

**MACQUARIE ATLAS ROADS**

INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2010



MACQUARIE

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

Macquarie Atlas Roads Limited and its controlled entities

# Interim Financial Report

## for the period ended 30 June 2010

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Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads Limited (ACN 141 075 201) ("MARL") and Macquarie Atlas Roads International Limited (Registration No. 43828) ("MARIL"). Macquarie Capital Funds Advisory Services Pty Limited (ACN 127 735 960) ("MCFAS") is the manager/adviser of MARL and MARIL. MCFAS is a wholly owned subsidiary of Macquarie Group Limited (ABN 94 122 169) ("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.

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

# Interim Financial Report

## for the period ended 30 June 2010

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# Directors' Report

## for the period ended 30 June 2010

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### Directors' Report

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the Interim Financial Report of Macquarie Atlas Roads ("MQA") for the period from 15 December 2009 to 30 June 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 Interim Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its controlled entities and Macquarie Atlas Roads Limited ("MARL") and its controlled entities ("the MARL Group"), together comprising 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 30 June 2010.

Macquarie Capital Funds 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)                                |

# Directors' Report

## for the period ended 30 June 2010

### Dividends

No dividend was paid or declared by MARIL or MARL for the period ended 30 June 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 30 Jun 2010 \$'000	MARL Group Period to 30 Jun 2010 \$'000
Revenue from continuing operations	51,905	4,266
Loss from continuing operations after income tax benefit	(225,639)	(75,961)
<b>Loss attributable to:</b>		
Equity holders of the parent – MARIL	(65,266)	-
Equity holder of other stapled entity – MARL (as non controlling interest/parent entity)	(75,961)	(75,961)
Stapled security holders	(141,227)	(75,961)
Other non-controlling interests	(84,412)	-
	(225,639)	(75,961)
	<b>Cents</b>	<b>Cents</b>
Basic loss per stapled share	(14.43)	(16.79)

### 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. 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.

MQA previously owned a 25% interest in Eiffarie, which in turn owned an 81.48% interest in APRR. Following this acquisition, Eiffarie now owns 95.21% of APRR. Eiffarie intends to launch a repurchase offer for the remaining shares in APRR, followed by a compulsory acquisition, at the ex-dividend price of €54.16 per share. 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\$3.6 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 above that occurred during the period under review.

# Directors' Report

## for the period ended 30 June 2010

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### 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 30 June 2010.

### 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 7.

### Rounding of Amounts in the Directors' Report and the Interim 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 Interim 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 Interim 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.

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



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**Jeffrey Conyers**  
Chairman  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
30 August 2010



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**Derek Stapley**  
Director  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
30 August 2010

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



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**David Walsh**  
Chairman  
Macquarie Atlas Roads Limited  
Sydney, Australia  
30 August 2010



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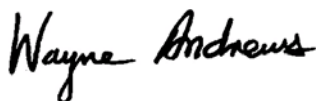
**Richard England**  
Director  
Macquarie Atlas Roads Limited  
Sydney, Australia  
30 August 2010

## Auditor's Independence Declaration

As lead auditor for the review of Macquarie Atlas Roads Limited for the period ended 30 June 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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



