

Macquarie Atlas Roads

**Financial Report for the year
ended 31 December 2017**

This report comprises:

Macquarie Atlas Roads International Limited and its controlled entities

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Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Important Notice

Macquarie Atlas Roads ("MQA") comprises Macquarie Atlas Roads International Limited (Registration No. 43828) ("MARIL") and Macquarie Atlas Roads Limited (ACN 141 075 201) ("MARL"). MARIL is an exempted mutual fund company incorporated and domiciled in Bermuda with limited liability and the registered office is Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. MARL is a company limited by shares incorporated and domiciled in Australia and the registered office is Level 7, 50 Martin Place, Sydney, NSW 2000, Australia. Macquarie Fund Advisers Pty Limited (ACN 127 735 960) (AFS License No.318123) ("MFA") is the adviser/manager of MARIL and MARL. MFA is a wholly owned subsidiary of Macquarie Group Limited (ACN 122 169 279) ("MGL").

None of the entities noted in these reports 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.

These reports are 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.

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

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Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Directors' Reports

The directors of Macquarie Atlas Roads International Limited ("MARIL") submit the following report together with the Financial Report of Macquarie Atlas Roads ("MQA" or the "Group") for the year ended 31 December 2017.

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

The directors of MARL also submit the following report for the MARL Group for the year ended 31 December 2017.

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

Directors

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

- Jeffrey Conyers (Chairman)
- James Keyes
- Christopher Leslie (Appointed on 1 September 2017)
- Nora Scheinkestel
- Derek Stapley

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

- Nora Scheinkestel (Chairman)
- Marc de Cure (Resigned on 30 June 2017)
- Richard England
- Debra Goodin (Appointed on 1 September 2017)
- John Roberts

Operating and financial review

Principal activities

The principal activity of the Group and the MARL Group (together, the "Groups") is to invest in infrastructure assets in Organisation for Economic Co-operation and Development ("OECD") and OECD equivalent countries; and non-infrastructure assets where ancillary to a major infrastructure investment but with the current focus on toll road investments, both greenfield and mature. Other than as disclosed elsewhere in these reports, there were no significant changes in the nature of the Groups' activities during the year.

Distributions

Distributions paid to security holders were as follows:

	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Dividend of 10.0 cents per stapled security ("cps") paid on 29 September 2017 ¹	58,188	-
Distribution of 10.0 cps paid on 7 April 2017 ²	57,294	-
Distribution of 9.0 cps paid on 30 September 2016 ³	-	47,712
Distribution of 9.0 cps paid on 31 March 2016 ⁴	-	46,573
	115,482	94,285

All of the distributions were paid in full by MARIL.

1. Comprised an ordinary dividend of 10.0 cps.
2. Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.
3. Comprised a capital return of 8.7 cps and an ordinary dividend of 0.3 cps.
4. Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

Directors' Reports (continued)

Operating and financial review (continued)

Review and results of operations

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

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue and other income from operations	473,001	70,647	68,166	4,477
Operating expenses from operations	(104,343)	(167,741)	(8,493)	(17,964)
Finance costs	(53,795)	-	-	-
Share of net profit/(losses) of investments accounted for using the equity method	187,971	329,976	(626)	144,233
Income tax benefit/(expense)	16,749	(7,773)	(1,664)	(7,768)
Profit from operations after income tax	519,583	225,109	57,383	122,978
Profit attributable to:				
Equity holders of the parent – MARIL	462,200	102,131	-	-
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)	57,383	122,978	57,383	122,978
Profit attributable to stapled security holders	519,583	225,109	57,383	122,978
	Cents	Cents	Cents	Cents
Profit per MQA stapled security	87.66	43.15	9.68	23.57

On 16 May 2017 ("TRIP II Acquisition Date"), MQA completed the acquisition of the remaining 50% estimated economic interest in Toll Road Investors Partnership II ("TRIP II"), the concessionaire for Dulles Greenway. This acquisition brought MQA's estimated economic interest in TRIP II to 100%. Accordingly, included in MQA's Financial Report are the consolidated results of TRIP II from the TRIP II Acquisition Date.

On 24 October 2017, MQA acquired an additional 4.86% indirect interest in APRR via Macquarie Autoroutes de France 2 SA ("MAF2") bringing its indirect economic interest to 25.00%. MQA's share of the results of its non-controlled toll road assets are disclosed as share of net profit of investments accounted for using the equity method.

MQA's profit after income tax for the year ended 31 December 2017 was \$519.6 million (2016: \$225.1 million). The movement in results for the year reflects the following significant items:

- Revenue and other income from operations of \$473.0 million (2016: \$70.6 million) has increased due to:
 - A gain on the revaluation of the original investment in Dulles Greenway of \$375.6 million (2016: nil)
 - The consolidation of TRIP II's toll revenue of \$75.7 million from TRIP II Acquisition Date
- Operating expenses of \$104.3 million (2016: \$167.7 million) have decreased due to:
 - A decrease in performance fees expense to \$8.0 million (2016: \$134.1 million). The 2017 performance fee was calculated at \$23.9 million

and is payable in three equal annual instalments of \$8.0 million. At 31 December 2017, it was not sufficiently probable that the second or third instalments of the performance fee would become payable based on the level of outperformance achieved against the benchmark. Accordingly, only the first instalment of the 2017 performance fee has been recognised. In the prior year all three instalments of the 2016 fee were recognised

- This is partially offset by the consolidation of TRIP II's expenses from TRIP II Acquisition Date of \$53.2 million

- Finance costs of \$53.8 million (2016: nil) include:
 - Interest and amortisation expense of \$10.1 million on the loan facility used to acquire a portion of the remaining 50% stake in TRIP II
 - Interest and amortisation expense of \$1.3 million on the loan facility used to acquire a portion of an additional stake in APRR
 - Consolidation of TRIP II's bond interest expense from the TRIP II Acquisition Date of \$42.4 million

Directors' Reports (continued)

Operating and financial review (continued)

Review and results of operations (continued)

- Share of net profit of investments accounted for using the equity method of \$188.0 million (2016: \$330.0 million), primarily comprising:
 - APRR profit of \$192.0 million is broadly in line with the prior year (2016: \$193.9 million). A higher income tax expense in 2017 has offset improved performance, a reduction in finance costs and MQA's increased share of profits resulting from the additional 4.86% indirect interest in APRR
 - Dulles Greenway loss of \$3.9 million (2016: \$9.5 million) for the period up to TRIP II Acquisition Date
 - Proceeds of \$145.5 million relating to the sale of Skyway Concession Company LLC ("SCC") were received in the prior year.
- Income tax benefit of \$16.7 million (2016: expense of \$7.8 million) includes:
 - Reduction in deferred tax liability recognised on acquisition of remaining interest in TRIP II by \$17.5 million due to decrease in United States Federal Income tax rate
 - Offsetting this is the final tax expense of \$1.7 million on the distribution proceeds relating to the sale of SCC (2016: \$7.8 million)

Significant changes in state of affairs

Acquisition of remaining 50% interest in Dulles Greenway

On 23 February 2017, MQA announced that it would exercise its pre-emptive right to acquire the remaining 50% estimated economic interest in TRIP II for US\$445.0 million (\$598.9 million). Financial close for the acquisition was reached on 16 May 2017. This acquisition was funded by a combination of equity, debt financing and existing cash.

The equity was raised by a \$185.0 million placement of new MQA stapled securities to institutional and sophisticated investors ("TRIP II Placement") at \$4.85 per security resulting in 38,144,330 new MQA stapled securities being issued on 1 March 2017. Additionally, MQA raised \$22.2 million by issue of 4,663,617 new MQA stapled securities at \$4.76 per security under a Security Purchase Plan ("SPP") on 30 March 2017. All stapled

Market capitalisation

Market value	Original contract	Revised fee from 1 Jan 2014	Revised fee from 1 Jul 2016	Revised fee from 1 Oct 2017
Up to \$1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between \$1 billion and \$3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than \$3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.

securities issued under the Placement and SPP rank equally with MQA's existing stapled securities.

MQA also borrowed US\$175.0 million (\$235.5 million) through an eight year bullet financing facility to facilitate the acquisition and this was drawn down on the TRIP II Acquisition Date.

Transfer of equity interest in M6 Toll

On 1 May 2017, MQA announced the transfer of its 100% ordinary equity interest in the M6 Toll to the M6 Toll lender group. On 5 May 2017, the equity interests were transferred and on 8 May 2017 MQA received a final management fee of £2.6 million (\$4.5 million).

Acquisition of additional stake in APRR

On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 4.86% indirect interest in APRR, increasing the total stake in APRR to 25.00% and ADELAC to 25.03%. Financial close was reached on 24 October 2017 with a final purchase price of €439.9 million (\$665.5 million). This acquisition was funded by a combination of equity and debt financing.

Equity totalling \$363.5 million was raised through a rights issue to institutional holders resulting in 70,993,861 new MQA stapled securities being issued on 26 September 2017 at \$5.12 per security ("Institutional Offer"). Additional equity totalling \$86.6 million was raised through a rights issue to retail holders resulting in 16,914,851 new MQA stapled securities being issued on 11 October 2017 at \$5.12 per security ("Retail Offer"). All stapled securities issued under the Institutional Offer and Retail Offer rank equally with MQA's existing stapled securities.

MQA also borrowed €150.0 million (\$226.9 million) through a seven year, senior secured facility to facilitate the acquisition on 24 October 2017.

Reduction in base fee

On 14 September 2017, the MARIL Board and MARL Board (together, the "Boards") announced that notification had been received from MFA that commencing 1 October 2017, and for subsequent quarters until further notice, the base management fees payable by MQA would be reduced to a flat 0.85% per annum on MQA's market capitalisation. Base management fee rates payable are:

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Directors' Reports (continued)

Significant changes in state of affairs (continued)

Change in management arrangements

On 20 November 2017, MQA announced that it had reached a stage where a transition to internalisation of the management of MQA is now appropriate. The independent directors of both MARIL and MARL are currently engaging with MFA to determine the most efficient process through which this can be achieved. MFA has continued to act as the Adviser of MARIL and the Manager of MARL during the year and up until the date of this report.

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

Likely developments and expected results of operations

No change is contemplated to the principal activities stated on page 4. Comments on the expected outlook for MQA are included in the annual report within the letters from the Chairpersons and Chief Executive Officer.

Events occurring after balance sheet date

Since balance date, the directors of MARIL and MARL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in years subsequent to the year ended 31 December 2017.

Indemnification and insurance of officers and auditors

During the year, MARL paid premiums of \$224,600 and MARIL paid premiums of \$221,743 to insure the directors and officers of MARL and MARIL. The liabilities insured are legal and defence costs that may be incurred in defending civil or criminal proceedings that may be brought against the directors and officers in their capacity as directors and

officers of MARL and MARIL, and any other payments arising from liabilities incurred by the directors and officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the directors and officers or the improper use by the directors and officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to MARL or MARIL. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. So long as the directors and officers of MARL and MARIL act in accordance with the constitutions and the law, the directors and officers remain indemnified out of the assets of the Groups against any losses incurred while acting on behalf of the Groups.

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

Environmental regulation

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

Rounding of amounts in the Directors' Reports and the Financial Reports

The Groups are of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the Directors' reports. Amounts in the Directors' reports have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

Application of class order

The Directors' Reports and Financial Reports for MQA and the MARL Group have been presented in the one report, as permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) instrument 2015/838.

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Directors' Reports (continued)

Information on MARIL directors

	Experience and Directorships	Special Responsibilities	Particulars of director's interests in MQA stapled securities as at	
			31 Dec 2017	31 Dec 2016
<p>Jeffrey Conyers BA Independent Non-Executive Chairman</p>	<p>Experience: Jeffrey Conyers, is a director of numerous companies in Bermuda and is the former Chief Executive Officer of First Bermuda Securities Limited. He is a founding executive council member and deputy chairman of the Bermuda Stock Exchange. Jeffrey has previously served on the boards of MAp Airports International Limited and Intoll International Limited, parts of the previously Macquarie-managed and ASX-listed vehicles MAp Group and Intoll Group respectively.</p> <p>Other current listed company directorships: None. Former listed company directorships in last 3 years: None.</p>	Chairman of Board and Nomination and Governance Committee	40,000	40,000
<p>James Keyes MA Independent Non-Executive Director</p>	<p>Experience: James Keyes is a Bermudan solicitor and barrister with over 25 years' experience. James was a partner in Appleby, one of the largest offshore law firms in Bermuda and held a part-time position as Managing Director of Renaissance Capital and related entities until December 2012. James was a director of the Bermudan entity within Transurban Group for six years, from which he gained experience in the toll road sector.</p> <p>Other current listed company directorships: None. Former listed company directorships in last 3 years: None.</p>	Chairman of Remuneration Committee	5,000	-
<p>Christopher Leslie BCom (Hons) CA Non-Executive Director</p> <p>Appointed on 1 September 2017</p>	<p>Experience: Chris Leslie is a senior managing director of Macquarie Infrastructure and Real Assets ("MIRA") (a division of the Macquarie Asset Management Group), with 25 years' experience in the acquisition, development and management of infrastructure assets across Australia, Asia and North America. Chris served as Chief Executive Officer of MIRA's North American series of unlisted infrastructure funds from 2006 to 2016. He is a board member of several companies including Puget Energy, Cleco Corporation and Leaf River Energy Center. Chris is also a member of Chartered Accountants Australia and New Zealand.</p> <p>Other current listed company directorships: None. Former listed company directorships in last 3 years: None.</p>	-	-	-
<p>Nora Scheinkestel LLB (Hons), PhD, FAICD, Centenary Medal Independent Non-Executive Director</p>	<p>Experience: Nora Scheinkestel is an experienced company director and advisor, with a background as a senior banking executive in international and project financing. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance.</p> <p>Other Current listed company directorships: Telstra Corporation Limited, Stockland Group and AusNet Services Limited.</p> <p>Former listed company directorships in last 3 years: Orica Limited (retired December 2015).</p>	-	78,431	64,987
<p>Derek Stapley BA, CA Independent Non-Executive Director</p>	<p>Experience: Derek serves as an independent director on the boards of several public and private investment funds, insurance companies and private client structures. He is a former partner and industry group leader with Ernst & Young in Financial Services, having over 30 years' experience. Derek was the chair of Ernst & Young's Global Hedge Fund Steering Committee, which was responsible for providing strategic direction to Ernst & Young's global hedge fund practice.</p> <p>Other current listed company directorships: None. Former listed company directorships in last 3 years: None.</p>	Chairman of Audit and Risk Committee	-	-

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Directors' Reports (continued)

Information on MARL directors

	Experience and Directorships	Special Responsibilities	Particulars of director's interests in MQA stapled securities as at	
			31 Dec 2017	31 Dec 2016
Nora Scheinkestel LLB (Hons) PhD FAICD, Centenary Medal Independent Non-Executive Chairman	<p>Experience: Nora Scheinkestel is an experienced company director and advisor, with a background as a senior banking executive in international and project financing. She currently consults to government, corporate and institutional clients in areas such as corporate governance, strategy and finance.</p> <p>Other Current listed company directorships: Telstra Corporation Limited, Stockland Group and AusNet Services Limited.</p> <p>Former listed company directorships in last 3 years: Orica Limited (retired December 2015).</p>	Chairman of Board and Nomination and Governance Committee	78,431	64,987
Richard England FCA MAICD Independent Non-Executive Director	<p>Experience: Richard England is a former partner of Ernst & Young (Australia) where he was national director of the Corporate Recovery and Insolvency practice. Richard has more than 20 years' experience as a non-executive director and Chairman of multiple ASX listed and unlisted companies across the financial services, banking, healthcare and insurance industries.</p> <p>Other current listed company directorships: QANTM Intellectual Property Limited, Nanosonics Limited, Japara Healthcare Limited and Bingo Industries Limited.</p> <p>Former listed company directorships in last 3 years: Ruralco Holdings Limited (retired September 2016) and Chandler McLeod Group Limited (de-listed in April 2015).</p>	Chairman of Audit and Risk Committee	49,670	40,000
Debra Goodin BEc FCA Independent Non-Executive Director Appointed on 1 September 2017	<p>Experience: Debra is an experienced independent director currently serving on the boards of ASX-listed companies APA Group, Senex Energy Limited and Ooh!Media Limited. She is currently also the chairperson of the Audit and Risk Committees for these boards. Debra has more than 20 years' senior management experience with professional services firms, government authorities and ASX-listed companies across finance, operations, corporate strategy, mergers and acquisitions. She is a fellow of Chartered Accountants Australia and New Zealand.</p> <p>Other current listed company directorships: APA Group, Senex Energy Limited and Ooh!Media Limited.</p> <p>Former listed company directorships in last 3 years: Ten Network Holdings Limited (de-listed November 2017).</p>	Chairman of Remuneration Committee	5,671	-
John Roberts LLB Non-Executive Director	<p>Experience: John Roberts is a Consultant to Macquarie and Non-Executive Chairman of MIRA. John was employed by the Macquarie Group for over 22 years, during which time he held various roles within the organisation, including Head of Europe, Joint Head of Macquarie Capital Advisers and Global Head of Macquarie Capital Funds (now MIRA).</p> <p>Other current listed company directorships: Sydney Airport Limited.</p> <p>Former listed company directorships in last 3 years: DUET Group (retired June 2015).</p>	-	53,073	46,108

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Directors' Reports (continued)

Company Secretaries

Dennika Durrant was appointed as the company secretary of MARIL on 30 November 2017. She has over 10 years of governance and company secretarial experience. Lovaine Parkes was the company secretary of MARIL prior to 30 November 2017.

