

MAp



FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER 2010

MAp comprising MAp Airports Trust 1 and its controlled entities (including MAp Airports Trust 2 and MAp Airports International Limited)

MAp Airports Trust 2 and its controlled entities

Financial Report

for year ended 31 December 2010

MAp comprises MAp Airports Trust 1 (ARSN 099 597 921), MAp Airports Trust 2 (ARSN 099 597 896) and MAp Airports International Limited (ARBN 099 813 180).

MAp Airports Limited (ACN 075 295 760) (AFSL 236875) (MAPL) is the responsible entity of MAp Airports Trust 1 and MAp Airports Trust 2. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MAp, 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.

Financial Report

for year ended 31 December 2010

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Financial Report

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Introduction to the Financial Report

Overview of MAp

MAp invests in airports worldwide. MAp currently holds investments in Sydney Airport, Brussels Airport and Copenhagen Airports. During the year MAp acquired an additional interest in Brussels Airport. MAp also held an interest in Mexican airport operator Grupo Aeroportuario del Sureste (ASUR) which was disposed of on 12 August 2010.

MAp is a triple stapled security listed on the Australian Securities Exchange. Stapled securities are two or more securities that are quoted and traded as if they were a single security. A MAp stapled security consists of a unit in MAp Airports Trust 1 (MAT1), a unit in MAp Airports Trust 2 (MAT2) and a share in MAp Airports International Limited (MAIL).

MAp's Airport Investments

MAp's total economic interest in each of the airports assets in which it has invested at 31 December 2010 is provided in the table below.

	Sydney Airport ¹ %	Brussels Airport %	Copenhagen Airports %	Bristol Airport ² %	ASUR ³ %
MAp interest					
As at 31 December 2010	74.0	39.0	30.8	1.0	-
As at 31 December 2009	74.0	36.0	30.8	1.0	16.0

The following table outlines the fair values of each of MAp's investments at 31 December 2010. The fair values have been determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework.

	Sydney Airport ¹ \$m	Brussels Airport \$m	Copenhagen Airports \$m	Bristol Airport ² \$m	ASUR ³ \$m
MAp economic interest					
As at 31 December 2010	5,405.6	1,014.0	924.6	5.3	-
As at 31 December 2009	4,370.9	947.3	972.3	6.4	274.9

¹ The financial position and results of Sydney Airport are consolidated into the MAp financial report. Accordingly the value of MAp's investment in Sydney Airport does not appear in the MAp financial report at 31 December 2010.

² Includes a zero premium put and call option over approximately 1% of Bristol Airport which is expected to be exercised at a later date.

³ Including 7.9% through a series of swap agreements which were converted to B shares on 28 June 2010. The entire 16% interest was divested on 12 August 2010.

Directors' Report

for year ended 31 December 2010

Directors' Report

For the year ended 31 December 2010, the directors of MAp Airports Limited (MAPL or the Responsible Entity) submit the following report on the consolidated financial report of MAp. MAT1 has been identified as the parent of the consolidated group comprising MAT1 and its controlled entities, MAT2 and its controlled entities and MAIL and its controlled entities together acting as MAp (or the Group).

For the year ended 31 December 2010, the directors of the Responsible Entity also submit the following report on the consolidated financial report of MAT2 being MAT2 and its controlled entities (the MAT2 Group).

Principal Activities

The principal activity of MAp and the MAT2 Group (together the Groups) is investment in airport assets. The Groups' investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Groups.

There were no significant changes in the nature of the Groups' activities during the year.

Directors

The following persons were directors of the Responsible Entity from the period noted and up to the date of this report (unless otherwise noted):

Name	Role	Period of Directorship
Max Moore-Wilton	Chairman, Non-executive director	Since April 2006
Trevor Gerber	Non-executive director	Since April 2002
Michael Lee	Non-executive director	Since June 2003
Bob Morris	Non-executive director	Since September 2002
John Roberts	Non-executive director	Since October 2009
John Mullen	Non-executive director	Since 1 July 2010, resigned 21 February 2011
Stephen Ward	Non-executive director	Since 21 February 2011
Kerrie Mather	Executive director	Since 1 July 2010

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

Name	Role	Period of Directorship
Jeffrey Conyers	Chairman, Non-executive director	Since July 2003
Sharon Beesley	Non-executive director	Since February 2002
Stephen Ward	Non-executive director	Since July 2006
Max Moore-Wilton	Non-executive director	Since April 2006

Interests in the Group held by the directors of the Responsible Entity and MAIL during the year are disclosed in Note 23 to the financial report.

Distributions

The total distribution by MAp for the year ended 31 December 2010 was 33.5 cents per stapled security (2009: 21 cents). This distribution was paid by MAT1 (19.4 cents) and by MAIL (14.1 cents). An interim distribution of 11 cents per stapled security (2009: 13 cents) was paid by MAT1 on 18 August 2010. A final distribution of 10 cents per stapled security (2009: 8 cents) was announced on 8 December 2010 and paid by MAT1 (8.4 cents) and MAIL (1.6 cents) on 17 February 2011. A special distribution of 12.5 cents per stapled security was paid by MAIL on 21 October 2010.

No distribution was paid by the MAT2 Group for the year ended 31 December 2010 (2009: nil).

Directors' Report

for year ended 31 December 2010

Review and Results of Operations

The performance of the Groups for the year, as represented by the combined result of their operations, was:

	MApp Consolidated 2010 \$'000	MApp Consolidated 2009 \$'000	MAT2 Consolidated 2010 \$'000	MAT2 Consolidated 2009 \$'000
Revenue	1,006,331	946,377	71,290	45,046
Revaluation gains / (losses) from investments	(26,325)	(397,860)	1,370,860	(6,173)
Other income	16,610	163,700	363	2
Total revenue from continuing operations	996,616	712,217	1,442,513	38,875
Profit / (loss) from continuing operations after income tax (expense) / benefit	51,751	(615,077)	804,704	(232,293)
Profit / (loss) attributable to security holders	100,830	(572,696)	404,781	(194,864)
Basic earnings per stapled security / unit	5.42c	(33.11)c	21.75c	(11.27)c
Diluted earnings per stapled security / unit	5.42c	(33.11)c	21.75c	(11.27)c

Significant Changes in State of Affairs

Additional Investment in Brussels Airport

On 17 December 2009 MApp received an exercise notice of a put option in respect of Global Infrastructure Fund 2's 3.0% economic interest in Brussels Airport. This acquisition reached financial close on 21 January 2010 for a total consideration of EUR46.6 million (\$75.8 million). This acquisition increased MApp's economic interest in Brussels Airport from 36.0% to 39.0%.

Divestment of ASUR

On 12 August 2010 MApp disposed of its entire 16.0% economic interest in ASUR by way of a joint equity offering by J.P. Morgan Securities Inc. and Macquarie Capital (USA) Inc. This divestment reached financial close on 17 August 2010 for consideration of US\$206.9 million (\$230.4 million), net of underwriting fees.

Refinancing at Sydney Airport

On 6 July 2010 Sydney Airport completed a \$175 million 5 year fixed rate domestic Medium Term Note (MTN) issue priced at the equivalent of 265 basis points above BBSW. The funds have been utilised to repay existing debt and the issue also involved the buyback of \$120 million in MTNs, largely due in November 2011.

On 1 October 2010 Sydney Airport priced a US\$500 million guaranteed senior secured note issue in the United States 144A bond market. The notes have a coupon of 5.125% for a term of 10 years, maturing February 2021 and were priced at 99.902% of the principal amount representing a margin of 260 basis points above the equivalent US Treasuries yield. The notes are fixed and were issued by Sydney Airport Finance Company Pty Limited, a wholly owned subsidiary of Southern Cross Airports Corporation Holdings Limited (which is a subsidiary of MApp) on 7 October 2010.

Sydney Airport also received over \$1 billion in bank debt commitments from several banks with terms ranging from three to seven years and margins of 200-250 basis points over BBSW. The commitments were provided by a combination of new and existing banks. As a consequence of these refinancing transactions, Sydney Airport now faces no debt maturities until October 2013.

Directors' Report

for year ended 31 December 2010

Events Occurring after Balance Sheet Date

A final distribution of 10.0 cents (2009: 8.0 cents) per stapled security was paid by MAT1 (8.4 cents) and MAIL (1.6 cents) on 17 February 2011.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the year ended 31 December 2010.

Likely Developments and Expected Results of Operations

Further information on likely developments relating to the operations of the Groups in future periods and the expected results of those operations has not been included in this report because the directors of the Responsible Entity believe it would be likely to result in unreasonable prejudice to the Groups.

Directors' Report

for year ended 31 December 2010

Audited Remuneration Report

Contents

1. Introduction
2. Nomination and Remuneration Committee
3. Remuneration Policy and Structure
4. CEO and Group Executive Remuneration Arrangements for the Year Ended 31 December 2010
5. Non-executive Directors' Remuneration

1. Introduction

This Remuneration Report includes information on MAp's non-executive directors (NEDs) and Group executives.

The MAp stapled entity is not required to prepare a remuneration report that complies with the Corporations Act 2001. However, the following remuneration report has been prepared voluntarily, as if MAp were statutorily required to prepare a remuneration report that complied with Section 300A of the Corporations Act 2001. Group executive remuneration details are provided from 16 October 2009, the date on which MAp ceased to be Macquarie (MGL or Macquarie) managed and the Group executives became directly employed by MAp. Before this, MAp's Group executives were employed and remunerated by Macquarie Group Limited which received base management and, potentially, performance fees in return.

2. Nomination and Remuneration Committee

MAp's Independent Board Committees set the Group executive remuneration pool for the period from 16 October 2009 to 31 December 2010 (and Fixed Annual Remuneration (FAR) for 2010) as part of the internalisation. The Board approved individual Group executive FAR and maximum potential remuneration.

The Nomination & Remuneration Committee assists and advises the Board on the remuneration framework, policies and practices for MAp directors and staff. The framework is designed to attract, retain and motivate staff, by having regard to MAp and individual executive's performance and align with current governance and legal requirements.

The Nomination & Remuneration Committee charter is available on the MAp website at www.mapairports.com.au.

3. Remuneration Policy and Structure

MAp's remuneration framework's objective is to motivate the pursuit of long term growth and enable MAp to attract and retain high performers. The framework is designed to incentivise executives to achieve key performance indicators (KPIs), align executive rewards with the creation of long term security holder value and attract and retain high calibre individuals.

When determining Group executive remuneration levels, the role, responsibilities, contribution, performance and experience of the individual is taken into account. Benchmarking data relevant to the individual's role, responsibilities and location as well as the nature of MAp's business is also considered.

Remuneration is divided into those components which are not directly linked to contribution and performance (FAR) and those components which are variable and directly linked to the delivery of personal KPIs and MAp's key business objectives including financial performance and security holder value creation (At Risk Remuneration).

3.1. Fixed Annual Remuneration

FAR generally consists of base salary and benefits at a guaranteed level. NEDs, Group executives and certain other executives are provided with a FAR amount and have flexibility to determine the precise amount of cash and benefits they receive within that amount.

Directors' Report

for year ended 31 December 2010

Audited Remuneration Report (continued)

3.2. At Risk Remuneration

In addition to FAR, a significant element of Group executives' maximum potential remuneration is required to be at risk. Currently, At Risk Remuneration (ARR) is provided to Group executives and certain other executives through a Short Term Incentive Plan (STIP).

An individual's maximum potential remuneration may be achieved only where they have achieved and surpassed challenging KPIs, including MAp's financial performance and security holder value creation.

Each MAp executive has a tailored set of KPIs, some of which may be shared with other executives. KPIs are selected for their relevance to the short and long term objectives of MAp and its airports and to promote security holder value creation. Executives directly responsible for airport operational management have KPIs relating to the specific airport for which they have responsibility. These KPIs may be the achievement of specific levels of financial performance but also include project and time specific targets related to the delivery of individual initiatives. Executives with group responsibilities have KPIs related to the delivery of group financial performance and security holder value creation such as the achievement of earnings per security targets or corporate level management targets.

The level of Short Term Incentive (STI) payments is determined by both MAp's corporate performance (financially and in terms of security holder valuation creation) and the achievement of an executive's KPIs. Where possible, performance against KPIs is measured in quantitative terms (eg achievement of a specific level of financial performance). Where a qualitative outcome is involved, performance is discussed with the executive's manager as part of the annual performance appraisal process. The manager then makes a recommendation to senior management with a final decision on the level of the STI payment approved by the CEO.

No STI payments were made in 2009 and 2010. However, Group executives and certain other executives are eligible to receive STI payments annually from February 2011 subject to individual and corporate performance. Payments in February 2011 reflect performance between 16 October 2009 and 31 December 2010. Maximum potential STI payments in February 2011 range up to 80% of FAR, adjusted to reflect the extended period to which they relate.

To promote executive retention, one third of any individual's STI payment in excess of A\$50,000 is deferred for three years. Resignation or termination with cause prior to the payment of any deferred element of STI results in this element being forfeited unless the Nomination & Remuneration Committee determines otherwise.

4. CEO and Group Executive Remuneration Arrangements for the Year Ended 31 December 2010

4.1. Service contracts

Group executive	Contract Type & Any Special Terms	FAR A\$	STI ⁴ % of FAR	Termination
Kerrie Mather (Key Management Personnel) Chief Executive Officer	Permanent	1,700,000	80%	12 months MAp / 6 months employee
Keith Irving Chief Financial Officer	Permanent	400,000	60%	3 months / 3 months
Sally Webb Company Secretary ⁵	Permanent	200,000	40%	3 months / 3 months

Group executive contracts contain no provisions for termination payments over and above the notice periods set out above and applicable and outstanding incentive and retention payments.

⁴ Maximum annualised STI as a proportion of FAR. There is no minimum agreed payment.

⁵ Ms Sally Webb also acts as General Counsel of MAp but the above disclosure is made solely due to her position as Company Secretary.

Directors' Report

for year ended 31 December 2010

Audited Remuneration Report (continued)

4.2. Total remuneration and benefits for the year

The following table details total remuneration and benefits provided to Group executives for the year.

Name	Year	Short Term Employee Benefits				Post Employment Benefits
		Salary A\$	STI ⁶ A\$	STI retained ⁶ A\$	Non-monetary benefits A\$	Superannuation A\$
Kerrie Mather	2010	1,685,170	1,038,000	615,000	Nil	14,830
	2009 ⁷	359,336	Nil	Nil	Nil	3,002
Keith Irving	2010	385,170	205,667	55,333	Nil	14,830
	2009 ⁷	90,093	Nil	Nil	Nil	2,882
Sally Webb ⁵	2010	192,585	74,834	17,000	Nil	7,415
	2009 ⁷	45,075	Nil	Nil	Nil	1,420

There are no long term employment benefits provided to staff.

4.3. Security holdings

The table below details the MApp securities in which Group executives held relevant interests.

None of these securities are held as a direct result of equity-based compensation, relating either to the period of prior employment by Macquarie or current employment by MApp.

Name	Balance at 1 Jan 2010	Changes during the year	Balance at 31 Dec 2010	Value at 31 Dec 2010 A\$
Kerrie Mather	3,554,521	500	3,555,021	10,629,513
Keith Irving	391,016	1,337	392,353	1,173,135
Sally Webb	Nil	Nil	Nil	Nil

⁶ As noted in section 3.2, no STI payments have been made. However, executives are eligible for STI payments in February 2011, dependent on performance between 16 October 2009 and 31 December 2010, and estimated payments have been accrued. STI retained will be paid to relevant employees on or around the third anniversary of grant provided they remain employed by MApp.

⁷ Direct employment by MApp commenced on 16 October 2009. Before that, the executive was employed and remunerated by Macquarie and these amounts are not included.

Directors' Report

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Audited Remuneration Report (continued)

5. Non-executive Directors' Remuneration

5.1. Non-executive Directors' remuneration policy

The Board sets NEDs' fees. Director remuneration is set with reference to external benchmarking undertaken by consultants engaged by the Board.

Security holders approved the maximum directors' fee pool for MAPL of A\$1,500,000 and for MAIL of A\$240,000⁸ at MAP's Annual General Meeting (AGM) on 27 May 2010. Current fee arrangements are detailed below.

Role	Annual Fee
MAPL Board	A\$
Chairman	320,000
NED	150,000
MAPL Audit & Risk Committee	A\$
Chairman	25,000
Member	12,500
MAPL Nomination & Remuneration Committee	A\$
Chairman	Nil
Member	10,000
MAIL Board	A\$⁸
Chairman	60,000
NED	50,000
MAIL Audit & Risk Committee	A\$⁸
Chairman	10,000
Member	10,000

Security holders approved the assumption of responsibility for payment of MAPL directors' fees with effect from June 2009 at MAP's AGM on 21 May 2009. Prior to June 2009, MAPL directors' fees were paid by Macquarie.

5.2. Remuneration for additional responsibilities in prior year

At the Special General Meeting held on 30 September 2009, security holders approved a temporary increase in the maximum amount of directors' fees from A\$700,000 to A\$850,000 in the case of MAPL and from A\$140,000⁸ to A\$265,000⁸ in respect of MAIL. These increases were approved to accommodate fees related to the additional duties required to be performed by NEDs who were members of the Independent Board Committees responsible for negotiating the terms of the internalisation with Macquarie within the maximum amount of permitted directors' fees. These duties included undertaking activities generally performed by management, including:

- spending time evaluating the proposals put to MAP by Macquarie;
- reviewing and negotiating the terms of internalisation;
- meeting with investors;
- attending MAP Independent Board Committee meetings in order to consider matters relevant to the internalisation.

The additional amounts were paid in 2009.

5.3. Non-executive Directors' appointment letters

NEDs are subject to election by security holders at the first AGM after their initial appointment by the Board. In addition, each NED must stand for re-election by security holders every three years.

⁸ Actual liability is in US\$, however an exchange rate of A\$1:US\$1 has been used for the above disclosure

Directors' Report

for year ended 31 December 2010

Audited Remuneration Report (continued)

5.3. Non-executive Directors' appointment letters (continued)

The Nomination & Remuneration Committee develops and reviews the process for selection, appointment and re-election of NEDs as well as developing and implementing a process for evaluating the performance of the Boards, Board committees and directors individually.

Letters of appointment for the NEDs, which are contracts for service but not contracts of employment, have been put in place. These letters confirm that the NEDs have no right to compensation on the termination of their appointment for any reason, other than for unpaid fees and expenses for the period actually served. The NEDs do not participate in MAP's STIP.

5.4. Non-executive Directors' remuneration for the year

The fees and other benefits provided to the NEDs by MAP during the year and during the prior year are set out in the table below. Any contributions to personal superannuation or pension funds on behalf of NEDs are deducted from their overall fee entitlements.

Ms Kerrie Mather, MAP's Chief Executive Officer, is an executive director and receives no additional remuneration in her role as a director over and above her executive remuneration detailed in Section 4 above.