Wayne Andrews  
Partner  
PricewaterhouseCoopers

Sydney  
30 August 2010

# Interim Financial Report

## for the period ended 30 June 2010

### Consolidated Statements of Comprehensive Income

	Note	MQA Period to 30 Jun 2010 \$'000	MARL Group Period to 30 Jun 2010 \$'000
<b>Revenue from continuing operations</b>			
Revenue from continuing operations		51,905	4,266
<b>Total revenue from continuing operations</b>	2(i)	<b>51,905</b>	<b>4,266</b>
<b>Operating expenses from continuing operations</b>			
Finance costs		(49,868)	-
Other operating expenses		(45,426)	(4,936)
<b>Total operating expenses from continuing operations</b>	2(ii)	<b>(95,294)</b>	<b>(4,936)</b>
Share of net loss of investments accounted for using the equity method		(242,635)	(75,291)
Gain on deconsolidation of subsidiaries	2(ii)	54,018	-
<b>Loss from continuing operations before income tax benefit</b>		<b>(232,006)</b>	<b>(75,961)</b>
Income tax benefit		6,367	-
<b>Loss from continuing operations after income tax benefit</b>		<b>(225,639)</b>	<b>(75,961)</b>
<b>Other comprehensive income</b>			
Exchange differences on translation of foreign operations		42,712	4,576
Cash flow hedges, net of tax		(77,671)	-
Other comprehensive income for the period, net of tax		(34,959)	4,576
<b>Total comprehensive income for the period</b>		<b>(260,598)</b>	<b>(71,385)</b>
<b>Loss attributable to:</b>			
Equity holders of the parent entity - MARIL		(65,266)	-
Equity holder of other stapled entity – MARL (as non-controlling interest/ parent entity)		(75,961)	(75,961)
Stapled security holders		(141,227)	(75,961)
Other non-controlling interest		(84,412)	-
		<b>(225,639)</b>	<b>(75,961)</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent entity - MARIL		(92,732)	-
Equity holder of other stapled entity – MARL (as non-controlling interest/ parent entity)		(71,385)	(71,385)
Stapled security holders		(164,117)	(71,385)
Other non-controlling interest		(96,481)	-
		<b>(260,598)</b>	<b>(71,385)</b>
<b>Loss per security/share from continuing operations attributable to MARIL/MARL shareholders</b>			
		<b>Cents</b>	<b>Cents</b>
Basic loss per stapled security attributable to:			
MARIL (as parent entity)		(14.43)	-
MARL (as parent entity)		-	(16.79)

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

# Interim Financial Report

## for the period ended 30 June 2010

### Consolidated Statements of Financial Position

	Note	MQA As at 30 Jun 2010 \$'000	MARL Group As at 30 Jun 2010 \$'000
<b>Current assets</b>			
Cash and cash equivalents		83,520	9,131
Receivables		7,799	27,223
Prepayments		1,501	96
<b>Total current assets</b>		<b>92,820</b>	<b>36,450</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method	3	1,032,611	87,084
Property, plant and equipment		932,633	2,042
Tolling concessions		85,590	-
<b>Total non-current assets</b>		<b>2,050,834</b>	<b>89,126</b>
<b>Total assets</b>		<b>2,143,654</b>	<b>125,576</b>
<b>Current liabilities</b>			
Payables		(19,101)	(2,321)
Derivative financial instruments		(60,931)	-
<b>Total current liabilities</b>		<b>(80,032)</b>	<b>(2,321)</b>
<b>Non-current liabilities</b>			
Payables		(193,581)	-
Interest-bearing financial liabilities	4	(1,997,166)	-
Derivative financial instruments		(111,439)	-
Deferred tax liabilities		(69,396)	-
<b>Total non-current liabilities</b>		<b>(2,371,582)</b>	<b>-</b>
<b>Total liabilities</b>		<b>(2,451,614)</b>	<b>(2,321)</b>
<b>Net (liabilities)/assets</b>		<b>(307,960)</b>	<b>123,255</b>
<b>Equity</b>			
<b>Equity attributable to equity holders of the parent - MARIL</b>			
Contributed equity	5	1,316,674	-
Reserves	6	(1,682,623)	-
Accumulated losses	7	(65,266)	-
<b>MARIL security holders' interest</b>		<b>(431,215)</b>	<b>-</b>
<b>Equity attributable to other stapled security holders - MARL</b>			
Contributed equity	5	194,640	194,640
Reserves	6	4,576	4,576
Accumulated losses	7	(75,961)	(75,961)
<b>Other stapled security holders' interest</b>		<b>123,255</b>	<b>123,255</b>
Other non-controlling interest		-	-
<b>Total equity</b>		<b>(307,960)</b>	<b>123,255</b>

