

MACQUARIE ATLAS ROADS

FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010



MACQUARIE

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

Macquarie Atlas Roads Limited and its controlled entities

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.

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for the period ended 31 December 2010

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Directors' Report

for the period ended 31 December 2010

Directors' Report

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the 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").

The directors of MARL submit the following report for the MARL Group for the period from 16 December 2009 to 31 December 2010.

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 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 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 or MARL for the period ended 31 December 2010.

Review and Results of Operations

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

	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Revenue from continuing operations	103,113	1,400
Loss from continuing operations after income tax benefit	(227,646)	(74,949)
Profit from discontinued operations	746	746
Loss for the period	(226,900)	(74,203)
Loss attributable to:		
Equity holders of the parent – MARIL	(68,285)	-
Equity holders of other stapled entity – MARL (as non controlling interest/parent entity)	(74,203)	(74,203)
Stapled security holders	(142,488)	(74,203)
Other non-controlling interests	(84,412)	-
	(226,900)	(74,203)
	Cents	Cents
Basic loss from continuing operations per MARIL/MARL share	(15.10)	(16.57)
Basic loss per MARIL/MARL share	(15.10)	(16.41)

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 an 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 Groups 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 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 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 Groups in future years and the expected results of those operations have not been included in this report because the directors of MARL and MARIL believe it would be likely to result in unreasonable prejudice to the Groups.

Indemnification and Insurance of Officers and Auditors

During the period, MARL and MARIL paid premiums of \$108,885 each to insure the directors and officers of MARL and 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 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.

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.

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 05/642 as amended by Class Order 10/655.

Directors' Report

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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.

Information on Directors

	Experience and Directorships	Special Responsibilities	Particulars of director's interests in MQA stapled securities
MARL			
Chairman David Walsh	<i>Experience:</i> Corporate and commercial lawyer and former partner of Mallesons Stephen Jaques. He is currently chairman of Templeton Global Growth Fund Limited. <i>Other current directorships:</i> Macquarie Atlas Roads International Limited and no other listed entities. <i>Former Directorships in last 3 years:</i> Intoll Management Limited, the responsible entity for Intoll Group, PaperlinX Limited and Dyno Nobel Limited and no other listed entities.	-	7,000*
John Roberts	<i>Experience:</i> Joined the Macquarie Group in 1991, he is the executive Chairman of the Macquarie Funds Group. Previous roles within Macquarie include head of Europe, joint head of Macquarie Capital Advisers and global head of Macquarie Capital Funds. <i>Other current directorships:</i> MAp Airports Limited, AMPCI Macquarie Infrastructure Management No. 1 Limited, AMPCI Macquarie Infrastructure Management No. 2 Limited, DUET Investment Holdings Limited, Macquarie Infrastructure Company LLC, Macquarie International Infrastructure Fund Limited, Southern Cross Airports Corporation Holdings Limited and no other listed entities. <i>Former Directorships in last 3 years:</i> Southern Cross Media Group Limited and no other listed entities.	-	46,108*
Independent Director Richard England	<i>Experience:</i> Fellow of the Institute of Chartered Accountants and a member of the Australian Institute of Company Directors. Former partner of Ernst & Young (Australia). <i>Other current directorships:</i> Ruralco Holdings Limited, Chandler MacLeod Group, Nanosonics Limited and no other listed entities. <i>Former Directorships in last 3 years:</i> St George Bank Limited, Healthscope Limited and Choiseul Investments Limited and no other listed entities.	Chairman of Audit and Risk Committee	-
Independent Director Jeffrey Conyers	<i>Experience:</i> A founding executive council member and deputy chairman of the Bermuda Stock Exchange and is currently the chief executive officer of First Bermuda Group Limited. <i>Other current directorships:</i> MAp Airports International Limited, Macquarie Atlas Roads International Limited and no other listed entities. <i>Former Directorships in last 3 years:</i> Intoll International Limited and no other listed entities.	-	30,000**

* Acquired on the demerger of MIG

** Acquired during the period

MARL Company Secretaries

The Company Secretaries of MARL are Ms Christine Williams and Mr Kean Hao Lim and both are practising solicitors. Ms Christine Williams is an Executive Director and Mr Kean Hao Lim is an Associate Director of Macquarie Group Limited group ("Macquarie Group").

Directors' Report

for the period ended 31 December 2010

Meetings of MARL Directors

The number of meetings of the MARL board of directors and of the Audit and Risk Committee held during the period ended 31 December 2010, and the numbers of meetings attended by each director were:

MARL Director	Meetings of Directors		Meetings of Audit and Risk Committee	
	Meetings held*	Meetings attended	Meetings held*	Meetings attended
David Walsh (Chairman)	11	11	3	3
Paul McClintock**	1	1	-	-
Mark Johnson**	4	2	-	-
David Mortimer**	4	4	-	-
John Roberts	10	10	-	-
Richard England	7	7	3	3
Marc de Cure**	6	5	3	3
Jeffrey Conyers	1	1	-	-

* Meetings held during the period when a director or member of the Audit and Risk Committee was appointed

** No longer a current director of MARL

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 period ended 31 December 2010 independent directors were entitled to director's fees per the remuneration table on page 9.

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

Executives

MARL does not pay any remuneration to company executives.

Directors' Report

for the period ended 31 December 2010

Details of remuneration (audited)

Remuneration of directors

	MARL Group Period to 31 Dec 10 Director's fees \$
MARL Non-executive Directors	
David Walsh (Chairman)	168,556
Paul McClintock	-
Mark Johnson	41,087
David Mortimer	46,017
John Roberts	-
Richard England	81,538
Marc de Cure	52,422
Jeffrey Conyers	7,972
	<hr/> 397,592

No other payments, other than disclosed in the table above, were made by the MARL Group to any of the MARL directors during their period of director's service.

Service agreements (audited)

Remuneration for the directors are 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 2010.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 7.

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 period are set out on page 10.

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.

Directors' Report

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MARL Non-Audit Services (continued)

	MARL Group Period to 31 Dec 10 \$
Taxation services	
PricewaterhouseCoopers Australian firm	37,408
PricewaterhouseCoopers Overseas firm	29,120
Total remuneration for taxation services	66,528
Other services	
PricewaterhouseCoopers Australian firm	35,500
Total remuneration for other services	35,500
Total	102,028

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 11.

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

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



David Walsh
Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
25 February 2011



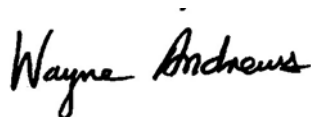
Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
25 February 2011

Auditor's Independence Declaration

As lead auditor for the audit of Macquarie Atlas Roads Limited for the period ended 31 December 2010, 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 it controlled during the period.