Name	Year	Short Term Employee Benefits		Post Employment Benefits	Total
		Directors' fees	Other	Superannuation	
		A\$	A\$	A\$	A\$
Max Moore-Wilton	2010	378,608 ⁹	38,818 ¹⁰	14,830 ⁹	432,256
Chairman MAPL	2009 ¹¹	100,365 ⁹	5,000 ¹²	9,010 ⁹	114,375
Trevor Gerber ¹¹	2010	169,408	13,914 ¹⁰	13,092	196,414
	2009 ¹¹	43,959	296,000 ¹³	3,956	343,915
Michael Lee ¹¹	2010	159,699	11,320 ¹⁰	12,801	183,820
	2009 ¹¹	43,959	66,000 ¹³	3,956	113,915
Robert Morris ¹¹	2010	139,321	11,320 ¹⁰	30,680	181,321
	2009 ¹¹	Nil	66,000 ¹³	47,915	113,915
John Mullen ¹⁴	2010	71,101	Nil	6,399	77,500
	2009 ¹¹	N/A	N/A	N/A	N/A
John Roberts ¹⁵	2010	140,192	31,130 ¹⁰	9,808	181,130
	2009 ¹¹	20,822	Nil	Nil	20,822
Jeffrey Conyers	2010	76,526	8,546 ¹⁰	Nil	85,072
Chairman MAIL	2009 ¹¹	41,543	29,674 ¹³	Nil	71,217
Sharon Beesley	2010	65,512	6,104 ¹⁰	Nil	71,616
	2009 ¹¹	41,543	Nil	Nil	41,543
Stephen Ward ¹⁶	2010	65,512	6,104 ¹⁰	Nil	71,616
	2009 ¹¹	41,543	118,696 ¹³	Nil	160,239

⁹ Includes A\$320,000 (2009: A\$59,375) as Chairman of MAPL and US\$50,000 (2009: A\$50,000) as NED of MAIL.

¹⁰ Includes amounts paid in 2010 but relating to 2009 as the result of the approval of retrospective increases in directors' fees from 16 October 2009, being the date of MAP's internalisation, approved by security holders at MAP's AGM on 27 May 2010.

¹¹ MAP security holders approved the assumption of responsibility for MAPL directors' fees with effect from June 2009 at MAP's 2009 AGM on 21 May 2009. Prior to this MAPL directors' fees were paid by Macquarie and these amounts are not included.

¹² Includes additional reimbursement to Mr Moore-Wilton in 2009 in respect of his appointments to the Boards of Sydney Airport and Copenhagen Airports.

¹³ Fees received as a member of the Independent Board Committees responsible for negotiating the terms of the internalisation with Macquarie Capital. These were separately approved by security holders at the Special General Meeting held on 30 September 2009.

¹⁴ Mr Mullen was appointed on 1 July 2010.

¹⁵ Mr Roberts was appointed on 16 October 2009.

¹⁶ Mr Ward was appointed to the MAPL board on 21 February 2011, consequently the above remuneration relates to MAIL only.

Directors' Report

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Audited Remuneration Report (continued)

5.5. Security holdings

The table below details the MApp securities in which NEDs held relevant interests.

None of these securities are held as a direct result of equity-based compensation relating to the period of prior employment by Macquarie. As an executive director, Ms Mather's security holdings are detailed in Section 4.

Name	Balance at 1 Jan 2010	Changes during the year	Balance at 31 Dec 2010	Value at 31 Dec 2010 A\$
Max Moore-Wilton	657,479	(7,479)	650,000	1,943,500
Trevor Gerber	185,454	Nil	185,454	554,507
Michael Lee	6,630	430	7,060	21,109
Robert Morris	40,908	Nil	40,908	122,315
John Mullen	Nil ¹⁷	Nil	Nil	Nil
John Roberts	63,390	4,117	67,507	201,846
Jeffrey Conyers	Nil	25,000	25,000	74,750
Sharon Beesley	Nil	Nil	Nil	Nil
Stephen Ward	21,818	Nil	21,818	65,236

Indemnification and Insurance of Officers and Auditors

All directors have executed a deed of access, insurance and indemnity under which MAPL indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent:

- of any restriction imposed by law or the MAPL constitution;
- payment is made by MAPL as trustee of MAT1, MAT2, Southern Cross Australian Airports Trust (SCAAT) or Tickets Defeasance Trust (TDT), (each a relevant trust) subject to any restriction imposed by law or the constitution of the relevant trust.

Additionally during the period, a directors' and officers' insurance policy applied to the directors and secretaries of MAPL and MAIL.

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

Fees Paid to the Responsible Entity, the Adviser and their Associates

Fees paid to the Responsible Entity, the Adviser and their associates out of the Groups' property during 2009 are disclosed in Note 23 to the financial report. Following the internalisation of MApp on 16 October 2009, the Responsible Entity and the Adviser are wholly-owned entities within the MApp Group.

Interests in the Groups held by the Responsible Entity and its associates during the year are disclosed in Note 23 to the financial report.

¹⁷ Balance as at 1 July 2010 being the date of Mr Mullen's appointment.

Directors' Report

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Interests in the Groups Issued During the Financial Year

The movement in securities on issue in the Groups during the year is as set out below:

	Consolidated 2010 '000	Consolidated 2009 '000
MAp and MAT2 Group		
Securities on issue at the beginning of the year	1,861,211	1,713,636
Securities issued during the year	-	155,086
Securities cancelled during the year	-	(7,511)
Securities on issue at the end of the year	1,861,211	1,861,211

Value of Assets

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
MAp		
Book value of Group assets at 31 December	14,325,635	14,894,913

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
MAT2 Group		
Book value of Group assets at 31 December	6,442,539	5,450,196

The book value of the Groups' assets is derived using the basis set out in Note 1 to the financial report.

Environmental Regulation

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

Sydney Airport

The primary piece of environmental legislation applicable to Sydney Airport is the Airports Act 1996 (the Act 1996) and regulations made under it, including the Airports (Environment Protection) Regulations 1997. The main environmental requirements of the Act 1996 and the Regulations include:

- The development and implementation of an environment strategy;
- The monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Act 1996 and Regulations);
- The enforcement of the provisions of the Act 1996 and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers (AEOs).

Sydney Airport's Environment Strategy 2010 – 2015 (the Strategy) was approved by the Australian Government on 24 May 2010. The Strategy was developed following an extensive community and stakeholder consultation process and outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2010 to 2015. Sydney Airport's aims, reflected in the Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport's operations on the environment. The strategy supports initiatives in environmental management beyond regulatory requirements. The strategy is available for download from Sydney Airport's website www.syd.com.au.

There have been no breaches by Sydney Airport in relation to the above regulations.

Directors' Report

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Auditor's Independence Declaration

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 13.

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

The Groups are of a kind referred to in Australian Securities & Investments Commission (ASIC) Class Order 98/100 dated 10 July 1998, and in accordance with that Class Order all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

Application of Class Order

The financial reports for MAp and the MAT2 Group are jointly presented in the one report as permitted by ASIC Class Order 06/441.

This report is made in accordance with a resolution of the directors of MAp Airports Limited.



Max Moore-Wilton

Sydney
23 February 2011



Trevor Gerber

Sydney
23 February 2011



Auditor's Independence Declaration

As lead auditor for the audits of MAp Airports Trust 1 and MAp Airports Trust 2 for the year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of MAp Airports Trust 1 and the entities it controlled during the year, which are deemed to include MAp Airports Trust 2 and the entities it controlled during the year and MAp Airports International Limited and the entities it controlled during the year, and in respect of MAp Airports Trust 2 and the entities it controlled during the year.

A handwritten signature in black ink, appearing to read 'KPMG', with a long horizontal line extending to the right.

KPMG

A handwritten signature in black ink, appearing to read 'Andrew Yates', with a long horizontal line extending to the right.

Andrew Yates
Partner

Sydney
23 February 2011

Financial Report

for year ended 31 December 2010

Consolidated Statements of Comprehensive Income

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Continuing operations					
Revenue	2	1,006,331	946,377	71,290	45,046
Revaluation gains / (losses) from investments	2	(26,325)	(397,860)	1,370,860	(6,173)
Other income	2	16,610	163,700	363	2
Revenue from continuing operations		996,616	712,217	1,442,513	38,875
Finance costs	2	472,332	583,163	281,172	248,350
Other expenses	2	526,365	531,168	16,030	10,697
Internalisation expenses	2	-	351,055	-	147,308
Operating expenses from continuing operations		998,697	1,465,386	297,202	406,355
Profit / (loss) from continuing operations before income tax (expense) / benefit		(2,081)	(753,169)	1,145,311	(367,480)
Income tax (expense) / benefit	3	53,832	138,092	(340,607)	135,187
Profit / (loss) from continuing operations after income tax (expense) / benefit		51,751	(615,077)	804,704	(232,293)
Other comprehensive income					
Exchange differences on translation of foreign operations		(52,714)	(134,102)	-	-
Cash flow hedges – interest rate swaps		4,991	221,557	-	-
Cash flow hedges – deferred tax arising on hedges		(1,497)	(66,467)	-	-
Cash flow hedges – swap reset costs amortisation		-	4,820	-	-
Other comprehensive income for the year, net of tax		(49,220)	25,808	-	-
Total comprehensive income for the year		2,531	(589,269)	804,704	(232,293)
Profit / (loss) attributable to:					
Security holders		100,830	(572,696)	404,781	(194,864)
Minority interest		(49,079)	(42,381)	399,923	(37,429)
		51,751	(615,077)	804,704	(232,293)
Total comprehensive income attributable to:					
Security holders		51,610	(581,423)	404,781	(194,864)
Minority interest		(49,079)	(7,846)	399,923	(37,429)
		2,531	(589,269)	804,704	(232,293)
Earnings per stapled security from continuing operations attributable to security holders					
Basic earnings per stapled security / unit ¹⁸	21	5.42c	(33.11)c	21.75c	(11.27)c
Diluted earnings per stapled security / unit ¹⁸	21	5.42c	(33.11)c	21.75c	(11.27)c

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

¹⁸ Earnings used in the calculation of earnings per stapled security includes revaluation gains / (losses) from airport investments, as well as income and expenses from revaluation of other financial instruments. Consequently earnings per stapled security reflect the impact of unrealised revaluation increments and decrements which have no impact on operating performance, cashflows or distributions.

Financial Report

as at 31 December 2010

Consolidated Balance Sheets

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Current assets					
Cash and cash equivalents	6	1,256,541	1,459,641	32,496	60,283
Receivables	7	489,966	514,151	5,147	50,486
Current tax receivable	16	-	1,871	-	1,871
Derivative financial instruments	8	2,076	751	-	-
Other assets		4,025	15,466	217	219
Total current assets		1,752,608	1,991,880	37,860	112,859
Non-current assets					
Receivables	7	44,396	41,695	832,300	832,300
Investments in financial assets	9	1,943,829	2,065,328	5,571,394	4,505,037
Property, plant and equipment	10	2,508,515	2,582,734	820	-
Intangible assets	11	8,057,147	8,166,607	-	-
Derivative financial instruments	8	3,355	-	-	-
Other assets		15,785	46,669	165	-
Total non-current assets		12,573,027	12,903,033	6,404,679	5,337,337
Total assets		14,325,635	14,894,913	6,442,539	5,450,196
Current liabilities					
Distribution payable		186,143	148,923	-	-
Payables	14	552,710	548,066	70,777	99,520
Deferred income		26,113	22,277	-	-
Derivative financial instruments	8	58,621	61,732	-	-
Provisions		6,527	4,052	-	33
Current tax liabilities	16	232	1,241	-	184
Total current liabilities		830,346	786,291	70,777	99,737
Non-current liabilities					
Payables	14	4,552	5,756	-	-
Interest bearing liabilities	15	6,181,469	6,106,686	1,838,412	1,846,290
Derivative financial instruments	8	29,417	11,359	-	-
Provisions		1,449	2,753	239	74
Deferred tax liabilities	16	1,884,831	1,937,545	708,932	368,315
Total non-current liabilities		8,101,718	8,064,099	2,547,583	2,214,679
Total liabilities		8,932,064	8,850,390	2,618,360	2,314,416
Net assets		5,393,571	6,044,523	3,824,179	3,135,780
Equity					
Security holders' interests					
Contributed equity	17	3,948,493	3,948,660	291,440	291,500
Retained profits	18	1,281,708	1,804,389	1,847,529	1,442,748
Reserves	19	(295,811)	(269,459)	(99,808)	(99,808)
Total security holders' interests		4,934,390	5,483,590	2,039,161	1,634,440
Minority interest in controlled entities	20	459,181	560,933	1,785,018	1,501,340
Total equity		5,393,571	6,044,523	3,824,179	3,135,780

The above Consolidated Balance Sheets should be read in conjunction with the accompanying notes.

Financial Report

for year ended 31 December 2010

Consolidated Statements of Changes in Equity

MAp	Note	Attributable to MAp Security Holders				Minority interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
Total equity at 1 January 2010		3,948,660	(269,459)	1,804,389	5,483,590	560,933	6,044,523
Profit / (loss) attributable to security holders		-	-	100,830	100,830	(49,079)	51,751
Exchange differences on translation of foreign operations		-	(52,714)	-	(52,714)	-	(52,714)
Cash flow hedges, net of tax		-	2,583	-	2,583	911	3,494
Total comprehensive income		-	(50,131)	100,830	50,699	(48,168)	2,531
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions of equity (net of tax effect)		(167)	-	-	(167)	-	(167)
Decreased interest in subsidiaries obtained during the year ¹⁹		-	23,779	-	23,779	-	23,779
Distributions provided for or paid	5	-	-	(623,511)	(623,511)	(53,584)	(677,095)
Total equity at 31 December 2010		3,948,493	(295,811)	1,281,708	4,934,390	459,181	5,393,571
Total equity at 1 January 2009		3,610,110	(60,293)	2,643,495	6,193,312	359,100	6,552,412
Loss attributable to security holders		-	-	(572,696)	(572,696)	(42,381)	(615,077)
Exchange differences on translation of foreign operations		-	(126,368)	-	(126,368)	(7,734)	(134,102)
Cash flow hedges, net of tax		-	117,641	-	117,641	42,269	159,910
Total comprehensive income		-	(8,727)	(572,696)	(581,423)	(7,846)	(589,269)
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions of equity (net of tax effect)		(505)	-	-	(505)	-	(505)
Contributions of equity		356,697	-	-	356,697	-	356,697
Securities cancelled pursuant to security buy-back (including transaction costs)		(17,642)	-	-	(17,642)	-	(17,642)
(Increased) / decreased interest in subsidiaries obtained during the year		-	(96,156)	-	(96,156)	37,259	(58,897)
Transfer to / (from) capital reserve		-	(104,283)	104,283	-	-	-
Distributions provided for or paid	5	-	-	(370,693)	(370,693)	(27,150)	(397,843)
Contributions of equity by minority interests		-	-	-	-	199,570	199,570
Total equity at 31 December 2009		3,948,660	(269,459)	1,804,389	5,483,590	560,933	6,044,523

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

¹⁹ Relates to prior year entry previously booked against Other Reserves, now reclassified to SCACH Redeemable Preference Shares within Interest Bearing Liabilities.

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for year ended 31 December 2010

Consolidated Statements of Changes in Equity (continued)

MAT2 Group	Note	Attributable to MAT2 Group security holders				Minority interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
Total equity at 1 January 2010		291,500	(99,808)	1,442,748	1,634,440	1,501,340	3,135,780
Profit attributable to security holders		-	-	404,781	404,781	399,923	804,704
Total comprehensive income		-	-	404,781	404,781	399,923	804,704
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions to equity (net of tax effect)		(60)	-	-	(60)	-	(60)
Distributions provided for or paid	5	-	-	-	-	(116,245)	(116,245)
Total equity at 31 December 2010		291,440	(99,808)	1,847,529	2,039,161	1,785,018	3,824,179
Total equity at 1 January 2009		227,704	(6,898)	1,637,612	1,858,418	823,377	2,681,795
Loss attributable to security holders		-	-	(194,864)	(194,864)	(37,429)	(232,293)
Total comprehensive income		-	-	(194,864)	(194,864)	(37,429)	(232,293)
Transactions with equity holders in their capacity as equity holders:							
Securities cancelled pursuant to security buy-back (including transaction costs)		(4,067)	-	-	(4,067)	-	(4,067)
Securities issued pursuant to non-renounceable entitlement offer		68,000	-	-	68,000	-	68,000
Transaction costs paid in relation to contributions to equity (net of tax effect)		(137)	-	-	(137)	-	(137)
(Increased) / decreased interest in subsidiaries obtained during the period		-	(92,910)	-	(92,910)	799,350	706,440
Distributions provided for or paid	5	-	-	-	-	(83,958)	(83,958)
Total equity at 31 December 2009		291,500	(99,808)	1,442,748	1,634,440	1,501,340	3,135,780

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

Financial Report

for year ended 31 December 2010

Consolidated Statements of Cash Flows

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Cash flows from operating activities					
Dividend received on SCACH ²⁰ ordinary shares		-	-	79,023	-
Dividend received on SCACH redeemable preference shares		-	-	225,480	228,760
Investment income received on convertible loans – Brussels Airport		17,625	29,058	-	-
Other interest received		59,398	92,561	6,776	7,769
Distribution and dividend income received - Copenhagen Airports		5,124	-	-	-
Other distribution and dividend income received		11,733	32,325	-	-
Interest received on intercompany loans		-	-	79,188	731
Airport revenue received (inclusive of goods and services tax)		1,058,083	926,581	-	-
Responsible Entity and Adviser base fees paid (inclusive of goods and services tax)		-	(33,788)	-	(7,532)
Operating expenses paid (inclusive of goods and services tax)		(300,592)	(285,270)	(11,995)	(5,045)
Resource fees paid to MAp Airports (UK) Limited		-	-	(1,169)	-
Income taxes (paid) / refunds received		696	(12,555)	1,596	(9,654)
Indirect taxes received		9,036	799	14,486	409
Internalisation payment made		-	(359,536)	-	(159,367)
Other income received		2,555	789	13,941	4,434
Net cash flows from operating activities	22	863,658	390,964	407,326	60,505
Cash flows from investing activities					
Payments for purchase of subsidiaries, net of cash acquired		-	-	-	66
Payments for purchase of investments		(215,453)	(122,699)	-	(600,497)
Proceeds from sale of investments, net of transaction costs		230,375	516,927	-	-
Net proceeds from settlement of total return swap relating to ASUR investment		33,900	-	-	-
Transaction costs paid		(2,548)	-	(375)	-
Proceeds from sale of non-current assets		-	844,711	-	-
Purchase of short term financial assets		(80,500)	-	-	-
Proceeds from sale of short term financial assets		81,919	-	-	-
Payments for purchase of fixed assets		(136,577)	(309,978)	(927)	-
Rental deposit paid		(182)	-	(182)	-
Proceeds from disposal of fixed assets		97	151	2	-
Net cash flows from investing activities		(88,969)	929,112	(1,482)	(600,431)

²⁰ Southern Cross Airports Corporation Holding Limited.

Financial Report

for year ended 31 December 2010

Consolidated Statements of Cash Flows (continued)

	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Cash flows from financing activities				
Proceeds received from issue of securities	-	356,697	-	601,124
Proceeds received from issue of securities to and borrowings from minority interests	-	172,850	-	67,879
Payments for security buyback (made) / received	-	(17,644)	-	103
Proceeds received from borrowings	1,243,272	2,468	-	-
Repayment of borrowings	(1,150,705)	(1,621,091)	-	-
Borrowing costs paid	(391,400)	(433,022)	(317,356)	(868)
Distributions paid to MAp security holders	(586,289)	(461,705)	-	-
Loans to related parties	-	-	-	(300,822)
Distributions, dividends and returns of capital paid to minority interest	(104,207)	(141,568)	(116,275)	(237,555)
Net cash flows from financing activities	(989,329)	(2,143,015)	(433,631)	129,861
Net decrease in cash and cash equivalents held	(214,640)	(822,939)	(27,787)	(410,065)
Cash and cash equivalents at the beginning of the year	1,459,641	2,313,985	60,283	470,348
Exchange rate movements on cash denominated in foreign currency	11,540	(31,405)	-	-
Cash and cash equivalents at the end of the year	1,256,541	1,459,641	32,496	60,283

Financial Report

for year ended 31 December 2010

Notes to the Financial Report

1. Summary of Significant Accounting Policies

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

1.1. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

As permitted by ASIC Class order 06/441, this financial report consists of the consolidated financial statements of MAp Airports Trust 1 (MAT1) and its controlled entities (collectively referred to as MAp or the Group), and the consolidated financial statements of MAp Airports Trust 2 (MAT2) and its controlled entities (collectively referred to as the MAT2 Group).