Christine Williams is a dual company secretary of MARL. She is an Executive Director of Macquarie Group Limited and Global Head of Legal for MIRA which she joined in 1998. She is a practising solicitor with over 36 years of governance and transactional legal experience. She has also performed company secretarial roles for various listed property and infrastructure funds for the past 25 years.

Lyndal Coates is a dual company secretary of MARL. She joined MIRA in 2009 and has over 16 years of governance and company secretarial experience.

Meetings of directors

The number of meetings of the MARIL Board, Audit and Risk Committee, Nomination and Governance Committee and Remuneration Committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director are shown below. In addition, adhoc committees were also held as required for transactional activity.

MARIL Directors	Board		Audit and Risk Committee		Nomination and Governance Committee		Remuneration Committee		Ad-Hoc Committees ²	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Jeffrey Conyers	24	23	5	5	4	3	2	2	2	2
James Keyes	24	23	N/A	N/A	4	4	2	2	3	2
Christopher Leslie ¹	8	8	1	1	1	1	N/A	N/A	N/A	N/A
Nora Scheinkestel	24	24	5	5	4	4	2	2	8	8
Derek Stapley	24	24	5	5	4	4	N/A	N/A	8	7

1. Appointed as a director of MARIL effective from 1 September 2017.

2. Ad-hoc committees were held in relation to the 2017 capital raisings as well as an independent board committee and working group relating to the internalisation of MQA management.

The number of meetings of the MARL Board, Audit and Risk Committee, Nomination and Governance Committee and Remuneration Committee held during the year ended 31 December 2017, and the numbers of meetings attended by each director are show below. In addition, adhoc committees were also held as required for transactional activity.

MARL Directors	Board		Audit and Risk Committee		Nomination and Governance Committee		Remuneration Committee		Ad-Hoc Committees ²	
	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Nora Scheinkestel	21	21	5	5	4	4	N/A	N/A	8	8
Richard England	21	21	5	5	4	4	2	2	10	10
Debra Goodin ³	7	7	1	1	1	1	1	1	5	5
John Roberts	21	20	1	1	4	3	2	2	N/A	N/A
Marc de Cure ⁴	9	9	3	3	2	2	1	1	N/A	N/A

2. Ad-hoc committees were held in relation to the 2017 capital raisings as well as an independent board committee and working group relating to the internalisation of MQA management.

3. Appointed as a director of MARL effective from 1 September 2017.

4. Resigned as a director of MARL effective from 30 June 2017.

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Directors' Reports (continued)

Remuneration Report (audited)

Under the Corporations Act it is only Australian listed companies that are required to prepare a remuneration report. Accordingly, only MARL security holders participate in a non-binding vote in respect of this report. Detail on MARIL and MQA as a whole has been included below for good corporate governance.

At the 2017 AGM, MARL received a 24.13% vote against the Remuneration Report. On 20 November 2017, MQA announced that it had reached a stage where a transition to internalisation of the management of MQA is now appropriate and MARL and MARIL directors believe that the internalisation will address many of the concerns underlying the 2017 vote.

The information provided in this report includes remuneration disclosures that are required under AASB 124 *Related Party Disclosures*. These disclosures have been transferred from the Financial Reports and have been audited.

The information provided in this Remuneration Report has been audited as required by section 308 (3c) of the *Corporations Act 2001*.

The Manager/Advisor

Prior to listing, MARIL and MARL entered into advisory and management agreements (collectively, the "MQA Management Agreements") respectively with MFA, a wholly owned subsidiary of Macquarie Group Limited ("MGL" or "Macquarie").

The MQA Manager currently makes available employees (including senior executives) to discharge its obligations to the relevant MQA entity. These staff are employed by entities in the Macquarie Group and made available to MQA through formalised resourcing arrangements. Their remuneration is not an MQA expense as it is paid by Macquarie Group. Instead, MQA pays management fees to the MQA Manager (and therefore the Macquarie Group) for providing management and advisory services. These fees are an MQA expense and are therefore disclosed below along with MQA director fees. On 20 October 2017 it was announced that James Hooke would be appointed Chief Executive Officer ("CEO") of MQA effective 1 February 2018 and Macquarie agreed that on an ongoing basis it would provide details of the remuneration paid to Mr Hooke by Macquarie in his capacity as MQA CEO. It is expected that the MQA CEO remuneration will be reported in next year's Remuneration Report.

MQA's relationship with Macquarie has provided MQA with:

- Access to geographically dispersed high calibre expertise, which is available when and where it is needed, as well as premises and associated on-costs
- Access to potentially accretive investment opportunities through Macquarie's international platform
- The ability to leverage Macquarie's strong relationships with third-party suppliers, professional advisors, governments and regulatory bodies; and
- Depth of knowledge of capital markets.

Set out below are details of the management and director fees paid by MQA together with disclosure detailing how staff of the MQA Manager are incentivised, how their interests are aligned with MQA and the benefits MQA derives from the arrangement.

Management fees

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

MQA has an international portfolio of complex road assets and effective management requires geographically dispersed global expertise which the MQA Manager provides. Currently there are over 50 personnel directly contributing to the management service provided by Macquarie. These staff do not necessarily work full time for MQA and the number of Full Time Equivalent (FTE) staff can vary depending on MQA's needs. This allows MQA to leverage off industry, technical and geography specialists in each location and the level of local presence and network has successfully helped to reduce political and regulatory risk at each asset, preserving and protecting value for MQA's investors. Macquarie's relationships with third-party suppliers, governments and regulatory bodies can also be utilised by MQA. The MQA Manager also adds value by providing MQA with potentially accretive investment opportunities through its international platform.

Base and performance fees are calculated in accordance with defined formulae under the MQA Management Agreements. The management fee structure is linked to MQA's market performance and, in the case of performance fees, ongoing MQA outperformance against a market benchmark. The management fees paid or payable by MQA to the MQA Manager for the financial year ended 31 December 2017 were:

- Base fee A\$32.8 million
- Performance fee A\$52.6 million (A\$8.0m + A\$44.7m)

All base fees for the year ended 31 December 2017 were paid in cash. The performance fee amount above comprises the first instalment of the June 2017 performance fee of A\$23.9 million which is payable in three equal annual instalments of A\$8.0 million each. Future instalments may become payable, subject to meeting ongoing outperformance criteria. Also included is the second instalment of the June 2016 fee of A\$44.7 million.

As permitted under the terms of the MQA Management Agreements, the performance fee paid during the financial year ended 31 December 2017, being the first instalment of the 2017 performance fee and the second instalment of the 2016 performance fee was applied by the MQA Manager to a subscription for 8,941,792 new MQA securities. This reflected 1.6% of the number of shares on issue at that time.

The structure and level of the fee arrangements were fully disclosed to investors on fund inception and continue to be disclosed on the MQA website and in annual reports.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Directors' Reports (continued)

Remuneration Report (audited) (continued)

Investors originally invested and continue to invest with this knowledge. Any changes to the structure of the fee provisions which would have the effect of increasing the fees provided for under the MQA Management Agreements would need to be approved by MQA stapled security holders. However, fee reductions do not require shareholder approval and can be discussed between the MQA Boards and the MQA Manager.

Base fees

After discussions with the MQA Boards, the MQA Manager notified MQA that commencing 1 October 2017 and for subsequent quarters until further notice, the base management fees payable would be reduced to a flat 0.85% per annum for all market capitalisations.

This is the third instance that the MQA Manager has reduced the base management fee rates payable by MQA following rate reductions in 2014 and 2016.

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

The quantum of the base management fee can increase or decrease as a result of any movement in both the number of MQA securities on issue and the security price. Whilst the base management fee remains in place, no additional management fees are levied by Macquarie at the asset level for any of MQA's investments.

Performance fees

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

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

second anniversary of the calculation date, only if MQA's performance equals or exceeds that of the benchmark over the three-year period to that date.

Where MQA underperforms the benchmark a fee deficit is created. Before any future performance fees can be earned, all accumulated deficits from prior periods of underperformance must be eliminated ensuring that any future performance fees are only paid as a result of sustained benchmark outperformance.

This requirement for sustained outperformance creates a strong alignment of interest between the MQA Manager and MQA securityholders.

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

Oversight of fee payments

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

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

Reinvestment of fees

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

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

Expense reimbursement

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

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

Market capitalisation

Market value	Original contract	Revised fee from 1 Jan 2014	Revised fee from 1 Jul 2016	Revised fee from 1 Oct 2017
Up to \$1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between \$1 billion and \$3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than \$3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.

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Directors' Reports (continued)

Remuneration Report (audited) (continued)

This does not include MQA Manager staff costs, costs associated with their employment and premises.

Fees paid or payable by MQA group entities for services provided by other Macquarie entities are disclosed in the MQA financial statements and are subject to strict protocols.

Directors

Set out below are details of the remuneration paid to directors of MQA as well as the total paid for the financial year 2017. The level of fees is not related to the performance of MQA.

During 2016 an independent remuneration review was undertaken to benchmark to current market rates for

comparable directorships in Australia and Bermuda. The boards of MARL and MARIL will continue to consider remuneration payable to directors from time to time. Remuneration for directors is approved by the boards and any increases are to be periodically benchmarked to market based on external advice. Under the MARL Constitution, aggregate MARL director fees are capped at A\$1,000,000 and under the MARIL Bye-Laws, aggregate MARIL director fees are capped at US\$500,000. Any increase to this cap requires shareholder approval.

None of the MARL or MARIL directors is entitled to MQA options or securities or to retirement benefits as part of his or her remuneration package. Remuneration is formalised in appointment letters. Upon termination of the appointment letters, 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 appointment letter and the constitutional documents of the entity.

Macquarie Atlas Roads International Limited – Director fees

	Board		ARC		RemCo		NomCo		Travel allowance
	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	
US\$	110,000	70,000	15,000	7,500	7,500	3,750	-	2,500	5,000 ¹
Australian NED A\$	N/A	70,000	N/A	7,500	N/A	3,750	N/A	2,500	N/A

1. US\$10,000 for Chairman of MARIL due to an additional annual trip to Australia.

Macquarie Atlas Roads Limited – Director fees

	Board		ARC		RemCo		NomCo		Travel allowance
	Chairman	Member	Chairman	Member	Chairman	Member	Chairman	Member	
A\$	200,000	120,000	25,000	12,500	10,000	5,000	-	5,000	10,000

Additional adhoc committees are remunerated on a time-spent basis at a rate of A\$2,500 per day for MARL and US\$1,750 per day for MARIL. Committees set up specifically for the MQA internalisation are remunerated at a rate of A\$5,000 per annum for MARL and US\$2,500 per annum for MARIL (A\$2,500 per annum for Australian NED). In addition a working group has been set up with fees ranging between US\$5,000 and A\$20,000 depending on level of involvement. These internalisation fees will continue in 2018.

Macquarie Atlas Roads – Director fees paid¹

Name	MARL director fees		MARIL director fees	
	2017	2016	2017	2016
Jeffrey Conyers	-	-	US\$122,500	US\$97,500
Marc de Cure ²	A\$78,750	A\$141,250	-	-
Richard England	A\$195,741	A\$152,500	-	-
Debra Goodin ³	A\$80,751	-	-	-
James Keyes	-	-	US\$92,500	US\$72,500
Christopher Leslie ³	-	-	US\$28,333	-
John Roberts	A\$142,083	A\$132,500	-	-
Nora Scheinkestel	A\$228,438	A\$197,500	A\$86,250	A\$74,375
Derek Stapley	-	-	US\$102,438	US\$81,250

1. Includes adhoc committee and working group fees in 2017 for all directors except John Roberts and Chris Leslie, totalling A\$100k.

2. Resigned 30 June 2017.

3. Appointed 1 September 2017.

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Directors' Reports (continued)

Remuneration Report (audited) (continued)

Except for reimbursements, no payments other than those disclosed in the table above were made to any directors during their period of service. There were no loans to directors.

MARL and MARIL directors are required to acquire and maintain a minimum personal holding of MQA securities which equates to one year of their director fees. They have three years in which to accumulate their minimum holding, from the later of July 2017 (when the policy was implemented) or from the date of their appointment.

Refer to details on pages 8 and 9 as it relates to directors' current individual interests in MQA stapled securities.

Executives

The remuneration of executives that are involved in the management of MQA (including the CEO and CFO of MQA) is not currently disclosed because these executives are employed by Macquarie Group and not by MQA. On 20 October 2017 it was announced that James Hooke would be appointed CEO of MQA effective 1 February 2018 and Macquarie agreed that on an ongoing basis it would provide details of the remuneration paid to Mr Hooke by Macquarie in his capacity as MQA CEO. It is expected that the MQA CEO remuneration will be reported in next year's Remuneration Report. There were no amounts paid or payable by MQA to the previous CEO, Peter Trent.

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

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

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

The base salary is reviewed annually and the profit share allocation, which is not guaranteed, is based on performance. Performance assessment of Macquarie Group employees takes place half-yearly. The MQA Boards provide feedback in respect of performance of senior MQA management, and can request that they be replaced if not

performing satisfactorily. The MQA board also set and review annual objectives for the CEO to deliver with his management team.

The profit share allocations to executives provide substantial incentives for superior performance but low or no participation for less satisfactory outcomes. Profit share allocations are therefore highly variable and can comprise a high proportion of total remuneration in the case of superior performance. The level of profit share received by members of the MQA management team is driven predominantly by their individual contribution to the performance of MQA, taking into account the following elements:

- MQA's overall performance as a listed entity
- Management and leadership of MQA, including upholding MQA's Code of Conduct and the management of MQA's investments
- Effective risk management and capital management
- Maintenance of MQA's reputation.

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

Service agreements

Remuneration for the directors is formalised in appointment letters. Upon termination of the appointment letters, 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 appointment letter and the constitution of MARL.