Wayne Andrews
Partner
PricewaterhouseCoopers

Sydney
25 February 2011

Financial Report

for the period ended 31 December 2010

Consolidated Statements of Comprehensive Income

	Note	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Revenue from continuing operations			
Revenue from continuing operations		103,113	1,400
Total revenue from continuing operations	2(i)	103,113	1,400
Operating expenses from continuing operations			
Finance costs		(95,619)	-
Other operating expenses		(96,399)	(6,789)
Total operating expenses from continuing operations	2(ii)	(192,018)	(6,789)
Share of net loss of investments accounted for using the equity method	9	(208,755)	(70,868)
Gain on deconsolidation	2(ii)	54,018	-
Loss from continuing operations before income tax benefit		(243,642)	(76,257)
Income tax benefit	3	15,996	1,308
Loss from continuing operations after income tax benefit		(227,646)	(74,949)
Profit from discontinued operations	4	746	746
Loss for the period		(226,900)	(74,203)
Other comprehensive income			
Exchange differences on translation of foreign operations		92,849	(11,772)
Cash flow hedges, net of tax		(43,879)	-
Other comprehensive income for the period, net of tax		48,970	(11,772)
Total comprehensive income for the period		(177,930)	(85,975)
Loss attributable to:			
Equity holders of the parent entity - MARIL		(68,285)	-
Equity holders of other stapled entity - MARL (as non-controlling interest/ parent entity)		(74,203)	(74,203)
Stapled security holders		(142,488)	(74,203)
Other non-controlling interest		(84,412)	-
		(226,900)	(74,203)
Total comprehensive income attributable to:			
Equity holders of the parent entity - MARIL		4,526	-
Equity holder of other stapled entity - MARL (as non-controlling interest/ parent entity)		(85,975)	(85,975)
Stapled security holders		(81,449)	(85,975)
Other non-controlling interest		(96,481)	-
		(177,930)	(85,975)
Loss from continuing operations per share attributable to MARIL/MARL shareholders			
		Cents	Cents
Basic loss from continuing operations per share attributable to:			
MARIL (as parent entity)	23	(15.10)	-
MARL (as parent entity)	23	-	(16.57)
Loss per share attributable to MARIL/MARL shareholders			
Basic loss per share attributable to:			
MARIL (as parent entity)	23	(15.10)	-
MARL (as parent entity)	23	-	(16.41)

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

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Consolidated Statements of Financial Position

	Note	MQA As at 31 Dec 2010 \$'000	MARL Group As at 31 Dec 2010 \$'000
Current assets			
Cash and cash equivalents	6	66,047	7,015
Receivables	7	8,343	8,937
Prepayments	8	998	10
Total current assets		75,388	15,962
Non-current assets			
Receivables	7	-	18,917
Investments accounted for using the equity method	9	931,068	75,499
Property, plant and equipment	10	773,195	-
Tolling concessions	11	72,317	-
Total non-current assets		1,776,580	94,416
Total assets		1,851,968	110,378
Current liabilities			
Payables	14	(34,528)	(1,268)
Derivative financial instruments	15	(34,299)	-
Total current liabilities		(68,827)	(1,268)
Non-current liabilities			
Payables	14	(152,037)	(445)
Interest-bearing financial liabilities	16	(1,726,056)	-
Derivative financial instruments	15	(79,188)	-
Deferred tax liabilities	17	(51,152)	-
Total non-current liabilities		(2,008,433)	(445)
Total liabilities		(2,077,260)	(1,713)
Net (liabilities)/assets		(225,292)	108,665
Equity			
Equity attributable to equity holders of the parent - MARIL			
Contributed equity	18	1,316,674	-
Reserves	19	(1,582,346)	-
Accumulated losses	20	(68,285)	-
MARIL security holders' interest		(333,957)	-
Equity attributable to other stapled security holders - MARL			
Contributed equity	18	194,640	194,640
Reserves	19	(11,772)	(11,772)
Accumulated losses	20	(74,203)	(74,203)
Other stapled security holders' interest		108,665	108,665
Other non-controlling interest	21	-	-
Total equity		(225,292)	108,665

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 24 February 2011 and was signed on MARIL's behalf by:



Jeffrey Conyers
Macquarie Atlas Roads International Limited
Pembroke, Bermuda



Derek Stapley
Macquarie Atlas Roads International Limited
Pembroke, Bermuda

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Consolidated Statements of Changes in Equity

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

MARL Group	Attributable to MARL security holders				Non-controlling interest	Total equity
	Contributed equity	Reserves	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total equity at 16 December 2009	-	-	-	-	-	-
Loss for the period	-	-	(74,203)	(74,203)	-	(74,203)
Exchange differences on translation of foreign operations	-	(11,772)	-	(11,772)	-	(11,772)
Total comprehensive income	-	(11,772)	(74,203)	(85,975)	-	(85,975)
Transactions with equity holders in their capacity as equity holders:						
Demerger of MIG	194,640	-	-	194,640	-	194,640
	194,640	-	-	194,640	-	194,640
Total equity at 31 December 2010	194,640	(11,772)	(74,203)	108,665	-	108,665

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

Financial Report

for the period ended 31 December 2010

Consolidated Statements of Cash Flows

	Note	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Cash flows from operating activities			
Toll revenue received		112,515	-
Interest received		4,396	1,112
Net indirect taxes (paid)/received		(13,017)	122
Payments to suppliers and employees (inclusive of GST/VAT)		(22,411)	(7,661)
Management and Advisory base fees paid		(7,101)	(884)
Management and Advisory performance fees paid		(4,206)	(519)
Payments on settlement of derivative financial instruments		(3,157)	-
Reimbursement of bid costs		6,504	1,782
Operating lease rent paid		(17,008)	-
Income taxes paid		(202)	-
Other income received		10,639	6,102
Net cash flows from operating activities	24	66,952	54
Cash flows used in investing activities			
Payment for purchase of investments (including transaction costs)		(219,948)	(49)
Payments for purchase of property, plant and equipment		(1,149)	(73)
Proceeds from return of capital from investments		315	315
Deconsolidated cash balance from discontinued operations		(509)	(509)
Net cash flows used in investing activities		(221,291)	(316)
Cash flows from financing activities			
Proceeds from issue of equity prior to demerger of MIG		151,722	24,886
Cash acquired on the acquisition of subsidiaries		140,259	1,202
Proceeds from bank borrowings		1,144	-
Borrowing costs paid		(59,326)	-
Loans advanced to related parties		-	(18,917)
Repayment of loans from related parties		-	513
Net cash flows from financing activities		233,799	7,684
Net increase in cash assets held		79,460	7,422
Cash and cash equivalents at the beginning of the period		-	-
Effects of exchange rate movements on cash and cash equivalents		(13,413)	(407)
Cash and cash equivalents at the end of the period	24	66,047	7,015

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

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 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 period ended 31 December 2010 has been prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001* (where applicable).