The financial report was authorised for issue by the directors of MAp Airports Limited (the Responsible Entity) on 23 February 2011. The Responsible Entity has the power to amend and reissue the financial report.

1.1.1. Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of MAp and the MAT2 Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

1.1.2. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of the Groups.

The Groups are of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order all financial information presented in Australian dollars has been rounded to the nearest thousand dollars unless otherwise stated.

1.1.3. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

1.1.4. Stapled security

The units of MAT1 and MAT2 and the shares of MAp Airports International Limited (MAIL) are combined, issued and traded as stapled securities in MAp. The units of MAT1 and MAT2 and the shares of MAIL cannot be traded separately.

This financial report consists of the consolidated financial statements of MAT1, which comprises MAT1 and its controlled entities, MAT2 and its controlled entities and MAIL and its controlled entities, together acting as MAp and the consolidated financial statements of MAT2 which comprises MAT2 and its controlled entities.

1.1.5. MAT2 net current liability position

MAT2 is in a net current liabilities position of \$32.9m. This is due to the recognition of interest payable on RPS issued to MAT1, the deemed parent entity of MAp for accounting purposes. Under the terms of the RPS, summarised in Note 15, MAT2 may defer payment of interest on the RPS at no cost to it other than that interest will accrue at a contractual rate of 15.0% per annum on the unpaid amount.

Financial Report

for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.2. Consolidated financial statements

UIG 1013: *Consolidated Financial Reports in relation to Pre-Date-of-Transition Stapling Arrangements* requires one of the stapled entities of an existing stapled structure to be identified as the parent entity for the purpose of preparing consolidated financial reports. In accordance with this requirement MAT1 has been identified as the parent of the MAp consolidated group comprising MAT1 and its controlled entities, MAT2 and its controlled entities and MAIL and its controlled entities.

The consolidated financial statements of MAp should be read in conjunction with the separate consolidated financial statements of the MAT2 Group, presented in this report, and the separate consolidated financial statements of MAIL for the year ended 31 December 2010.

Following a change in the Corporations Act during 2010, the financial statements of the parent entities (MAT1 and MAT2) are no longer presented in the Groups' financial statements. Summarised results of the parent entities have been included in Note 27.

1.3. Principles of consolidation

The consolidated financial statements of MAp incorporate the assets and liabilities of the entities controlled by MAT1 at 31 December 2010 and during the year, including those deemed to be controlled by MAT1 by identifying it as the parent of MAp, and the results of those controlled entities for the year then ended. The consolidated financial statements of the MAT2 Group incorporate the assets and liabilities of the entities controlled by MAT2 at 31 December 2010 and during the year. The effects of all transactions between entities in the consolidated entity are eliminated in full. Minority interests in the results and equity are shown separately in the Consolidated Statement of Comprehensive Income and the Consolidated Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by MAT1, MAT2 or MAIL.

In previous periods, losses attributable to minority interests are allocated to minority interests only to the extent that those losses are covered by minority interest contributed equity, retained profits and reserves. In the current period, due to a change in accounting standards effective from 1 January 2010, profit or loss and other comprehensive income components are attributed to the owners of the parent and to the minority interests. Total comprehensive income is attributed to the owners of the parent and to the minority interests even if this results in the minority interests having a deficit balance.

Where control of an entity is obtained during a financial period, its results are included in the Consolidated Statements of Comprehensive Income from the date on which control commences. Where control of an entity ceases during a financial period, its results are included for that part of the period during which control existed.

1.4. Investments in airport assets

MAp and the MAT2 Group (together the Groups) have designated their non-controlled investments in airport assets as financial assets at fair value through profit or loss. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in the fair values of investments in financial assets, both positive and negative, have been recognised in the Consolidated Statements of Comprehensive Income for the year.

Investments have been brought to account by the Groups as follows:

1.4.1. Interests in unlisted securities in companies and trusts

Interests in unlisted companies and trusts are brought to account at fair value, determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing airports and the basis upon which market participants have derived valuations for airport transactions.

Financial Report

for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.4.1. Interests in unlisted securities in companies and trusts (continued)

Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular airport comprises the risk free interest rate appropriate to the country in which the airport is located and a risk premium, reflecting the uncertainty associated with the cash flows. The risk premium represents a critical accounting estimate, refer to Note 1.28.

The risk premia applied to the discounted cash flow forecasts of the Groups' interests in companies and trusts that invest in Copenhagen and Brussels airports are:

MAp	Copenhagen Airports %	Brussels Airport %
As at 31 December 2010		
Risk free rate ²¹	2.7	3.6
Risk premium	10.5	8.2
Total discount rate	13.2	11.8
As at 31 December 2009		
Risk free rate ²¹	3.6	3.6
Risk premium	9.4	8.6
Total discount rate	13.0	12.2

MAT2 Group	Sydney Airport %
As at 31 December 2010	
Risk free rate ²¹	5.4
Risk premium	8.9
Total discount rate	14.3
As at 31 December 2009	
Risk free rate ²¹	5.5
Risk premium	9.6
Total discount rate	15.1

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the airports on a periodic basis, no longer than three years. The most recent independent valuations for Sydney Airport, Copenhagen Airports and Brussels Airport were performed at 31 December 2010, 30 September 2008 and 31 December 2009 respectively.

Interest, dividends and other distributions received from investments brought to account at fair value are credited against the investments when received.

1.4.2. Interests in listed securities in companies and trusts

The fair value of financial assets traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Groups is the current bid price. The fair value of listed assets not traded in active markets is determined by discounted cash flow analysis.

²¹ The risk free rate for each airport is determined using the yield on 10 year nominal government bonds in the relevant jurisdiction at the valuation date.

Financial Report

for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.4.3. Interests in other financial assets

Interests in convertible loans and other debt securities are brought to account at fair value. Adjustments to the fair value of convertible loans and other debt securities are recognised in revaluation gains / (losses) from investments within the Consolidated Statements of Comprehensive Income.

Investment transaction costs are expensed as incurred.

1.5. Loans and receivables

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

Receivables are initially recorded at their net fair values and are generally received within 30 days of becoming due and receivable. A provision is raised for any doubtful debts based on an ongoing review of all outstanding amounts. Bad debts are written off in the period in which they are identified.

1.6. Cash and cash equivalents

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

Deposits with original maturities of greater than three months are classified separately as other financial assets. There were no other financial assets as at 31 December 2009 or 31 December 2010.

1.7. Intangible assets

1.7.1. Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Groups' share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Groups' investment in the airport to which the goodwill relates.

1.7.2. Computer software

Major projects in which computer software is the principal element are recognised as assets if there is sufficient certainty that future economic benefits associated with the item will flow to the entity. Depreciation is calculated using the straight-line method over 4 years.

Computer software primarily comprises external costs and other directly attributable costs.

1.7.3. Technical service agreements, concessions and customer contracts

Technical service agreements, concessions and customer contracts have finite useful lives and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their useful lives, which vary from 7 to 16 years.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.7.4. Leasehold land

Leasehold land at Sydney Airport represents the right to use the land at Sydney Airport. It has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of the intangible asset over its useful life, which is 99 years from 1 July 1998.

1.7.5. Airport operator licence

The airport operator licence at Sydney Airport represents the right to use and operate Sydney Airport. It has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs of the intangible assets over its useful life, which is 99 years from 1 July 1998.

1.8. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation.

Cost comprises the cost of acquisition and costs directly related to the acquisition up until the time when the asset is ready for use. In the case of assets of own construction, cost comprises direct and indirect costs attributable to the construction work, including salaries and wages, materials, components and work performed by subcontractors.

The depreciation base is determined as cost less any residual value. Depreciation is charged on a straight-line basis over the estimated useful lives of the assets and begins when the assets are ready for use.

Land is not depreciated.

The estimated useful lives of the major asset categories are:

Asset category	Useful lives
Land and buildings	
Land improvements	40 years
Buildings	5-100 years
Leased buildings (including fit out)	5-40 years
Plant and machinery	
Runways, roads etc (foundation)	80 years
Runways, roads etc (surface)	10 years
Technical installations	15-25 years
Other fixtures, fittings, tools, and equipment	3-23 years

1.9. Investment property

Investment properties are measured at cost less accumulated depreciation. Residual values are stated separately for each investment property. Investment property is depreciated over its useful life like other property, plant and equipment of a similar nature.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.10. Impairment of assets

The carrying amount of intangible assets and property, plant and equipment is assessed periodically to determine whether there are indications of any impairment of the value beyond what is expressed in the amortisation or depreciation charges. If indications of impairment exist, impairment testing is carried out to determine whether an impairment charge is required to write down the value of the assets. Any impairment charge is taken against the carrying amount of the assets, if that is higher than the recoverable amount.

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

1.11. Prepayments and deferred income

Prepayments recognised under assets comprise payments made relating to goods and services to be rendered during the following financial year.

Deferred income recognised under liabilities comprises payments received relating to goods and services to be provided in subsequent financial years.

1.12. Interest bearing liabilities

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in finance costs in the Consolidated Statements of Comprehensive Income over the period of the borrowings using the effective interest method.

1.13. Payables / other liabilities

Liabilities are recognised when the Groups become obliged to make future payments as a result of a purchase of assets or services, whether or not billed.

1.14. Distributions and dividends

Provision is made for the amount of any distribution payable by the Groups on or before the end of the financial year but not distributed at balance date.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at year end.

1.15. Revenue and other income recognition

1.15.1. Investment income

Investment income from investments recognised at fair value through profit or loss constitutes changes in the fair value of investments in listed and unlisted securities. Income relating to these investments is brought to account as described in Note 1.4. Interest income on cash balances is brought to account on an accruals basis.

1.15.2. Aeronautical revenue

Aeronautical revenue comprises passenger, take-off and parking charges and is recognised when the related services are provided.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.15. Revenue and other income recognition (continued)

1.15.3. Retail revenue

Retail revenue comprises sales related revenue from airport retail facilities and is recognised in line with the revenue generated from concessionaires.

1.15.4. Property revenue

Property revenue comprises rent for buildings and land, which is recognised over the terms of the contracts.

1.15.5. Revenue from rendering of services

Revenue from rendering of services comprises revenue from the operation of car parking services which is recognised when delivery of services takes place and revenue from airport car rental facilities which is recognised in line with revenue generated from concessionaires.

1.16. Staff costs

Provision is made for employee benefits and related on-costs accumulated when it is probable that settlement will be required and the benefits and on-costs are capable of being measured reliably. The benefits include wages and salaries, incentives, annual leave and long service leave. Provisions made in respect of employee benefits due to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Those not due to be settled within 12 months are measured at the present value of the estimated future cash outflows. In determining the present value of future cash outflows, the interest rates attached to government-issued securities which have terms to maturity approximating the terms of the related liability are used.

Provision for employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably.

1.16.1. Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are recognised in the Consolidated Statements of Comprehensive Income in the period in which they arise.

1.17. Rent and lease costs

On initial recognition, lease contracts for property, plant and equipment under which MAp has substantially all risks and rewards of ownership (finance leases) are measured in the Consolidated Balance Sheets at the lower of the fair value or the present value of the future lease payments. The present value is calculated using the interest rate implicit in the lease as the discount factor, or an approximate value. Assets held under finance leases are subsequently accounted for as other property, plant and equipment.

The capitalised lease obligation is recognised in the Consolidated Balance Sheets as a liability, and the finance charge is recognised in the Consolidated Statements of Comprehensive Income over the term of the contract.

All lease contracts that are not considered finance leases are considered operating leases. Payments in connection with operating leases are recognised in the Consolidated Statements of Comprehensive Income over the term of the lease.

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1. Summary of Significant Accounting Policies (continued)

1.18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the Consolidated Statements of Comprehensive Income in the period in which they were incurred.

1.19. Amortisation and depreciation

Amortisation and depreciation comprise the year's charges for this purpose on MAp's intangible assets with a finite life and property, plant and equipment (refer to Notes 1.7 and 1.8).

1.20. Income tax

The income tax expense or benefit for the year is the tax payable or receivable 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 tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.20. Income tax (continued)

1.20.1. MAT2

MAT2 and its wholly owned Australian entities have formed a tax-consolidated group under Australian taxation law. The head entity, MAT2, and the entities in the tax consolidated group continue to account for their own current and deferred tax accounts. Tax expense and deferred tax liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'standalone tax payer' approach. Under the tax sharing agreement, members receive no recognition for tax benefits or deferred tax assets. All members of the tax-consolidated group are consolidated into the MAT2 Group for accounting purposes, and the effect of all transactions between MAT2 Group entities are eliminated on consolidation.

Due to the existence of the tax sharing arrangement between the entities in the tax-consolidated group, when members are in a tax liability position, it accounts for MAT2's assumption of this liability by way of issuing ordinary equity to MAT2 (via interposed entities where applicable).

1.20.2. MAT1 and SCAAT

Income tax has not been brought to account in respect of MAT1 and SCAAT, as pursuant to the Income Tax Assessment Acts, the Trusts are not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to unit holders each year.

1.20.3. MAIL

Under current Bermudian law, MAIL will not be subject to any income, withholding or capital gains taxes in Bermuda.

1.20.4. Copenhagen Airports

Copenhagen Airports and its wholly owned Danish subsidiaries, Copenhagen Airports Denmark ApS and Copenhagen Airports Denmark Holdings ApS, have formed a tax consolidated group. Copenhagen Airports is therefore taxed jointly with these companies and is jointly and severally liable with the jointly taxed companies for the payment of tax on the jointly taxed income.

1.20.5. Sydney Airport

Southern Cross Airports Corporation Holdings Limited (SCACH or Sydney Airport) and its wholly owned Australian entities have formed a tax-consolidated group under Australian taxation law. The head entity, SCACH, and the entities in the tax consolidated group continue to account for their own current and deferred tax accounts. Tax expense / benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial reports of the members of the tax-consolidated group using the 'standalone tax payer' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by SCACH.

Due to the existence of a tax sharing arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by each member of the group in relation to the tax contribution amounts paid or payable between SCACH and the other members of the tax-consolidated group in accordance with the arrangement.

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1.21. Foreign currency translation

1.21.1. 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 consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of MAT1 and MAT2.

1.21.2. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of each transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in other income in the Consolidated Statements of Comprehensive Income.

1.21.3. Group entities

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 Balance Sheet presented are translated at the relevant exchange rates at the date of that Balance Sheet;
- income and expenses for each Statement of Comprehensive Income are translated at exchange rates prevailing at the dates of each transaction;
- all resulting exchange differences are recognised as a separate component of equity within other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are taken to security holders' equity. On disposal of a foreign operation, the cumulative exchange differences are recognised in profit or loss in the Consolidated Statements of Comprehensive Income as part of the gain or loss on sale. On partial disposal of a foreign operation the proportionate share of the cumulative exchange differences recognised in other comprehensive income is re-attributed to the non-controlling interests in that foreign operation. 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 at the date of that Consolidated Balance Sheet.

1.22. Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The Groups designate certain derivatives as either:

- of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- hedges of highly probable forecast transactions (cash flow hedge); or
- hedges of a net investment in a foreign operation (net investment hedge).

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

1.22.1. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in other income in the Consolidated Statements of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.22.2. Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the hedging reserve through other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in other income in the Consolidated Statements of Comprehensive Income.

Amounts accumulated in equity are recycled in profit or loss in the Consolidated Statements of Comprehensive Income in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

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

1.22.3. Net investment hedges

Hedges of net investment in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Statements of Comprehensive Income within other income or other expenses.

Gains and losses accumulated in equity are included in profit or loss in the Consolidated Statements of Comprehensive Income when the foreign operation is partially disposed of or sold.

1.22.4. Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Consolidated Statements of Comprehensive Income.

1.23. Earnings per stapled security

1.23.1. Basic earnings per stapled security

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

1.23.2. Diluted earnings per stapled security

Diluted earnings per stapled security adjusts the figures used in the determination of basic earnings per stapled security to take into account the after income tax effect of interest and other financing costs associated with dilutive potential stapled securities and the weighted average number of stapled securities assumed to have been issued for no consideration in relation to dilutive potential stapled securities.

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1. Summary of Significant Accounting Policies (continued)

1.24. Goods and Services Tax and Value Added Tax

Revenues, expenses and assets are recognised net of the amount of associated Goods and Services Tax (GST) or Value Added Tax (VAT), unless the GST or VAT incurred is not recoverable from the relevant taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the applicable amount of GST or VAT. The net amount of GST or VAT recoverable from, or payable to, the relevant taxation authority is included with other receivables or payables in the Consolidated Balance Sheets.

Cash flows are presented on a GST or VAT inclusive basis. The GST or VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1.25. Significant terms and conditions of investments

MAp's investment in Sydney Airport comprises ordinary shares and redeemable preference shares issued by Southern Cross Airports Corporation Holdings Limited (SCACH). The ordinary shares and redeemable preference shares are issued as stapled securities in SCACH. The two classes of shares cannot be traded separately.

MAp's investment in Brussels Airport comprises ordinary shares and ordinary preferred shares issued by Brussels Airport Investments S.a.r.l. (BAISA) and convertible loans advanced to BAISA under the Convertible Loan Agreements. Under the BAISA Shareholders' Agreement, ordinary shares and ordinary preferred shares in BAISA can only be transferred if the same proportion of rights and obligations under the Convertible Loan Agreement are transferred concurrently.

MAp's investment in Copenhagen Airports comprises ordinary shares issued by Copenhagen Airports S.a.r.l. (CASA), shareholder loans advanced to CASA under the Shareholder Loan Agreement and convertible loans advanced to CASA under the Convertible Loan Agreement in addition to a direct holding in Copenhagen Airports. Under the CASA Shareholders' Agreement, ordinary shares can only be transferred if the same proportion of rights and obligations under the Shareholder Loan Agreement and the Convertible Loan Agreement are transferred concurrently.

1.26. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both MAp and MAT2 for accounting purposes has been identified as the Board of MAp Airports Limited.

For the year ended 31 December 2010 the segments are based on the core assets of MAp's investment portfolio being Sydney Airport, Brussels Airport and Copenhagen Airports and the primary asset of MAT2 Group being Sydney Airport.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.27. Acquisitions of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where listed equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of MAp's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1.7). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statements of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired. Any subsequent changes in beneficial interest in subsidiaries are accounted for using the economic entity approach.

Where settlement of any part of the consideration is deferred, the amounts payable in the future are discounted to their present value at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

1.28. Critical accounting estimates and judgements

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

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

1.28.1. Investments in financial assets at fair value through profit or loss

Interests in certain financial assets are brought to account at fair value determined in accordance with the discounted cash flow analysis methodology adopted by the directors. Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The key assumptions used in calculating the fair value are therefore the future cash flows that are expected to be generated by an asset, the future financing costs of the asset and the appropriate discount rate.