Loans to directors

There were no loans to directors.

Share options granted to directors

No options over unissued ordinary securities of MQA exist or were granted to directors at 31 December 2017.

Directors' holdings of stapled securities

Refer to the Information on Directors on page 8 and 9 as it relates to as it relates to directors' holdings in MQA stapled securities.

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Directors' Reports (continued)

Auditor services (audited)

The Group has an auditor independence policy which precludes the auditors from performing certain services. This ensures that the audit firm does not review or audit their own work, act in a management or a decision-making capacity for the Group, act as advocate for the Group or jointly share economic risks and rewards. When permissible by this policy, the Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Groups are important. Refer to Note 7.3 for details of all audit and non-audit services provided by the auditor during 2017.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for services provided during the year are set out below.

The Boards have considered the position and, in accordance with the advice received from the Audit and

Risk Committee, are 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 undermines 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.

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	\$	\$	\$	\$
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	364,743	380,211	186,110	185,889
Taxation services	14,240	62,578	-	2,578
Other assurance services ¹	261,918	117,169	25,904	12,429
	640,901	559,958	212,014	200,896
Amounts paid or payable to network firms of PricewaterhouseCoopers for:				
Audit services	239,416	153,976	41,927	31,231
Taxation services ²	29,757	18,004	-	-
Other services	4,830	-	-	-
	274,003	171,980	41,927	31,231

1. Other assurance services provided relates to the capital raising services associated with the acquisition of the 50% estimated economic interest in TRIP II and 4.86% indirect interest in APRR via MAF2.
2. Taxation services provided by network firms of the auditor relates to the filing of corporate income tax returns for the Group's entities domiciled outside of Australia.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Directors' Reports (continued)

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 17.

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
27 February 2018



Derek Stapley

Director
Macquarie Atlas Roads International Limited
Pembroke, Bermuda
27 February 2018

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



Nora Scheinkestel

Chairman
Macquarie Atlas Roads Limited
Sydney, Australia
28 February 2018



Richard England

Director
Macquarie Atlas Roads Limited
Sydney, Australia
28 February 2018

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Auditor's Independence Declaration

As lead auditor for the audits of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief there have been:

- 1 no contraventions of the auditor independence requirements of the *Corporations Act 2001* (as applicable) in relation to the audits; and
- 2 no contraventions of any applicable code of professional conduct in relation to the audits.

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

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

Craig Stafford
Partner
PricewaterhouseCoopers

Sydney
28 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 1171.

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

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Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Consolidated Statements of Comprehensive Income

		MQA	MQA	MARL Group	MARL Group
	Note	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue and other income from operations					
Revenue from operations		78,732	1,361	3,024	1,022
Other income from operations		394,269	69,286	65,142	3,455
Total revenue and other income from operations	2.1(a)	473,001	70,647	68,166	4,477
Operating expenses	2.1(b)	(104,343)	(167,741)	(8,493)	(17,964)
Finance costs	2.1(c)	(53,795)	-	-	-
Share of net profits/(losses) of investments accounted for using the equity method	3.2(b)	187,971	329,976	(626)	144,233
Profit from operations before income tax		502,834	232,882	59,047	130,746
Income tax benefit/(expense)	2.4	16,749	(7,773)	(1,664)	(7,768)
Profit for the year		519,583	225,109	57,383	122,978
Profit attributable to:					
Equity holders of the parent entity – MARIL		462,200	102,131	-	-
Equity holders of other stapled entity – MARL (as non-controlling interest/parent entity)		57,383	122,978	57,383	122,978
Stapled security holders		519,583	225,109	57,383	122,978
Other comprehensive (losses)/income					
<i>Items that may be reclassified to profit or loss:</i>					
Exchange differences on translation of foreign operations		(14,940)	13,580	(14,518)	305
Other comprehensive (losses)/income for the year, net of tax		(14,940)	13,580	(14,518)	305
Total comprehensive income for the year		504,643	238,689	42,865	123,283
Total comprehensive income attributable to:					
Equity holders of the parent entity – MARIL		461,778	115,406	-	-
Equity holder of other stapled entity – MARL (as non-controlling interest/parent entity)		42,865	123,283	42,865	123,283
Stapled security holders		504,643	238,689	42,865	123,283
Profit per share attributable to MARIL/MARL shareholders					
Basic and diluted profit per share attributable to:		Cents	Cents	Cents	Cents
MARIL (as parent entity)	2.3	77.98	19.58	-	-
MARL (as non-controlling interest)	2.3	-	-	9.68	23.57
Profit per MQA stapled security		87.66	43.15	9.68	23.57

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

Macquarie Atlas Roads International Limited
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Consolidated Statements of Financial Position

	Note	MQA	MQA	MARL Group	MARL Group
		As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Current assets					
Cash and cash equivalents	3.1	122,690	223,367	34,304	204,129
Receivables	4.3	618	728	2,080	83
Prepayments		864	126	186	61
Total current assets		124,172	224,221	36,570	204,273
Non-current assets					
Tolling concession	4.1	2,189,724	-	-	-
Investments accounted for using the equity method	3.2	1,483,337	950,912	153,110	19,972
Restricted cash	3.1	153,440	1,735	-	-
Goodwill	4.2	58,726	-	-	-
Property, plant and equipment		728	-	-	-
Receivables	4.3	-	-	122,812	-
Total non-current assets		3,885,955	952,647	275,922	19,972
Total assets		4,010,127	1,176,868	312,492	224,245
Current liabilities					
Payables and provisions	4.4	(63,327)	(59,181)	(6,376)	(11,898)
Debt at amortised cost	5.1	(66,286)	-	-	-
Total current liabilities		(129,613)	(59,181)	(6,376)	(11,898)
Non-current liabilities					
Debt at amortised cost	5.1	(1,668,352)	-	-	-
Deferred tax liabilities	2.4	(40,333)	-	-	-
Payables and provisions	4.4	(9,754)	(44,689)	-	(4,337)
Total non-current liabilities		(1,718,439)	(44,689)	-	(4,337)
Total liabilities		(1,848,052)	(103,870)	(6,376)	(16,235)
Net assets		2,162,075	1,072,998	306,116	208,010
Equity					
Equity attributable to equity holders of the parent – MARIL					
Contributed equity	5.2	1,911,877	1,323,651	-	-
Reserves	5.3	28,122	58,378	-	-
Accumulated losses		(84,040)	(517,041)	-	-
MARIL security holders' interest		1,855,959	864,988	-	-
Equity attributable to other stapled security holders – MARL					
Contributed equity	5.2	268,334	213,245	268,334	213,245
Reserves	5.3	(24,216)	(7,131)	(24,216)	(7,131)
Accumulated income		61,998	1,896	61,998	1,896
Other stapled security holders' interest		306,116	208,010	306,116	208,010
Total equity		2,162,075	1,072,998	306,116	208,010

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

As required by Bermuda regulations, the MQA financial information was approved by the directors of the Macquarie Atlas Roads International Limited ("MARIL") Board on 27 February 2018 and was signed on MARIL's behalf by:



Jeffrey Conyers – Chairman

Macquarie Atlas Roads International Limited
Pembroke, Bermuda



Derek Stapley – Director

Macquarie Atlas Roads International Limited
Pembroke, Bermuda

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Consolidated Statements of Changes in Equity

MQA	Attributable to MARIL security holders				Attributable to MARL security holders \$'000	Total MQA equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
Total equity at 1 January 2017	1,323,651	58,378	(517,041)	864,988	208,010	1,072,998
Profit for the year	-	-	462,200	462,200	57,383	519,583
Exchange differences on translation of foreign operations	-	(422)	-	(422)	(14,518)	(14,940)
Transfer from foreign currency translation reserve to accumulated losses ¹	-	(30,135)	30,135	-	-	-
Total comprehensive income	-	(30,557)	492,335	461,778	42,865	504,643
Transactions with equity holders in their capacity as equity holders:						
Issue of securities during the year	595,789	-	-	595,789	51,035	646,824
Application of performance fees to subscription for new securities	48,585	-	-	48,585	4,054	52,639
Other equity transactions	-	301	-	301	152	453
Capital return ²	(56,148)	-	-	(56,148)	-	(56,148)
Dividends paid ²	-	-	(59,334)	(59,334)	-	(59,334)
	588,226	301	(59,334)	529,193	55,241	584,434
Total equity at 31 December 2017	1,911,877	28,122	(84,040)	1,855,959	306,116	2,162,075

- Foreign exchange translation gain of \$30.1 million transferred to accumulated losses on sale of associate (refer Note 6.2 for further details).
- On 29 September 2017, MQA paid an ordinary dividend of 10.0 cents per stapled security ("cps"). On 7 April 2017, MQA paid a distribution of 10.0 cps, comprising a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.

MQA	Attributable to MARIL security holders				Attributable to MARL security holders \$'000	Total MQA equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000		
Total equity at 1 January 2016	1,355,890	45,404	(614,994)	786,300	78,658	864,958
Profit for the year	-	-	102,131	102,131	122,978	225,109
Exchange differences on translation of foreign operations	-	13,275	-	13,275	305	13,580
Total comprehensive income	-	13,275	102,131	115,406	123,283	238,689
Transactions with equity holders in their capacity as equity holders:						
Application of performance fees to subscription for new securities	57,868	-	-	57,868	6,221	64,089
Other equity transactions	-	(301)	-	(301)	(152)	(453)
Capital return ³	(90,107)	-	-	(90,107)	-	(90,107)
Dividends paid ³	-	-	(4,178)	(4,178)	-	(4,178)
	(32,239)	(301)	(4,178)	(36,718)	6,069	(30,649)
Total equity at 31 December 2016	1,323,651	58,378	(517,041)	864,988	208,010	1,072,998

- On 30 September 2016, MQA paid a distribution of 9.0 cps, comprising a capital return of 8.7 cps and an ordinary dividend of 0.3 cps. On 31 March 2016, MQA paid a distribution of 9.0 cps, comprising a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

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

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Consolidated Statements of Changes in Equity (continued)

MARL Group	Attributable to MARL security holders			Total MARL Group equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated income \$'000	
Total equity at 1 January 2017	213,245	(7,131)	1,896	208,010
Profit for the year	-	-	57,383	57,383
Exchange differences on translation of foreign operations	-	(14,518)	-	(14,518)
Transfer from foreign currency translation reserve to accumulated losses ¹	-	(2,719)	2,719	-
Total comprehensive income	-	(17,237)	60,102	42,865
Transactions with equity holders in their capacity as equity holders:				
Issue of securities during the year	51,035	-	-	51,035
Application of performance fees to subscription for new securities	4,054	-	-	4,054
Other equity transactions	-	152	-	152
	55,089	152	-	55,241
Total equity at 31 December 2017	268,334	(24,216)	61,998	306,116

1. Foreign exchange translation gain of \$2.7 million transferred to accumulated income on sale of associate (refer Note 6.2 for further details).

MARL Group	Attributable to MARL security holders			Total MARL Group equity \$'000
	Contributed equity \$'000	Reserves \$'000	Accumulated (losses)/income \$'000	
Total equity at 1 January 2016	207,024	(7,284)	(121,082)	78,658
Profit for the year	-	-	122,978	122,978
Exchange differences on translation of foreign operations	-	305	-	305
Total comprehensive income	-	305	122,978	123,283
Transactions with equity holders in their capacity as equity holders:				
Application of performance fees to subscription for new securities	6,221	-	-	6,221
Other equity transactions	-	(152)	-	(152)
	6,221	(152)	-	6,069
Total equity at 31 December 2016	213,245	(7,131)	1,896	208,010

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

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Consolidated Statements of Cash Flows

		MQA	MQA	MARL Group	MARL Group
	Note	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Cash flows from operating activities					
Toll revenue received (net of transaction fees)		73,560	-	-	-
M6 Toll management fees received		5,155	1,419	-	-
Interest received		1,907	1,346	1,131	1,022
Other income received		371	265	-	-
Net indirect taxes received		268	316	265	308
Property taxes paid		(5,713)	-	-	-
Manager's and adviser's base fees paid		(30,578)	(30,374)	(2,818)	(3,155)
Payments to suppliers and employees (inclusive of GST/VAT)		(19,538)	(4,296)	(5,119)	(2,506)
US Alternative Minimum Tax related to the sale of ITR Concession Company Holdings LLC ("ITRCCH")		-	17,776	-	17,776
Net income taxes paid		(7,312)	(2,028)	(7,307)	(2,023)
Net cash flows from operating activities	7.1	18,120	(15,576)	(13,848)	11,422
Cash flows from investing activities					
Payment for purchase of investments, net of cash acquired		(1,215,113)	(1,082)	(79,162)	-
Distribution proceeds received from sale of Skyway Concession Company LLC ("SCC")		-	137,347	-	137,347
Principal and interest received from preferred equity certificates issued by Macquarie Autoroutes de France 2 SA ("MAF2")		147,779	124,844	-	-
Distribution from Indiana Toll Road Partnership ("ITRP")		-	225	-	225
Purchase of fixed assets		(277)	-	-	-
Sale of fixed assets		138	-	-	-
Net cash flows from investing activities		(1,067,473)	261,334	(79,162)	137,572
Cash flows from financing activities					
Proceeds from borrowings (net of transaction costs)		450,530	-	-	-
Proceeds from issue of securities (net of transaction costs)		646,824	-	51,035	-
Transfers to restricted cash		(27,855)	-	-	-
Capital return		(56,148)	(90,107)	-	-
Dividends paid		(59,334)	(4,178)	-	-
Loans advanced to related parties		-	-	(122,812)	-
Payments (to)/from related parties		-	-	(841)	596
Interest paid on borrowings		(9,117)	-	-	-
Net cash flows from financing activities		944,900	(94,285)	(72,618)	596
Net (decrease)/increase in cash and cash equivalents		(104,453)	151,473	(165,628)	149,590
Cash and cash equivalents at the beginning of the year		223,367	65,381	204,129	48,137
Effects of exchange rate movements on cash and cash equivalents		3,776	6,513	(4,197)	6,402
Cash and cash equivalents at the end of the year	3.1	122,690	223,367	34,304	204,129

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

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Notes to the Financial Reports

1 Introduction

Macquarie Atlas Roads - Stapled security

A Macquarie Atlas Roads stapled security comprises one Macquarie Atlas Roads International Limited ("MARIL") share 'stapled' to one Macquarie Atlas Roads Limited ("MARL") share to create a single listed security traded on the Australian Securities Exchange ("ASX"). The stapled securities cannot be traded or dealt with separately.

AASB 3 *Business Combinations* and AASB 10 *Consolidated Financial Statements* require one of the stapled entities of a stapled structure to be identified as the parent entity for the purpose of preparing a consolidated 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 MARL and its controlled entities ("MARL Group"), together comprising MQA.

As permitted by ASIC Class Order 13/1050 and ASIC Corporations (Stapled Group Reports) Instrument 2015/838, these reports consist of the Financial Report of MARIL and the entities it controlled at the end of and during the year (collectively, "MQA" or the "Group") and the Financial Report of MARL and the entities it controlled at the end of and during the year (collectively, "MARL Group"). The Group and the MARL Group are collectively referred to as the "Groups".

The Financial Report of the Group should be read in conjunction with the separate Financial Report of the MARL Group presented in these reports for the year ended 31 December 2017.

Basis of preparation

Both MARIL and MARL are for-profit entities for the purpose of preparing the Financial Reports.

The Financial Reports were authorised for issue by the directors of the MARIL Board and the MARL Board (together, the "Boards") on 27 February 2018 and 28 February 2018 respectively. The Boards have the power to amend and reissue the Financial Reports.