As permitted by ASIC Class Order 05/642 as amended by Class Order 10/655, this report consists of the consolidated financial statements of Macquarie Atlas Roads International Limited ("MARIL") and the entities it controlled at the end of and during the period (collectively referred to as "MQA" or "the Group") and the consolidated financial statements of Macquarie Atlas Roads Limited ("MARL") and the entities it controlled at the end of and during the period (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 24 February 2011 and 25 February 2011 respectively. The Boards have the power to amend and reissue the Financial Report.

Compliance with International Financial Reporting Standards ("IFRS")

Compliance with Australian Accounting Standards ensures that the Financial Report complies with International Financial Reporting Standards ("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 (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.

Comparative figures

There are no comparatives as this is the first financial reporting period of MQA and the MARL Group (together "the Groups").

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 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 16). 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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(a) Basis of preparation (continued)

Going concern (continued)

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.

Change in accounting methodology

MQA elected on a prospective basis to change the accounting methodology 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.

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 period from 16 December 2009 to 31 December 2010.

(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 consolidated financial statements of the MARL Group incorporate the assets and liabilities of the entities controlled by MARL for the period from 16 December 2009 to 31 December 2010. 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 have 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 Groups control another entity.

The purchase 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 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 the subsidiary is de-consolidated from the date that control ceases.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(c) Principles of consolidation (continued)

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.

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.

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 relating to the non-controlled investments are recognised as a component of the investments accounted for using the equity method.

Tolling concessions have a finite useful life by the terms of the concession arrangement and are carried at cost which represents 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	Estimated Useful Life	Depreciation basis
M6 Toll	Period to January 2054	Straight line basis
Autoroutes Paris-Rhine-Rhône ("APRR") *	Period to December 2032	Straight line basis
Indiana Toll Road *	Period to June 2081	Straight line basis
Chicago Skyway *	Period to January 2104	Straight line basis
Dulles Greenway *	Period to February 2056	Straight line basis
Warnow Tunnel *	Period to September 2053	Straight line basis

* The tolling concessions in relation to the 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.

(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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

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.

(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.

(i) Impairment of assets

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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(i) Impairment of assets (continued)

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.

(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) 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.

(l) 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 period but not distributed at balance date.

(m) 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.

(n) 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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(n) Income tax (continued)

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.

(o) 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.

Transactions and balances

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

(p) Prepayments

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

(q) 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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(q) Derivative financial instruments (continued)

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.

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 periods 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.

(r) 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 period end. Bad debts are written off in the period in which they are identified.

(s) 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.

(t) 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 period.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(u) 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.

(v) 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.

(w) 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. 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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(x) 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 period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. 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 period of the lease.

(y) 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.

(z) 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.

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 understanding of the current tax law.

In addition, the Groups have recognised deferred tax assets relating to carried forward losses to the extent these 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.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(z) Critical Accounting Estimates and Judgements (continued)

Impairment testing

In accordance with the accounting policy stated in Note 1(i) 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.

(aa) Accounting Standards and Interpretations issued

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

AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 January 2010)

In May 2009, the AASB issued a number of improvements to existing Australian Accounting Standards. The Groups will apply the revised standards from 1 January 2011. The Groups do not expect that any adjustments will be necessary as the result of applying the revised rules.

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The Groups are yet to assess its full impact and have not yet decided whether to early adopt AASB 9.

AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project and AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual periods beginning on or after 1 July 2010/1 January 2011)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Groups will apply the amendments from 1 January 2011. The Groups do not expect that any adjustments will be necessary as the result of applying the revised rules.

Financial Report

for the period ended 31 December 2010

1 Summary of Significant Accounting Policies (continued)

(bb) 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 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 stand alone 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.

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.

(cc) Presentation of Financial Reports

The Financial Reports for MARIL and MARL have been presented in this single document, pursuant to ASIC Class Order 05/642 as amended by Class Order 10/655.

(dd) 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.

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for the period ended 31 December 2010

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	MARL Group
	Period to	Period to
	31 Dec 2010	31 Dec 2010
	\$'000	\$'000
Consolidated		
Revenue from continuing operations		
Toll revenue	94,724	-
Other revenue	4,491	28
Interest Income:		
Related parties	163	810
Other persons and corporations	3,735	562
Total Interest income	3,898	1,372
Total revenue from continuing operations	103,113	1,400

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for the period ended 31 December 2010

2 Loss for the period (continued)

(ii) Operating expenses from continuing operations

Consolidated	MQA	MARL Group
	Period to	Period to
	31 Dec 2010	31 Dec 2010
	\$'000	\$'000
Operating expenses from continuing operations		
Finance costs:		
Interest expense:		
Other persons and corporations	95,619	-
Total Finance Costs	95,619	-
Other operating expenses:		
Loss on derivative financial instruments	490	-
Amortisation of tolling concessions	1,668	-
Depreciation:		
Plant and machinery	3,624	-
Land and buildings	705	-
Toll road	20,356	-
	24,685	-
Cost of operations:		
Employment costs	6,987	417
Operating expenses	5,202	-
Operating lease rentals	26,816	-
	39,005	417
Other operating expenses:		
Consulting and administration fees	1,551	678
Manager's and Adviser's base fees	10,425	1,178
Manager's and Adviser's performance fees	12,476	1,361
Foreign exchange loss	2,490	854
Provision for impairment	-	1,807
Other expenses	3,609	494
	30,551	6,372
Total other operating expenses	96,399	6,789
Total operating expenses from continuing operations	192,018	6,789
Gain on deconsolidation *	54,018	-

* 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 9 (b).

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for the period ended 31 December 2010

3 Income Tax Benefit

The income tax expense for the financial period differs from the prima facie tax payable. The differences are reconciled as follows

Consolidated	Note	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
(a) Reconciliation of income tax benefit to prima facie tax payable			
Loss from continuing activities before income tax benefit		(243,642)	(76,257)
Profit from discontinued operations before income tax benefit		746	746
Loss for the period		<u>(242,896)</u>	<u>(75,511)</u>
Prima facie income tax on loss at the Australian tax rate of 30%		(72,869)	(22,653)
Impact of different tax rates of operations in jurisdictions other than Australia		11,312	37
Tax effect of amounts which are not deductible/ (taxable) in calculating taxable income:			
Share of net loss of investments accounted for using the equity method		62,627	21,260
Provision for impairment		542	542
Gain on deconsolidation		(16,205)	-
Profit from discontinued operations		(224)	(224)
Non-assessable income		(342)	-
Non-deductible tolling concession amortisation		500	-
Non-deductible expenditure		48	40
Deferred tax asset on taxable losses not brought to account		7,303	775
Deferred tax assets on prior period tax losses brought to account due to change in tax rates		(2,732)	-
Timing differences not brought to account		(4,668)	204
Carry back of losses against prior year's tax payments		(1,308)	(1,308)
Sundry items		20	19
Aggregate income tax benefit		<u>(15,996)</u>	<u>(1,308)</u>
(b) Income tax benefit			
Aggregate income tax benefit comprises:			
Current taxation expense		2	-
Deferred tax benefit		(14,690)	-
Carry back of losses against prior year's tax payments		(1,308)	(1,308)
		<u>(15,996)</u>	<u>(1,308)</u>
Deferred income tax benefit included in income tax benefit:			
Decrease in deferred tax liabilities	17	(14,690)	-
		<u>(14,690)</u>	<u>-</u>
(c) Amounts recognised directly in equity			
Aggregate current and deferred tax arising in the reporting period 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		1,043,783	529,719
Potential tax benefit of unused tax losses		<u>351,742</u>	<u>212,944</u>