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

# Interim Financial Report

## for the period ended 30 June 2010

### 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			
<b>Total equity at 15 December 2009</b>	-	-	-	-	-	-	-
<b>Loss for the period</b>	-	-	(65,266)	(65,266)	(75,961)	(84,412)	(225,639)
Exchange differences on translation of foreign operations	-	50,205	-	50,205	4,576	(12,069)	42,712
Cash flow hedges, net of tax	-	(77,671)	-	(77,671)	-	-	(77,671)
Total comprehensive income	-	(27,466)	(65,266)	(92,732)	(71,385)	(96,481)	(260,598)
<b>Transactions with equity holders in their capacity as equity holders:</b>							
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)
<b>Total equity at 30 June 2010</b>	<b>1,316,674</b>	<b>(1,682,623)</b>	<b>(65,266)</b>	<b>(431,215)</b>	<b>123,255</b>	<b>-</b>	<b>(307,960)</b>

MARL Group	Attributable to MARL security holders				Non-controlling interest	Total equity
	Contributed equity	Reserves	Accumulated losses	Total		
	\$'000	\$'000	\$'000	\$'000		
<b>Total equity at 16 December 2009</b>	-	-	-	-	-	-
<b>Loss for the period</b>	-	-	(75,961)	(75,961)	-	(75,961)
Exchange differences on translation of foreign operations	-	4,576	-	4,576	-	4,576
Total comprehensive income	-	4,576	(75,961)	(71,385)	-	(71,385)
<b>Transactions with equity holders in their capacity as equity holders:</b>						
Demerger of MIG	194,640	-	-	194,640	-	194,640
	194,640	-	-	194,640	-	194,640
<b>Total equity at 30 June 2010</b>	<b>194,640</b>	<b>4,576</b>	<b>(75,961)</b>	<b>123,255</b>	<b>-</b>	<b>123,255</b>

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

# Interim Financial Report

## for the period ended 30 June 2010

### Consolidated Statements of Cash Flows

	MQA Period to 30 Jun 2010 \$'000	MARL Group Period to 30 Jun 2010 \$'000
<b>Cash flows from operating activities</b>		
Toll revenue received	50,108	-
Interest received	3,687	657
Net indirect taxes (paid)/received	(5,562)	6
Payments to suppliers and employees (inclusive of GST/VAT)	(9,518)	(3,473)
Management and Advisory base fees paid	(1,492)	(211)
Payments on settlement of derivative financial instruments	(3,526)	-
Reimbursement of bid costs	4,722	-
Income taxes paid	(200)	-
Other income received	4,824	3,276
<b>Net cash flows from operating activities</b>	<b>43,043</b>	<b>255</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of investments	(218,222)	-
Proceeds from sale of property, plant and equipment	-	-
Payments for purchase of property, plant and equipment	(674)	-
Dividends received from associates	-	-
<b>Net cash flows from investing activities</b>	<b>(218,896)</b>	<b>-</b>
<b>Cash flows from financing activities</b>		
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	764	-
Borrowing costs paid	(31,466)	-
Loans advanced to related parties	-	(17,131)
Repayment of loans from related parties	-	-
<b>Net cash flows from financing activities</b>	<b>261,279</b>	<b>8,957</b>
<b>Net increase in cash assets held</b>	<b>85,426</b>	<b>9,212</b>
Cash and cash equivalents at the beginning of the period	-	-
Effects of exchange rate movements on cash and cash equivalents	(1,906)	(81)
<b>Cash and cash equivalents at the end of the period</b>	<b>83,520</b>	<b>9,131</b>

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

# Interim Financial Report

## for the period ended 30 June 2010

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### Notes to the Consolidated Financial Statements

#### 1 Summary of Significant Accounting Policies

This general purpose Interim Financial Report for the reporting period ended 30 June 2010 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001* (where applicable).