The Financial Reports are general purpose financial reports that:

- have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* (where applicable)

- include the assets and liabilities of all subsidiaries as at 31 December 2017 and the results of the subsidiaries for the year then ended. Inter-entity transactions with, or between, subsidiaries are eliminated in full on consolidation
- have been prepared under the historical cost conventions except for certain assets and liabilities (including derivative instruments) which have been measured at fair value
- are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

Significant accounting policies and key judgements and estimates are contained in shaded text and included in the relevant note. These policies have been consistently applied to all years presented.

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

Critical accounting estimates and judgements

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

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

- Income tax (Note 2.4)
- Control assessment (Note 3.2 and 6.2)
- Impairment of assets and reversal of impairment (Note 3.2)
- Intangible assets – Tolling concessions (Note 4.1)
- Performance fees (Note 4.4)

Notes to the Financial Reports (continued)

2 Financial performance

2.1 Profit for the year

Revenue recognition

Revenue and other income is recognised as follows:

Toll revenue	Toll revenue is earned as charges are incurred through toll points along the road.
Other revenue	Other revenue consists of revenue earned in respect to rental income from cell towers and income from advertising hoardings on the toll road. Other revenue is recognised when the services have been provided.
Interest income	Interest income is brought to account on an accruals basis.

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

a) Revenue and other income

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue from operations:				
Toll revenue	75,697	-	-	-
Other revenue	343	-	-	-
Interest income:				
Related parties	1,564	1,361	3,024	1,022
Other persons and corporations	1,128	-	-	-
Total interest income	2,692	1,361	3,024	1,022
Total revenue from operations	78,732	1,361	3,024	1,022
Other income from operations:				
Gain on revaluation ¹	375,615	-	61,710	-
M6 Toll management fee income	4,493	1,333	-	-
Other income	42	265	-	-
Guarantee fee income	-	-	1,185	-
Reversal of provision for impairment ²	-	67,373	-	3,442
Net foreign exchange gain	14,119	315	2,247	13
Total other income from operations	394,269	69,286	65,142	3,455
Total revenue and other income from operations	473,001	70,647	68,166	4,477

1. Revaluation of existing investment in Dulles Greenway. Refer Note 6.2.

2. Refer Note 3.2(b)

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Notes to the Financial Reports (continued)

2.1 Profit for the year (continued)

b) Operating expenses

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Operating expenses				
Amortisation of tolling concession	36,520	-	-	-
Cost of operations:				
Toll road maintenance expenses	5,524	-	-	-
Other operating expenses	5,234	-	-	-
Employment costs	4,489	1,090	730	625
Total cost of operations	15,247	1,090	730	625
Depreciation of plant and machinery	152	-	-	-
Consulting and administration fees	7,613	1,967	3,454	783
Manager's and adviser's base fees	32,813	29,441	2,625	2,923
Manager's and adviser's performance fees	7,979	134,084	639	13,031
Other expenses	4,019	1,159	1,045	602
Total operating expenses	104,343	167,741	8,493	17,964

c) Finance costs

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Interest on non-recourse TRIP II bonds	42,437	-	-	-
Interest on borrowings from financial institutions	9,074	-	-	-
Amortisation of issue cost on borrowings from financial institutions	2,284	-	-	-
Total finance costs	53,795	-	-	-

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Notes to the Financial Reports (continued)

2.2 Distributions

Distributions

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

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Distributions paid				
Dividend paid on 29 September 2017 ¹	58,188	-	-	-
Distribution paid on 7 April 2017 ²	57,294	-	-	-
Distribution paid on 30 September 2016 ³	-	47,712	-	-
Distribution paid on 31 March 2016 ⁴	-	46,573	-	-
Total distributions paid	115,482	94,285	-	-

	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions paid				
Dividend per security paid on 29 September 2017 ¹	10.0	-	-	-
Distribution per security paid on 7 April 2017 ²	10.0	-	-	-
Distribution per security paid on 30 September 2016 ³	-	9.0	-	-
Ordinary dividend per security paid on 31 March 2016 ⁴	-	9.0	-	-
Total distributions paid	20.0	18.0	-	-

All of the distributions were paid in full by MARIL.

1. Comprised an ordinary dividend of 10.0 cps.
2. Comprised a capital return of 9.8 cps and an ordinary dividend of 0.2 cps.
3. Comprised a capital return of 8.7 cps and an ordinary dividend of 0.3 cps.
4. Comprised a capital return of 8.5 cps and an ordinary dividend of 0.5 cps.

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Notes to the Financial Reports (continued)

2.3 Earnings per stapled security

Earnings per stapled security

Basic earnings per stapled security

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

Diluted earnings per stapled security

Diluted earnings per stapled security is calculated by adjusting basic earnings per stapled security for the effects of all dilutive potential ordinary stapled securities.

	MARIL	MARIL	MARL	MARL
	Year ended 31 Dec 2017 cents	Year ended 31 Dec 2016 cents	Year ended 31 Dec 2017 cents	Year ended 31 Dec 2016 cents
Basic and diluted earnings per MARIL/MARL share	77.98	19.58	9.68	23.57
	\$'000	\$'000	\$'000	\$'000
Earnings used in the calculation of basic and diluted profit per MARIL/MARL share ¹	462,200	102,131	57,383	122,978
	Number	Number	Number	Number
Weighted average number of shares used in calculation of basic and diluted earnings per MARIL/MARL share ¹	592,724,448	521,665,455	592,724,448	521,665,455

1. There is no difference in the earnings and weighted average number of securities used in the calculation of basic earnings/(loss) per share and diluted earnings per security.

The basic and diluted profit per MQA stapled security for the year ended 31 December 2017 was 87.66 cps (2016: 43.15 cps) using MQA profit attributable to MQA stapled security holders of \$519.6 million (2016: \$225.1 million).

2.4 Income tax

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 Reports, 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 Financial Reports. 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.

Under current Bermudan 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.

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Notes to the Financial Reports (continued)

2.4 Income tax (continued)

Income tax expense/(benefit)

This note provides an analysis of the group's income tax expense, shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax position.

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
(a) Income tax (benefit)/expense				
Income tax (benefit)/expense comprises:				
- Current tax	1,699	7,773	1,664	7,768
- Deferred tax	(18,448)	-	-	-
Total income tax (benefit)/expense	(16,749)	7,773	1,664	7,768
(b) Reconciliation of income tax (benefit)/expense to prima facie tax payable				
Profit from operations before income tax	502,834	232,882	59,047	130,746
Prima facie income tax on profit at the Australian tax rate of 30%	150,850	69,865	17,714	39,224
Impact of different tax rates of operations in jurisdictions other than Australia	(93,988)	16,088	(2,098)	12,611
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	(18,513)	(20,212)	(18,513)	(1,033)
Non-deductible expenditure	670	3,356	670	3,359
Share of net gain of investments accounted for using the equity method	(56,391)	(98,993)	188	(43,270)
Temporary differences not brought to account	1,147	(574)	(1,278)	(483)
Impact of change in tax rates on deferred tax liabilities ¹	(17,484)	-	-	-
Deferred tax asset on taxable losses not brought to account	16,960	38,238	4,981	(2,640)
Others	-	5	-	-
Aggregate income tax (benefit)/expense²	(16,749)	7,773	1,664	7,768
(c) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	230,002	231,836	229,477	230,874
Potential tax benefit of unused tax losses	60,174	88,794	60,074	88,554

1. The reduction in deferred tax liability recognised on acquisition of additional interest in TRIP II by \$17.5 million due to decrease in United States Federal Income tax rate.
2. Neither MQA nor the MARL Group recognised any current or deferred tax that was debited or credited directly to equity.

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Notes to the Financial Reports (continued)

2.4 Income tax (continued)

Deferred tax assets and liabilities

The Groups have no deferred tax assets.

MARL Group has no deferred tax liabilities. MQA's deferred tax liabilities relate solely to the Dulles Greenway concession rights value recognised following the consolidation of TRIP II's results as at 16 May 2017. The movement in the balance of deferred tax liability is as follows:

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Deferred tax liabilities				
Opening balance at 1 January	-	-	-	-
Acquisition of subsidiary	(61,712)	-	-	-
Amortisation of deferred tax liabilities	964	-	-	-
Revaluation due to changes in income tax rates	17,484	-	-	-
Foreign exchange movement	2,931	-	-	-
Closing balance at 31 December	(40,333)	-	-	-

2.5 Segment information

Segment reporting

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

a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Boards in their capacity as chief operating decision makers. However, the Boards do not manage the day-to-day activities of the business. The directors have appointed Macquarie Fund Advisers Pty Limited ("MFA") to run and manage the ongoing operations of the business and pay a quarterly management fee in return for these services.

The Boards consider the business from the aspect of each of the portfolio assets and have identified four and one operating segments for MQA and the MARL Group respectively. The segments of MQA are the investments in

APRR, ADELAC, Dulles Greenway and Warnow Tunnel. The only segment of the MARL Group is the investment in Dulles Greenway. Following the sale of M6 Toll, Indiana Toll Road and Chicago Skyway, these assets are no longer considered operating segments by the Boards (refer to Note 3.2).

The operating segment note discloses the segment revenue and segment EBITDA for the year ended 31 December 2017 by individual portfolio asset. The Boards are provided with performance information on each asset to monitor the operating performance of each asset.

Macquarie Atlas Roads International Limited
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Notes to the Financial Reports (continued)

2.5 Segment information (continued)

b) Segment information provided to the Boards

The proportionally consolidated segment information provided to the Boards for the reportable segments for the year ended 31 December 2017, based on MQA's economic ownership interest is as follows:

MQA	Year ended	APRR	ADELAC	Dulles Greenway	Warnow Tunnel	Total MQA	Total MARL
Segment revenue	31 December 2017	751,765	16,787	98,105	11,574	878,231	13,178
	31 December 2016	697,519	-	61,640	11,149	770,308	8,260
Segment expenses	31 December 2017	(200,805)	(3,002)	(18,200)	(3,378)	(225,385)	(2,445)
	31 December 2016	(192,967)	-	(11,816)	(3,151)	(207,934)	(1,583)
Segment EBITDA	31 December 2017	550,960	13,785	79,905	8,196	652,846	10,733
	31 December 2016	504,552	-	49,824	7,998	562,374	6,677
EBITDA margin	31 December 2017	73%	82%	81%	71%	74%	81%
	31 December 2016	72%	-	81%	72%	73%	81%

The segment revenue disclosed in the table above primarily relates to toll revenue generated by the assets from external customers and the proportionally consolidated segment information provided to the Boards for the reportable segments for the year ended 31 December 2017 and year ended 31 December 2016.

MARL group information includes its economic ownership in Dulles Greenway only.

A reconciliation of MQA and the MARL Group's segment revenue and EBITDA to its total revenue and profit from operations before income tax is provided as follows:

	MQA Year ended 31 Dec 2017 \$'000	MQA Year ended 31 Dec 2016 \$'000	MARL Group Year ended 31 Dec 2017 \$'000	MARL Group Year ended 31 Dec 2016 \$'000
Reconciliation of segment revenue to revenue				
Segment revenue	878,231	770,308	13,178	8,260
Revenue attributable to investments	(878,231)	(770,308)	(13,178)	(8,260)
Unallocated revenue and other income	473,001	70,647	68,166	4,477
Total revenue and other income from operations	473,001	70,647	68,166	4,477
Reconciliation of segment EBITDA to profit before income tax				
Segment EBITDA	652,846	562,374	10,733	6,677
EBITDA attributable to investments	(652,846)	(562,374)	(10,733)	(6,677)
Unallocated revenue	473,001	70,647	68,166	4,477
Unallocated expenses	(104,343)	(167,741)	(8,493)	(17,964)
Finance costs	(53,795)	-	-	-
Share of net profit of investments accounted for using the equity method	187,971	329,976	(626)	144,233
Profit from operations before income tax	502,834	232,882	59,047	130,746

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Notes to the Financial Reports (continued)

3 Cash and investments

3.1 Cash, cash equivalents and restricted cash

Cash, cash equivalents and restricted cash

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Restricted cash includes funds held in escrow, funds backing guarantees or amounts otherwise not available to meet short term commitments of the Groups and is classified as a non-current asset.

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Current				
Cash and cash equivalents (a)	122,690	223,367	34,304	204,129
	122,690	223,367	34,304	204,129
Non-current				
Restricted cash (b)	153,440	1,735	-	-
	153,440	1,735	-	-

a) Cash and cash equivalents

During the year cash on hand was held in bank accounts earning money market rates of interest between nil to 1.71% (2016: nil to 2.10%) per annum.

Cash equivalents include TRIP II's money market deposits outstanding at 31 December 2017 which matured within 30 days and paid interest between 1.04% and 1.23% per annum. There were no such deposits outstanding at 31 December 2016.

b) Restricted cash

This comprises funds held in escrow pursuant to the TRIP bond indenture agreements and cash-backed guarantees provided in relation to Warnowquerung GmbH & Co. KG ("WQG"), the owner of the Rostock Fixed Crossing Concession. Discussion of the Groups' policies concerning the management of credit risk can be found in Note 5.4.

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Notes to the Financial Reports (continued)

3.2 Investments accounted for using the equity method

Associates

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

The Groups' share of their associates' post-acquisition profits or losses are 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.

Joint Arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending upon the contractual rights and obligations each investor has, and the legal structure of the joint arrangement. The Groups have no joint operations and account for joint ventures using the equity method.

Impairment of assets and reversal of impairment

An investment accounted for using the equity method is assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Discounted cash flow analysis is the methodology applied in determining recoverable amount. Discounted cash flow analysis is the process of estimating future cash flows that are expected to be generated by an asset and discounting these to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular asset is reflective of the uncertainty associated with the future cash flows. Periodically, independent traffic forecasting experts provide a view on the most likely level of traffic to use the toll road having regard to a wide range of factors including development of the surrounding road network and economic growth in the traffic corridor.

Assets (other than goodwill) that have suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. An impairment loss is reversed if the recoverable amount of an asset is more than its carrying value. AASB 136 *Impairment of Assets* states that impairment losses shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised and the estimated service potential of the asset has increased. The impairment loss is not reversed just because of the passage of time, even if the recoverable amount of the asset becomes higher than its carrying value.