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for the period ended 31 December 2010

4 Discontinued operations

Description

On 16 December 2010, MQA and the MARL Group lost control of Transtoll Pty Limited ("Transtoll") and the results of Transtoll have been deconsolidated on that date and an overall profit from deconsolidation of \$0.7 million has been recognised.

Financial performance and cash flow information

The financial performance and cash flow information relating to the discontinued operations to the date of deconsolidation for the period ended 31 December 2010 are presented below:

	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Consolidated		
Financial performance		
Revenue	5,803	5,803
Expenses	(5,938)	(5,938)
Loss before income tax	(135)	(135)
Income tax expense	-	-
Loss after income tax of discontinued operations	(135)	(135)
Gain from deconsolidation	881	881
Total profit from discontinued operations	746	746

	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Consolidated		
Cash flow information		
Net cash flows from operating activities	277	277
Net cash flows used in investing activities	(73)	(73)
Net cash flows from/(used in) financing activities	-	-
Net increase in cash generated from discontinued operations	204	204

5 Remuneration of Auditors

	MQA Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Consolidated		
Amounts paid or payable to PricewaterhouseCoopers Australian firm for:		
Audit services	417	208
Other services		
Taxation compliance services	52	37
Other services	69	36
	538	281
Amounts paid or payable to PricewaterhouseCoopers overseas firm for:		
Audit services	169	74
Other services		
Taxation compliance services	103	29
	272	103

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for the period ended 31 December 2010

6 Cash and Cash Equivalents

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
Cash at bank	24,369	1,935
Short term money market investments	13,568	5,080
Cash not available for use	28,110	-
	66,047	7,015

(a) Short term money market investments

The short term money market investments outstanding at 31 December 2010 mature within 66 days and pay interest between 1.03% - 5.86% per annum.

The majority of the cash at bank balance is held in bank accounts earning money market rates of interest between 0.25% - 4.75% per annum.

(b) Cash not available for use

This includes restricted amounts relating to Macquarie Motorways Group Limited's ("MMG") debt service obligations and blocked deposits required under Midland Expressway Ltd's ("MEL") concession agreement obligations amounting to \$24.1 million. In addition, guarantees have been provided in relation to Warnowquerung GmbH & Co. KG ("Warnow Tunnel") amounting to \$1.55 million.

Macquarie Infrastructure US Pty Ltd ("MIUS") has also provided letters of credit totalling US\$2.5 million (\$2.46 million) to several agencies which have granted environmental permits for the construction of the South Bay Expressway. The letters of credit are backed by an on-demand guarantee, provided through a secured cash deposit of US\$2.5 million (\$2.46 million).

Discussion of the Groups' policies concerning the management of credit risk can found in Note 26.

7 Receivables

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
Current		
GST and VAT recoverable	105	101
Receivables from related parties	3,246	4,579
Tax receivables	4,257	4,257
Other receivables	735	-
Total current receivables	8,343	8,937
Non-current		
Receivables from related parties	-	18,917
Total non-current receivables	-	18,917

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.

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8 Prepayments

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
Current		
Prepaid expenses	998	10
Total current prepayments	998	10

9 Investments Accounted for using the Equity Method

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Shares in associates – equity method	931,068	75,499
	931,068	75,499

Information relating to associates is set out below:

(a) Carrying amounts

Name of Entity	Country of incorporation	Principal Activity	Ownership Interest	MQA	MARL Group
			As at 31 Dec 2010 %	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	38.9	636,446	-
Dulles Greenway Partnership*	USA	Investment in toll road located in northern Virginia, USA	50.0	243,608	24,485
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	50.0	51,014	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	-	-
				931,068	75,499

* 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.

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for the period ended 31 December 2010

9 Investments Accounted for using the Equity Method (continued)

(b) Movement in carrying amounts

	MQA	MARL Group
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
Carrying amount at the beginning of the period	-	-
Associates acquired during MIG Demerger	1,336,183	157,912
Disposal of associates *	(663,781)	-
Associates acquired/equity invested *	646,586	49
Share of losses after income tax **	(208,755)	(70,868)
Distributions received/receivable	(297)	(297)
Foreign exchange movement	(178,868)	(11,297)
Carrying amount at the end of the period	931,068	75,499

* 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 MAF2. 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 and the MARL Group are fair value losses on interest rate swaps of \$104.6 million and \$13.9 million respectively for which hedge accounting has not been applied.

(c) Share of associates' profits or losses

Revenue	1,072,189	61,831
Expenses	(1,368,316)	(246,023)
Loss before income tax	(296,127)	(184,192)
Income tax (expense)/benefit	(27,893)	874
Loss after income tax	(324,020)	(183,318)

(d) Share of associates assets and liabilities

Group's share of:		
Assets	6,460,658	1,579,639
Liabilities	(5,630,140)	(1,600,599)
Net assets/(liabilities)	830,518	(20,960)

(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 29 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)	(112,450)
Carrying amount at the end of the period	(115,265)	(112,450)

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10 Property, Plant and Equipment

	Plant and machinery \$'000	Land and buildings \$'000	Toll Road \$'000	Total Property, plant and equipment \$'000
MQA Consolidated				
Net book amount at 15 December 2009	-	-	-	-
Demerger of MIG	22,954	36,348	896,998	956,300
Additions	826	-	249	1,075
Depreciation expense	(3,624)	(705)	(20,356)	(24,685)
Disposals	(527)	-	-	(527)
Exchange differences	(2,798)	(5,604)	(150,566)	(158,968)
Net book amount at 31 December 2010	16,831	30,039	726,325	773,195
At 31 December 2010				
Cost	59,702	34,976	918,376	1,013,054
Accumulated depreciation	(42,871)	(4,937)	(192,051)	(239,859)
Net book amount at 31 December 2010	16,831	30,039	726,325	773,195

Property, Plant and Equipment pledged as Security

Property, Plant and Equipment as at 31 December 2010 solely relates to Midland Expressway Limited ("MEL"). Non recourse loans of Macquarie Motorways Group Limited ("MMG") are secured by way of debenture over the assets of MEL.