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

##### (a) Basis of preparation

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").

##### ***Compliance with International Financial Reporting Standards ("IFRS")***

Compliance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* ensures that the Interim Financial Report complies with IAS 34: *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Consequently, this Interim Financial Report has also been prepared in accordance with and complies with IAS 34 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 Interim Financial Report has been prepared on a going concern basis. As at 30 June 2010, MQA has a deficiency of capital and reserves of \$308.0 million. MQA has positive net current assets and generated positive net cash flows from operating activities. Additionally, non-current liabilities include non-recourse loans of \$1.8 billion in relation to the M6 Toll (refer to note 4). 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.

# Interim Financial Report

## for the period ended 30 June 2010

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

#### (a) Basis of preparation (continued)

##### *Change in accounting policy*

MQA elected on a prospective basis to change the accounting policy for the depreciation of certain toll road assets from the straight line basis applied by MIG to a usage methodology. The impact of this change on the results of MQA for the period ended 30 June 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 Interim Financial Report. In accordance with this requirement, MARIL has been identified as the parent entity of the consolidated group comprising MARIL and its subsidiaries and MARL and its subsidiaries, together comprising MQA.

The 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 30 June 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 30 June 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 30 June 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.

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

# Interim Financial Report

## for the period ended 30 June 2010

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

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

##### *Associates (continued)*

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long term interests that, in substance, form part of the Group's net investment in the associate, the 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. For the M6 Toll, the tolling concession is carried at the historical fair value. 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 on 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 comprises integrated land, buildings, leasehold improvements and plant and equipment used in exercising tolling concession rights.

# Interim Financial Report

## for the period ended 30 June 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.

# Interim Financial Report

## for the period ended 30 June 2010

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### 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.

# Interim Financial Report

## for the period ended 30 June 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 Group designates certain derivatives as cash flow hedges.

The Group documents 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.

# Interim Financial Report

## for the period ended 30 June 2010

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### 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 the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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.

# Interim Financial Report

## for the period ended 30 June 2010

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### 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 the 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, MARIL. Any difference between the fair value of the consideration paid and the amounts at which the assets and liabilities are recorded is recognised directly in equity in the other reserve.

# Interim Financial Report

## for the period ended 30 June 2010

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### 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 the 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 Interim 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 Interim 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 current understanding of the 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.

# Interim Financial Report

## for the period ended 30 June 2010

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### 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 Interim Financial report is set out below.

##### *AASB 9 Financial Instruments*

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* are effective for annual reporting periods beginning on or after 1 January 2013. AASB 9 addresses the classification and measurement of financial assets and is likely to affect the Groups' accounting for its financial assets. The standard is not applicable until 1 January 2013 and the Groups are yet to assess its full impact. The Groups have not yet decided whether to early adopt AASB 9.

#### (bb) Presentation of Financial Reports

The Interim 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.

#### (cc) 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 Interim Financial Report. Amounts in the Interim 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.

# Interim Financial Report

## for the period ended 30 June 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

	<u>MQA</u> Period to 30 Jun 2010 \$'000	<u>MARL Group</u> Period to 30 Jun 2010 \$'000
<b>Revenue from continuing operations</b>		
Toll revenue	42,464	-
Other revenue	5,952	3,807
Interest Income:		
Related parties	78	29
Other persons and corporations	3,411	430
Total Interest income	<u>3,489</u>	<u>459</u>
<b>Total revenue from continuing operations</b>	<u>51,905</u>	<u>4,266</u>