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Investment in associates and joint arrangement – equity method	1,483,337	950,912	153,110	19,972
	1,483,337	950,912	153,110	19,972

Information relating to associates and joint arrangements is set out in the following page:

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Notes to the Financial Reports (continued)

3.2 Investments accounted for using the equity method (continued)

a) Carrying amounts

Name of Entity ^{1,2}	Country of incorporation/ Principal Place of Business	Principal Activity	MQA Economic Interest	MQA	MQA	MARL Economic Interest	MARL Group	MARL Group
			As at 31 Dec 2017 and 31 Dec 2016 %	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 and 31 Dec 2016 %	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
MAF2 ³	Luxembourg	Investment in toll road network located in the east of France (APRR)	50.0/40.3	1,483,327	716,915	-/-	-	-
Dulles Greenway Partnership ("DGP") ⁴	USA	Investment in toll road located in northern Virginia, USA	-/50.0	-	233,973	-/6.7	-	19,948
TRIP II ⁴	USA	Investment in toll road located in northern Virginia, USA	-/-	-	-	13.4/-	153,100	-
WQG ⁵	Germany	Investment in toll road located in Rostock, north-eastern Germany	70.0/70.0	-	-	-/-	-	-
Chicago Skyway Partnership ("CSP") ⁶	USA	Former owner of an investment in toll road located south of Chicago, USA	50.0/50.0	10	20	50.0/50.0	10	20
ITRP ⁷	USA	Former owner of an investment in toll road located in northern Indiana, USA	49.0/49.0	-	4	49.0/49.0	-	4
Peregrine Motorways Limited ⁸	UK	Investment in toll road located in the West Midlands, UK	-/-	-	-	-/-	-	-
				1,483,337	950,912		153,110	19,972

- Except for MAF2, CSP and ITRP, all associates and joint arrangements are in "lockup" under their debt documents, meaning that they are currently unable to make distributions to MQA and the MARL Group. MQA and MARL Group's investment in TRIP II cannot come out of lockup before December 2018 and therefore is not expected to make a distribution to MQA before 2019.
- All associates and joint arrangements have 31 December year end reporting requirements except for MAF2 which has 31 March.
- On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 9.72% interest in MAF2, the holding vehicle for MQA's investment in APRR, for €439.9 million. The financial close was reached on 24 October 2017. Per the agreement, any decision made with regard to the relevant activities requires 85% of the voting members to proceed, meaning at least 85% of shareholders must agree before any decision can be reached. As a result, MQA's investment in MAF2 is classified as an associate.
- On 23 February 2017, MQA announced that it would exercise its pre-emptive right to acquire the remaining 50% estimated economic interest in TRIP II for US\$445.0 million. The financial close was reached on 16 May 2017. Refer Note 6.2 for further details.
- A subsidiary of MARIL, European Transport Investments (UK) Limited ("ETIUK"), beneficially owns 70% of both the WQG partnership and the Warnowquerung Verwaltungsgesellschaft GmbH, General Partner of the WQG partnership, which have contracted to build, own and operate a tolled tunnel in Rostock, Germany. The balance of 30% is held by Bouygues Travaux Publics SA. Per the agreement, any decision made with regard to the relevant activities requires 75% of the voting members to proceed, meaning both partners have to agree. As a result, MQA's investment in WQG is classified as a joint venture.
- On 16 November 2015, MQA announced the signing of a Sale and Purchase Agreement on 13 November 2015 to sell 100% of SCC, the concession holder of the Chicago Skyway Toll Road in Illinois, USA subject to customary conditions precedent and regulatory approvals. On 25 February 2016, financial close was reached on the sale of SCC and subsequently on 10 March 2016, MQA received US\$103.9 million (\$137.3 million) in distribution proceeds. The small residual investment balance represents cash left in CSP, the former owner of SCC, for payment of expenses.
- At 31 December 2017, MQA legally owned a 49% equity interest in ITRP, the former owner of the Indiana Toll Road ("ITR"), but was no longer exposed to any variable returns from the ongoing operations of the ITR. The small residual investment balance was reduced to nil in the current year.
- On 1 May 2017, MQA announced that its 100% ordinary equity interest in the M6 Toll would be transferred to the M6 Toll lender group and a final management fee of £2.6 million would be received. On 5 May 2017, this transfer was completed and MQA has no further management obligations with respect to this asset. As a result, at 31 December 2017 MQA's economic interest in the ongoing operations of Peregrine Motorways Limited is nil.

Notes to the Financial Reports (continued)

3.2 Investments accounted for using the equity method (continued)

b) Movement in carrying amounts

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Carrying amount at the beginning of the year	950,912	807,969	19,972	16,448
Investment in associates (including transaction costs) ¹	673,121	1,012	160,963	-
Share of profits/(losses) after income tax	187,971	329,976	(626)	144,233
Reversal of provision for impairment ²	-	67,373	-	3,442
Distributions received	(147,779)	(262,417)	-	(137,572)
Gain on revaluation of associate ³	375,615	-	61,710	-
De-recognition of associate	(598,891)	-	(80,552)	-
Foreign exchange movement	42,388	6,999	(8,357)	(6,579)
Carrying amount at the end of the year	1,483,337	950,912	153,110	19,972

- On 14 September 2017, MQA announced that it would exercise its pre-emptive right to acquire an additional 9.72% interest in MAF2, increasing the total interest in MAF2 to 50.00% and thereby total indirect interest in APRR to 25.00%. Financial close was reached on 24 October 2017 with a final purchase price of €439.9 million (\$665.5 million). This acquisition was funded by a combination of equity and debt financing. MARL Group's investment in associate relates to TRIP II, refer note 6.2.
- The reversal of provision for impairment of \$67.4 million and \$3.4 million for MQA and MARL Group respectively (representing the original amount of impairment booked in 2011) related to their economic interests in TRIP II, the concessionaire for Dulles Greenway.
- The gain on revaluation of associate of \$375.6 million and \$61.7 million for MQA and MARL Group respectively relates to the revaluation of the Groups' investment in Dulles Greenway on acquisition of the their additional stakes. Refer note 6.2 for detail.

c) Summarised financial information for material associates

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

Summarised Statement of Financial Position	MAF2		DGP		TRIP II	
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Total current assets	1,691,692	1,853,197	-	238,218	83,816	-
Total non-current assets	9,411,522	9,149,720	-	1,987,496	2,400,788	-
Total current liabilities	(2,001,664)	(2,173,235)	-	(96,769)	(81,563)	-
Total non-current liabilities	(7,323,317)	(7,225,164)	-	(1,661,000)	(1,263,312)	-
Net assets	1,778,233	1,604,518	-	467,945	1,139,729	-
Reconciliation to carrying amounts:						
Opening net assets	1,604,518	1,464,035	-	482,278	1,197,640	-
Profit/(loss) for the year	454,177	481,413	-	(18,972)	(48)	-
Distributions paid	(366,826)	(309,897)	-	-	-	-
Foreign exchange and other equity movements	86,364	(31,033)	-	4,639	(57,863)	-
Closing net assets	1,778,233	1,604,518	-	467,945	1,139,729	-
MQA's share in %	50.0%	40.3%	-	50.0%	-	-
MQA's share of net assets in \$	889,260	646,396	-	233,973	-	-
MARL Group's share in %	-	-	-	6.7%	13.4%	-
MARL Group's share of net assets in \$	-	-	-	31,352	153,100	-
MQA's carrying amount	1,483,327	716,915	-	233,973	-	-
MARL Group's carrying amount	-	-	-	19,948	-	-

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Notes to the Financial Reports (continued)

3.2 Investments accounted for using the equity method (continued)

c) Summarised financial information for material associates (continued)

Summarised Statement of Comprehensive Income	MAF2		DGP		TRIP II	
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Revenue	2,032,718	1,923,108	-	123,364	76,041	-
Profit/(loss) for the year	454,177	481,413	-	(18,972)	(48)	-
MQA's share	191,959	193,942	-	(9,486)	-	-
MARL Group's share	-	-	-	(1,287)	(89)	-
MQA's distributions received	147,779	124,845	-	-	-	-
MARL Group's distributions received	-	-	-	-	-	-

d) Share of losses not brought to account attributable to immaterial associate¹ and joint venture²

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Share of losses not brought to account attributable to immaterial associate and joint venture				
Balance at the beginning of the year	(22,875)	(21,335)	-	-
Investment made during the year	60	-	-	-
Share of losses brought to account	(60)	-	-	-
Share of losses not brought to account	(1,941)	(1,540)	(2)	-
Balance at the end of the year	(24,816)	(22,875)	(2)	-

1. ITRP, accounted for using the equity method.
2. WQG, accounted for using the equity method.

Notes to the Financial Reports (continued)

4 Other balance sheet assets and liabilities

4.1 Intangible assets – Tolling concessions

Intangible assets – Tolling concessions

Tolling concessions are intangible assets and represent the right to levy tolls in respect of controlled motorways. Tolling concessions relating to the non-controlled investments are recognised as a component of the investments accounted for using the equity method.

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

Asset description	Estimated useful life	Amortisation basis
Dulles Greenway	Period to February 2056	Straight line basis
APRR ¹	Period to November 2035	Straight line basis
Warnow Tunnel ¹	Period to September 2053	Straight line basis
ADELAC ¹	Period to December 2060	Straight line basis

1 The tolling concessions in relation to the non-controlled investments are not recognised on the statement of financial position but instead form part of investments accounted for using the equity method. The amortisation of tolling concessions in relation to the non-controlled investments is included in the share of net profit of investments accounted for using the equity method.

Impairment

Tolling concessions with a finite useful life are assessed for impairment whenever there are indications that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Refer to Note 3.2 for additional detail on the accounting policy for impairment of assets and reversal of impairment.

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Balance at the beginning of the year	-	-	-	-
Acquisition cost	2,339,025	-	-	-
Amortisation of tolling concession	(36,520)	-	-	-
Foreign exchange movement	(112,781)	-	-	-
Balance at the end of the year	2,189,724	-	-	-

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Notes to the Financial Reports (continued)

4.2 Goodwill

Goodwill

Goodwill represents the excess of the consideration paid over the fair value of the identifiable net assets of the acquired entity at the date of acquisition. Goodwill arising from business combinations is included on the face of the statement of financial position. Goodwill arising from acquisitions of associates is included in the carrying amount of investments in associates.

Impairment

Goodwill is not subject to amortisation but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amount of a cash generating unit ("CGU") is determined based on fair value less costs of disposal calculations which require the use of assumptions. The calculations use detailed cash flow projections covering the remaining concession life of the CGU.

Refer to Note 3.2 for additional detail on the accounting policy for impairment.

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Balance at the beginning of the year	-	-	-	-
Acquisition cost ¹	61,712	-	-	-
Foreign exchange movement	(2,986)	-	-	-
Balance at the end of the year	58,726	-	-	-

1. Goodwill of \$61.7 million was recognised as a result of the deferred tax liability calculated on concession rights value following the acquisition of the remaining 50% estimated economic interest in TRIP II. Refer Note 6.2.

Key assumptions used for fair value less costs of disposal calculations

Assumption	Approach used to determine values
Traffic volume	Based on the Group's internal long term traffic forecasts, in which volumes fluctuate each year based on estimates which include the timing and impact of development on the Dulles Greenway, its competing roads and its catchment area more broadly.
Long term CPI (% annual growth)	Based on the Group's long term internal forecasts with rates between 2.10% and 2.30% covering the life of the concession ending in 2056.
Average toll (% annual growth)	Based on current contracted agreements and the Group's long term internal forecasts.
Post-tax discount rate	Dulles Greenway's detailed cash flows were discounted using an equity discount rate of 8.75% covering the concession ending in 2056. The discount rate is based on a number of factors including, but not limited to, its nature of operations and risk profile.

Impact of possible changes in key assumptions

The assets and liabilities associated with Dulles Greenway were initially recognised in MQA's balance sheet at their fair values on 16 May 2017, being the date on which MQA achieved control of TRIP II. The proximity of the current reporting date to this acquisition date means that the carrying values of these assets and liabilities, including the associated goodwill, continue to approximate their recoverable amount. As such, an adverse change in any of the key assumptions could result in the recoverable amount of Dulles Greenway falling below its carrying amount.

The assumptions used in the fair value less costs of disposal calculation are measured at Level 3 in the fair value hierarchy (refer Note 5.4 for additional detail on the fair value hierarchy).

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Notes to the Financial Reports (continued)

4.3 Receivables

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 on an accruals basis.

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

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Current				
Tax receivable	188	83	188	83
Trade receivables	430	-	-	-
Receivables from related parties	-	645	1,892	-
Total current receivables	618	728	2,080	83
Non-current				
Receivables from related parties	-	-	122,812	-
Total non-current receivables	-	-	122,812	-

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 5.4. The fair values of receivables approximate their carrying values.

4.4 Payables and provisions

Payables and other liabilities

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

Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Performance fees

A performance fee is payable at 30 June each year in the event that the MQA security price outperforms its benchmark in that year after making up any carried forward underperformance. The performance fee is calculated with reference to the performance of the MQA accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. The performance fee is determined at 30 June and is payable in three equal annual instalments. The first instalment is payable immediately. The second and third instalments are payable on the first and second anniversaries of the calculation date if certain performance criteria are met.

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

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

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Notes to the Financial Reports (continued)

4.4 Payables and provisions (continued)

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Current				
Manager and adviser fees payable	8,939	6,471	707	667
Provision for manager and adviser performance fees ¹	44,689	44,689	4,337	4,337
Sundry creditors and accruals	4,183	2,195	1,332	1,068
Provision for toll maintenance	5,509	-	-	-
Provision for tax	7	5,826	-	5,826
Total current payables and provisions	63,327	59,181	6,376	11,898
Non-current				
Easement accruals ²	9,754	-	-	-
Provision for manager and adviser performance fees ¹	-	44,689	-	4,337
Total non-current payables and provisions	9,754	44,689	-	4,337

- For the year ended 30 June 2017, a total performance fee of \$23.9 million (excluding GST) was calculated for MQA (30 June 2016: \$134.1 million). Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments will become payable. Accordingly, only the first instalment of the 2017 performance fee has been recognised during the year ended 31 December 2017.
The first instalment of the 2017 performance fee of \$8.0 million (excluding GST) and the second instalment of the 2016 performance fee of \$44.7 million (excluding GST) became payable at 30 June 2017 and were applied to a subscription for new MQA securities in July 2017. Current performance fees payable is made up of the third instalment of the 2016 performance fee of \$44.7 million, which will become payable should the performance criteria be met at 30 June 2018.
- TRIP II has an agreement with the Metropolitan Washington Airports Authority ("MWAA") for easements over Washington Dulles International Airport property necessary to construct, operate and maintain the toll road. The minimum annual payments are accrued using the straight-line method based upon the total minimum payments to be made over the term of the agreement. Additional payments may be due under the agreement should the toll road exceed certain specified traffic volumes.

Notes to the Financial Reports (continued)

5 Capital and risk management

5.1 Debt at amortised cost

Financial liabilities

Financial liabilities are initially recorded at fair value plus directly attributable transaction costs and thereafter at amortised cost using the effective interest method.

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	64,585	-	-	-
Accrued interest on borrowings from financial institutions (b)	1,701	-	-	-
Total current debt at amortised cost	66,286	-	-	-
Non-current				
Non-recourse TRIP II bonds and accrued interest thereon (a)	1,222,979	-	-	-
Borrowings from financial institutions (b)	445,373	-	-	-
Total non-current debt at amortised cost	1,668,352	-	-	-

(a) Non-recourse TRIP II bonds

The MQA consolidated financial statements incorporate bonds raised by TRIP II to finance the construction of infrastructure assets. These bonds are non-recourse beyond the TRIP II assets and MQA has no commitments to provide further debt or equity funding to TRIP II in order to meet these liabilities.

All of these bonds are in the form of fixed interest rate senior bonds, with US\$35.0 million of current interest bonds and US\$969.5 million of zero coupon bonds with maturities extending to 2056.

(b) Borrowings from financial institutions

(i) Dulles Greenway asset finance facility

On 16 May 2017, MQA drew down US\$175.0 million (\$235.5 million) of a US\$200.0 million eight year bullet financing facility to facilitate the acquisition of the remaining 50% stake in TRIP II. Debt raising costs of US\$5.5 million (\$7.4 million) were incurred, of which, US\$1.4 million (\$1.9 million) have been amortised during the year ended 31 December 2017.

Interest accrues on the borrowing at the aggregate of margin and LIBOR. The margin rates are as below:

Periods	Margin
From 16 May 2017 to 15 May 2020	4.25% per annum
From 16 May 2020 to 15 May 2023	4.75% per annum
From 16 May 2023 to 15 May 2025	5.00% per annum

Interest is payable semi-annually on 16 May and 16 November. Any interest unpaid on the interest payment date will be capitalised and added to the loan, subject to the terms and conditions of the financing facility. The capitalised interest is eligible for interest in excess of 0.50% per annum on the margin, and must be repaid in full before cash can be distributed further.

On 15 November 2017, MQA paid US\$5.1 million (\$6.7 million) as interest on this facility.