The MARL Group has no property, plant and equipment as at 31 December 2010.

11 Tolling Concessions

	MQA
	As at 31 Dec 2010 \$'000
M6 Toll	72,317
Total Tolling Concessions	72,317

Tolling concessions are amortised over the remaining life of each concession, expiring in January 2054 for the M6 Toll.

	M6 Toll
	As at 31 Dec 2010 \$'000
MQA Consolidated	
Net book amount at 15 December 2009	-
Demerger of MIG	87,454
Amortisation expense	(1,668)
Exchange difference	(13,469)
Net book amount at 31 December 2010	72,317
At 31 December 2010	
Cost	80,523
Accumulated amortisation	(8,206)
Net book amount at 31 December 2010	72,317

The MARL Group has no tolling concessions as at 31 December 2010.

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12 Subsidiaries

a) MQA Consolidated

Name of controlled entity	Country of establishment	2010 voting %
Macquarie Atlas Roads Limited	Australia	100.0
Macquarie Green Bermudian Holdings Ltd	Bermuda	100.0
MQA Holdings Ltd	Bermuda	100.0
MQA Investments Ltd	Bermuda	100.0
Macquarie European Infrastructure Limited	UK	100.0
Macquarie Motorways Group Limited	UK	100.0
Midland Expressway Ltd	UK	100.0
Macquarie Infrastructure (UK) Ltd	UK	100.0
European Transport Investments (UK) Limited	UK	100.0
Macquarie UK Projects Ltd	UK	100.0
Macquarie Midland Holdings Ltd	UK	100.0
Tipperhurst Ltd	UK	100.0
Macquarie Autoroute International Sarl	Luxembourg	100.0
MIBL Finance Luxembourg Sarl	Luxembourg	100.0
Macquarie Infrastructure US Pty Ltd	Australia	100.0
Macquarie 125 Holdings Inc	USA	100.0
Macquarie Infrastructure Australia Pty Ltd	Australia	100.0
MQA Holdings 2 (US) LLC	USA	100.0
MQA Investments Australia Pty Ltd	Australia	100.0
MQA Indiana Holdings LLC	USA	100.0
MQA Holdings (US) LLC	USA	100.0
MIT (II) Holdings Pty Limited	Australia	100.0
Macquarie Infrastructure Netherlands Investments Cooperatief UA	Netherlands	100.0
Macquarie Infrastructure Netherlands Tollroads BV	Netherlands	100.0
M635 Pty Ltd	Australia	100.0
Macquarie LBJ Holdings LLC	USA	100.0
Macquarie 635 ML Holdings LLC	USA	100.0
South I-205 Concession Company LLC	USA	100.0
European Transport Investments Pty Ltd	Australia	100.0

(b) MARL Consolidated

Name of controlled entity	Country of establishment	2010 voting %
Macquarie Infrastructure Australia Pty Ltd	Australia	100.0
MQA Holdings 2 (US) LLC	USA	100.0
MQA Investments Australia Pty Ltd	Australia	100.0
MQA Indiana Holdings LLC	USA	100.0
MQA Holdings (US) LLC	USA	100.0
MIT (II) Holdings Pty Limited	Australia	100.0
M635 Pty Ltd	Australia	100.0
Macquarie LBJ Holdings LLC	USA	100.0
Macquarie 635 ML Holdings LLC	USA	100.0
South I-205 Concession Company LLC	USA	100.0
European Transport Investments Pty Ltd	Australia	100.0

On 21 January 2011, Abigroup WSO Holding No. 1 Pty Ltd, Abigroup WSO Holding No. 3 Pty Ltd, MEIL Holdings Pty Limited, M1604 Pty Ltd, M121 Pty Ltd and MUTR Pty Ltd, subsidiaries of MQA and the MARL Group were liquidated.

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13 Investment in Associates

(a) MQA Consolidated

Name of associate	Country of establishment	Principal activity	Balance date	2010 voting %
Macquarie Autoroutes de France 2 SA	Luxembourg	Holding company	30 Jun	38.9
Dulles Greenway Partnership *	USA	Holding company	31 Dec	50.0
Chicago Skyway Partnership	USA	Holding company	31 Dec	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	49.0
Warnowquerung GmbH & Co. KG ("WKG") (limited partnership)**	Germany	Investment in toll tunnel	31 Dec	70.0
Warnowquerung Verwaltungsgesellschaft mbH**	Germany	General Partner of WKG	31 Dec	70.0
South Bay Expressway Limited Partnership ("SBX")	USA	Toll road operator	30 Jun	50.0
Californian Transportation Ventures Inc	USA	General Partner of SBX	30 Jun	50.0

(b) MARL Consolidated

Name of associate	Country of establishment	Principal activity	Balance date	2010 voting %
Dulles Greenway Partnership *	USA	Holding company	30 Jun	50.0
Chicago Skyway Partnership	USA	Holding company	30 Jun	50.0
Indiana Toll Road Partnership	USA	Holding company	31 Dec	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 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. The agreement is structured such that 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.

The voting power held in the other associates disclosed above is in proportion to the ownership interest held. The above associates are accounted for using the Equity Method. Refer also to Note 9.

14 Payables

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
Current		
VAT payable	4,141	-
Manager and Adviser fees payable	3,429	399
Manager and Adviser performance fees payable	4,158	445
Lease payable	15,466	-
Sundry creditors and accruals	7,334	424
	34,528	1,268
Non Current		
Manager and Adviser performance fees payable	4,158	445
Lease payable	147,879	-
	152,037	445

The fair value of payables approximate their carrying values.

The current and non-current lease payables are in relation to land leased by MEL from the Highways Agency in the UK. Refer to Note 28.

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15 Derivative Financial Instruments

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

Instruments used by MQA

At 31 December 2010, 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 (refer to Note 26).

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 16) 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 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 16) 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	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
1 - 5 years	-	-
25 - 27 years	1,522,363	-

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16 Interest Bearing Financial Liabilities

Consolidated	Note	MQA	MARL Group
		As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Non-current			
Non-recourse loans	(i)	1,549,111	-
Accrued interest rate swap liability	(ii)	176,945	-
		1,726,056	-
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	-
		1,726,056	-

(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%.

The MARL Group has no interest bearing liabilities at 31 December 2010.

(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.