# Interim Financial Report

## for the period ended 30 June 2010

### 2 Loss for the period (continued)

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

	MQA Period to 30 Jun 2010 \$'000	MARL Group Period to 30 Jun 2010 \$'000
<b>Operating expenses from continuing operations</b>		
<b>Finance costs</b>		
Interest paid:		
Other persons and corporations	49,868	-
<b>Total Finance Costs</b>	<b>49,868</b>	<b>-</b>
<b>Other operating expenses</b>		
Loss on derivative financial instruments	940	-
Amortisation of tolling concessions	560	-
<b>Depreciation:</b>		
Plant and equipment	1,839	75
Land and buildings	324	-
Leasehold improvements	8,164	-
	<b>10,327</b>	<b>75</b>
<b>Cost of operations:</b>		
Employment costs	4,493	1,433
Operating expenses	3,124	1,076
Operating lease rentals	13,911	-
	<b>21,528</b>	<b>2,509</b>
<b>Other operating expenses:</b>		
Consulting and administration fees	1,402	1,035
Manager's and Adviser's base fees	3,619	441
Manager's and Adviser's performance fees	4,159	465
Foreign exchange loss	1,823	12
Other expenses	1,068	399
	<b>12,071</b>	<b>2,352</b>
<b>Total other operating expenses</b>	<b>45,426</b>	<b>4,936</b>
<b>Total operating expenses from continuing operations</b>	<b>95,294</b>	<b>4,936</b>
<b>Gain on deconsolidation of subsidiaries *</b>	<b>54,018</b>	<b>-</b>

\* On 17 June 2010, MQA announced that an agreement had been reached by Eiffarie SAS ("Eiffarie") to acquire a further 13.73% interest in APRR from minority shareholders for €55.00 per APRR share. 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. As a consequence of this transaction, on 21 June 2010 MQA ceased to control Macquarie Autoroutes de France SAS, MAF Finance Sarl, MARI SAS and MARE SAS and MQA has recognised a gain on deconsolidation of \$54.0 million.

## Interim Financial Report for the period ended 30 June 2010

### 3 Investments Accounted for using the Equity Method

	MQA	MARL Group
	As at 30 Jun 2010 \$'000	As at 30 Jun 2010 \$'000
Shares in associates – equity method	1,032,611	87,084
	<b>1,032,611</b>	<b>87,084</b>

Information relating to associates is set out below:

#### (a) Carrying amounts

Name of Company	Country of incorporation	Principal Activity	Ownership Interest	MQA	MARL Group
			As at 30 June 2010 %	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000
Macquarie Autoroutes de France 2 SA	Luxembourg	Investment in toll road network located in the east of France (APRR)	44.4	669,623	-
Dulles Greenway Partnership	USA	Investment in toll road located in northern Virginia, USA	50.0	307,040	31,136
Chicago Skyway Partnership	USA	Investment in toll road located south of Chicago, USA	50.0	55,948	55,948
Indiana Toll Road Partnership	USA	Investment in toll road located in northern Indiana, USA	49.0	-	-
Warnowquerung GmbH & Co KG ("WKG")*	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0	-	-
				<b>1,032,611</b>	<b>87,084</b>

\* A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WKG 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.

#### (i) 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's investment in SBX was transferred via the MIG demerger at zero value and MQA does not expect to receive any further economic benefit from SBX.

# Interim Financial Report

## for the period ended 30 June 2010

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

(b) Movement in carrying amounts	MQA	MARL Group
	Period to 30 June 2010 \$'000	Period to 30 June 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 *	646,537	-
Share of losses after income tax **	(242,635)	(75,291)
Foreign exchange movement	(43,693)	4,463
Carrying amount at the end of the period	1,032,611	87,084

\* On 21 June 2010 MQA increased its investment in APRR and MQA lost control of certain entities. As a consequence MQA disposed of its previous interests in its associate Financiere Eiffarie SAS and acquired additional interests in Macquarie Autoroutes de France 2 SA.

\*\* Included in the share of losses after income tax for MQA and the MARL Group are fair value losses on interest rate swaps of \$143.7 million and \$31.2 million respectively for which hedge accounting has not been applied.