Further information on the valuation of investments in financial assets can be found in Note 1.4, and information on the sensitivity of the valuations to the key assumptions is included in Note 9.

1.28.2. Income tax

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

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

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1. Summary of Significant Accounting Policies (continued)

1.29. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011. These have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2013 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

1.30. Comparative figures

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

1.31. Group formation

MAT1 and MAT2 were established in Australia on 13 July 2001 and 13 February 2002 respectively. MAIL was incorporated in Bermuda on 4 February 2002. The Responsible Entity of each of the Trusts, MAIL and MAIL's Adviser entered into the Stapling Deed on 28 March 2002.

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for year ended 31 December 2010

2. Profit for the Year

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

	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Revenue from continuing operations				
Revenue				
Interest income from related parties	2,847	38,226	49,226	41,840
Interest income from other persons and corporations	58,256	54,292	5,633	-
Fee income	2,099	461	2,099	3,206
Aeronautical revenue	467,997	417,369	-	-
Retail revenue	212,890	192,734	-	-
Property revenue	131,415	118,836	-	-
Revenue from rendering of services	116,204	108,295	-	-
Fee income from related parties	-	-	13,032	-
Other	14,623	16,164	1,300	-
Total revenue	1,006,331	946,377	71,290	45,046
Revaluation gains / (losses) from investments				
Revaluation of Sydney Airport	-	-	1,370,860	(6,113)
Revaluation of Brussels Airport	11,927	(137,948)	-	-
Revaluation of Copenhagen Airports	(18,555)	(204,728)	-	-
Revaluation of ASUR	(18,667)	102,541	-	-
Revaluation of Japan Airport Terminal	-	(49,417)	-	-
Revaluation of Bristol Airport	(1,068)	(104,258)	-	-
Revaluation of other investments	38	(4,050)	-	(60)
Total revaluation gains / (losses) from investments	(26,325)	(397,860)	1,370,860	(6,173)
Other income				
Gain on redemption of IIHL preference shares	2,118	76,979	-	-
Foreign exchange gains	21,801	16,743	363	2
Fair value gains / (losses) on derivative contracts	(7,309)	67,506	-	-
Other	-	2,472	-	-
Total other income	16,610	163,700	363	2
Total revenue from continuing operations	996,616	712,217	1,442,513	38,875

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for year ended 31 December 2010

2. Profit for the Year (continued)

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Operating expenses from continuing operations					
Finance costs					
Interest expense – TICKETS		-	57,716	-	-
Interest expense – related parties		-	-	4,576	-
Interest expense – related parties RPS		-	-	276,596	247,630
Interest expense – Sydney Airport		471,908	462,028	-	-
Interest expense – other		424	1,083	-	720
Finance costs - IIHL preference shares		-	62,336	-	-
Total finance costs		472,332	583,163	281,172	248,350
Other expenses					
Amortisation and depreciation		318,757	284,067	105	-
Operating and maintenance		100,349	95,109	-	-
Staff costs		47,098	37,546	6,847	1,583
Premises costs		3,403	6,487	100	-
Energy and utilities		8,633	8,174	3	-
Technology		3,774	3,301	214	-
Investment transaction expenses		13,023	2,914	375	-
Legal fees		1,307	2,156	231	109
Auditors' remuneration	4	602	1,347	103	304
Directors' fees		1,644	1,064	1,194	644
Registry fees		892	1,032	286	372
Custodians' fees		709	538	256	232
Investor communication expenses		208	433	145	223
Responsible Entity's and Adviser's fees – MAp entities		151	-	4,271	926
Other expenses		25,815	17,459	1,900	522
TICKETS redemption expenses		-	42,884	-	-
Responsible Entity's and Adviser's base fees – Macquarie Group		-	26,657	-	5,782
Total other expenses		526,365	531,168	16,030	10,697
Internalisation expenses					
Fee in relation to termination of management arrangements		-	345,000	-	145,367
Internalisation costs		-	6,055	-	1,941
Total internalisation expenses		-	351,055	-	147,308
Total operating expenses from continuing operations		998,697	1,465,386	297,202	406,355

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3. Income Tax Expense

The income tax for the financial year differs from the amount calculated on the net result from continuing operations. The differences are reconciled as follows:

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
(a) Profit / (loss) from continuing operations before income tax expense		(2,081)	(753,169)	1,145,311	(367,480)
Income tax (benefit) / expense calculated @ 30%		(624)	(225,951)	343,593	(110,244)
Tax effect of permanent differences:					
—Non-deductible expenditure		5,687	4,324	62	1
—Depreciation and amortisation		-	8,469	-	-
—Non-assessable income		569	(38)	(66)	(38)
—Sundry items		-	554	-	(58)
—Over provision in previous year		(20)	(499)	-	(433)
—Deferred tax asset not brought to account attributable to tax losses		40,903	700	40,377	700
Prior year tax losses recouped during the year		(8,499)	-	(8,499)	-
Tax effect of operating results of Australian trusts		(120,100)	(121,301)	(34,860)	(25,115)
Tax effect of operating results of foreign operations		28,252	195,650	-	-
Income tax (benefit) / expense		(53,832)	(138,092)	340,607	(135,187)
(b) Income tax (benefit) / expense					
Income tax (benefit) / expense comprises:					
—Over provision in previous year		(20)	(499)	-	(433)
—Current taxation provision		968	12,934	-	-
—Deferred income tax (benefit) / expense		(54,780)	(150,527)	340,607	(134,754)
		(53,832)	(138,092)	340,607	(135,187)
Income tax (benefit) / expense is attributable to:					
—Profit from continuing operations		(53,832)	(138,092)	340,607	(135,187)
Deferred income tax (benefit) / expense included in income tax expense comprises:					
—(Decrease) / increase in deferred tax liabilities	16	(54,780)	(150,527)	340,607	(134,754)
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but debited directly to equity:					
—Net deferred tax debited directly to equity	16	2,066	66,898	10	25
(d) Tax losses					
Unused tax losses for which no deferred tax asset has been recognised		110,346	2,334	108,593	2,334
Potential tax benefit @ 30%		33,104	700	32,578	700

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4. Remuneration of Auditors

	MAp 31 Dec 10 \$	MAp 31 Dec 09 \$	MAT2 31 Dec 10 \$	MAT2 31 Dec 09 \$
Amounts paid or payable to Auditors (KPMG in 2010, PriceWaterhouseCoopers in 2009) for:				
Audit services	568,390	1,017,599	87,725	172,856
Other services				
—Taxation compliance services	-	307,293	-	113,298
—Trust compliance services	16,500	15,840	9,900	15,840
—Other assurance services	367,400	6,101	5,867	1,705
Total amounts paid or payable to Auditors	952,290	1,346,833	103,492	303,699
Debt raising cost capitalised	(350,000)	-	-	-
Auditors remuneration in consolidated statements of comprehensive income	602,290	1,346,833	103,492	303,699

5. Distributions and Dividends Paid and Proposed

	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
The distributions were paid / payable as follows:				
—Interim distribution paid for the period ended 30 June (100% unfranked)	204,733	221,796	-	-
—Special distribution paid on 21 October (100% unfranked)	232,657	-	-	-
—Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)	186,121	148,897	-	-
	623,511	370,693	-	-
	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
Interim distribution paid for the period ended 30 June (100% unfranked)				
- Distribution	11.0	13.0	-	-
Special distribution paid on 21 October (100% unfranked)				
- Distribution	12.5	-	-	-
Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)				
- Distribution	10.0	8.0	-	-
	33.5	21.0	-	-

This note only discloses distributions paid to MAp security holders.

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6. Cash and Cash Equivalents

	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Cash at bank	192,833	224,037	4,646	12,928
Negotiable certificates of deposit, commercial paper and term deposits with maturities less than 90 days from 31 December 2010	1,063,708	1,235,604	27,850	47,355
	1,256,541	1,459,641	32,496	60,283

6.1. Negotiable certificates of deposit, commercial paper and term deposits

The outstanding negotiable certificates of deposit, commercial paper and term deposits held by MAp at year end received interest at an average rate of 5.33% (2009: 4.03%) per annum.

The outstanding negotiable certificates of deposit, commercial paper and term deposits held by the MAT2 Group at year end received interest at an average rate of 5.66% (2009: 4.10%) per annum.

6.2. Cash not available for use

Included in the MAp consolidated cash balance is \$89.8 million (2009: \$90.8 million) in a separate bank account held by Southern Cross Airports Corporation Pty Limited (SCAC), which is being held as a liquidity and debt servicing reserve and can only be used for the repayment of debt. An additional \$22.0 million (2009: \$18.5 million) in the MAp consolidated cash balance is being held by SCAC as a distribution reserve account for the Sydney Kingsford Smith Interest Earning Securities (SKIES).

Discussion of the Groups' policies concerning the management of credit risk can be found in Note 25.

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7. Receivables

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Current					
Interest receivable		90	1,195	9	7
GST receivable		564	15,345	448	15,057
VAT receivable		102	-	-	-
Withholding tax receivable		-	3,460	-	-
Receivables from related parties	23.16	-	-	3,315	35,422
Accrued revenue		38,005	38,656	-	-
Land rich stamp duty receivable ²²	14	401,525	401,525	-	-
Other receivables		6,813	50	876	-
		447,099	460,231	4,648	50,486
Trade receivables		42,991	54,707	499	-
Provision for doubtful receivables		(124)	(787)	-	-
Total current receivables		489,966	514,151	5,147	50,486
Non-current					
Lease receivable		31,047	30,816	-	-
Receivables from related parties	23.16	-	-	832,300	832,300
Other		13,349	10,879	-	-
Total non-current receivables		44,396	41,695	832,300	832,300

The fair values of receivables approximate their carrying values. The Groups' maximum credit exposure for receivables is the carrying value.

Discussion of the Groups' policies concerning the management of credit risk can found in Note 25.2.

²² The receivable from the federal government relates to an indemnity on stamp duty in relation to Sydney Airport. As part of the sale of Sydney Airport, the Commonwealth agreed to pay any land rich stamp duty assessed to SCACH by the NSW Office of State Revenue in relation to the transfer of the shares and granted SCACH an indemnity against any obligation to pay such duty (including any penalties or interest that are payable). A matching liability for the stamp duty payable has been recognised (refer Note 14).

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8. Derivative Financial Instruments

	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Current assets				
Forward FX contracts	2,076	751	-	-
Total current derivative financial instrument assets	2,076	751	-	-
Non-current assets				
Interest rate swap contracts	3,355	-	-	-
Total non-current derivative financial instrument assets	3,355	-	-	-
Current liabilities				
Forward FX contracts	19,548	1,315	-	-
Interest rate swap contracts	39,073	60,417	-	-
Total current derivative financial instrument liabilities	58,621	61,732	-	-
Non-current liabilities				
Forward FX contracts	29,417	-	-	-
Interest rate swap contracts	-	11,359	-	-
Total non-current derivative financial instrument liabilities	29,417	11,359	-	-

8.1. Instruments used by MAp

At 31 December 2010, MAp is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with MAp's financial risk management policies (refer to Note 25).

8.1.1. Interest rate swap contracts – cash flow hedges

Floating rate interest bearing liabilities of MAp (amounting to \$4,212.7 million) currently bear an average variable interest rate of 5.88% (2009: 5.72%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, MAp has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

Sydney Airport has entered into interest rate swaps to hedge its floating rate interest bearing liabilities. Swaps currently cover 91.3% (2009: 94.0%) of floating rate loan principal outstanding at balance date. At 31 December 2010 the maturity, the notional amounts and the weighted averaged fixed interest rates on the swaps were:

Sydney Airport	2010 \$'000	Weighted average fixed interest rate	2009 \$'000	Weighted average fixed interest rate
Less than 1 year	400,000	7.67 %	-	- %
1-2 years	1,963,000	6.30 %	898,105	6.22 %
2-3 years	-	- %	1,963,000	6.30 %
3-4 years	189,000	4.78 %	-	- %
4-5 years	1,255,000	6.29 %	189,000	4.78 %
Greater than 5 years	968,672	5.63 %	875,000	6.42 %
	4,775,672	6.21 %	3,925,105	6.23 %

At balance date these contracts were liabilities with a fair value of \$39.1 million (2009: liabilities \$60.4 million) presented as a current liability and assets with a fair value of \$3.4 million (2009: liabilities \$11.4 million) presented as a non-current asset.

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8. Derivative Financial Instruments (continued)

8.1.2. Forward foreign exchange contracts

In order to protect against exchange rate movements, MAp has entered into forward exchange contracts to sell Euros and Danish Krone (DKK). These contracts are generally hedging anticipated receipts of distributions from MAp's underlying airport investments and expected payments.

At balance date, the details of the outstanding contracts held by MAp were:

	Buy Australian Dollars		Average exchange rate	
Sell Euros	2010 \$'000	2009 \$'000	2010	2009
Maturity				
0-6 months	4,333	75,771	0.6579	0.6153
6-12 months	2,168	-	0.6628	-

	Buy Australian Dollars		Average exchange rate	
Sell DKK	2010 \$'000	2009 \$'000	2010	2009
Maturity				
0-6 months	4,850	-	4.6183	-
6-12 months	1,674	14,125	4.9104	4.2796

On 30 September 2010, Sydney Airport Finance Company Pty Ltd issued US\$500 million in Guaranteed Senior Secured Notes maturing in 2021 at a fixed interest rate of 5.125% per annum (payable semi-annually) into the US 144A/Reg S bond markets. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the Notes. As a result of this, a strengthening or weakening of the AUD will have no impact on the Consolidated Statements of Comprehensive Income for this liability.

The MAT2 Group did not hold any derivatives during the year or as at 31 December 2010 (2009: nil).

9. Investments in Financial Assets

The table below summarises the movements in MAp's significant investments during the year ended 31 December 2010.

	Brussels Airport \$'000 (9.1)	Copenhagen Airports ²³ \$'000 (9.2)	Bristol Airport \$'000 (9.3)	ASUR \$'000 (9.4)	Total \$'000
2010					
Balance at 1 January 2010	947,296	972,340	6,446	138,303	2,064,385
Acquisitions	72,365	360	-	140,039	212,764
Income received from investments	(17,625)	(5,124)	(91)	(10,654)	(33,494)
Revaluation increment / (decrement) to 31 December 2010	197,468	137,455	91	(27,723)	307,291
Revaluation decrement attributable to foreign exchange movements to 31 December 2010	(185,541)	(156,010)	(1,160)	9,056	(333,655)
Disposals	-	-	-	(235,601)	(235,601)
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2010	-	(24,441)	-	(13,420)	(37,861)
Balance at 31 December 2010	1,013,963	924,580	5,286	-	1,943,829

²³ Copenhagen Airports represents MAp's investment in CASA, the holding entity through which the Copenhagen Airports investment was held as well as a direct investment into Copenhagen Airports.

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9. Investments in Financial Assets (continued)

	Brussels Airport \$'000 (9.1)	Copenhagen Airports \$'000 (9.2)	Bristol Airport \$'000 (9.3)	JAT \$'000	ASUR ²⁴ \$'000 (9.4)	Total \$'000
2009						
Balance at 1 January 2009	1,114,302	1,054,284	336,793	372,792	127,519	3,005,690
Acquisitions	-	124,357	-	-	-	124,357
Income received from investments	(29,058)	-	-	(1,558)	(14,050)	(44,666)
Revaluation increment / (decrement) to 31 December 2009 ²⁵	(137,948)	(204,728)	(104,258)	(49,417)	50,567	(445,784)
Disposals	-	(72)	(226,089)	(249,070)	-	(475,231)
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2009	-	(1,501)	-	(72,747)	(25,733)	(99,981)
Balance at 31 December 2009	947,296	972,340	6,446	-	138,303	2,064,385

At 31 December 2010, the value of MAp's investments in non-controlled airport assets is \$1,943.8 million (2009: \$2,065.3 million). The value of these investments has been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specified risk premia as outlined in Note 1.4. The investment valuation sensitivity to movements in the risk premia and revenue forecasts is disclosed in the table below.

MAp	2010 1% lower \$million	2010 1% higher \$million	2009 1% lower \$million	2009 1% higher \$million
Change in valuation of investments due to movement in the risk premia				
—Brussels Airport	116.5	(100.0)	111.6	(95.7)
—Copenhagen Airports	113.0	(95.1)	131.1	(109.5)
	229.5	(195.1)	242.7	(205.2)
Change in the valuation of investments due to movement in revenue forecasts				
—Brussels Airport	(20.0)	20.0	(23.2)	23.4
—Copenhagen Airports	(24.8)	24.4	(26.3)	26.7
	(44.8)	44.4	(49.5)	50.1

²⁴ Only includes the physical equity holding, and does not include total return swap value.

²⁵ Includes gains / (losses) from foreign exchange movements.

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9. Investments in Financial Assets (continued)

MAp	Consolidated 31 Dec 2010 \$'000	Consolidated 31 Dec 2009 \$'000
Brussels Airport (9.1)		
Interests in unlisted securities in companies and trusts		
Investment in Brussels Airport Investments S.a r.l.	1,013,963	947,296
Copenhagen Airports (9.2)		
Interests in listed and unlisted securities in companies and trusts		
Investment in Copenhagen Airports S.a r.l.	810,423	832,150
Investment in KøbenhavnsLufthavne A/S	114,157	140,190
Bristol Airport (9.3)		
Interests in unlisted securities in companies and trusts		
Investment in Bristol Airport (Bermuda) Limited	5,286	6,446
ASUR (9.4)		
Interests in listed securities in companies and trusts	-	138,303
Other investments (9.5)		
Other investments	-	943
Total investments	1,943,829	2,065,328

9.1. Brussels Airport

MAp's investment in Brussels Airport is held by MAIL through BAISA, a special purpose vehicle established by a MAP led consortium to acquire an interest in The Brussels Airport Company (Brussels Airport). BAISA holds a 75.0% controlling interest in Brussels Airport.

MAp's investment in BAISA is comprised of ordinary shares, ordinary preferred shares (OPS) and convertible loans. Both the ordinary shares and the OPS carry a right to vote at shareholder meetings.

The convertible loans issued by BAISA entitle the holders to all of the residual income of BAISA and have a term of 51 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreements. Under the Convertible Loan Agreements, MAIL may (with the consent of other shareholders) at any time prior to the expiry term apply to convert the outstanding loan into BAISA OPS.

At 31 December 2010, MAp held a 52.0% interest in BAISA. MAp's beneficial interest in Brussels Airport at 31 December 2010 was 39.0%. MAp increased its beneficial interest to 39% following the acquisition of the 4.0% interest in BAISA (representing a 3.0% interest in Brussels Airport) held by Macquarie Global Infrastructure Fund 2 (GIF2) on 21 January 2010.

Currently, the other shareholders in BAISA are Macquarie European Infrastructure Fund LP (MEIF) with a 13.3% interest and Macquarie European Infrastructure Fund 3 (MEIF3) with a 34.7% interest. If there is a change of control of either or both of these shareholders, including where a Macquarie Group entity ceases to be its manager (but excluding a listing of the fund or the sale of its assets undertaken in the course of liquidating, terminating or winding up the fund), MAp has the option to purchase that interest in BAISA at fair value. The other shareholders do not have a corresponding right in respect of a change of control of MAp for so long as it is listed on a stock exchange.