(ii) APRR asset finance facility

On 24 October 2017, MQA drew down €150.0 million (\$226.9 million) of a seven-year, senior secured facility to facilitate the acquisition of a 9.72% stake in MAF2 and incurred debt raising costs of €3.0 million (\$4.5 million) of which €0.3 million (\$0.4 million) have been amortised till 31 December 2017.

Interest accrues on the borrowing at the aggregate of margin and EURIBOR. The margin rates are as below:

Periods	Margin
From 24 Oct 2017 to 23 Oct 2019	2.25% per annum
From 24 Oct 2019 to 23 Oct 2021	2.50% per annum
From 24 Oct 2021 to 23 Oct 2022	2.75% per annum
From 24 Oct 2022 to 23 Oct 2023	3.25% per annum
From 24 Oct 2023 to 23 Oct 2024	3.75% per annum

Interest is payable semi-annually on 31 December and 30 June. On 29 December 2017, MQA paid €0.5 million (\$0.8 million) as interest on this facility.

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5.2 Contributed equity

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Ordinary shares	1,911,877	1,323,651	268,334	213,245
Contributed equity	1,911,877	1,323,651	268,334	213,245
On issue at the beginning of the year	1,323,651	1,355,890	213,245	207,024
Issue of Placement securities ¹	168,054	-	14,021	-
Issue of Security Purchase Plan securities ¹	20,165	-	1,682	-
Application of performance fees to subscription for new securities ²	48,585	57,868	4,054	6,221
Issue of Institutional entitlement securities ¹	329,257	-	28,541	-
Issue of Retail entitlement securities ¹	78,313	-	6,791	-
Capital return	(56,148)	(90,107)	-	-
On issue at the end of the year	1,911,877	1,323,651	268,334	213,245

1. Net of transaction costs.

2. During the year ended 31 December 2017, the first instalment of the June 2017 performance fee and second instalment of the June 2016 performance fee (31 December 2016: first instalment of the June 2016 performance fee and third instalment of the June 2014 performance fee) were applied to a subscription for new MARL and MARIL securities.

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	Number of shares '000	Number of shares '000	Number of shares '000	Number of shares '000
On issue at the beginning of the year	530,130	517,485	530,130	517,485
Issue of Placement securities	38,144	-	38,144	-
Issue of Security Purchase Plan securities	4,664	-	4,664	-
Application of performance fees to subscription for new securities ¹	8,942	12,645	8,942	12,645
Issue of Institutional entitlement securities	70,994	-	70,994	-
Issue of Retail entitlement securities	16,915	-	16,915	-
On issue at the end of the year	669,789	530,130	669,789	530,130

1. During the year ended 31 December 2017, the first instalment of the June 2017 performance fee and second instalment of the June 2016 performance fee (31 December 2016: first instalment of the June 2016 performance fee and third instalment of the June 2014 performance fee) were applied to a subscription for new MARL and MARIL securities.

Ordinary shares in MARIL and in MARL

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

MARIL and one vote for each fully paid share in respect of MARL.

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

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

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Notes to the Financial Reports (continued)

5.3 Reserves

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Balance of reserves				
Foreign currency translation reserve	28,122	58,679	(24,216)	(6,979)
Other reserve	-	(301)	-	(152)
Balance at the end of the year	28,122	58,378	(24,216)	(7,131)

	Attributable to MARIL equity holders		Attributable to MARL equity holders	
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000
Movements of reserves				
Foreign currency translation reserve				
Balance at the beginning of the year	58,679	45,404	(6,979)	(7,284)
Net exchange differences on translation of foreign controlled entities	(422)	13,275	(14,518)	305
Transfer to accumulated (losses)/income ¹	(30,135)	-	(2,719)	-
Balance at the end of the year	28,122	58,679	(24,216)	(6,979)
Other reserve				
Balance at the beginning of the year	(301)	-	(152)	-
Other equity transactions	301	(301)	152	(152)
Balance at the end of the year	-	(301)	-	(152)

1. Foreign exchange translation gains in MARIL Group and MARL Group of \$30.1 million and \$2.7 million respectively were transferred to accumulated losses from foreign currency translation reserves following the acquisition of the remaining 50% estimated economic interest of TRIP II. These transfers arose as the increase in investment is treated as a disposal of the existing interest in associate (refer Note 6.2 for further details of the transaction).

Notes to the Financial Reports (continued)

5.4 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 programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance of the Groups. The Groups use derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

The Risk Management Policy and Framework is implemented by management under policies approved by the Boards. MFA identifies, quantifies and qualifies financial risks and provides 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 ("EUR"), Pound Sterling ("GBP") and United States Dollar ("USD").

The Groups do not hedge the foreign exchange exposure on overseas investments.

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

In assessing foreign exchange risk, management has assumed the following possible movements in the AUD:

- AUD/EUR exchange rate increased/decreased by 8 Euro cents (2016: 8 Euro cents)
- AUD/GBP exchange rate increased/decreased by 8 UK pence (2016: 8 UK pence)
- AUD/USD exchange rate increased/decreased by 10 US cents (2016: 10 US 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 AUD to be a reasonably possible shift following analysis of foreign exchange volatility for relevant currencies over the last five years.

Foreign exchange risk

	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
	P&L	P&L	Equity	Equity	P&L	P&L	Equity	Equity
	2017	2016	2017	2016	2017	2016	2017	2016
MQA	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total financial assets ¹	(600)	(515)	-	-	779	671	-	-
Total financial liabilities ²	20	19	-	-	(25)	(25)	-	-
Total	(580)	(496)	-	-	754	646	-	-

Foreign exchange risk

	Appreciation in Australian Dollar				Depreciation in Australian Dollar			
	P&L	P&L	Equity	Equity	P&L	P&L	Equity	Equity
	2017	2016	2017	2016	2017	2016	2017	2016
MARL Group	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total financial assets ¹	(82)	(124)	-	-	106	165	-	-
Total financial liabilities ²	3	2	-	-	(3)	(3)	-	-
Total	(79)	(122)	-	-	103	162	-	-

1. Financial assets include cash, cash equivalents, restricted cash and receivables.

2. Financial liabilities include payables and debt at amortised cost.

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Notes to the Financial Reports (continued)

5.4 Financial risk and capital management (continued)

Market risk (continued)

b) Interest rate risk

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

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 39 bps (2016: 66 bps)
- Bank bill swap reference rate (EURIBOR 90 days) increased/decreased by 15 bps (2016: 35 bps)

- Bank bill swap reference rate (USD LIBOR 90 days) increased/decreased by 23 bps (2016: 18 bps)
- Bank bill swap reference rate (GBP LIBOR 90 days) increased/decreased by 12 bps (2016: 21 bps)
- Bank bill swap reference rate (AUD BBSW 6 months) increased/decreased by 14 bps (2016: 64 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 five years.

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
	P&L 2017 \$'000	P&L 2016 \$'000	Equity 2017 \$'000	Equity 2016 \$'000	P&L 2017 \$'000	P&L 2016 \$'000	Equity 2017 \$'000	Equity 2016 \$'000
MQA								
Total financial assets	139	553	-	-	(139)	(553)	-	-
Total financial liabilities	(840)	-	-	-	840	-	-	-
Total	(701)	553	-	-	701	(553)	-	-

	Interest rate risk							
	Increase in interest rates				Decrease in interest rates			
	P&L 2017 \$'000	P&L 2016 \$'000	Equity 2017 \$'000	Equity 2016 \$'000	P&L 2017 \$'000	P&L 2016 \$'000	Equity 2017 \$'000	Equity 2016 \$'000
MARL Group								
Total financial assets	309	435	-	-	(309)	(435)	-	-
Total financial liabilities	-	-	-	-	-	-	-	-
Total	309	435	-	-	(309)	(435)	-	-

Credit risk

Potential areas of credit risk consist of deposits with banks and financial institutions as well as receivables from associates and governments. The Groups limit their exposure in relation to cash balances by only dealing with well-established financial institutions of high quality credit standing. With the exception of the transactions between MARIL and MARL, the Groups transact with independently

rated parties with appropriate minimum short term credit ratings. The Boards set exposure limits to financial institutions and these are monitored on an ongoing 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.

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Notes to the Financial Reports (continued)

5.4 Financial risk and capital management (continued)

Credit risk (continued)

The below 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	Total \$'000	Financial institutions \$'000	Corporates and other \$'000	Total \$'000
2017						
Cash and cash equivalents	122,690	-	122,690	34,304	-	34,304
Restricted cash	153,440	-	153,440	-	-	-
Receivables – current	-	430	430	-	1,892	1,892
Receivables – non-current	-	-	-	-	122,812	122,812
Total	276,130	430	276,560	34,304	124,704	159,008

	MQA			MARL Group		
	Financial institutions \$'000	Corporates and other \$'000	Total \$'000	Financial institutions \$'000	Corporates and other \$'000	Total \$'000
2016						
Cash and cash equivalents	223,367	-	223,367	204,129	-	204,129
Restricted cash	1,735	-	1,735	-	-	-
Receivables – current	-	645	645	-	-	-
Total	225,102	645	225,747	204,129	-	204,129

Financial institutions

The credit risk to financial institutions relates to cash held by and term deposits due from Australian and OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum Standard and Poor's short term credit rating of A-1 unless an exception is approved by the Boards.

Corporates

The MQA and MARL Group credit risk relates primarily to receivables from related parties. 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 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.

Financial Liabilities	MQA					MARL Group		
	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000	Less than 1 year \$'000	Total \$'000
December 2017	84,924	65,180	35,855	130,878	1,446,193	1,763,030	2,039	2,039
December 2016	8,666	-	-	-	-	8,666	1,735	1,735

Notes to the Financial Reports (continued)

5.4 Financial risk and capital management (continued)

Fair value measurement of financial instruments

The fair value of all financial assets (excluding Investments accounted for using the equity method) and financial liabilities approximates their carrying value at the date of the Financial Reports.

Capital management

The Groups' capital management objectives are to:

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

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

Capital is defined as contributed equity plus reserves. As at 31 December 2017 the Groups do not have any externally imposed capital requirements.

Fair Value Hierarchy

The assumptions used in the fair value measurements are assessed in accordance with the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1);
- 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) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable valuation input) (Level 3).

6 Group disclosures

6.1 Parent entity financial information

Parent entity financial information

The financial information for MARIL and MARL for this disclosure has been prepared on the same basis as the Financial Reports, except as set out below:

Investments in subsidiaries, associates and joint venture entities

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

Tax consolidation legislation

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

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

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

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 consideration, the fair values of these guarantees are accounted for as contributions and recognised as part of the cost of the investment.

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Notes to the Financial Reports (continued)

6.1 Parent entity financial information (continued)

a) Summary financial information

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

	MARIL	MARIL	MARL	MARL
	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000	As at 31 Dec 2017 \$'000	As at 31 Dec 2016 \$'000
Statement of Financial Position				
Current assets	4,694	19,627	35,697	28,314
Non-current assets	1,429,837	838,920	197,877	73,987
Total assets	1,434,531	858,547	233,574	102,301
Current liabilities	(52,886)	(47,597)	(6,241)	(5,429)
Non-current liabilities	(122,812)	(40,351)	-	(4,338)
Total liabilities	(175,698)	(87,948)	(6,241)	(9,767)
Shareholders' equity				
Issued capital	1,911,877	1,323,650	268,334	213,245
Reserves	-	(235)	-	(85)
Retained earnings	(653,044)	(552,816)	(41,001)	(120,626)
Total equity	1,258,833	770,599	227,333	92,534
Profit/(loss) for the year	(40,894)	132,027	79,625	(16,881)
Total comprehensive income/(loss)	(40,894)	132,027	79,625	(16,881)

At 31 December 2017, MARIL had a net current liability position of \$48.2 million (31 December 2016: net current liability position of \$28.0 million). Included within MARIL's current liabilities are performance fees of \$40.4 million and base fees of \$8.2 million (excluding GST) (31 December 2016: \$40.4 million). Management forecasts indicate that MARIL will be able to meet its liabilities as and when they become due and payable.

b) Guarantees entered into by the parent entities

MARIL and MARL have not directly provided any financial guarantees in respect to bank overdrafts and loans of subsidiaries as at 31 December 2017 and 31 December 2016. MARIL and MARL have not given any unsecured guarantees at 31 December 2017 and 31 December 2016.

However, financial guarantees in respect of loans to subsidiaries do exist but are provided by other entities within the MARL Group.

c) Contingent liabilities of the parent entities

Refer to Note 7.2 for MARIL and MARL's contingent liabilities as at 31 December 2017 and 31 December 2016.

Notes to the Financial Reports (continued)

6.2 Acquisition of subsidiaries

Business combinations

The acquisition method of accounting is used to account for all business combinations other than those under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Groups. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Contingent consideration is subsequently remeasured to its fair value with changes recognised in the profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Groups' share of the net identifiable assets acquired is recorded as goodwill.

Acquisition of Dulles Greenway/TRIP II

On TRIP II Acquisition Date, MQA and the MARL group acquired the remaining 50% estimated economic interest in TRIP II, the concessionaire for Dulles Greenway Partnership (DGP), for US\$445.0 million.

Pre-acquisition, the MARL Group held a 6.7% interest in TRIP II via its 50% equity interest in the DGP. DGP holds a 100% interest in the General Partner, Shenandoah Greenway Corporation and a 13.4% interest in TRIP II. MQA's total estimated economic interest in TRIP II was 50%. Both MQA and the MARL Group accounted for their holdings in DGP and TRIP II as investments in an associate accounted for using the equity method.

Post-acquisition, the MARL group has a 13.4% interest in TRIP II after increasing its equity interest in DGP to 100%. As such, the MARL Group will account for DGP as a subsidiary and TRIP II will be accounted for as a new equity accounted associate.

Post-acquisition, MQA has a 100% estimated economic interest in TRIP II after combining MARL Group's 13.4% equity interest with MARL's Group's 86.6% economic interest. Accordingly, DGP and TRIP II are accounted for as subsidiaries of MQA which are wholly consolidated in the MQA Financial Report.

As per AASB 3 *Business Combinations*, this acquisition is treated as a sale of the existing interest in DGP and subsequent purchase of a 100% interest, giving rise to revaluation of both MARL Group and MQA's existing investment in DGP.

The table below reconciles the 1 January 2017 carrying values of Dulles Greenway with the value of the existing investments at TRIP II Acquisition Date based on MQA and MARL Groups existing ownership interest.

	MQA	MARL Group
	\$'000	\$'000
Opening investments in Dulles Greenway as at 1 January 2017 – equity method	233,973	19,948
Share of losses accounted for using equity method up to TRIP II Acquisition Date	(3,915)	(525)
Foreign exchange movement up to TRIP II Acquisition Date	(6,782)	(581)
Revaluation of existing investment as a result of the acquisition	375,615	61,710
Value of existing investment held at TRIP II Acquisition Date	598,891	80,552

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	MQA	MARL Group
	\$'000	\$'000
Purchase consideration		
Cash paid (total consideration)	598,820	80,481

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Notes to the Financial Reports (continued)

6.2 Acquisition of subsidiaries (continued)

The fair value of TRIP II's identifiable assets acquired and liabilities assumed by the Group on TRIP II Acquisition Date are as follows:

	MQA	MQA
	US\$'000	\$'000
Cash and cash equivalents	42,131	56,694
Restricted cash	96,214	129,472
Trade and other receivables	240	323
Prepayments	265	356
Property, plant and equipment	532	716
Concession rights	1,738,195	2,339,025
Loans and borrowings – Current	(50,123)	(67,449)
Loans and borrowings – Non-current	(923,792)	(1,243,113)
Deferred tax liabilities	(45,860)	(61,712)
Trade and other payables	(10,253)	(13,796)
Provisions	(3,409)	(4,588)
Fair value of identifiable assets acquired and liabilities assumed for TRIP II	844,140	1,135,928
Goodwill ¹	45,860	61,712
Net assets acquired	890,000	1,197,640

1. Goodwill arises as a result of the deferred tax liability calculated on concession rights value.

The fair value of DGP's identifiable assets acquired and liabilities assumed on TRIP II Acquisition Date by the MARL Group and therefore form part of the MQA consolidated results are as follows:

	MARL Group	MARL Group
	US\$'000	\$'000
Investment in TRIP II	119,616	160,963
Cash and cash equivalents	100	130
Other creditors	(48)	(62)
Fair value of identifiable assets acquired and liabilities assumed for DGP	119,668	161,031

Revenue and profit contribution

TRIP II contributed revenues of \$77.2 million and a net profit after tax of \$nil to the Group for the period from 16 May 2017 to 31 December 2017.