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

Revenue	690,162	26,323
Expenses	(1,054,136)	(235,174)
Loss before income tax	(363,974)	(208,851)
Income tax (expense)/benefit	(13,121)	403
Loss after income tax	(377,095)	(208,448)

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

Group's share of:		
Assets	8,931,349	1,897,629
Liabilities	(8,041,345)	(1,951,133)
Net assets/(liabilities)	890,004	(53,504)

#### (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	-	-
	-	-

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

Share of associates' losses not brought to account	(134,460)	(133,157)
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# Interim Financial Report

## for the period ended 30 June 2010

### 4 Interest Bearing Financial Liabilities

	Note	MQA	MARL Group
		As at 30 Jun 2010 \$'000	As at 30 Jun 2010 \$'000
<b>Non-current</b>			
Non-recourse loans	(i)	1,815,604	-
Accrued interest rate swap liability	(ii)	181,562	-
		<u>1,997,166</u>	<u>-</u>
<b>The maturity profile of the above interest bearing financial liabilities is:</b>			
Due within one year		-	-
Due between one and five years		37,971	-
Due after five years		1,959,195	-
		<u>1,997,166</u>	<u>-</u>

#### (i) Non-Recourse Loans

The 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 the Group.

The non-recourse loans represent Macquarie Motorway Group Limited's ("MMG"), a subsidiary of the Group, debt facilities of £1.03 billion (\$1.8 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 (\$1.8 billion) term loan and a £30.0 million (\$53.3 million) capital expenditure facility. Interest on the drawn facilities is charged at a margin over the London Inter Bank Offer Rate (LIBOR). At 30 June 2010 the interest rate was 2.04%.

At 30 June 2010, the term loan was fully drawn down and £8.61 million (\$15.3 million) of the capital expenditure facility had been utilised. The facilities have certain covenants attached and are secured by way of a debentures over Midland Expressway Limited's ("MEL") assets.

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

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

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

# Interim Financial Report

## for the period ended 30 June 2010

### 5 Contributed Equity

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 30 Jun 2010 \$'000	Period to 30 Jun 2010 \$'000
Ordinary shares	1,316,674	194,640
<b>Contributed equity</b>	<b>1,316,674</b>	<b>194,640</b>
	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 30 Jun 2010 \$'000	Period to 30 Jun 2010 \$'000
On issue at the beginning of the period *	-	-
<b>Issued</b>		
Issued shares on the demerger from MIG	1,316,674	194,640
<b>On issue at the end of the period</b>	<b>1,316,674</b>	<b>194,640</b>
	Number of shares '000	Number of shares '000
On issue at the beginning of the period *	-	-
<b>Issued</b>		
Issued shares on the demerger from MIG	452,346	452,346
<b>On issue at the end of the period</b>	<b>452,346</b>	<b>452,346</b>

\* 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.

# Interim Financial Report

## for the period ended 30 June 2010

### 6 Reserves

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 30 Jun 2010 \$'000	Period to 30 Jun 2010 \$'000
<b>Balance of reserves</b>		
Hedging reserve - cash flow hedges (net of tax)	(172,849)	-
Foreign currency translation reserve	50,205	4,576
Other reserves	(1,559,979)	-
	<b>(1,682,623)</b>	<b>4,576</b>
<b>Movements of reserves</b>		
<b>Hedging reserve – cash flow hedges (net of tax)</b>		
Balance at the beginning of the period	-	-
Demerger of MIG	(95,178)	-
Revaluation (gross) on interest rate swap contracts	(77,671)	-
<b>Balance at the end of the period</b>	<b>(172,849)</b>	<b>-</b>
<b>Foreign currency translation reserve</b>		
Balance at the beginning of the period	-	-
Net exchange differences on translation of foreign controlled entities	38,136	4,576
Deconsolidation of subsidiaries	12,069	-
<b>Balance at the end of the period</b>	<b>50,205</b>	<b>4,576</b>
<b>Other reserve</b>		
Balance at the beginning of the period	-	-
Demerger of MIG *	(1,559,979)	-
<b>Balance at the end of the period</b>	<b>(1,559,979)</b>	<b>-</b>

\* 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.