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17 Deferred Tax Liabilities

	MQA	MARL Group
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Consolidated		
Deferred tax liability	51,152	-
<p>The balance of deferred tax liabilities comprises temporary differences attributable to:</p> <p><i>Amounts recognised in profit or loss</i></p>		
Temporary differences on property, plant and equipment	235,301	-
Deferred tax asset in relation to tax losses	(184,149)	-
Net deferred tax liabilities	51,152	-
Movements:		
Opening balance at 15 December 2009 / 16 December 2009	-	-
Demerger of MIG	76,928	-
(Credited)/charged to profit or loss	(14,690)	-
Foreign currency exchange differences	(11,086)	-
Closing balance at 31 December 2010	51,152	-

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18 Contributed Equity

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Ordinary shares	1,316,674	194,640
Contributed equity	1,316,674	194,640
	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
On issue at the beginning of the period *	-	-
Issued		
Issued shares on the demerger from MIG **	1,316,674	194,640
On issue at the end of the period	1,316,674	194,640
	Number of shares '000	Number of shares '000
On issue at the beginning of the period *	-	-
Issued		
Issued shares on the demerger from MIG **	452,346	452,346
On issue at the end of the period	452,346	452,346

* Prior to stapling, MARIL issued 2 ordinary shares for \$2 on 15 December 2009 and MARL issued 2 ordinary shares for \$2 on 16 December 2009.

** Consideration for MARIL's issue of securities comprised cash of \$126.8 million and interests in subsidiaries, which included cash held by those subsidiaries of \$139.1 million. Consideration for MARL's issue of shares comprised cash of \$24.9 million and interests in subsidiaries, which included cash held by those subsidiaries of \$1.2 million.

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.

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19 Reserves

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	As at 31 Dec 2010 \$'000	As at 31 Dec 2010 \$'000
Balance of reserves		
Hedging reserve – cash flow hedges (net of tax)	(139,057)	-
Foreign currency translation reserve	116,690	(11,772)
Other reserve	(1,559,979)	-
	(1,582,346)	(11,772)
	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
Movements of reserves		
Hedging reserve – cash flow hedges (net of tax)		
Balance at the beginning of the period	-	-
Demerger of MIG	(95,178)	-
Revaluation (gross) on interest rate swap contracts	(43,879)	-
Balance at the end of the period	(139,057)	-
Foreign currency translation reserve		
Balance at the beginning of the period	-	-
Net exchange differences on translation of foreign controlled entities	104,621	(11,772)
Deconsolidation of subsidiaries	12,069	-
Balance at the end of the period	116,690	(11,772)
Other reserve		
Balance at the beginning of the period	-	-
Demerger of MIG	(1,559,979)	-
Balance at the end of the period	(1,559,979)	-

Nature and purpose of reserves

Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1(q). Amounts are recognised in profit or loss when the associated hedged transaction affects profit or loss.

Foreign currency translation reserve

Exchange differences arising on translation of foreign operations are taken to the foreign currency translation reserve, as described in Note 1(o).

Other reserve

On the demerger from MIG, a reserve has been recognised representing the difference between the fair value of securities issued and the historical carrying values of the interests in the assets acquired.

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20 Accumulated losses

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
Balance at the beginning of the period	-	-
Loss attributable to shareholders	(68,285)	(74,203)
Balance at the end of the period	(68,285)	(74,203)

21 Other Non Controlling Interest

	MQA	MARL Group
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
Consolidated		
Balance at the beginning of the period	-	-
Acquired on Demerger of MIG	175,702	-
Loss attributable to non-controlling interest	(84,412)	-
Foreign exchange differences attributable to non-controlling interest	(12,069)	-
Distributions provided for or paid to non-controlling interest	(287)	-
Deconsolidation of subsidiaries	(78,934)	-
Balance at the end of the period	-	-

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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 MARIL and MARL Board of Directors ("MQA Boards").

The MQA Boards consider the business from the aspect of each of the toll roads and has identified six and three operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in M6 Toll, 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.

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 MQA Boards

The segment information provided to the MQA Boards for the reportable segments for the period ended 31 December 2010, based on the MARL Group'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	Total Continuing operations Period to 31 Dec 2010 \$'000	Discontinued operations Transtoll Period to 31 Dec 2010 \$'000	Total Discontinued operations Period to 31 Dec 2010 \$'000	Total MARL Group Period to 31 Dec 2010 \$'000
MARL Group							
Segment Result							
Segment Revenue	43,892	13,514	4,392	61,798	5,803	5,803	67,601
Segment Expenses	(8,412)	(1,950)	(1,166)	(11,528)	(5,938)	(5,938)	(17,466)
Segment EBITDA	35,480	11,564	3,226	50,270	(135)	(135)	50,135
EBITDA Margin	81%	86%	73%	81%	(2)%	(2)%	74%
	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
Segment assets	976,487	515,943	87,209	1,579,639	-	-	1,579,639

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22 Segment Information (continued)

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

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

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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 Period to 31 Dec 2010 \$'000	MARL Group Period to 31 Dec 2010 \$'000
Reconciliation of Segment Revenue to Revenue		
Segment Revenue	699,703	61,798
Revenue attributable to investments accounted for under the equity method*	(604,979)	(61,798)
Unallocated revenue	8,389	1,400
Total revenue from continuing operations	103,113	1,400
Reconciliation of Segment EBITDA to Loss Before Income Tax Benefit		
Segment EBITDA	505,770	50,270
EBITDA attributable to investments accounted for under the equity method *	(422,521)	(50,270)
Operating expenses from consolidated toll road assets	(144,191)	-
Unallocated revenue	8,389	1,400
Unallocated expenses	(36,352)	(6,789)
Share of net loss of investments accounted for using the equity method	(208,755)	(70,868)
Gain on deconsolidation of subsidiaries	54,018	-
Loss from continuing operations before income tax benefit	(243,642)	(76,257)
Reconciliation of Segment Assets to Total Assets		
	MQA As at 31 Dec 2010 \$'000	MARL Group As at 31 Dec 2010 \$'000
Segment assets	7,350,460	1,579,639
Other cash assets	23,102	7,015
Other assets	7,998	27,864
Liabilities included in investments accounted for using the equity method	(5,529,592)	(1,504,140)
Total assets	1,851,968	110,378

* 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

Consolidated	MARIL	MARL
	Period to 31 Dec 2010 cents	Period to 31 Dec 2010 cents
Basic loss from continuing operations per MARIL/MARL share	(15.10)	(16.57)
Basic earnings from discontinued operations per MARIL/MARL share	-	0.16
Basic loss per MARIL/MARL share	(15.10)	(16.41)
	\$'000	\$'000
Earnings used in the calculation of basic loss from continuing operations per MARIL/MARL share*	(68,285)	(74,949)
Earnings used in the calculation of basic earnings from discontinued operations per MARIL/MARL share*	-	746
Earnings used in the calculation of basic loss per MARIL/MARL share *	(68,285)	(74,203)
	Number	Number
Weighted average number of shares used in calculation of basic loss per MARIL/MARL share *	452,345,907	452,345,907

* 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 loss per MQA stapled security for the period to 31 December 2010 was (31.50) cents per stapled security using MQA loss attributable to MQA stapled security holders of \$142.5 million.