If the acquisition had occurred on 1 January 2017, consolidated pro-forma revenue and net loss after tax for the year would have been \$120.3 million and \$13.8 million respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- Differences in accounting policies between the Group and the subsidiary: and
- The additional depreciation and amortisation that would have been charged assuming the fair value to property, plant and equipment and concession rights had applied from 1 January 2017, together with the consequential tax effects.

DGP generated revenue and net profit after tax of \$nil for the full year ended 31 December 2017.

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Notes to the Financial Reports (continued)

6.2 Acquisition of subsidiaries (continued)

Purchase consideration – cash outflow

	MQA \$'000
Outflow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	598,820
Less: Cash acquired	(56,828)
Net outflow of cash – investing activities	541,992

6.3 Subsidiaries

Subsidiaries

Subsidiaries, other than those that MARIL has been deemed to have directly acquired through stapling arrangements, are those entities over which the Groups are exposed to, or have the right to, variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Groups. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Groups. Where control of an entity is obtained during a financial year, its results are included in the Statement of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial year, its results are included for that part of the year during which control existed and the subsidiary is deconsolidated from the date that control ceases.

a) MQA

Name of controlled entity	Country of establishment	2017 voting %	2016 voting %
Macquarie Atlas Roads Limited	Australia	100.0	100.0
MQA Infrastructure US Pty Limited	Australia	100.0	100.0
MQA Infrastructure Australia Pty Limited	Australia	100.0	100.0
MQA Investments (Australia) Pty Limited	Australia	100.0	100.0
Green Bermudian Holdings Limited	Bermuda	100.0	100.0
MQA Investments Limited	Bermuda	100.0	100.0
MIBL Finance (Luxembourg) Sarl	Luxembourg	100.0	100.0
Tollway Holdings Limited	UK	100.0	100.0
European Transport Investments (UK) Limited	UK	100.0	100.0
Tipperhurst Limited	UK	100.0	100.0
Greenfinch Motorways Limited	UK	100.0	100.0
MQA 125 Holdings, Inc.	USA	100.0	100.0
MQA Indiana Holdings LLC	USA	100.0	100.0
MQA Holdings (US) LLC	USA	100.0	100.0
Dulles Greenway Partnership	USA	100.0	-
Dulles Greenway Investments 3 (US) LLC	USA	100.0	-
Shenandoah Greenway Corporation	USA	100.0	-
Toll Road Investors Partnership II, L.P.	USA	100.0	-

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Notes to the Financial Reports (continued)

6.3 Subsidiaries (continued)

b) MARL Group

Name of controlled entity	Country of establishment	2017 voting %	2016 voting %
MQA Infrastructure Australia Pty Limited	Australia	100.0	100.0
MQA Investments Australia Pty Limited	Australia	100.0	100.0
MQA Indiana Holdings LLC	USA	100.0	100.0
MQA Holdings (US) LLC	USA	100.0	100.0
Dulles Greenway Partnership	USA	100.0	-
Dulles Greenway Investments 3 (US) LLC	USA	100.0	-
Shenandoah Greenway Corporation	USA	100.0	-

6.4 Related party disclosures

Adviser and Manager

The Adviser of MARIL and the Manager of MARL is MFA, a wholly owned subsidiary of Macquarie Group Limited ("MGL").

Directors

The following persons were directors of MARIL during the whole of the year and up to the date of this report:

- Jeffrey Conyers (Chairman)
- James Keyes
- Christopher Leslie (Appointed on 1 September 2017)
- Nora Scheinkestel
- Derek Stapley

The following persons were directors of MARL during the whole of the year and up to the date of this report:

- Nora Scheinkestel (Chairman)
- Marc de Cure (Resigned on 30 June 2017)
- Richard England
- Debra Goodin (Appointed on 1 September 2017)
- John Roberts

Key Management Personnel

Key Management Personnel ("KMP") 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 KMP as they have this authority in relation to the activities of MQA and the MARL Group respectively, however they do not manage day-to-day activities of the business. The directors have appointed MFA to run and manage the ongoing operations of the business and pay a quarterly management fee in return for these services. There are no other KMP of MQA and the MARL Group.

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

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Notes to the Financial Reports (continued)

6.4 Related party disclosures (continued)

Key Management Personnel (continued)

Compensation in the form of directors' fees that were paid to directors is as follows:

	Year ended 31 Dec 2017 Directors' fees \$	Year ended 31 Dec 2016 Directors' fees \$
MARIL		
Jeffrey Conyers	159,234	131,016
James Keyes	120,258	97,649
Christopher Leslie ¹	36,720	-
Nora Scheinkestel	86,250	74,375
Derek Stapley	133,256	109,277
	535,718	412,317
MARL		
Nora Scheinkestel	228,438	197,500
Richard England	195,741	152,500
Debra Goodin ²	80,751	-
John Roberts	142,083	132,500
Marc de Cure ³	78,750	141,250
	725,762	623,750

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

	Directors' interests in MQA stapled securities At 31 Dec 2017	Directors' interests in MQA stapled securities At 31 Dec 2016
Jeffrey Conyers	40,000	40,000
Richard England	49,670	40,000
Debra Goodin ²	5,671	-
James Keyes	5,000	-
Christopher Leslie ¹	-	-
John Roberts	53,073	46,108
Nora Scheinkestel	78,431	64,987
Derek Stapley	-	-
Marc de Cure ³	-	-
Total	231,845	191,095

1. Appointed as a director of MARIL on 1 September 2017.
2. Appointed as a director of MARL effective from 1 September 2017.
3. Resigned as a director of MARL effective from 30 June 2017.

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Notes to the Financial Reports (continued)

6.4 Related party disclosures (continued)

Adviser and Manager fees

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

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Base fee (a)	32,812,601	29,441,190	2,625,042	2,923,079
Performance fee (b)	7,978,730	134,083,863	639,491	13,030,542
Total	40,791,331	163,525,053	3,264,533	15,953,621

a) Base fee

On 14 September 2017, the Boards announced that notification had been received from MFA that commencing 1 October 2017, and for subsequent quarters until further notice, the base management fees payable by MQA would be reduced to a flat 0.85% per annum for all market capitalisations. Base management fee rates payable are:

Market capitalisation

Market Value	Original contract	Revised fee agreement from 1 Jan 2014	Revised fee agreement from 1 Jul 2016	Revised fee agreement from 1 Oct 2017
Up to \$1 billion	2.00% p.a.	1.75% p.a.	1.00% p.a.	0.85% p.a.
Between \$1 billion and \$3 billion	1.25% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.
More than \$3 billion	1.00% p.a.	1.00% p.a.	1.00% p.a.	0.85% p.a.

b) Performance fee

The performance fee is calculated with reference to the performance of the MQA accumulated index compared with the performance of the S&P/ASX 300 Industrials Accumulation Index. For the 12 months ended 30 June 2017, a total performance fee of \$23.9 million (excluding GST) was calculated for MQA. This fee is payable in three equal annual instalments. Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments will become payable. Accordingly, only the first instalment of the 2017 performance fee has been recognised during the year ended 31 December 2017. For the period ended 30 June 2016, a performance fee for \$134.1 million (excluding GST) was expensed.

The first instalment of the 2017 performance fee of \$8.0 million (excluding GST) and the second instalment of the 2016 performance fee of \$44.7 million (excluding GST) became payable at 30 June 2017 and were applied to a subscription for new MQA securities in July 2017.

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

Other balances and transactions

MGL and companies within the MGL Group undertake various transactions with, and perform various services for, MQA. Fees paid to the MGL Group are approved solely by the independent directors on the Boards 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 2017, MARL had a receivable balance with MARIL of \$124,704,369 (2016: \$nil) which primarily comprises of an interest bearing loan of \$122,812,094 and accrued interest on this loan of \$1,893,879. The tranches of the loan owing from MARIL to MARL bears interest at BBSW plus a margin of 0.9% - 1.3%. The principal is due in 2019 and the interest is payable in 2018. Related party interest between MARIL and MARL totalled \$1,893,879 for the year.

On 15 December 2017, Macquarie Capital Group Limited, a subsidiary of MGL sold all of the 75,957,318 stapled securities held through its principal position in MQA. At 31 December 2017, Macquarie Capital Group Limited beneficially held nil (2016: 53,218,179) stapled securities.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Notes to the Financial Reports (continued)

6.4 Related party disclosures (continued)

Other balances and transactions (continued)

At 31 December 2017, entities within the Groups had the following funds on deposit with Macquarie Bank Limited ("MBL"), a wholly owned subsidiary of MGL:

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
Cash held with MBL	37,990,680	188,404,375	34,172,171	169,296,861

During the year, entities within the Groups had the following transactions with related parties:

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Interest earned on deposits with MBL	1,564,302	1,360,692	1,130,495	1,022,190
Interest between MARL and MARIL on loan amount	-	-	1,893,879	-
Guarantee fee income from MARIL Group	-	-	1,185,466	-
Reimbursement of expenses paid by companies within the MGL Group on behalf of MQA	919,572	994,970	685,012	720,325
Fees paid to Macquarie Capital (Australia) Limited ¹	9,468,959	-	762,976	-

1. Fees paid to Macquarie Capital (Australia) Limited in 2017 of \$9.5 million relate to capital raisings undertaken as part the acquisition of additional interests in APRR and TRIP II.

At 31 December 2017, entities within the Groups had the following balances receivable from associates:

	MQA	MQA	MARL Group	MARL Group
	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$	As at 31 Dec 2017 \$	As at 31 Dec 2016 \$
M6 Toll management fee	-	644,774	-	-

During the year, entities within the Groups received the following from associates:

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$	Year ended 31 Dec 2017 \$	Year ended 31 Dec 2016 \$
Principal and interest received from preferred equity certificates issued by MAF2	147,779,372	124,844,915	-	-
Distribution from sale of SCC	-	137,346,803	-	137,346,803
Distribution from ITRP	-	224,609	-	224,609
M6 Toll management fee	5,154,626	1,418,896	-	-
Directors' fee from WQG	-	180,696	-	-
Adviser's fee from WQG	28,224	84,545	-	-

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

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

Notes to the Financial Reports (continued)

7 Other disclosures

7.1 Cash flow information

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 17 \$'000	Year ended 31 Dec 16 \$,000
Reconciliation of profit after income tax to the net cash flows from operating activities				
Profit from activities after income tax	519,583	225,109	57,383	122,978
Gain on equity accounted assets	(187,971)	(329,976)	626	(144,233)
Net foreign exchange differences	(14,119)	(315)	(2,247)	(13)
Finance costs	53,795	-	-	-
Depreciation of plant and machinery	152	-	-	-
Amortisation of tolling concession	36,520	-	-	-
Amortisation of deferred tax liabilities	(18,448)	-	-	-
Gain on revaluation of investment	(375,615)	-	(61,710)	-
Guarantee fee classified as investing cash flows	-	-	(1,185)	-
Reversal of provision of impairment	-	(67,373)	-	(3,442)
Issue of securities against performance fees payable	52,640	64,089	4,950	5,625
Changes in operating assets and liabilities				
Decrease/(increase) in receivables	15	17,874	(1,675)	17,778
(Decrease)/increase in payables and provisions	(48,432)	75,016	(9,990)	12,729
Net cash inflow/(outflow) from operating activities	18,120	(15,576)	(13,848)	11,422

Non-cash financing and investing activities

Refer to Note 5.2 for further details on application of performance fees to subscription of new securities.

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017 \$'000	Year ended 31 Dec 2016 \$'000	Year ended 31 Dec 17 \$'000	Year ended 31 Dec 16 \$,000
Net debt				
Cash and cash equivalents	122,690	223,367	34,304	204,129
Borrowings – current	(66,286)	-	-	-
Borrowings – non-current	(1,668,352)	-	-	-
Net debt	(1,611,948)	223,367	34,304	204,129
Cash and cash equivalents	122,690	223,367	34,304	204,129
Gross debt – fixed interest rates	(1,287,564)	-	-	-
Gross debt – variable interest rates	(447,074)	-	-	-
Net debt	(1,611,948)	223,367	34,304	204,129

Notes to the Financial Reports (continued)

7.1 Cash flow information (continued)

MQA	Assets	Liabilities from financing activities		Total \$'000
	Cash and cash equivalent \$'000	Borrowings current \$'000	Borrowings non-current \$'000	
Net debt at 1 January 2016	65,381	-	-	65,381
Cash flows	151,473	-	-	151,473
Foreign exchange adjustments	6,513	-	-	6,513
Net debt at 31 December 2016	223,367	-	-	223,367
Cash flows	(104,453)	9,117	(450,530)	(545,866)
Loan facilities	-	(67,449)	(1,243,113)	(1,310,562)
Other non-cash adjustments	-	(10,675)	(43,120)	(53,795)
Foreign exchange adjustments	3,776	2,721	68,411	74,908
Net debt at 31 December 2017	122,690	(66,286)	(1,668,352)	(1,611,948)

MARL Group	Cash and cash equivalent \$'000	Total \$'000
	Net debt at 1 January 2016	
Cash flows	149,590	149,590
Foreign exchange adjustments	6,402	6,402
Net debt at 31 December 2016	204,129	204,129
Cash flows	(165,628)	(165,628)
Foreign exchange adjustments	(4,197)	(4,197)
Net debt at 31 December 2017	34,304	34,304

7.2 Contingent liabilities

MQA had the following contingent liabilities at 31 December 2017. No provision has been raised against these items unless stated below.

Warnow Tunnel

ETIUK, a subsidiary of MARIL, has made two separate guarantees, totalling €1.2 million (\$1.8 million) (31 December 2016: €1.2 million (\$1.7 million)), in the event of a senior debt payment event of default by WQG, the owner of the Rostock Fixed Crossing Concession.

This contingent commitment is backed by an on-demand guarantee, provided through a pledged cash account into which €1.2 million (\$1.8 million) (31 December 2016: €1.2 million (\$1.7 million)) has been deposited. These

funds are restricted and are classified as restricted cash on the Consolidated Statements of Financial Position.

June 2017 Performance Fee Future Instalments

MQA's annual performance fee is calculated each year at 30 June and payment is made in three equal annual instalments with the first instalment payable immediately. The second and third instalments are payable on the first and second anniversary of the calculation date if certain performance criteria are met (being 30 June 2018 and 30 June 2019 with respect to the 30 June 2017 performance fee). Given the level of outperformance achieved against the benchmark for the performance fee calculation, it is currently not sufficiently probable that the second or third instalments of \$8.0 million each become payable.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Notes to the Financial Reports (continued)

7.3 Remuneration of auditors

	MQA	MQA	MARL Group	MARL Group
	Year ended 31 Dec 2017	Year ended 31 Dec 2016	Year ended 31 Dec 2017	Year ended 31 Dec 2016
	\$	\$	\$	\$
Amounts paid or payable to PricewaterhouseCoopers Australia for:				
Audit services	364,743	380,211	186,110	185,889
Taxation services	14,240	62,578	-	2,578
Other assurance services	261,918	117,169	25,904	12,429
	640,901	559,958	212,014	200,896
Amounts paid or payable to network firms of PricewaterhouseCoopers for:				
Audit services	239,416	153,976	41,927	31,231
Taxation services	29,757	18,004	-	-
Other services	4,830	-	-	-
	274,003	171,980	41,927	31,231

7.4 Other accounting policies

a) Transaction costs

Transaction costs related to a business combination are recognised in the profit or loss. Transaction costs arising on the issue of equity instruments are recognised directly in equity and those arising on borrowings are netted with the liability and included in interest expense using the effective interest method.

b) GST

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

c) Foreign currency translation

Functional and presentation currency

Items included in the Financial Reports of each of the Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Reports 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 year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

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
- 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.