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9. Investments in Financial Assets (continued)

9.2. Copenhagen Airports

MAp's investment in Copenhagen Airports is held by MAIL through CASA and directly in Copenhagen Airports. CASA holds a 53.7% controlling interest in Copenhagen Airports.

MAp's investment in CASA is comprised of ordinary shares, shareholder loans and convertible loans.

The shareholder loans issued by CASA have a term of 51 years, unless terminated earlier in accordance with the terms of the Shareholder Loan Agreement. Under the Shareholder Loan Agreement, MAIL may (with the consent of the other shareholders) at any time prior to the expiry term apply to convert the outstanding loan into CASA OPS.

The convertible loans issued by CASA have a term of 51 years, unless terminated earlier in accordance with the terms of the Convertible Loan Agreement. Under the Convertible Loan Agreement, MAIL may at any time prior to the expiry term apply to convert the outstanding loan into CASA OPS.

At 31 December 2010, MAp held a 50.0% interest in CASA and a 3.9% direct interest in Copenhagen Airports. MAp's beneficial interest in Copenhagen Airports at 31 December 2010 is 30.8%.

MEIF3 holds the remaining 50.0% interest in CASA. If there is a change of control of MEIF3, including where a Macquarie Group entity ceases to be its manager (but excluding a listing of the fund), MAp has the option to purchase that interest in CASA at fair value.

9.3. Bristol Airport

MAp has a 1.0% interest in Bristol Airport is held by MAIL through its investment in Bristol Airport (Bermuda) Limited (BABL) which owns 50% of Bristol Airport. MAp's 2% interest in BABL is subject to a put and a call option at an exercise price of GBP3.6 million (\$5.8 million). The put option may be exercised by MAp at any time during the six month period from the completion of the refinancing of the Bristol airport debt facility and the call option may be exercised by Ontario Teachers' Pension Plan at any time during the six months commencing from the end of the put option.

9.4. ASUR

At 31 December 2009, MAp, through MAIL, held a 16% economic interest in ASUR. On 12 August 2010 MAp disposed of its entire 16% economic interest in ASUR by way of a joint equity offering by J.P. Morgan Securities Inc. and Macquarie Capital (USA) Inc. This divestment reached financial close on 17 August 2010 for consideration of US\$206.9 million (\$230.4 million), net of underwriting fees.

9.5. Other investments

Other investments comprise investments in other airports and other airport related investments such as funding entities.

	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
MAT2 Group		
Sydney Airport		
Interest in unlisted securities in a company		
Investment in Southern Cross Airports Corporation Holdings Limited (9.6)	5,571,020	4,504,663
MAp Airports (Europe) Limited (MAEL)		
Interests in unlisted securities in companies and trusts		
Investment in MAEL	374	374
Total investments	5,571,394	4,505,037

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9. Investments in Financial Assets (continued)

9.6. Sydney Airport

The MAT2 Group's interest in Sydney Airport is held through its investment in MAp Airports Sydney Kingsford Smith No. 2 Pty Limited (MASKS2), MAp Airports Sydney Kingsford Smith No. 3 Pty Limited (MASKS3) and MAp Airports (Sydney Holdings) Pty Limited (MASH). MASH holds units in Southern Cross Australian Airports Trust (SCAAT), which holds stapled securities issued by Southern Cross Airports Corporation Holdings Limited (SCACH), the holding company of Sydney Airport. MASKS2 and MASKS3 directly hold stapled securities issued by SCACH.

Each stapled security issued by SCACH represents one ordinary share and one redeemable preference share. The redeemable preference shares issued by SCACH are redeemable at \$200 per share on the date 30 years after the issue date of the shares, provided that any redemption must be effected in accordance with the Corporations Act 2001. The holders of the shares have the right to receive a fixed cumulative dividend at a rate of 13.5% per annum on the capital paid up and any unpaid dividend per share. On distribution of capital on a winding up of SCACH, holders of redeemable preference shares shall be entitled to the repayment of capital paid up on the shares, in priority to any repayment to the ordinary shareholders of SCACH.

MAT2 Group	2010 1% lower \$million	2010 1% higher \$million	2009 1% lower \$million	2009 1% higher \$million
Change in valuation of investments due to movement in the risk premia				
—Sydney Airport	587.4	(504.7)	423.6	(371.4)
	587.4	(504.7)	423.6	(371.4)
Change in the valuation of investments due to movement in revenue forecasts				
—Sydney Airport	(99.8)	99.8	(83.8)	83.2
	(99.8)	99.8	(83.8)	83.2

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10. Property, Plant and Equipment

	Land and buildings \$'000	Plant and machinery \$'000	Other fixtures and fittings, tools and equipment \$'000	Property, plant and equipment under construction \$'000	Total property, plant and equipment \$'000
MAp					
Net book amount at 1 January 2010	1,031,530	1,354,613	59,860	136,731	2,582,734
Additions	-	-	1,170	135,407	136,577
Disposals / transfers	176,212 ²⁶	16,644	14,683	(209,031)	(1,492)
Depreciation	(91,735)	(89,911)	(27,651)	-	(209,297)
Translation of foreign operations	-	-	(7)	-	(7)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515
At 31 December 2010					
Cost	1,448,379	1,719,706	148,311	63,107	3,379,503
Accumulated depreciation	(332,372) ²⁶	(438,360)	(100,256)	-	(870,988)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515
Net book amount at 1 January 2009	793,628	1,258,747	52,903	352,288	2,457,566
Additions	-	-	-	305,473	305,473
Disposals / transfers	311,648	171,606	36,738	(521,030)	(1,038)
Depreciation	(73,746)	(75,740)	(29,781)	-	(179,267)
Net book amount at 31 December 2009	1,031,530	1,354,613	59,860	136,731	2,582,734
At 31 December 2009					
Cost	1,280,394	1,703,062	132,465	136,731	3,252,652
Accumulated depreciation	(248,864)	(348,449)	(72,605)	-	(669,918)
Net book amount at 31 December 2009	1,031,530	1,354,613	59,860	136,731	2,582,734
MAT2 Group					
Net book amount at 1 January 2010			-	-	-
Additions			922	5	927
Disposals / transfers			(2)	-	(2)
Depreciation			(105)	-	(105)
Net book amount at 31 December 2010			815	5	820
At 31 December 2010					
Cost			920	5	925
Accumulated depreciation			(105)	-	(105)
Net book amount at 31 December 2010			815	5	820

MAT2 Property Plant and Equipment relate to the new MAp Sydney office and accordingly there is no comparative.

²⁶ Includes an \$8.2 million cost and depreciation adjustment.

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11. Intangible Assets

	Concession and customer contracts \$'000	Airport operator licence \$'000	Leasehold land ²⁷ \$'000	Goodwill \$'000	Total \$'000
Net book amount at 1 January 2010	100,023	5,425,965	1,970,898	669,721	8,166,607
Amortisation charge for the year	(20,597)	(66,038)	(22,825)	-	(109,460)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147
At 31 December 2010					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(90,387)	(247,834)	(90,075)	-	(428,296)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147
Net book amount at 1 January 2009	122,702	5,485,870	1,993,114	669,721	8,271,407
Amortisation charge for the year	(22,679)	(59,905)	(22,216)	-	(104,800)
Net book amount at 31 December 2009	100,023	5,425,965	1,970,898	669,721	8,166,607
At 31 December 2009					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(69,790)	(181,796)	(67,250)	-	(318,836)
Net book amount at 31 December 2009	100,023	5,425,965	1,970,898	669,721	8,166,607

11.1. Impairment test for goodwill

Goodwill is allocated to MAp's cash-generating units (CGU's) identified as being the respective airports.

MAp	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Sydney Airport	669,721	669,721
Total goodwill	669,721	669,721

The recoverable amount of a CGU is determined based on "fair value less cost to sell" by determining fair value using discounted cash flow analysis.

11.2. Key assumption used for fair value less cost to sell calculation

The key assumption used in the calculation to determine the fair value less cost to sell is the discount rate used in the discounted cash flow model. For Sydney Airport the discount rate used is 14.3% (refer Note 1.4).

Discounted cash flow analysis is the methodology adopted by the directors to value MAp's airport investments. Valuations derived from the discounted cash flow analysis are periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the assets on a periodic basis, no longer than three years.

Investment valuation sensitivity to an increase in the risk premium of 1% or a decrease in revenue forecasts of 1% would not result in an impairment of goodwill.

The MAT2 Group does not have any intangibles, therefore no tables have been presented.

²⁷ Leasehold land represents the right to use the land in relation to Sydney Airport.

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12. Subsidiaries

12.1. MAp's significant subsidiaries

Name of entity	Country of incorporation / establishment	Class of shares / units	Beneficial ownership interest	
			31 Dec 2010	31 Dec 2009
MAp Airports (Sydney Holdings) Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
MAp Airports (Sydney Holdings) Two Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
MAp Airports Sydney Kingsford Smith No. 1 Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
MAp Airports Sydney Kingsford Smith No. 2 Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
MAp Airports Sydney Kingsford Smith No. 3 Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
MAp Airports Sydney Kingsford Smith No. 4 Pty Limited	Australia	Ordinary shares / redeemable preference shares	100.0 %	100.0 %
Southern Cross Australian Airports Trust	Australia	Ordinary units	85.6 %	85.6 %
Southern Cross Airports Corporation Holdings Limited	Australia	Ordinary shares	74.0 %	74.0 %
Sydney Airport Corporation Limited	Australia	Ordinary shares	74.0 %	74.0 %
Southern Cross Airports Corporation Pty Limited	Australia	Ordinary shares	74.0 %	74.0 %
NA International S.a.r.l.	Luxembourg	Ordinary shares / preference shares	100 %	100 %
JMEX B.V.	Netherlands	Ordinary shares	100 %	100 %
International Infrastructure Holdings Limited (IIHL)	Bermuda	Ordinary shares / preference shares	- ²⁸	75.1 %
TICKETS Defeasance Trust	Australia	Units	100.0 %	100.0 %

²⁸ IIHL was originally formed to acquire MAp's interest in JAT. During 2010 IIHL was wound up, as were its two subsidiaries, Cooperatief International Infrastructure Holdings U.A. and International Infrastructure Holdings BV.

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12. Subsidiaries (continued)

12.2. MAT2 Group significant subsidiaries

Name of entity	Country of incorporation / establishment	Class of shares / units	Beneficial ownership interest	
			31 Dec 2010	31 Dec 2009
MAp Airports (Sydney Holdings) Pty Limited	Australia	Ordinary shares	100.0 %	100.0 %
Southern Cross Australian Airports Trust	Australia	Ordinary units	53.5 %	53.5 %
MAp Airports Sydney Kingsford Smith No. 2 Pty Limited	Australia	Ordinary shares	100.0 %	100.0 %
MAp Airports Sydney Kingsford Smith No. 3 Pty Limited	Australia	Ordinary shares	100.0 %	100.0 %

13. Investments in Associates

13.1. MAp's significant associates

Name of associate	Beneficial ownership interest ²⁹	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Copenhagen Airports S.a r.l.	26.9 % ³⁰	26.9 % ³⁰
Brussels Airport Investments S.a r.l.	39.0 %	36.0 %

As at 31 December 2010, MAp's holdings in Copenhagen Airports and Brussels Airport are classified as investments in associates and are accounted for at fair value through profit or loss.

On 17 December 2009 MAp received an exercise notice of a put option in respect of Global Infrastructure Fund 2's 3% economic interest in Brussels Airport. This acquisition reached financial close on 21 January 2010 for a total consideration of EUR46.6 million (\$75.8 million). This acquisition increased MAp's economic interest in Brussels Airport from 36.0% to 39.0%.

Unless stated otherwise, the proportion of voting power held in the associates disclosed above is in proportion to the direct ownership interest held.

The above associates are measured at fair value in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in fair value are recognised as income or expenses in the Consolidated Statements of Comprehensive Income in the financial year in which the changes occur. Refer to Note 9.

²⁹ Beneficial interest in underlying airports.

³⁰ Excludes an interest of 3.9% in Copenhagen Airports A/S held directly by a wholly owned subsidiary of MAp.

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13. Investment in Associates (continued)

13.2. MAT2 Group significant associates

Name of associate	Beneficial ownership interest	
	31 Dec 2010 \$'000	31 Dec 2009 \$'000
Southern Cross Airports Corporation Holdings Limited ³¹	47.3 %	47.3 %
MAp Airports (Europe) Limited	25.1 %	25.1 %

MAT2, when consolidating SCAAT, MASKS2 and MASKS3, holds a 76.3% ownership interest in SCACH and a 73.8% voting interest in SCACH. However, SCACH has not been consolidated into the financial reports of the MAT2 Group, as the provisions of the SCACH shareholders' agreement require a 75% majority to pass significant resolutions by both the shareholders of SCACH and its Board of directors. Consequently the MAT2 Group does not have the capacity to control the operating and financial decisions of SCACH.

Unless stated otherwise, the proportion of voting power held in the associates disclosed above is in proportion to the direct ownership interest held.

The above associates are measured at fair value in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in fair value are recognised as income or expenses in the Consolidated Statements of Comprehensive Income in the financial year in which the changes occur. Refer to Note 9.

14. Payables

	Note	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Current					
Interest payable on external debt		73,774	66,461	-	-
Interest payable on MASH redeemable preference shares		-	-	43,692	20,176
Interest payable on MASKS2 redeemable preference shares		-	-	13,636	71,735
Interest payable on MASKS3 redeemable preference shares		-	-	4,396	2,695
Trade payables		5,317	12,225	66	147
Expense accruals		38,280	38,241	490	-
Employee entitlements		10,675	9,421	2,602	1,196
Payables relating to related parties	23.16	-	-	5,173	2,801
Land rich stamp duty liability	7	401,525	401,525	-	-
Amounts payable under finance lease agreement		1,798	2,224	-	-
GST payable		5,816	5,272	657	497
Withholding tax payable		2,555	-	-	-
Sundry creditors		12,970	12,697	65	273
		552,710	548,066	70,777	99,520
Non-current					
Lease payable		4,552	5,756	-	-
		4,552	5,756	-	-

The fair values of payables approximate their carrying values.

³¹ MAT2, through its interest in SCAAT, MASKS2 and MASKS3, holds a 47.3% economic interest in SCACH.

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15. Interest Bearing Liabilities

	Note	MAp 31 Dec 10 \$'000	MAp 31 Dec 09 \$'000	MAT2 31 Dec 10 \$'000	MAT2 31 Dec 09 \$'000
Non-current					
Redeemable preference shares issued by MASH	15.3	-	-	861,994	861,962
Redeemable preference shares issued by MASKS2	15.4	-	-	838,588	846,369
Redeemable preference shares issued by MASKS3	15.5	-	-	59,284	59,413
Loans from MAT1		-	-	78,546	78,546
Sydney Airport					
— Bank facilities	15.1	534,708	739,221	-	-
— Capital Index Bonds	15.6	917,238	893,017	-	-
— Medium Term Notes	15.2	3,726,392	3,445,889	-	-
— SCACH Redeemable Preference Shares	15.7	341,623	364,541	-	-
— SKIES	15.8	661,508	664,018	-	-
		6,181,469	6,106,686	1,838,412	1,846,290

15.1. Sydney Airport has entered into a series of bank facilities secured by fixed and floating charges over the assets and undertakings of the SCACH group and a mortgage over the Airport lease. Interest is charged at BBSY plus a predetermined margin. The weighted average effective interest rate on the loans was 7.1% with maturities ranging between 1 and 5 years. At 31 December 2010, Sydney Airport has an undrawn balance on these facilities of \$789 million (2009: \$572 million).

15.2. Sydney Airport has issued a mixture of fixed and floating interest rate Medium Term Notes (MTNs) with maturities ranging from 1 to 19 years. The MTNs are secured by fixed and floating charges over assets and undertakings of SCACH and its subsidiaries (SCACH Group) and a mortgage over the Airport lease. Financial guarantees in respect of some of the notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. At 31 December 2010 the weighted average effective interest rate on the MTNs was 5.5% (2009: 5.3%).

15.3. The redeemable preference shares (RPS) represent 871.9 million RPS issued by MASH to MAT1 (2009: 871.9 million). The MASH RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

The shares are redeemable at \$1 per share on the date 30 years after the issue date of the shares, provided that any redemption is effected in accordance with the Corporations Act 2001. The holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per share. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASH, holders of RPS shall be entitled to the repayment of capital paid up on the shares, in priority to any repayment to the ordinary shareholders of MASH. The effective interest rate on the MASH RPS is 15.2% per annum.

15.4. The RPS represent 846.4 million RPS issued by MASKS2 to MAT1. The MASKS2 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

The shares are redeemable at \$1 per share on the date 40 years after the issue date of the shares, provided that any redemption is effected in accordance with the Corporations Act 2001. The holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per share. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS2, holders of RPS shall be entitled to the repayment of capital paid up on the shares, in priority to any repayment to the ordinary shareholders of MASKS2. The effective interest rate on the MASKS2 RPS is 15.0% per annum.

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15. Interest Bearing Liabilities (continued)

- 15.5.** The RPS represent 59.3 million RPS issued by MASKS3 to MAT1. The MASKS3 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

The shares are redeemable at \$1 per share on the date 40 years after the issue date of the shares, provided that any redemption is effected in accordance with the Corporations Act 2001. The holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per share. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS3, holders of RPS shall be entitled to the repayment of capital paid up on the shares, in priority to any repayment to the ordinary shareholders of MASKS3. The effective interest rate on the MASKS3 RPS is 14.9% per annum.

- 15.6.** Sydney Airport as at 31 December 2010 (and at 31 December 2009) has issued two tranches of Capital Index Bonds (CIBs). The bond principal for both issues increases through to maturity by the Consumer Price Index. Both tranches of CIBs pay a fixed interest rate that is calculated on the increasing bond principal. The CIBs are secured by fixed and floating charges over assets and undertakings of SCACH Group and a mortgage over the airport lease. A financial guarantee in respect of the bonds is provided by MBIA Insurance Corporation. The current weighted effective interest rate on the CIBs is 3.5% (2009: 3.5%)
- 15.7.** As at 31 December 2010 (and at 31 December 2009) Sydney Airport has on issue 13,648,394 RPS, with each RPS stapled to one ordinary share of SCACH. At 31 December 2010 MAp holds 11,317,875 RPS which are eliminated on consolidation. The RPS carry an entitlement to a fixed cumulative dividend at a rate of 13.5% per annum, payable quarterly. The RPS are redeemable at a premium of \$50 on 28 June 2032.
- 15.8.** At 31 December 2010 (and at 31 December 2009) Sydney Airport has 6.5 million Sydney Kingsford Smith Interest Earning Securities (SKIES) on issue. SKIES are a subordinated, unsecured note listed on the Australian Securities Exchange (ASX). The notes have a 10 year maturity from issue date 21 December 2006 and currently pay interest quarterly, at a margin of 180 basis points over BBSW. At 31 December 2010 the effective interest rate of SKIES was 6.8% (2009: 6.6%).