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24 Cash Flow Information

Consolidated	MQA	MARL Group
	Period to 31 Dec 2010 \$'000	Period to 31 Dec 2010 \$'000
Reconciliation of loss after income tax benefit to net cash flows from operating activities		
Loss after income tax	(226,900)	(74,203)
Loss on equity accounted assets	208,755	70,868
Expenses relating to financing activities	95,619	-
Net unrealised foreign exchange differences	(666)	854
Net loss on derivative contracts	490	-
Gain on deconsolidation	(54,018)	-
Profit from discontinued operations	(746)	(746)
Depreciation and amortisation	26,353	-
Provision for impairment	-	1,807
Changes in operating assets and liabilities:		
Decrease in receivables	6,293	962
Decrease in other assets	133	98
Increase in current tax receivables	(1,308)	(1,308)
Decrease in deferred tax liability	(14,690)	-
Increase in other liabilities	13,963	-
Increase in payables	13,674	1,722
Net cash flows from operating activities	66,952	54
Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the period as shown in the Statements of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash at bank	24,369	1,935
Short term money market investments	13,568	5,080
Cash not available for use	28,110	-
Cash and cash equivalents	66,047	7,015

Non cash financing and investing activities

Restructure of Macquarie Infrastructure Group

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. 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. MQA issued securities as consideration for these transfers. Refer to Note 18.

Autoroutes Paris-Rhin Rhône ("APRR")

MQA contributed its interests in Macquarie Autoroutes de France SAS and interests in MAF Finance Sarl as consideration to acquire MQA's increased interest in Macquarie Autoroutes de France 2 SA ("MAF2").

There were no other non-cash financing or investing activities during the period.

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25 Related Party Disclosures

Adviser and Manager

The Adviser of MARIL and the Manager of MARL is Macquarie Fund Advisers Pty Limited ("MFAPL" or "the Adviser/Manager") formerly known as Macquarie Capital Funds Advisory Services Pty Limited, a wholly owned subsidiary of Macquarie Group Limited ("MGL").

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)

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.

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25 Related Party Disclosures (continued)

Compensation in the form of directors' fees that were paid to directors is as follows for the period ended 31 December 2010:

	Period to 31 Dec 10 Director's fees \$
MARIL	
Jeffrey Conyers	74,464
Dr Peter Dyer	61,413
David Walsh	59,222
Mark Johnson	-
Robert Mulderig	25,684
Derek Stapley	43,619
	<u>264,402</u>
MARL	
David Walsh	168,556
Paul McClintock	-
Mark Johnson	41,087
David Mortimer	46,017
John Roberts	-
Richard England	81,538
Marc de Cure	52,422
Jeffrey Conyers	7,972
	<u>397,592</u>

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 2010 are set out below:

	Directors interests in MQA Stapled Securities At 31 Dec 10
Jeffrey Conyers	30,000
Dr Peter Dyer	-
David Walsh	7,000
Derek Stapley	-
John Roberts	46,108
Richard England	-
Total	<u>83,108</u>

Advisers/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 Advisor/Manager of MQA and the MARL Group were:

	MQA	MARL Group
	Period to 31 Dec 2010 \$	Period to 31 Dec 2010 \$
Consolidated		
Base fee	10,424,843	1,177,759
Performance fee	12,475,995	1,361,113
	<u>22,900,838</u>	<u>2,538,872</u>

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25 Related Party Disclosures (continued)

Advisers/Manager fees (continued)

The base fee is calculated as 2.00% per annum of the first \$1 billion of MQA Market capitalisation, 1.25% per annum for the value between \$1 billion and \$3 billion and at 1.00% per annum on MQA Market capitalisation value over \$3 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 period ended 30 June 2010, a total performance fee of \$12.48 million (excluding GST) was calculated for MQA. This fee is payable in three equal instalments, with the first instalment of \$4.16 million having been paid in July 2010 and a liability recognised for the second and the third instalments. The second and the third instalments of \$4.16 million each are payable on 30 June 2011 and 30 June 2012 respectively should the performance criteria be met and the Manager/Adviser not voluntarily retire.

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 2010, companies within the MGL Group held 63,490,773 stapled securities in MQA.

At 31 December 2010, entities within the Groups had the following funds on deposit with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL:

- MQA \$7,839,490
- MARL Group \$1,935,443

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

- MQA \$162,952
- MARL Group \$51,635

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

- MQA \$565,356
- MARL Group \$366,771

For the period ended 31 December 2010, the Group incurred the following advisory fees:

Advisory fees of €1,549,326 (\$2,252,455) paid/payable to Macquarie Capital (Europe) Limited, a subsidiary of MGL, were incurred by MARIL in relation to the acquisition of the additional interest in APRR.

Other balances and transactions:

At 31 December 2010, MARL had a receivable balance with MARIL of \$19,780,447 which is made up of an interest bearing loan of \$18,917,238, accrued interest on this loan of \$758,287 and other non-interest bearing receivables of \$104,922. The loan owing from MARIL to MARL bears interest at BBSW plus a margin of 2.5% and the principal of \$18,917,238 is payable in 2013 and the interest of \$758,287 is payable in 2011. Related party interest between MARIL and MARL totalled \$758,287 for the period.

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25 Related Party Disclosures (continued)

At 31 December 2010, MARL had a receivable balance with a wholly owned subsidiary of MARIL, Macquarie Infrastructure US Pty Ltd ("MIUS") of \$1,266,126.

At 31 December 2010, entities within the Groups had the following balance receivable from Transtoll (MQA and the MARL group lost control of Transtoll on 16 December 2010):

- MQA \$2,450,000
- MARL Group \$2,450,000

At 31 December 2010, entities within the Groups had the following balances receivable from Associates:

- MQA \$796,025
- MARL Group \$Nil

During the period entities within the Groups reimbursed associates, the following, representing fee expenses incurred in the performance of their duties:

- MQA \$15,163
- MARL Group \$15,163

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.

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 and interest rate swaps 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.

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 period end to settlement date, as provided by independent financial institutions.

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26 Financial Risk and Capital Management (continued)

Market risk (continued)

(b) Interest rate risk

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

The Groups' main interest rate risk arises from long term borrowings which are taken out at variable interest rates and therefore expose the Groups to a cash flow interest rate risk. The Groups only have long term borrowings issued at floating interest rates. For floating rate exposures, the Groups hedge the exposure by entering into interest rate swaps, whereby the entities within the Groups 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.

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 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
Consolidated								
2010								
Cash and cash equivalents	66,047	-	-	66,047	7,015	-	-	7,015
Receivables	-	3,981	4,362	8,343	-	23,496	4,358	27,854
Total	66,047	3,981	4,362	74,390	7,015	23,496	4,358	34,869

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 credit rating of A-1.

Corporates and other and Government

The MQA credit risk relates primarily to trade receivables at the toll road asset level and other receivables from government authorities. 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.

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 prudent 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.