### 7 Accumulated losses

	Attributable to MARIL equity holders	Attributable to MARL equity holders
	Period to 30 Jun 2010 \$'000	Period to 30 Jun 2010 \$'000
<b>Balance at the beginning of the period</b>	-	-
Loss attributable to shareholders	(65,266)	(75,961)
<b>Balance at the end of the period</b>	<b>(65,266)</b>	<b>(75,961)</b>

# Interim Financial Report

## for the period ended 30 June 2010

### 8 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 road/toll system portfolio assets and has identified seven and four 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, Dulles Greenway and Transtoll. The segments of the MARL Group are the investments in Indiana Toll Road, Chicago Skyway, Dulles Greenway and Transtoll.

The operating segment note discloses the segment revenue and segment EBITDA for the 5 months to 30 June 2010, being the period of ownership following the MIG demerger, and segment assets at 30 June 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 30 June 2010, based on MQA and the MARL Group's effective ownership interest is as follows:

	Indiana Toll Road Period to 30 June 2010 \$'000	Chicago Skyway Period to 30 June 2010 \$'000	Dulles Greenway Period to 30 June 2010 \$'000	Transtoll Period to 30 June 2010 \$'000	Total MARL Group Period to 30 June 2010 \$'000	M6 Toll Period to 30 June 2010 \$'000	APRR Period to 30 June 2010 \$'000	Dulles Greenway Period to 30 June 2010 \$'000	Warnow Tunnel Period to 30 June 2010 \$'000	Total MQA Period to 30 June 2010 \$'000
<b>Segment Result</b>										
Segment Revenue	18,417	6,056	1,974	3,753	<b>30,200</b>	42,464	238,745	12,760	3,212	<b>327,381</b>
Segment Expenses	(3,973)	(941)	(600)	(3,093)	<b>(8,607)</b>	(5,166)	(76,515)	(3,874)	(1,140)	<b>(95,302)</b>
Segment EBITDA	14,444	5,115	1,374	660	<b>21,593</b>	37,298	162,230	8,886	2,072	<b>232,079</b>
EBITDA Margin	78%	84%	70%	18%		88%	68%	70%	65%	
	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	<b>As at 30 June 2010 \$'000</b>	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	As at 30 June 2010 \$'000	<b>As at 30 June 2010 \$'000</b>
<b>Segment assets</b>	1,162,741	628,641	106,247	3,105	<b>1,900,734</b>	1,077,713	5,912,739	941,471	179,510	<b>10,012,167</b>

# Interim Financial Report

## for the period ended 30 June 2010

### 8 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 30 June 2010 \$'000	MARL Group Period to 30 June 2010 \$'000
<b>Reconciliation of Segment Revenue to MQA Revenue</b>		
Segment Revenue	327,381	30,200
Revenue attributable to investments accounted for under the equity method*	(281,164)	(26,447)
Unallocated revenue	5,688	513
<b>Total revenue</b>	<b>51,905</b>	<b>4,266</b>
<b>Reconciliation of Segment EBITDA to MQA Loss Before Income Tax Benefit</b>		
Segment EBITDA	232,079	21,593
EBITDA attributable to investments accounted for under the equity method *	(194,121)	(20,933)
Unallocated revenue	5,688	513
Operating expenses from consolidated toll road assets	(77,305)	(450)
Unallocated expenses	(9,730)	(1,393)
Share of net loss of investments accounted for using the equity method	(242,635)	(75,291)
Gain on deconsolidation of subsidiaries	54,018	-
Loss before income tax benefit	(232,006)	(75,961)
	MQA As at 30 June 2010 \$'000	MARL Group As at 30 June 2010 \$'000
<b>Reconciliation of Segment Assets to MQA Total Assets</b>		
Segment assets	10,012,167	1,900,734
Other cash assets	22,996	8,428
Other assets	7,234	26,962
Liabilities included in investments accounted for using the equity method	(7,898,743)	(1,810,548)
<b>Total assets</b>	<b>2,143,654</b>	<b>125,576</b>

\* Revenue and EBITDA attributable to investments accounted for under the equity method is included within the "Share of net losses of investments accounted for using the equity method" line in the 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.