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15. Interest Bearing Liabilities (continued)

MAp	Maturity date of interest bearing liability						Capitalised costs	Total
	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Greater than 5 years \$'000		
2010								
Sydney Airport								
—Bank facilities	-	-	354,100	35,500	160,000	-	(14,892)	534,708
—Capital Index Bonds	-	-	-	-	-	978,591	(61,353)	917,238
—Medium Term Notes	-	278,000	217,000	700,000	475,000	2,118,007	(61,615)	3,726,392
—SCACH Redeemable Preference Shares	-	-	-	-	-	348,967	(7,344)	341,623
—SKIES	-	-	-	-	-	650,000	11,508	661,508
Total	-	278,000	571,100	735,500	635,000	4,095,565	(133,696)	6,181,469
2009								
Sydney Airport								
—Bank facilities	-	748,705	-	-	-	-	(9,484)	739,221
—Capital Index Bonds	-	-	-	-	-	950,488	(57,471)	893,017
—Medium Term Notes	-	400,000	280,000	217,000	700,000	1,909,000	(60,111)	3,445,889
—SCACH Redeemable Preference Shares	-	-	-	-	-	373,357	(8,816)	364,541
—SKIES	-	-	-	-	-	650,000	14,018	664,018
Total	-	1,148,705	280,000	217,000	700,000	3,882,845	(121,864)	6,106,686

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15. Interest Bearing Liabilities (continued)

	Floating interest rate \$'000	Fixed interest rate (term)					Total '000	Weighted average rate
		1 to 2 years '000	2 to 3 years '000	3 to 4 years '000	4 to 5 years '000	Greater than 5 years '000		
MAp								
2010								
Sydney Airport	4,212,736	37,531	-	-	172,673	1,758,529	6,181,469	5.88 %
Total	4,212,736	37,531	-	-	172,673	1,758,529	6,181,469	
Derivatives (notional balances)								
Sydney	(4,775,672)	268,712	636,857	824,924	509,991	2,535,188	-	6.21 %
Total	(4,775,672)	268,712	636,857	824,924	509,991	2,535,188	-	
Net exposure	(562,936)	306,243	636,857	824,924	682,665	4,293,716	6,181,469	
2009								
Sydney Airport	4,561,443	247,684	-	-	40,000	1,257,559	6,106,686	5.72 %
Total	4,561,443	247,684	-	-	40,000	1,257,559	6,106,686	
Derivatives (notional balances)								
Sydney	(3,925,105)	764,298	236,513	184,881	560,330	2,179,083	-	6.23 %
Total	(3,925,105)	764,298	236,513	184,881	560,330	2,179,083	-	
Net exposure	636,339	1,011,982	236,513	184,881	600,330	3,436,641	6,106,686	

Sydney Airport has entered into interest rate and cross currency swaps to manage the interest rate risk on the floating rate interest bearing liabilities. Details of these derivative contracts can be found in Note 8 and details of the risk management for the Group can be found in Note 25.

	Total \$'000	Weighted contractual average interest rate %
MAT2 Group		
2010		
Fixed	1,838,412	15.00 %
2009		
Fixed	1,846,290	15.00 %

All MAT2 fixed interest bearing liabilities have a term of greater than five years.

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15. Interest Bearing Liabilities (continued)

	Undrawn balance MAp 31 Dec 2010 \$'000	Undrawn balance MAp 31 Dec 2009 \$'000
MAp		
Bank facilities	592,000	375,000
Working capital facility	86,000	86,000
Liquidity facility	111,000	111,000
	789,000	572,000

The MAT2 Group did not have undrawn facilities available at 31 December 2010 (2009: nil).

15.9. Assets pledged as security

Sydney Airport has pledged all of its assets (excluding deferred tax and goodwill) as security for interest bearing liabilities.

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16. Tax Assets and Tax Liabilities

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Current assets				
Income tax receivable	-	1,871	-	1,871
Current liabilities				
Provision for income tax	232	1,241	-	184
Non-current liabilities				
Deferred tax liabilities	1,884,831	1,937,545	708,932	368,315
The balance of deferred tax liabilities comprises temporary differences attributable to:				
Amounts recognised in the Consolidated Statements of Comprehensive Income				
—Prepayments	2,349	2,731	-	-
—Property, plant and equipment	272,847	281,478	-	-
—Intangibles	2,135,905	2,168,743	-	-
—Financial assets at fair value through profit or loss	-	-	748,892	428,910
—Interest bearing liabilities	(12,674)	(12,916)	-	-
—Other payables	(8,690)	(6,902)	(821)	(437)
—Finance cost payable	(8,545)	(20,967)	(13,429)	(25,428)
—Deferred income	2,899	-	-	-
—Deferred costs	(26,615)	(35,397)	(26,615)	(35,397)
—Accrued revenue	10,376	9,216	926	698
—Cash flow hedges	(5,369)	-	-	-
—Tax losses	(457,936)	(426,659)	-	-
	1,904,547	1,959,327	708,953	368,346
Amounts recognised directly in equity				
—Cash flow hedges	(20,036)	(21,533)	-	-
—Establishment costs	320	(249)	(21)	(31)
	(19,716)	(21,782)	(21)	(31)
Net deferred tax liabilities	1,884,831	1,937,545	708,932	368,315
Movements in deferred tax liabilities:				
Opening balance at 1 January	1,937,545	2,021,174	368,315	503,044
Debited / (credited) to the Consolidated Statements of Comprehensive Income				
—Prepayments	(382)	3,204	-	-
—Property, plant and equipment	(8,631)	(16,089)	-	-
—Intangibles	(32,838)	(9,608)	-	-
—Financial assets at fair value through profit or loss	-	-	319,982	(70,173)
—Interest bearing liabilities	242	(11,273)	-	-
—Other payables	(1,788)	2,822	(384)	(397)
—Finance cost payable	12,422	(31,029)	11,999	(28,205)
—Deferred income	2,899	-	-	-
—Deferred costs	8,782	(35,397)	8,782	(35,397)
—Accrued revenue	1,160	393	228	(582)
—Cash flow hedges	(5,369)	-	-	-
—Tax losses	(31,277)	(53,550)	-	-
	(54,780)	(150,527)	340,607	(134,754)
Debited to equity	2,066	66,898	10	25
Closing balance at 31 December	1,884,831	1,937,545	708,932	368,315

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17. Contributed Equity

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Opening balance at 1 January	3,948,660	3,610,110	291,500	227,704
Transaction costs paid in relation to contributions to equity (net of tax)	(167)	(505)	(60)	(137)
Issued pursuant to entitlement offer on 6 November 2009	-	356,697	-	68,000
Cancelled pursuant to security buyback 1 January 2009 to 23 February 2009	-	(17,642)	-	(4,067)
Closing balance at 31 December	3,948,493	3,948,660	291,440	291,500

	MAT1 2010 Number of stapled securities / units '000	MAT1 2009 Number of stapled securities / units '000	MAT2 2010 Number of units '000	MAT2 2009 Number of units '000
On issue at the beginning of the year	1,861,211	1,713,636	1,861,211	1,713,636
Issued pursuant to entitlement offer on 6 November 2009	-	155,086	-	155,086
Cancelled pursuant to security buyback 1 January 2009 to 23 February 2009	-	(7,511)	-	(7,511)
On issue at the end of the year	1,861,211	1,861,211	1,861,211	1,861,211

17.1. Ordinary units in MAT1 and MAT2 and ordinary shares in MAIL

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 Australian Corporations Act 2001, Bermudian Companies Act, the Australian Securities Exchange Listing Rules and the foreign ownership provisions in MAp's constitutions. 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 dollar of the value of the total interests they have in MAT1 and MAT2 and one vote for each fully paid share in respect of MAIL.

While MAT2 is taxed as a company, it need not distribute all of its taxable income to security holders. Unless the Responsible Entity determines otherwise, a security on issue in MAT1 at the end of an income period entitles its holder to a pro-rata proportion of the net income of the Trust in respect of that income period. The Responsible Entity determines the net income of the Trusts as at the end of each financial year. The directors of MAIL may declare dividends which appear justified by the financial position of MAIL. The entitlement to income of each fully paid stapled security will be distributed to the investor within two months of the last day of the income period.

Upon the winding up of a Trust, the Responsible Entity is required to realise the assets of the Trust and after meeting liabilities of the Trust, to distribute the net proceeds to the security holders pro-rata according to the number of securities held on the date upon which the Trust commenced to be wound up. If MAIL is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the members in specie the whole or any part of the assets of MAIL.

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18. Retained Profits

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Opening balance at 1 January	1,804,389	2,643,495	1,442,748	1,637,612
Profit / (loss) attributable to security holders	100,830	(572,696)	404,781	(194,864)
Transfer from capital reserve	-	104,283	-	-
Distributions provided for or paid	(623,511)	(370,693)	-	-
Closing balance at 31 December	1,281,708	1,804,389	1,847,529	1,442,748

19. Reserves

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Balance of reserves				
Capital reserve	(713,165)	(713,165)	-	-
Hedging reserve - cash flow hedges	(31,595)	(34,178)	-	-
Foreign currency translation reserve	37,121	89,835	-	-
Other reserve	411,828	388,049	(99,808)	(99,808)
	(295,811)	(269,459)	(99,808)	(99,808)
Movements of reserves				
Capital reserves				
Opening balance at 1 January	(713,165)	(608,882)	-	-
Transfers to retained profits	-	(104,283)	-	-
Closing balance at 31 December	(713,165)	(713,165)	-	-
Hedging reserve – cash flow hedges				
Opening balance at 1 January	(34,178)	(151,819)	-	-
Revaluation – gross	3,690	168,059	-	-
Tax effect	(1,107)	(50,418)	-	-
Closing balance at 31 December	(31,595)	(34,178)	-	-
Foreign currency translation reserve				
Opening balance at 1 January	89,835	216,203	-	-
Net exchange differences on translation of foreign controlled entities	(52,714)	(126,368)	-	-
Closing balance at 31 December	37,121	89,835	-	-
Other reserve				
Opening balance at 1 January	388,049	484,205	(99,808)	(6,898)
Acquisition of additional interest in subsidiary ³²	23,779	(96,156)	-	(92,910)
Closing balance at 31 December	411,828	388,049	(99,808)	(99,808)

³² Relates to prior year entry previously booked against Other Reserves, now reclassified to SCACH Redeemable Preference Shares within Interest Bearing Liabilities.

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19. Reserves (continued)

19.1. Nature and purpose of reserves

19.1.1. Capital reserve

The capital reserve represents the amounts transferred to retained profits to facilitate distributions from the Trusts in accordance with the Trust Constitutions in previous years.

19.1.2. Hedging reserve – cash flow hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in Note 1.22.2. The gain or loss relating to an ineffective portion of a hedge is recognised in the Consolidated Statements of Comprehensive Income.

19.1.3. Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in Note 1.21.

19.1.4. Other reserve

The other reserve represents transactions between equity holders and other reserves on business combination.

20. Minority Interest in Controlled Entities

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Interest in:				
Contributed equity	655,196	648,772	1,011,250	1,011,250
Reserves	353,539	352,656	(7,065)	(7,065)
Retained profits	(549,554)	(440,495)	780,833	497,155
	459,181	560,933	1,785,018	1,501,340

20.1. MAp

As MAp holds a controlling interest in SCAAT and Sydney Airport, (refer Note 12) it must consolidate 100% of the assets, liabilities and results of these entities into its consolidated financial report for the year ended 31 December 2010 and disclose a minority interest. This remains unchanged from 31 December 2009.

At 31 December 2010, MAp holds a direct interest in SCAAT of 85.6%. Accordingly, 14.4% of the contributed equity, reserves and undistributed operating surplus of SCAAT are shown as minority interest in the MAp consolidated financial report as at 31 December 2010. This remains unchanged from 31 December 2009.

At 31 December 2009, MAp held a direct interest in IIHL of 75.1%. Accordingly, 24.9% of the 2009 contributed equity, reserves and retained profit of IIHL were shown as minority interest in the MAp consolidated financial report at that time. During 2010, IIHL was wound up, and accordingly minority interest balances no longer include IIHL.

At 31 December 2010, MAp holds a direct interest in Sydney Airport of 74.0%. Accordingly, 26.0% of the contributed equity, reserves and pre-acquisition retained profit of Sydney Airport are shown as minority interest in the MAp consolidated financial report as at 31 December 2010. This remains unchanged from 31 December 2009.

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20. Minority Interest in Controlled Entities (continued)

20.2. MAT2 Group

At 31 December 2010, as MAT2 holds a controlling interest in SCAAT (refer Note 12), It must consolidate 100% of the assets, liabilities and results of SCAAT into its consolidated financial report for the year ended 31 December 2010 and disclose a minority interest. At 31 December 2010 MAT2 holds a direct interest in SCAAT of 53.5%. Accordingly, 46.5% of the contributed equity, reserves and retained profits of SCAAT is shown as a minority interest in the MAT2 Group consolidated financial report as at 31 December 2010.

21. Earnings per Stapled Security

	MAp 31 Dec 2010	MAp 31 Dec 2009	MAT2 31 Dec 2010	MAT2 31 Dec 2009
Basic earnings per stapled security	5.42c	(33.11)c	21.75c	(11.27)c
Diluted earnings per stapled security	5.42c	(33.11)c	21.75c	(11.27)c
Basic earnings per stapled security				
Profit / (loss) from continuing operations after income tax expense	\$51,751,024	(\$615,077,072)	\$804,704,457	(\$232,292,025)
Minority interest	\$49,079,240	\$42,380,982	\$399,922,571	\$37,428,473
Earnings used in calculation of basic earnings per stapled security	\$100,830,264	(\$572,696,090)	\$404,781,886	(\$194,863,552)
Diluted earnings per stapled security				
Earnings used in calculation of basic earnings per stapled security	\$100,830,264	(\$572,696,090)	\$404,781,886	(\$194,863,552)
Interest expense savings on loans from MAREST	-	\$57,715,536	-	-
Interest income reduction on investment in TDT	-	(\$36,251,183)	-	-
Earnings used in calculation of diluted earnings per stapled security	\$100,830,264	(\$551,231,737)	\$404,781,886	(\$194,863,552)
Weighted average number of securities on issue				
Weighted average number of ordinary securities used in calculation of basic earnings per stapled security	1,861,210,782	1,729,714,778	1,861,210,782	1,729,714,778
Conversion of TICKETS	-	283,898,501	-	283,898,501
Weighted average number of ordinary securities used in calculation of diluted earnings per stapled security	1,861,210,782	2,013,613,279	1,861,210,782	2,013,613,279

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22. Cash Flow Information

	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Reconciliation of profit from continuing operations after income tax expense from operating activities				
Profit / (loss) from continuing operations after income tax (expense) / benefit	51,751	(615,077)	804,704	(232,293)
Revaluation (gain) / loss from investments	26,325	397,862	(1,370,860)	6,173
Revaluation of investments following receipt of cash	34,482	61,383	304,503	228,760
Expenses relating to investing activities	13,023	2,914	375	-
Expenses relating to financing activities	472,332	626,047	281,172	248,350
(Gain) / loss on derivative contracts	7,309	(67,506)	-	-
Net foreign exchange differences	(21,801)	(16,743)	(363)	(2)
Depreciation and amortisation	318,757	284,067	105	-
Gain on redemption of IIHL preference shares	(2,118)	(76,979)	-	-
Changes in operating assets and liabilities net of effects of deconsolidation / acquisition of controlled entities:				
(Increase) / decrease in receivables and other assets	16,986	16,694	45,342	(47,520)
Increase / (decrease) in payables	(1,420)	(126,256)	(324)	1,670
Increase / (decrease) in tax liabilities	(51,968)	(95,442)	342,672	(144,633)
Net cash inflow from operating activities	863,658	390,964	407,326	60,505

22.1. Non-cash financing and investing activities

22.1.1. MAp

There were no non-cash transactions at the MAp level.

22.1.2. MAT2 Group

There were no non-cash transactions at the MAT2 level.

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23. Related Party Disclosures

23.1. Responsible Entity

The Responsible Entity of MAT1 and MAT2 is MAp Airports Limited (MAPL). MAPL is a wholly owned subsidiary of MAT2. The registered office of the Responsible Entity is Level 13, 20 Hunter Street, Sydney NSW 2000.

23.2. Adviser

The adviser of MAIL is MAPL.

23.3. Internalisation

On 24 July 2009, MAp announced that it had reached agreement with Macquarie to internalise the management of MAp for a negotiated fee of \$345.0 million for the termination of management arrangements with Macquarie. The internalisation and fee were approved by a vote of security holders on 30 September 2009.

MAp implemented the internalisation on 16 October 2009 by MAT2 Holdings Pty Limited, a wholly owned subsidiary of MAT2, acquiring all the issued capital of MAPL, the responsible entity for MAT1 and MAT2, and ending the Advisory Agreement between MAIL and a Macquarie subsidiary. MAp made employment offers to senior management who then transferred to MAp.

MAp entered into a Transitional Services Agreement with Macquarie for the period from internalisation to 15 October 2010. During this time Macquarie provided transitional services to MAp. MAp has determined that for the purposes of AASB 124: *Related Party Transactions*, Macquarie shall be deemed a related party until 15 October 2010.

23.4. Directors

The following persons were directors of the Responsible Entity from the period noted and up to the date of this report (unless otherwise noted):

Name	Role	Period of Directorship
Max Moore-Wilton	Chairman, Non-executive director	Since April, 2006
Trevor Gerber	Non-executive director	Since April, 2002
Michael Lee	Non-executive director	Since June, 2003
Robert Morris	Non-executive director	Since September, 2002
John Roberts	Non-executive director	Since October, 2009
John Mullen	Non-executive director	Since 1 July 2010, resigned 21 February 2011
Stephen Ward	Non-executive director	Since 21 February 2011
Kerrie Mather	Executive director	Since 1 July 2010

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

Name	Role	Period of Directorship
Jeffrey Conyers	Chairman, Non-executive director	Since July, 2003
Sharon Beesley	Non-executive director	Since February, 2002
Stephen Ward	Non-executive director	Since July, 2006
Max Moore-Wilton	Non-executive director	Since April, 2006

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23. Related Party Disclosures (continued)

23.4. Directors (continued)

The number of stapled securities in MAp and units in MAT2 held directly and indirectly by the directors of the Responsible Entity and MAIL are listed below:

Name	Balance at 1 Jan 2009	Changes during the prior year	Balance at 1 Jan 2010	Changes during the year	Balance at 31 Dec 2010
Max Moore-Wilton	602,690	54,789	657,479	(7,479)	650,000
Trevor Gerber	Nil	185,454	185,454	-	185,454
Michael Lee	Nil	6,630	6,630	430	7,060
Robert Morris	Nil	40,908	40,908	-	40,908
John Mullen	N/A	N/A	Nil³³	-	Nil
Kerrie Mather	Nil	3,554,521	3,554,521³⁴	500	3,555,021
John Roberts	Nil	63,390	63,390	4,117	67,507
Jeffrey Conyers	Nil	-	Nil	25,000	25,000
Sharon Beesley	Nil	-	Nil	-	Nil
Stephen Ward	20,000	1,818	21,818	-	21,818

During the year, no director of the Responsible Entity has received or become entitled to receive any benefit because of a contract made by the Groups with a director or with a firm of which a director is a member, or with an entity in which the director has a substantial interest except at terms set out in the Trust Constitutions.