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26 Financial Risk and Capital Management (continued)

Liquidity risk (continued)

Contractual undiscounted future cash outflows

	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
MQA Consolidated						
2010						
Non-recourse loans	31,895	54,936	80,313	1,622,203	-	1,789,347
Payables	34,528	7,679	3,521	7,042	133,795	186,565
Derivative liability	52,267	41,560	16,951	19,470	(468)	129,780
Accrued interest rate swap liability	(33,735)	(33,753)	(26,230)	(29,624)	929,946	806,604
Total	84,955	70,422	74,555	1,619,091	1,063,273	2,912,296
MARL Group						
2010						
Payables	1,268	445	-	-	-	1,713
	1,268	445	-	-	-	1,713

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 assets and liabilities measured and recognised at fair value at 31 December 2010.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
MQA Consolidated				
2010				
Liabilities				
Financial derivatives	-	(113,487)	-	(113,487)
Total Liabilities	-	(113,487)	-	(113,487)
MARL Group				
2010				
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.

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for the period ended 31 December 2010

26 Financial Risk and Capital Management (continued)

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 8 Euro cents
- AUD/GBP exchange rate increased/decreased by 6 UK pence
- AUD/USD exchange rate increased/decreased by 19 United States cents

The below tables display the amounts for financial instruments that would be recognised in profit or loss or directly in equity if the movements in foreign exchange rates as outlined above occur. The Groups' management have determined the above movements in the 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 foreign exchange rates		Depreciation in foreign exchange rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
MQA Consolidated				
2010				
Total financial assets	(898)	-	1,231	-
Total financial liabilities	242	-	(338)	-
Total	(656)	-	893	-

	Foreign exchange risk			
	Appreciation in foreign exchange rates		Depreciation in foreign exchange rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
MARL Group				
2010				
Total financial assets	(354)	-	513	-
Total financial liabilities	1	-	(2)	-
Total	(353)	-	511	-

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for the period ended 31 December 2010

26 Financial Risk and Capital Management (continued)

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 147 bps
- Bank bill swap reference rate (EUR LIBOR 90 days) increased/decreased by 117 bps
- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 98 bps
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 129 bps
- London interbank offer rate (LIBOR 180 days) increased/decreased by 125 bps
- Bank bill swap reference rate (AUD BBSW 12 months) increased/decreased by 193 bps

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

	Interest rate risk			
	Increase in interest rates		Decrease in interest rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
MQA				
2010				
Total financial assets	589	-	(589)	-
Total financial liabilities	(168)	267,866	168	(357,772)
Total	421	267,866	(421)	(357,772)

	Interest rate risk			
	Increase in interest rates		Decrease in interest rates	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
MARL Group				
2010				
Total financial assets	462	-	(462)	-
Total financial liabilities	-	-	-	-
Total	462	-	(462)	-

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

Financial liabilities include derivative financial liabilities, payables and interest bearing financial liabilities.

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.

Periodic 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 2010 the Groups do not have any externally imposed capital requirements.

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for the period ended 31 December 2010

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	MARL
	31 Dec 10	31 Dec 10
	\$'000	\$'000
Statement of Financial Position		
Current assets	10,126	11,668
Non current assets	1,286,291	177,644
Total assets	<u>1,296,417</u>	<u>189,312</u>
Current liabilities	(9,006)	(1,244)
Total liabilities	<u>(31,636)</u>	<u>(1,668)</u>
Shareholders' equity		
Issued capital	1,316,674	194,640
Reserves	-	-
Retained earnings	(51,893)	(6,996)
	<u>1,264,781</u>	<u>187,644</u>
Loss for the period	<u>(51,893)</u>	<u>(6,996)</u>
Total comprehensive income	<u>(51,893)</u>	<u>(6,996)</u>

(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 2010. MARIL and MARL have not given any unsecured guarantees at 31 December 2010.

(c) Contingent liabilities of the parent entities

Refer to Note 29 for MARIL and MARL's contingent liabilities as at 31 December 2010.

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

As at 31 December 2010, MARIL and MARL had no contractual commitments.

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for the period ended 31 December 2010

28 Commitments for Expenditure

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

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.

The MARL Group had no commitments for expenditure at 31 December 2010.

29 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).

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for the period ended 31 December 2010

29 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.

30 Events Occurring After Balance Sheet Date

Since balance date, there are no other matters or circumstances not otherwise dealt with in the Financial Reports that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the period ended 31 December 2010.

Financial Report

for the period ended 31 December 2010

Directors' Declaration – Macquarie Atlas Roads International Limited

The directors of Macquarie Atlas Roads International Limited ("MARIL") declare that the Financial Report of MARIL and its controlled entities ("MQA") and Notes set out on pages 12 to 58:

- a) comply with Accounting Standards and other mandatory professional reporting requirements;
- b) give a true and fair view of the Consolidated Statement of Financial Position of MQA as at 31 December 2010 and of its performance, for the financial period from 15 December 2009 to 31 December 2010; and
- c) there are reasonable grounds to believe that MARIL will be able to pay its debts as and when they become due and payable.
- d) confirms 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
Pembroke, Bermuda
24 February 2011



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

Financial Report

for the period ended 31 December 2010

Directors' Declaration – Macquarie Atlas Roads Limited

The directors of Macquarie Atlas Roads Limited ("MARL") declare that the Financial Report of MARL and its controlled entities (the "MARL Group") and Notes set out on pages 12 to 58 are in accordance with the constitution of MARL and the *Corporations Act 2001*, including:

- a) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- b) giving a true and fair view of the Consolidated Statement of Financial Position of the MARL Group as at 31 December 2010 and of their performance, for the financial period from 16 December 2009 to 31 December 2010; and
- c) there are reasonable grounds to believe that MARL will be able to pay its debts as and when they become due and payable.
- d) confirms 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
25 February 2011



Richard England
Director
Macquarie Atlas Roads Limited
Sydney, Australia
25 February 2011

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 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the periods from 15 December 2009 to 31 December 2010 and 16 December 2009 to 31 December 2010 respectively, 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 period, and Macquarie Atlas Roads Limited and the entities it controlled during the period. Macquarie Atlas Roads Limited Group ("MARL Group") comprises Macquarie Atlas Roads Limited and the entities it controlled during the period.

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). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial reports that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements 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 Annual Report to determine whether it contains any material inconsistencies with the financial reports.

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 opinions.

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 2010 and of their performance for the period 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

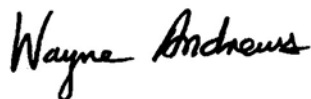
We have audited the remuneration report for Macquarie Atlas Roads Limited included in pages 8 to 9 of the directors' report for the period from 16 December 2009 to 31 December 2010. The directors of the Macquarie Atlas Roads Limited are responsible for the preparation and presentation of the remuneration 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 period ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.



PricewaterhouseCoopers



Wayne Andrews
Partner

Sydney
25 February 2011