010 - US\$3.6 million (\$4.3 million)) to several agencies which have granted environmental permits for the construction of the SBX. An amount of US\$ 1.1 million has been repaid in the period. The Group believes it unlikely that there has been or will be any violation of the relevant environmental requirements which would require the letters of credit to be drawn.

The letters of credit are backed by an on-demand guarantee, provided through a secured cash deposit of US\$2.5 million (\$2.4 million).

# Concise Financial Report

## for the period ended 31 December 2010

---

### **8 Contingent Liabilities (continued)**

#### **Toll Road Investors Partnership II LP ("TRIP II")**

MQA holds an estimated 50% economic interest in Toll Road Investors Partnership II LP ("TRIP II"). In May 2010 TRIP II terminated its toll road operation and maintenance service provider's contract. The service provider is seeking damages alleging wrongful termination. At 31 December 2010 no liability has been recognised by TRIP II on the basis that TRIP II is expected to defend the claims successfully.

#### **Macquarie Autoroutes de France SAS ("MAF")**

The French Tax Authority ("FTA") has undertaken a review of Macquarie Autoroutes de France SAS ("MAF"), a subsidiary of Macquarie Autoroutes de France 2 SA ("MAF 2"), an associate of MQA, through which MQA holds its interest in APRR. The FTA has issued a notice of re-assessment to MAF seeking additional taxes. MAF, in consultation with its tax advisers, has submitted its response to the FTA and is awaiting the FTA's reply. At 31 December 2010 no liability has been recognised by MQA on the basis that MAF is expected to defend the claims successfully without material adverse re-assessment or costs.

### **9 Events Occurring After Balance Sheet Date**

Since balance date, there are 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 Group, the results of those operations or the state of affairs of the Group in periods subsequent to the period ended 31 December 2010.

---

# Concise Financial Report

## for the period ended 31 December 2010

---

### Statement by the Directors of Macquarie Atlas Roads International Limited

In the opinion of the directors of Macquarie Atlas Roads Infrastructure Limited ("MARIL"), the consolidated concise financial report of MQA for the period ended 31 December 2010, as set out on pages 8 to 26, complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

The concise financial report is an extract from the full financial report for the period ended 31 December 2010. The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for the period ended 31 December 2010.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which is available on request.

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



Jeffrey Conyers  
Chairman  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
24 February 2011



Derek Stapley  
Director  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
24 February 2011

## **Independent auditor's report to the members of Macquarie Atlas Roads International Limited**

### **Report on the concise financial report**

The accompanying concise financial report of Macquarie Atlas Roads International Limited comprises the consolidated statement of financial position as at 31 December 2010, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period from 15 December 2009 to 31 December 2010 and related notes, derived from the audited financial report of Macquarie Atlas Roads International Limited for the period from 15 December 2009 to 31 December 2010. Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads International Limited and the entities it controlled during the period, and Macquarie Atlas Roads Limited and the entities it controlled during the period. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

#### *Directors' responsibility for the concise financial report*

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*. This responsibility includes establishing and maintaining internal controls relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Macquarie Atlas Roads International Limited for the period from 15 December 2009 to 31 December 2010. Our audit report on the financial report for the period was signed on 25 February 2011 and was not subject to any modification. The Australian 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 report is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the period, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the period. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the concise financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Auditor's opinion*

In our opinion, the concise financial report of Macquarie Atlas Roads International Limited for the period ended 31 December 2010 complies with Australian Accounting Standard AASB 1039: *Concise Financial Reports*.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

*Wayne Andrews*

Wayne Andrews  
Partner

Sydney  
25 February 2011