Notes to the Financial Reports (continued)

7.4 Other accounting policies (continued)

d) Offsetting financial instruments

Financial assets and financial liabilities may be offset and the net amount reported on the Statement of Financial Position when there is a legally enforceable right to offset the amounts and either there is an intention to settle on a net basis, or realise the financial asset and settle the financial liability simultaneously.

e) Derivative financial instruments

From time to time, the Group enters into forward 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 or not derivatives are designated as hedges. If not, any changes in their fair value are recognised immediately in the Consolidated Statement of Comprehensive Income.

e) Accounting standards and interpretations issued

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

AASB 9 *Financial Instruments* (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 9 *Financial Instruments* addresses the classification, measurement, derecognition of financial assets and financial liabilities and sets out new rules for hedge accounting.

The standard is not applicable until 1 January 2018 but is available for early adoption. When first applied, comparative information will need to be restated. The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' Financial Reports on initial application for the following reasons:

- AASB 9 only impacts financial liabilities designated at fair value through profit or loss and the Groups do not hold any such financial liabilities
- The Groups have no financial assets other than receivables balances which are measured at amortised cost and therefore not impacted
- The Groups have not entered into any hedges.

AASB 15 *Revenue from Contracts with Customers* (effective for annual reporting periods beginning on or after 1 January 2018)

AASB 15 *Revenue from Contracts with Customers* specifies how and when revenue is recognised, as well as requiring enhanced disclosures.

The standard is not applicable until 1 January 2018 but is available for early adoption. When first applied, comparative information will need to be restated. AASB 15 is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. The Groups' main source of revenue is from tolls which are only calculated once the service, i.e. use of the road, has been provided.

The Groups have assessed the new standard's impact and do not anticipate a significant impact on the Groups' Financial Reports on initial application.

AASB 16 *Leases* (effective for annual reporting periods beginning on or after 1 January 2019)

AASB 16 *Leases* will replace AASB 117 *Leases*. It requires recognition of a right of use asset along with the associated lease liability where the entity is a lessee. Interest expense will be recognised in profit or loss using the effective interest rate method, and the right of use asset will be depreciated. The standard is effective for annual reporting periods beginning on or after 1 January 2019. The Groups are assessing the new standard's impact and do not anticipate a significant impact on the Groups' Financial Reports on initial application.

7.5 Events occurring after balance sheet date

Since balance date, there have been no other matters or circumstances not otherwise dealt with in the Financial Reports that have significantly affected or may significantly affect the operations of the Groups, the result of those operations or the state of affairs of the Groups in the period subsequent to the year ended 31 December 2017.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Directors' Declaration – Macquarie Atlas Roads International Limited

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

- a) the Financial Report of MARIL and its controlled entities ("MQA") and Notes set out on pages 18 to 58:
 - i) comply with Australian Accounting Standards and other mandatory professional reporting requirements; and
 - ii) give a true and fair view of the financial position of the MQA as at 31 December 2017 and of its performance for the year ended on that date; and
- b) there are reasonable grounds to believe that MARIL will be able to pay its debts as and when they become due and payable; and

The directors confirm that the Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Jeffrey Conyers

Chairman

Macquarie Atlas Roads International Limited

Pembroke, Bermuda

27 February 2018



Derek Stapley

Director

Macquarie Atlas Roads International Limited

Pembroke, Bermuda

27 February 2018

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited

Directors' Declaration – Macquarie Atlas Roads Limited

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

- a) the Financial Report of MARL and its controlled entities ("MARL Group") and Notes set out on pages 18 to 58 are in accordance with the constitution of MARL and the *Corporations Act 2001*, including:
 - i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - ii) giving a true and fair view of the financial position of the MARL Group as at 31 December 2017 and of their performance for the year ended as on that date; and
- b) there are reasonable grounds to believe that MARL will be able to pay its debts as and when they become due and payable; and

The directors confirm that the Financial Report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declaration by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Nora Scheinkestel

Chairman

Macquarie Atlas Roads Limited

Sydney, Australia

28 February 2018



Richard England

Director

Macquarie Atlas Roads Limited

Sydney, Australia

28 February 2018

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited



Independent Auditor's Report

To the security holders of Macquarie Atlas Roads International Limited and Macquarie Atlas Roads Limited

Report on the audits of the financial reports

Our opinion

In our opinion:

The accompanying financial reports of Macquarie Atlas Roads International Limited ("MARIL") and Macquarie Atlas Roads Limited ("MARL") are in accordance with the *Corporations Act 2001* (as applicable), including:

- a) giving a true and fair view of Macquarie Atlas Roads' ("MQA" or "Group") and Macquarie Atlas Roads Limited Group's ("MARL Group") financial positions as at 31 December 2017 and of their financial performance for the year then ended
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (as applicable).

What we have audited

The financial reports of MARIL and MARL comprise:

- the consolidated statements of financial position as at 31 December 2017
- the consolidated statements of comprehensive income for the year then ended
- the consolidated statements of changes in equity for the year then ended
- the consolidated statements of cash flows for the year then ended
- the notes to the financial reports, which include a summary of significant accounting policies
- the directors' declarations.

MQA comprises MARIL and the entities it controlled at year's end or from time to time during the financial year, and MARL Group, which comprises MARL and the entities it controlled at year's end or from time to time during the financial year.

Basis for opinion

We conducted our audits in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audits of the financial reports* section of our report.

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

Independence

We are independent of MQA and MARL Group in accordance with the auditor independence requirements of the *Corporations Act 2001* (as applicable) and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

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

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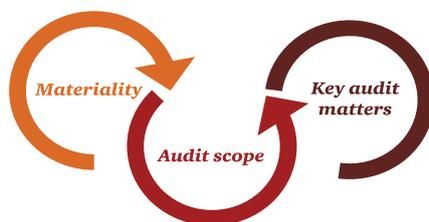


Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audits to ensure that we performed enough work to be able to give an opinion on the financial reports as a whole, taking into account the geographic and management structure of MQA and MARL Group (together “Groups”), their accounting processes and controls and the industry in which they operate.

MQA invests in an international portfolio of toll road assets, the most significant of which are APRR in France and Dulles Greenway (“DG”) in the US. We engaged the local auditors of both APRR and TRIP II, the concessionaire for DG, to express an audit opinion to us on the financial position and performance of those groups.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> MQA Group materiality was \$17.3 million which is approximately 1% of net assets. MARL Group materiality was \$3.1 million which is approximately 1% of its total assets. In 2016, MQA’s materiality was determined with reference to total assets. Following the consolidation of TRIP II, we considered that the presence of external debt funding on the MQA statement of financial position meant that net assets was the more appropriate benchmark. We continued to use total assets for MARL Group because it continues to present its holdings as investments, which are already net of associated debt held at the level of the underlying assets. We selected 1% for both MQA and MARL Group based on our professional judgement, noting that it is also within the range of commonly accepted asset-related benchmarks. 	<ul style="list-style-type: none"> Our audits focused on where the directors made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. We decided the nature, timing and extent of work that needed to be performed by other auditors operating under our instruction (“component auditors”). For APRR and DG, we determined the level of involvement we needed to have in the audit work performed by the component auditors to enable us to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included discussions, written instructions and reviewing a selection of their workpapers. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: <ul style="list-style-type: none"> Accounting for the acquisition of TRIP II, the concessionaire for DG Value of DG concession and goodwill for MQA and carrying value of investment in DG for MARL Group Accounting for the Groups’ share of the net profit of investments in associates Recognition and measurement of performance fees. They are further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audits of the financial reports for the current period. The following key audit matters are those that were applicable to our audits of both MQA and MARL Group. They were addressed in the context of our audits of the financial reports as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary of the outcomes of a particular audit procedure is made in that context.

Key audit matter of MQA and MARL Group	How our audits addressed the key audit matter
<p>Accounting for the acquisition of TRIP II, the concessionaire for DG (MQA \$599m, MARL Group \$81m)</p> <p><i>Refer to Note 6.2</i></p> <p>During the year, MQA acquired the remaining 50% estimated economic interest in TRIP II, the concessionaire for DG.</p> <p>The purchase price was allocated between the fair value of the acquired assets and liabilities and identified intangible assets, and resulted in the recognition of goodwill.</p> <p>The change in ownership structure prompted a reassessment of the level of control over TRIP II by both MQA and MARL Group. MQA assessed that it achieved control, while MARL Group determined that it has significant influence over TRIP II and so continues to account for it as an associate.</p> <p>We considered the accounting for the acquisition of TRIP II to be a key audit matter for two reasons, being:</p> <ul style="list-style-type: none"> the measurement of the identified assets and liabilities at fair value was inherently judgemental as determining the fair values of certain assets and liabilities required the use of estimates the assessment of control over TRIP II was complex given the structure of the Groups. 	<p>Our audit procedures over the accounting for the acquisition of TRIP II included:</p> <ul style="list-style-type: none"> evaluating the fair value of TRIP II's tolling concession, which is largely informed by the price that MQA paid for the business. In determining whether the purchase price was indicative of the fair value, we assessed the arms-length nature of the transaction with reference to the conduct and terms of the acquisition evaluating the fair value of TRIP II's debt instruments with reference to the model and inputs used, including tracing inputs such as the value of comparable corporate bonds to independent sources and checking the methodology and mathematical accuracy of the model assessing management's control assessment for both MARL Group and MQA with reference to the power the Groups have over TRIP II, the Groups' exposure or rights to variable returns from their involvement with TRIP II and the their ability to use their power over TRIP II to affect the amount of investor returns assessing the appropriateness and sufficiency of the related disclosures in the financial statements with reference to Australian Accounting Standards.
<p>Value of DG Concession (\$2.2 billion) and goodwill (\$59m) for MQA and carrying value of investment in DG for MARL Group (\$153m)</p> <p><i>Refer to Note 6.2 and Note 3.2</i></p> <p>The carrying value of this investment has to be assessed at each reporting date to test for impairment. These assessments involve significant judgements in estimating future cash flows and the rate at which they are discounted.</p> <p>For MQA, the test for impairment focuses on the DG tolling concession and goodwill. For MARL Group, it is the equity accounted investment in DG that is assessed for impairment.</p> <p>The assets and liabilities associated with TRIP II / Dulles Greenway were initially recognised in MQA's and MARL Group's balance sheets at their fair values on acquisition date, being the date on which the additional</p>	<p>We evaluated the Groups' assessments by comparing their analysis to our knowledge of DG and the environment in which it operates. We found the assessments to be consistent with our expectations, which were informed in part by enquiries we made of DG's auditors.</p> <p>We evaluated the Groups' cash flow forecasts for the investment in DG, and the process by which they were developed. Our procedures included:</p> <ul style="list-style-type: none"> evaluating the discount rate applied to cashflow forecasts with reference to discount rates implied by recent sales of comparable assets, discount rates implied by valuations of DG undertaken by external analysts and with reference to analysis undertaken by our own valuation experts



Key audit matter of MQA and MARL Group	How our audits addressed the key audit matter
<p>holdings were acquired. The proximity of the current reporting date to this acquisition date means that any adverse changes in key inputs of the valuation model, including the discount rate and traffic forecasts could lead to an impairment.</p> <p>We considered the assessment of the carrying value of DG to be a key audit matter due to the judgemental nature of the assessment and the expectation of minimal headroom given how recently the carrying values were established with reference to fair value.</p>	<ul style="list-style-type: none"> • comparing previous forecasts to actual results to assess the ability of the Groups to forecast accurately • comparing the Groups' forecasts of traffic volumes, as a key input into the cashflow forecasts, to modelling that was separately performed by a third party expert appointed by management • applying sensitivity analysis to key assumptions, in particular the discount rate and traffic forecasts.
<p>Share of net profits / (losses) of associates (MQA \$188m, MARL Group (\$1m))</p> <p><i>Refer to Note 3.2</i></p> <p>MQA applies equity accounting to its investment in APRR. MARL Group applies equity accounting to its investment in DG. In doing so, they are required to make a number of adjustments to the underlying financial information to ensure alignment to Australian Accounting Standards and to the Groups' accounting policies.</p> <p>Certain of these adjustments are material and can require complex technical analysis.</p>	<p>Through interaction with the Groups and the APRR and DG audit teams, we developed an understanding of operational developments at the investments and the nature and extent of any accounting standards or accounting policy adjustments required to align with those of the Groups. We checked that the adjustments made by the Groups were consistent with this understanding.</p> <p>Upon receipt of the audited balance sheets and income statements for both APRR and DG, we re-performed management's calculation of the share of net profits for each associate and compared the outcomes to those calculated by the Groups.</p>
<p>Recognition and measurement of performance fees (MQA \$8m, MARL Group \$1m)</p> <p><i>Refer to Note 2.1 and Note 4.4</i></p> <p>Macquarie Fund Advisers Pty Limited ("MFA") acts as manager and adviser to the Groups. A performance fee is payable to MFA at 30 June each year in the event that MQA securities outperform the S&P/ASX 300 Industrials Accumulation Index over a specified period. This performance fee is split into three equal annual instalments, with the second and third instalments only paid if MQA continues to outperform the index on a cumulative basis.</p> <p>This was a key audit matter because performance fees have the capacity to be financially significant to the Groups and recognition requires judgement regarding the probability that performance hurdles applicable to future instalments will be met.</p>	<p>We recalculated the 2017 performance fee with reference to the relevant agreements and checked the inputs to third party sources (such as the weighted average share price of MQA and the number of shares on issue for the calculation period) where applicable.</p> <p>We also evaluated the Groups' analysis of the likelihood that the remaining two instalments of the 2017 performance fee will be payable, having regard to the extent of out-performance achieved to date.</p>



Other information

The directors of MARIL and MARL are responsible for the other information in the annual report. The other information comprises the information included in the annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained was limited to the Directors' Reports. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial reports does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial reports, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial reports

The directors of MARL and MARIL are responsible for the preparation of financial reports that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 (as applicable) and for such internal control as the directors determine is necessary to enable the preparation of financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors are responsible for assessing MQA's and MARL Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate MQA or MARL Group, to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audits of the financial reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

A further description of our responsibilities for the audit of the financial reports is located at the Auditing and Assurance Standards Board website at:

www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Macquarie Atlas Roads International Limited
Macquarie Atlas Roads Limited



Report on the MARL and MARIL remuneration reports

Our opinion on the MARL and MARIL remuneration reports

We have audited MARL and MARIL's remuneration reports included in pages 11 to 14 of the Directors' reports for the year ended 31 December 2017.

In our opinion, the remuneration reports of MARL and MARIL for the year ended 31 December 2017 comply with section 300A of the *Corporations Act 2001* (as applicable).

Responsibilities of the directors for the MARL and MARIL remuneration reports

The directors of MARL and MARIL are responsible for the preparation and presentation of the remuneration reports in accordance with section 300A of the *Corporations Act 2001* (as applicable). Our responsibility is to express an opinion on the remuneration reports, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Craig Stafford'.

Craig Stafford
Partner

Sydney
28 February 2018