23.5. Key Management Personnel

The following are Key Management Personnel (KMP) of MAp:

- The Responsible Entity (until 15 October 2009)
- Max Moore-Wilton (Director of MAPL and MAIL)
- Trevor Gerber (Director of MAPL, KMP from 16 October 2009)
- Michael Lee (Director of MAPL, KMP from 16 October 2009)
- Bob Morris (Director of MAPL, KMP from 16 October 2009)
- John Roberts (Director of MAPL, KMP from 16 October 2009)
- John Mullen (Director of MAPL from 1 July 2010, KMP from 1 July 2010, resigned 21 February 2011)
- Jeffrey Conyers (Director of MAIL)
- Sharon Beesley (Director of MAIL)
- Stephen Ward (Director of MAIL, Director of MAPL from 21 February 2011)
- Kerrie Mather (Director of MAPL from 1 July 2010, CEO of MAp, KMP from 16 October 2009)

The KMP for the MAT2 Group was the Responsible Entity until 15 October 2009. The directors of the Responsible Entity and the CEO of MAp became KMP from 16 October 2009 as they are now remunerated out of the assets of MAp, with the Responsible Entity being a member of the Group from 16 October 2009.

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 the Responsible Entity of the Trusts and the directors of MAIL meet the definition of KMP as they have this authority in relation to the activities of MAp. These powers have not been delegated by the directors of the Responsible Entity or the directors of MAIL to any person other than the CEO of MAp. Accordingly, there are no other KMP of MAp.

³³ Balance as at 1 July 2010 being the date of Mr Mullen's appointment.

³⁴ Balance as at 1 July 2010 being the date of Ms Mather's appointment.

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23. Related Party Disclosures (continued)

23.5. Key Management Personnel (continued)

Compensation in the form of directors' fees paid or payable by MAp per director per annum are set out below:

	MAPL 2010 A\$	MAPL 2009 A\$	MAIL 2010 A\$	MAIL 2009 A\$
Max Moore-Wilton	374,096	64,375	58,160	50,000
Trevor Gerber	196,414	343,915 ³⁵	N/A	N/A
Michael Lee	183,820	113,915 ³⁵	N/A	N/A
Bob Morris	181,321	113,915 ³⁵	N/A	N/A
John Roberts	181,130	20,822	N/A	N/A
John Mullen	77,500	N/A	N/A	N/A
Kerrie Mather	Nil	Nil	Nil	Nil
Jeffrey Conyers	N/A	N/A	85,072	71,217 ³⁵
Sharon Beesley	N/A	N/A	71,616	41,543
Stephen Ward	Nil ³⁶	Nil	71,616	160,239 ³⁵

Sharon Beesley also received US\$5,000 for acting as director of MAEL, a subsidiary of MAIL.

The compensation paid to directors is determined with reference to current market rates for directorships of similar entities. The level of compensation is not related to the performance of MAp.

23.6. Remuneration policy and structure

MAp's remuneration framework's objective is to motivate the pursuit of long term growth and enable MAp to attract and retain high performers. The framework is designed to incentivise executives to achieve key performance indicators (KPIs), align executive rewards with the creation of long term security holder value and attract and retain high calibre individuals.

When determining Group executive remuneration levels, the role, responsibilities, contribution, performance and experience of the individual is taken into account. Benchmarking data relevant to the individual's role and location as well as MAp's scale, complexity and geographic spread is also considered.

Remuneration is divided into those components which are not directly linked to contribution and performance (FAR) and those components which are variable and directly linked to the delivery of personal KPIs and MAp's key business objectives including financial performance and security holder value creation (At Risk Remuneration)

23.7. Fixed Annual Remuneration

FAR generally consists of base salary and benefits at a guaranteed level. NEDs, Group executives and certain other executives are provided with a FAR amount and have flexibility to determine the precise amount of cash and benefits they receive within that amount.

³⁵ Includes Independent Board Committee (IBC) fees paid in relation to the Internalisation of MAp management (approved by Shareholders at the Special General meeting on 30 September 2009).

³⁶ Mr Ward was appointed to the MAPL board on 21 February 2011.

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23. Related Party Disclosures (continued)

23.8. At Risk Remuneration

In addition to FAR, a significant element of Group executives' maximum potential remuneration is required to be at risk. Currently, At Risk Remuneration (ARR) is provided to Group executives and certain other executives through a Short Term Incentive Plan (STIP).

An individual's maximum potential remuneration may be achieved only where they have achieved and surpassed challenging KPIs, including MAp's financial performance and security holder value creation.

Each MAp executive has a tailored set of KPIs, some of which may be shared with other executives. KPIs are selected for their relevance to the short and long term objectives of MAp and its airports and to promote security holder value creation. Executives directly responsible for airport operational management have KPIs relating to the specific airport for which they have responsibility. These KPIs may be the achievement of specific levels of financial performance but also include project and time specific targets related to the delivery of individual initiatives. Executives with group responsibilities have KPIs related to the delivery of group financial performance and security holder value creation such as the achievement of earnings per security targets or corporate level management targets.

The level of Short Term Incentive (STI) payments is determined by both MAp's corporate performance (financially and in terms of security holder valuation creation) and the achievement of an executive's KPIs. Where possible, performance against KPIs is measured in quantitative terms (eg achievement of a specific level of financial performance). Where a qualitative outcome is involved, performance is discussed with the executive's manager as part of the annual performance appraisal process. The manager then makes a recommendation to senior management with a final decision on the level of the STI payment approved by the CEO.

No STI payments were made in 2009 and 2010. However, Group executives and certain other executives are eligible to receive STI payments annually from February 2011 subject to individual and corporate performance. Payments in February 2011 reflect performance between 16 October 2009 and 31 December 2010. Maximum potential STI payments in February 2011 range up to 80% of FAR, adjusted to reflect the extended period to which they relate.

To promote executive retention, one third of any individual's STI payment in excess of A\$50,000 is deferred for three years. Resignation or termination with cause prior to the payment of any deferred element of STI result in this element being forfeited unless the Nomination & Remuneration Committee determines otherwise.

23.9. CEO and Group Executive Remuneration Arrangements for the Year Ended 31 December 2010

23.9.1 Service contracts

Group executive	Contract type & any special terms	FAR A\$	STI ³⁷ % of FAR	Termination
				12 months MAp / 6 months employee
Kerrie Mather (KMP) Chief Executive Officer	Permanent	1,700,000	80%	

Group executive contracts contain no provisions for termination payments over and above the notice periods set out above and applicable and outstanding incentive and retention payments.

³⁷ Maximum annualised STI as a proportion of FAR. There is no minimum agreed payment.

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23. Related Party Disclosures (continued)

23.10. Total remuneration and benefits for the year

The following table details total remuneration and benefits provided to Group executives for the year.

Name	Year	Short term employee benefits			Non-monetary benefits A\$	Post employment benefits Superannuation A\$
		Salary A\$	STI ³⁸ A\$	STI retained ³⁸ A\$		
Kerrie Mather	2010	1,685,170	1,038,000	615,000	Nil	14,830
	2009 ³⁹	359,336	Nil	Nil	Nil	3,002
Keith Irving	2010	385,170	205,667	55,333	Nil	14,830
	2009 ³⁹	90,093	Nil	Nil	Nil	2,882
Sally Webb ⁴⁰	2010	192,585	74,834	17,000	Nil	7,415
	2009 ³⁹	45,075	Nil	Nil	Nil	1,420

23.11. Responsible Entity's and Adviser's fees

Under the terms of the documents governing the individual entities within the Groups prior to internalisation, fees paid or payable (inclusive of non-recoverable GST and VAT) to the Responsible Entity of the Trusts and the Adviser of MAIL were:

	MAp 31 Dec 2010 \$	MAp 31 Dec 2009 \$	MAT2 31 Dec 2010 \$	MAT2 31 Dec 2009 \$
Responsible Entity's and Adviser's base fees – Macquarie Group	-	26,657,000	-	5,782,025

Base fees for the period to 15 October 2009 were calculated as a percentage of MAp's value on a sliding scale (decreasing as MAp value increased). Details of the previous arrangements can be found in the MAp Financial Report for the year ended 31 December 2009.

Fees were apportioned between MAT1, MAT2 and MAIL based on each entity's share of net assets of MAp. Following internalisation, no further base or performance fees are payable outside of MAp. Rather, operational expenses incurred by entities within MAp are invoiced to MAT1, MAT2 and MAIL quarterly, based on each entity's share of net assets of MAp on a cost plus 15% basis.

	MAp 31 Dec 2010 \$	MAp 31 Dec 2009 \$	MAT2 31 Dec 2010 \$	MAT2 31 Dec 2009 \$
Responsible Entity's and Adviser's fees – MAp Entities	151 ⁴¹	-	4,271	926

³⁸ As noted in section 3.2, no STI payments were made before February 2011. However, executives are eligible for STI payments in February 2011, dependent on performance between 16 October 2009 and 31 December 2010, and estimated payments have been accrued. STI retained will be paid to relevant employees on or around the third anniversary of grant provided they remain employed by MAp.

³⁹ Direct employment by MAp commenced on 16 October 2009. Before that, the executive was employed and remunerated by Macquarie and these amounts are not included.

⁴⁰ Ms Sally Webb also acts as General Counsel of MAp but the above disclosure is made solely due to her position as Company Secretary.

⁴¹ Relates to net GST expense as a result of internal management fee recharges.

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23. Related Party Disclosures (continued)

23.12. Custodians' fees

During the year Bond Street Custodians Limited, a wholly owned subsidiary of Macquarie, acted as custodian of certain assets of MAT1 and SCAAT. Fees paid or payable by the Group to Bond Street Custodians Limited under the terms of the Custody Agreements up until the time at which Macquarie ceased to be a related party were:

—	MAp \$145,512 (2009: \$144,453)
—	MAT2 Group \$29,306 (2009: \$18,530)

23.13. Other transactions

Sharon Beesley is a shareholder in ISIS Limited, to which MAp paid various fees of \$143,098 (2009: \$158,848) during the year.

The above amounts represent transactions on normal commercial terms made in relation to the provision of services.

23.14. MAp Group - transactions with Macquarie

Macquarie and companies within the Macquarie Group have undertaken various transactions with, and performed various services for MAp. Fees paid to Macquarie are approved solely by the independent directors on the Boards of the Responsible Entity and the Company and where appropriate, external advice is sought by the directors to ensure that the fees and terms of engagement are representative of arms length transactions.

From time to time, Macquarie and companies within the Macquarie Group buy and sell investments to and from MAp. The terms of investment transactions between MAp and Macquarie are the same as those offered to other parties.

At 31 December 2010, companies within the Macquarie Group held 411.0 million (2009: 427.1 million) stapled securities in the Group. As a stapled security holder, Macquarie was entitled to all distributions paid by MAp on these securities.

As previously stated, Macquarie is not deemed to be a related party from 16 October 2010 to the date of this report.

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

—	MAp \$10,631,782 (2009: \$49,954,583)
—	MAT2 Group \$2,057,833 (2009: \$13,246,107)

During the period to 15 October 2010, entities within the Group earned the following interest on deposits with MBL. MAp earns interest on deposit at commercial rates:

—	MAp \$1,278,778 (2009: \$1,726,830)
—	MAT2 Group \$198,029 (2009: \$314,506)

At 31 December 2010, MAp had the following balances of negotiable certificates of deposit, commercial paper and term deposits that had been purchased from the MBL Treasury and Debt Market desks:

—	MAp \$nil (2009: \$955,834,143)
—	MAT2 Group \$nil (2009: \$47,354,913)

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for year ended 31 December 2010

23. Related Party Disclosures (continued)

23.14. MAp Group - Transactions with Macquarie (continued)

During the period to 15 October 2010, entities within the Group earned the following interest on negotiable certificates of deposit, commercial paper and term deposits that had been purchased from the MBL Treasury and Debt Market desks. MAp earns interest on negotiable certificates of deposit, commercial paper and term deposits at commercial rates:

- MAp \$1,568,362 (2009: \$68,538,693)
- MAT2 Group \$679,649 (2009: \$6,763,372)

As previously stated, Macquarie is not deemed to be a related party as at 31 December 2010. However 31 December 2010 balances are provided above for comparative purposes.

During the period to 15 October 2010, Sydney Airport has paid \$4,547,561 (2009: \$6,746,691) to Macquarie for advisory services.

During the year Macquarie acted as joint underwriter of the divestment in ASUR as disclosed in Note 9.4. Macquarie received underwriting fees of \$3,236,347 in this transaction.

During the year Macquarie provided various services under the Transitional Services Agreement, following internalisation of MAp. MAp paid \$760,278 for these services.

During the year, the following services were provided by Macquarie to entities within the Group:

- Sydney Airport uses the services provided by Macquarie's debt market departments for interest rate swaps.
- MAp utilises the services provided by Macquarie's foreign exchange departments from time to time.

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

23.15. MAp Group - Transactions with related parties (excluding Macquarie)

During the prior year, Sydney Airport paid Airport Strategic Consultants Pty Limited (ASC) \$1,336,520 in fees. ASC was a 50% owned associate of MAp until it was deregistered on 8 July 2009.

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

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for year ended 31 December 2010

23. Related Party Disclosures (continued)

23.16. MAT2 Group

The following transactions are specific for the MAT2 Group:

- MAT2 has loaned monies to MAT1 under an interest bearing facility set up in 2008. Under the terms of the facility, interest is calculated at floating market rates and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the year ended 31 December 2010, interest of \$4,576,141 (2009: \$597,121) was paid or accrued on this facility. The balance outstanding as at 31 December 2010 is \$78,545,842 (2009: \$78,545,842).
- Companies within the MAT2 Group have loaned monies to MAT1 under a general purpose interest bearing facility set up in 2008. Under the terms of the facility, interest is calculated at floating market rates and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the year ended 31 December 2010, interest of \$48,030,837 (2009: \$35,270,926) was paid or accrued on this facility. The balance outstanding as at 31 December 2010 is \$832,300,422 (2009: \$832,300,422).
- During 2010, MAT1's investment in MASH Redeemable Preference Shares (\$871,900,000) paid interest of \$111,900,000 (2009: \$113,061,028).
- During 2010, MAT1's investment in MASKS2 Redeemable Preference Shares (\$846,380,833) paid interest of \$200,355,560 (2009: \$38,650,000).
- During 2010, MAT1's investment in MASKS3 Redeemable Preference Shares (\$59,308,579) paid interest of \$5,100,000 (2009: \$1,900,000).
- On 8 January 2009, MASKS1 loan of \$105,437,600 to SCAAT was repaid through the issuance of SCAAT units. During the year ended 31 December 2010, interest of \$nil (2009: \$122,852) was received or accrued on this facility.
- On 22 April 2009, MAT1 loaned \$59,308,579 to MASKS3. MASKS3 repaid this facility in full during June 2009 via the issuance of RPS to MAT1. Under the terms of the facility, interest was calculated at floating market rates and payable quarterly in arrears. Interest which was not paid could be capitalised. During the year ended 31 December 2009, interest of \$428,275 was paid or accrued on this facility.
- During the prior year, MASKS2 acquired 1,740,767 stapled securities in SCACH for a total of \$846,380,834.
- During the prior year, MASKS3 acquired 158,527 stapled securities in SCACH for a total of \$58,897,536.
- During the year M2HPL advanced cash to MAUK. At 31 December 2010 the balance was \$3,331 (2009 \$nil).
- During the year M2HPL advanced cash to MAHPL. At 31 December 2010 the balance was \$5,940 (2009 \$nil).
- During the year MAPL charged management fees to MAT1 of \$1,035,257 (2009 \$903,632). At 31 December 2010 the balance owing by MAT1 was \$364,195 (2009 \$535,599).
- During the year MAUK charged management fees to MAPL of \$3,962,754 (2009 \$910,222). At 31 December 2010 the balance owing by MAPL was \$1,529,288 (2009 \$504,571).
- During 2009 MAPL charged management fees to ARL. At 31 December 2010 the balance was \$150,720 (2009 \$150,720).
- During the year MAPL charged management fees to MAIL of \$1,997,485 (2009 \$1,727,183). At 31 December 2010 the balance owing by MAIL was \$206,760 (2009 \$760,315).
- During the year MAT2 charged Sydney Airport for services rendered of \$1,300,000

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24. Segment Reporting

The directors of the Responsible Entity of MAp have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of MAp Airports Limited, including the CEO.

The Board considers the business from the aspect of each of the core portfolio airports and has identified three operating segments for which it receives regular reports. The segments are the investments in Sydney Airport, Brussels Airport and Copenhagen Airports.

MAp's airport business also included investments in Japan Airport Terminal (up to 3 August 2009) and ASUR (up to 16 August 2010) and Bristol Airport (up to 21 December 2009). However, given the relative value of these investments, and also the fact that the chief operating decision maker did not receive regular reports on these investments, the investments did not meet the definition of operating segments under AASB 8: *Operating Segments*.

The operating segments note discloses airport performance by individual core portfolio airport in their respective local currencies. The information is presented at 100% of the earnings before interest, tax, depreciation and amortisation (EBITDA) rather than based on MAp's proportionate share. This is consistent with the manner in which this information is presented to the Board on a monthly basis in its capacity as chief operating decision maker, to monitor the portfolio asset fair values.

The segments noted below also represent MAp's geographical segments, determined by country in which they operate. Sydney Airport is the only controlled asset where revenues and expenses are consolidated in the Consolidated Statements of Comprehensive Income. All other airport investments are deemed non-controlled investments and are carried at fair value with changes recognised through profit and loss.

MAp	Sydney Airport \$'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Bristol Airport ⁴² GBP'000
Year to 31 December 2010				
Total segment revenues from external customers	943,104	3,525,500	365,455	-
Total segment expenses from external customers	(170,061)	(1,561,800)	(161,428)	-
EBITDA	773,043	1,963,700	204,027	-
Year to 31 December 2009				
Total segment revenues from external customers	853,347	2,923,959	365,660	48,220
Total segment expenses from external customers	(164,035)	(1,405,647)	(174,440)	(19,706)
EBITDA	689,312	1,518,312	191,220	28,514

MAp	Sydney Airport \$'000	Copenhagen Airports \$'000	Brussels Airport \$'000	Bristol Airport \$'000	Other \$'000	Total \$'000
31 December 2010						
Non-current assets	10,624,663	924,580	1,013,963	5,286	4,535	12,573,027
Total assets	11,430,513	924,580	1,013,963	5,286	951,293	14,325,635
Total liabilities	(8,791,854)	-	-	-	(140,210)	(8,932,064)
31 December 2009						
Non-current assets	10,767,044	972,340	947,295	6,446	209,908	12,903,033
Total assets	11,780,802	972,340	947,295	6,446	1,188,030	14,894,913
Total liabilities	(8,656,818)	-	-	-	(193,572)	(8,850,390)

⁴² Revenues and expenses for the period until 21 December 2009. Note that MAp retains a zero premium put and call option over approximately 1% of Bristol Airport which is expected to be exercised at a later date.