# Interim Financial Report

## for the period ended 30 June 2010

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### 9 Contingent Liabilities and Commitments

MQA had the following contingent liabilities and commitments at balance date. 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 (\$1.73 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 (\$1.73 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\$3.6 million (\$4.3 million) to several agencies which have granted environmental permits for the construction of the SBX. 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\$3.6 million (\$4.3 million).

#### M6 Toll

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 30 June 2010.

### 10 Events Occurring After Balance Sheet Date

Since balance date, there are no other matters or circumstances not otherwise dealt with in the Interim Financial 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 to 30 June 2010.

# Interim Financial Report

## for the period ended 30 June 2010

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### Directors' Declaration – Macquarie Atlas Roads International Limited

The directors of Macquarie Atlas Roads International Limited ("MARIL") declare that the Interim Financial Report of MARIL and its controlled entities ("MQA") and notes set out on pages 8 to 31:

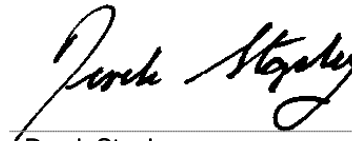
- a) comply with Accounting Standards and other mandatory professional reporting requirements;
- b) give a true and fair view of the financial position of MQA as at 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity, and cash flows, for the financial period from 15 December 2009 to 30 June 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.

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



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**Jeffrey Conyers**  
Chairman  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
30 August 2010



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**Derek Stapley**  
Director  
Macquarie Atlas Roads International Limited  
Pembroke, Bermuda  
30 August 2010

# Interim Financial Report

## for the period ended 30 June 2010

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### Directors' Declaration – Macquarie Atlas Roads Limited

The directors of Macquarie Atlas Roads Limited ("MARL") declare that the Interim Financial Report of MARL and its controlled entities (the "MARL Group") and notes set out on pages 8 to 31 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 financial position of the MARL Group as at 30 June 2010 and of its performance, as represented by the results of its operations, changes in equity, and cash flows, for the financial period from 16 December 2009 to 30 June 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.

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



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**David Walsh**  
Chairman  
Macquarie Atlas Roads Limited  
Sydney, Australia  
30 August 2010



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**Richard England**  
Director  
Macquarie Atlas Roads Limited  
Sydney, Australia  
30 August 2010

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

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, which comprise the consolidated statements of financial position as at 30 June 2010 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the period ended on that date, other selected explanatory notes and the directors' declarations for Macquarie Atlas Roads and Macquarie Atlas Roads Limited Group. Macquarie Atlas Roads 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 comprises of Macquarie Atlas Roads Limited and the entities it controlled during the period.

#### *Directors' responsibility for the half-year financial reports*

The directors of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are responsible for the preparation and fair presentation of the half-year financial reports in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* (as applicable). This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial reports based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial reports are not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Macquarie Atlas Roads' and Macquarie Atlas Roads Limited Group's financial positions as at 30 June 2010 and their performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* (as applicable). As the auditor of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the half-year financial report to determine whether it contains any material inconsistencies with the half-year financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial reports of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited are not in accordance with the *Corporations Act 2001* (as applicable) including:

- (a) giving a true and fair view of Macquarie Atlas Roads' and Macquarie Atlas Roads Limited Group's financial positions as at 30 June 2010 and of their performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001* (as applicable).



PricewaterhouseCoopers



Wayne Andrews  
Partner

Sydney  
30 August 2010