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24. Segment Reporting (continued)

A reconciliation of MAp EBITDA to loss before income tax benefit is provided as follows:

MAp	Sydney Airport \$'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Total '000
Year to 31 December 2010				
EBITDA	773,043	1,963,700	204,027	
EBITDA of investments carried at Fair Value	-	(1,963,700)	(204,027)	
AUD equivalent	773,043	-	-	773,043
Other income and expenses				
Interest income				61,103
Fair value movement on derivative contracts				(7,309)
Other income				4,241
Revaluation losses from investments				(26,325)
Finance costs				(472,332)
Amortisation and depreciation				(318,757)
Other expenses				(37,546)
Foreign exchange gains				21,801
Internalisation expenses				-
Loss before income tax benefit				(2,081)

MAp	Sydney Airport \$'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Total '000
Year to 31 December 2009				
EBITDA	689,312	1,518,312	191,220	
EBITDA of investments carried at Fair Value	-	(1,518,312)	(191,220)	
AUD equivalent	689,312	-	-	689,312
Other income and expenses				
Interest income				92,447
Fair value movement on derivative contracts				67,506
Other income				79,913
Revaluation losses from investments				(397,862)
Finance costs				(583,163)
Amortisation and depreciation				(284,067)
Other expenses				(82,943)
Foreign exchange losses				16,743
Internalisation expenses				(351,055)
Loss before income tax benefit				(753,169)

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24. Segment Reporting (continued)

MAT2 Group	Sydney Airport AUD '000
Year to 31 December 2010	
Total segment revenues	943,104
Total segment expenses	(170,061)
EBITDA	773,043
Year to 31 December 2009	
Total segment revenues	853,347
Total segment expenses	(164,035)
EBITDA	689,312

MAT2 Group	Sydney Airport \$'000	Other \$'000	Total \$'000
31 December 2010			
Non-current assets	5,571,019	833,660	6,404,679
Total assets	5,571,019	871,520	6,442,539
Total liabilities	-	(2,618,360)	(2,618,360)
31 December 2009			
Non-current assets	4,504,664	832,673	5,337,337
Total assets	4,504,664	945,532	5,450,196
Total liabilities	-	(2,314,416)	(2,314,416)

A reconciliation of the MAT2 Group EBITDA to profit / (loss) before income tax expense is provided as follows:

MAT2 Group	2010 \$'000	2009 \$'000
EBITDA	773,043	689,312
EBITDA of investments carried at Fair Value	(773,043)	(689,312)
Other income and expenses		
Interest income	54,859	41,840
Other income	16,795	3,208
Revaluation gains / (losses) from investments	1,370,860	(6,173)
Finance costs	(281,172)	(248,350)
Amortisation and depreciation	(105)	-
Administration expenses	(15,926)	(10,697)
Internalisation expenses	-	(147,308)
Profit / (loss) before income tax expense	1,145,311	(367,480)

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25. Financial Risk Management

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

Risk management is carried out by the Responsible Entity under policies approved by the Board of the Responsible Entity. The Board of the Responsible Entity identifies, evaluates and hedges 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.

25.1. Market risk

25.1.1. 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 arising from currency exposures to the Euro, Great Britain Pound and Danish Krone.

The Groups generally do not hedge the foreign exchange exposure on overseas investments due to their long-term horizon. Commitments to make investments which are denominated in foreign currencies are hedged, by way of forward contracts, as close as possible to the time of making the commitment or raising the required capital. Anticipated distributions from investments denominated in foreign currencies are typically hedged on a progressively declining basis out to 18 months. Entities within the Groups that have foreign loan liabilities are not covered using forward exchange contracts as these are covered by a natural hedge against the underlying assets.

Monetary items are converted to the Australian Dollar 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.

25.1.2. Price risk

The Groups hold investments which are classified on the Consolidated Balance Sheets at fair value through profit or loss. Accordingly the Groups are exposed to equity securities price risk resulting in unrealised gains or losses from time to time until sale of the investment. The Groups are long term investors and generally do not hedge against short term fluctuations in securities prices.

The Groups are not exposed to commodity price risk.

25.1.3. Interest rate risk

The Groups' main interest-rate risks arise from long-term borrowings and movements in interest earned on cash and cash equivalents.

Borrowings issued at variable rates expose the Groups to cash flow interest rate risk. Borrowings issued at fixed rates expose the Groups to fair value interest rate risk. The Groups have long term borrowings issued at both fixed and floating interest rates. For floating rate exposures, the Groups partially hedge the exposure by entering into interest rate and cross currency swaps, whereby the Groups agree with their counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts.

The Groups invest cash and cash equivalents in a manner designed to optimise interest earned whilst not engaging in unacceptable credit or liquidity risk.

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for year ended 31 December 2010

25. Financial Risk Management (continued)

25.2. Credit risk

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to committed transactions. The Groups limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Groups only accept independently rated parties with minimum ratings of A2. The Board of the Responsible Entity from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis.

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

MAp As at 31 December 2010	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	1,256,541	-	1,256,541
Derivative financial instruments	-	5,431	-	5,431
Receivables	402,191	90	132,081	534,362
Total	402,191	1,262,062	132,081	1,796,334

MAp As at 31 December 2009	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	1,459,641	-	1,459,641
Derivative financial instruments	-	751	-	751
Receivables	420,330	1,195	134,321	555,846
Total	420,330	1,461,587	134,321	2,016,238

MAT2 Group credit risk exposure relates to a \$832.3 million receivable, due from MAT1.

25.2.1. Governments

The credit risk to government relates to amounts that are receivable from the Australian, Belgian, Danish and United Kingdom governments which all have strong credit ratings.

25.2.2. Financial institutions

The credit risk to financial institutions relates to cash held by, receivables due from and negotiable certificates of deposit, commercial paper and term deposits that have been purchased from Australian and other OECD banks. In line with the credit risk policies of the Groups these counterparties must meet a minimum credit rating of A2.

25.2.3. Corporates

The credit risk to corporates relates to aeronautical, retail and property trade receivables at the airport asset level. These counterparties have a range of credit ratings.

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for year ended 31 December 2010

25. Financial Risk Management (continued)

25.3. Liquidity risk

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

The below tables display the forecast contractual undiscounted future cash flows of the MAp and MAT2 Groups' liabilities.

25.3.1. Undiscounted future cash flows

MAp As at 31 December 2010	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Sundry creditors	155,969	-	-	-	-	155,969
Distribution payable	186,143	-	-	-	-	186,143
Medium Term Notes	260,086	482,020	406,780	1,483,287	2,992,538	5,624,711
Bank facilities	39,061	39,168	389,742	218,943	-	686,914
Capital Index Bonds	34,636	34,731	34,636	69,272	1,253,373	1,426,648
SCACH Redeemable Preference Shares	54,653	46,245	46,119	92,238	1,102,778	1,342,033
SKIES	54,982	44,158	44,038	88,075	692,831	924,084
Derivative financial instruments	54,685	42,095	22,487	38,524	10,380	168,171
Total	840,215	688,417	943,802	1,990,339	6,051,900	10,514,673

MAp As at 31 December 2009	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Trade payables	50,466	-	-	-	-	50,466
Distribution payable	148,923	-	-	-	-	148,923
Medium Term Notes	228,806	581,368	437,890	1,192,023	2,716,233	5,156,320
Bank facilities	45,563	781,756	-	-	-	827,319
Capital Index Bonds	33,641	33,641	33,734	67,283	1,251,028	1,419,327
SCACH Redeemable Preference Shares	62,225	50,403	50,541	100,806	1,255,620	1,519,595
SKIES	51,149	42,706	42,823	85,413	734,243	956,334
Derivative financial instruments	58,184	52,698	37,401	29,267	8,674	186,224
Total	678,957	1,542,572	602,389	1,474,792	5,965,798	10,264,508

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for year ended 31 December 2010

25. Financial Risk Management (continued)

25.3.1. Undiscounted future cash flows (continued)

MAT2 Group As at 31 December 2010	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Trade payables	66	-	-	-	-	66
Loans from MAT1	8,806	4,706	4,693	9,386	96,778	124,369
Redeemable Preference Shares issued by MASH	174,477	131,143	130,785	261,570	3,031,107	3,729,082
Redeemable Preference Shares issued by MASKS2	140,593	127,305	126,957	253,914	5,055,444	5,704,213
Redeemable Preference Shares issued by MASKS3	13,292	8,921	8,896	17,793	357,517	406,419
Total	337,234	272,075	271,331	542,663	8,540,846	9,964,149

MAT2 Group⁴³ As at 31 December 2009	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Trade payables	254	-	-	-	-	254
Loans from MAT1	5,025	3,892	3,903	7,784	97,558	118,162
Redeemable Preference Shares issued by MASH	150,963	130,785	131,143	261,570	3,161,892	3,836,353
Redeemable Preference Shares issued by MASKS2	198,692	126,957	127,305	253,914	5,182,401	5,889,269
Redeemable Preference Shares issued by MASKS3	11,591	8,896	8,921	17,793	366,413	413,614
Total	366,525	270,530	271,272	541,061	8,808,264	10,257,652

25.4. Capital management

The Groups' capital management objectives are to:

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

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

Capital is defined as contributed equity plus reserves. As at 31 December 2010 the Groups' only externally imposed capital requirement arises as a consequence of MAPL's Australian Financial Services Licence (AFSL). Under the terms of its AFSL, MAPL is required to maintain a minimum of \$5,000,000 of net tangible assets (NTA) and \$50,000 surplus liquid funds (SLF) at all times. MAPL's NTA and SLF positions and compliance with the licence's capital requirements are managed on an ongoing basis with formal testing performed at least on a monthly basis.

During the current and prior periods, MAPL has continued to meet its capital requirements under the licence and no breaches have occurred.

⁴³ The 2009 undiscounted cashflows for the MAT2 group relating to internal MAP loans and redeemable preference share payments have been restated.

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for year ended 31 December 2010

25. Financial Risk Management (continued)

25.5. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Groups is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Discounted cash flows are used to determine fair value for the remaining financial instruments (refer Notes 1.4 and 1.22). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. For all Financial Instruments except those noted below, the fair value approximates the carrying value.

MAp As at 31 December 2010	Carrying amount		Fair value	
	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000	MAp 31 Dec 2010 \$'000	MAp 31 Dec 2009 \$'000
Financial liabilities				
SCACH Redeemable Preference Shares	341,623	364,541	649,365	712,168
SKIES	661,508	664,018	642,525	584,675
Medium Term Notes	709,846	286,942	794,539	296,101
Total financial liabilities	1,712,977	1,315,501	2,086,429	1,592,944

As of 1 January 2009, MAp has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurements hierarchy:

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

MAp As at 31 December 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	1,943,829	1,943,829
Derivatives used for hedging	-	5,431	-	5,431
Total assets	-	5,431	1,943,829	1,949,260
Liabilities				
Derivatives used for hedging	-	58,621	-	58,621
Total liabilities	-	58,621	-	58,621

MAT2 Group As at 31 December 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	5,571,393	5,571,393
Total assets	-	-	5,571,393	5,571,393

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25. Financial Risk Management (continued)

25.5. Fair value estimation (continued)

MAp As at 31 December 2009	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	1,927,025	1,927,025
Listed investments (ASUR)	138,303	-	-	138,303
Derivatives used for hedging	-	751	-	751
Total assets	138,303	751	1,927,025	2,066,079
Liabilities				
Derivatives used for hedging	-	61,732	-	61,732
Total liabilities	-	61,732	-	61,732

MAT2 Group As at 31 December 2009	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	4,505,037	4,505,037
Total assets	-	-	4,505,037	4,505,037

25.6. Foreign exchange risk

In assessing foreign exchange risk, management has assumed the following movements in the Australian Dollar of +/-16.5% (2009: +/- 21.0%):

Currency pairing	Movement against Australian Dollar	
	2010 \$'000	2009 \$'000
Euro	11.8 %	13.1 %
United States Dollar	20.4 %	21.2 %
Pound Sterling	10.5 %	10.8 %
Danish Krone	11.8 %	N/A
Japanese Yen	N/A	25.8 %
Weighted average	16.5 %	21.0 %

The below tables display the balances for financial instruments that would be recognised in the Consolidated Statements of Comprehensive Income for movement of +/- 16.5% (2009: +/- 21.0%) of the Australian dollar. MAp management has determined a +/- 16.5% movement in the Australian dollar to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies over the current year.

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25. Financial Risk Management (continued)

25.6 Foreign exchange risk (continued)

As at 31 December 2010	Foreign Exchange Risk	
	16.5 % appreciation of Australian dollar	16.5 % depreciation of Australian dollar
	P&L ⁴⁴ \$'000	P&L \$'000
Cash and cash equivalents	(417)	550
Receivables	(29)	35
Payables	274	(344)
	(172)	241

As at 31 December 2009	Foreign Exchange Risk	
	21.0 % appreciation of Australian dollar	21.0 % depreciation of Australian dollar
	P&L \$'000	P&L \$'000
Cash and cash equivalents	(628)	1,299
Receivables	(4)	7
Payables	110	(215)
	(522)	1,091

As at 31 December 2010 the MAT2 Group did not have significant exposure to foreign exchange risk.

25.7. Interest rate risk

In assessing interest rate risk, management has assumed a +/- 150 basis point movement (2009: +/- 135 basis point movement) in interest rates. The below tables display the effect that a +/- 150 basis point interest rate movement would have on the Consolidated Statements of Comprehensive Income or directly in equity. MAp management has determined a +/- 150 basis point movement to be the appropriate sensitivity following analysis of the interest spreads of comparable debt instruments.

MAp As at 31 December 2010	Interest Rate			
	150 basis point increase in interest rates depending on country		150 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
Cash and cash equivalents	18,848	-	(18,848)	-
Interest bearing liabilities	(8,444)	-	8,444	-
Derivatives	-	108,260	-	(116,155)
Total	10,404	108,260	(10,404)	(116,155)

MAp As at 31 December 2009	135 basis point increase in interest rates depending on country		135 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
Cash and cash equivalents	19,705	-	(19,705)	-
Interest bearing liabilities	(8,591)	-	8,951	-
Derivatives – cashflow hedges	-	86,208	-	(90,460)
Total	11,114	86,208	(11,114)	(90,460)

⁴⁴ Hereafter used as an abbreviation for Consolidated Statements of Comprehensive Income.

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25. Financial Risk Management (continued)

25.7. Interest rate risk (continued)

MAT2 As at 31 December 2010	Interest Rate			
	150 basis point increase in interest rates depending on country		150 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
Cash and cash equivalents	487	-	(487)	-
Receivables	12,485	-	(12,485)	-
Total	12,972	-	(12,972)	-

MAT2 As at 31 December 2009	135 basis point increase in interest rates depending on country			
	P&L \$'000	Equity \$'000	135 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
Cash and cash equivalents	814	-	(814)	-
Receivables	11,236	-	(11,236)	-
Total	12,050	-	(12,050)	-

26. Commitments

26.1. MAp

Sydney Airport has commitments of \$39.7 million (2009: \$19.0 million) in relation to capital expenditure.

Sydney Airport has entered into operating leases for the storage and shipment of containers. The lease period expires in 2031. Below are details of the minimum lease payments in relation to the operating lease payments.

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	120	78
Later than one year but not later than five years	480	311
Later than five years	1,910	1,315
	2,510	1,704

Sydney Airport leases common user terminal equipment with a carrying value of \$6.0 million expiring in February 2014. Under the terms of the lease, Sydney Airport has the option to acquire the leased assets for \$1 at date of expiry. Below are details of the minimum lease payments in relation to the finance lease payments.

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Commitments for minimum lease payments in relation to finance leases:		
Within one year	2,340	2,340
Later than one year but not later than five years	5,071	7,411
	7,411	9,751

26.2. MAT2 Group

MAT2 Group has no commitments which are material either individually or as a class.

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27. Parent Entity Disclosures

As at, and throughout the financial year ending 31 December 2010 MAT1 was deemed to be the parent entity of MAp (refer Note 1.2).

As at, and throughout the financial year ending 31 December 2010 MAT2 was deemed to be the parent entity of the MAT2 Group.

	MAT1 31 Dec 2010 \$'000	MAT1 31 Dec 2009 \$'000	MAT2 31 Dec 2010 \$'000	MAT2 31 Dec 2009 \$'000
Result of the parent entities				
Profit / (loss) from continuing operations after income tax (expense) / benefit	66,002	285,670	358,469	(278,313)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	66,002	285,670	358,469	(278,313)
Financial position of parent entity at year end				
Current assets	583,877	431,051	3,809	5,637
Total assets	3,658,057	3,438,532	2,492,490	2,005,151
Current liabilities	189,212	35,639	5,581	858
Total liabilities	1,821,988	1,668,415	537,485	408,555
Total equity of the parent entity comprising of:				
Contributed equity	2,315,074	2,315,124	291,440	291,500
Retained profits	234,159	168,157	1,663,565	1,305,096
Reserves	(713,164)	(713,164)	-	-
Total equity	1,836,069	1,770,117	1,955,005	1,596,596

27.1. Parent entity contingencies

At 31 December 2010 the Parent Entities have no contingent assets or liabilities which are material either individually or as a class.

MAT2 is parent entity for the MAT2 Tax Consolidated Group, however at 31 December 2010 no tax liabilities of other entities exists within the group. No liability existed at 31 December 2009.

27.2. Parent entity capital commitments for acquisition of property, plant and equipment

At 31 December 2010 the Parent Entities have not made any capital commitments for acquisition of property, plant and equipment.

27.3. Parent entity guarantees in respect of the debts of its subsidiaries

At 31 December 2010 the Parent Entities have not made any guarantees in respect of the debts of their subsidiaries.

Financial Report **for year ended 31 December 2010**

28. Contingent Assets and Liabilities

At 31 December 2010 the Groups have no contingent assets or liabilities which are material either individually or as a class.

29. Events Occurring after Balance Sheet Date

A final distribution of 10.0 cents (2009: 8.0 cents) per stapled security was paid by MAIL (1.6 cents) and MAT1 (8.4 cents) on 17 February 2011.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the consolidated financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the year ended 31 December 2010.

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for year ended 31 December 2010

Statement by the Directors of the Responsible Entity of MAp Airports Trust 1

In the opinion of the directors of directors of MAp Airports Limited, the Responsible Entity of MAT1:

- a. the financial statements and notes for MAT1 set out on pages 14 to 82 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the year ended 31 December 2010.

The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

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



Max Moore-Wilton

Sydney
23 February 2011



Trevor Gerber

Sydney
23 February 2011

Financial Report

for year ended 31 December 2010

Statement by the Directors of the Responsible Entity of MAp Airports Trust 2

In the opinion of the directors of directors of MAp Airports Limited, the Responsible Entity of MAT2:

- a. the financial statements and notes for MAT2 set out on pages 14 to 82 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2010 and of its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the year ended 31 December 2010.

The directors draw attention to Note 1 to the financial statements, which include a statement of compliance with International Financial Reporting Standards.

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



Max Moore-Wilton

Sydney
23 February 2011



Trevor Gerber

Sydney
23 February 2011



Independent Auditor's Report to the Unitholders of MAp Airports Trust 1 and MAp Airports Trust 2

Report on the financial report

We have audited the accompanying financial reports of MAp and MAp Airports Trust 2, which comprise the consolidated balance sheets as at 31 December 2010, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory information and the directors' declaration for MAp and MAp Airports Trust 2 (the 'Groups'). MAp comprises MAp Airports Trust 1 and the entities it controlled at the year's end or from time to time during the financial year which are deemed to include MAp Airports Trust 2 and the entities it controlled at the year's end or from time to time during the financial year and MAp Airports International Limited and the entities it controlled at the year's end or from time to time during the financial year. MAp Airports Trust 2 Group comprises MAp Airports Trust 2 and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial reports present fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Groups' financial position and of their performance.

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

Independence

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



Auditor's opinion

In our opinion:

- a) the financial reports of the Groups are in accordance with the *Corporations Act 2001*, including:
 - i) giving a true and fair view of the MAp and MAp Airports Trust 2 Group's financial positions as at 31 December 2010 and of their performance for the year ended on that date; and
 - ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2010. The directors of the Responsible Entity are responsible for the preparation and presentation of the remuneration report in accordance with the basis of preparation of the remuneration report as described within the remuneration report. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of MAp and MAp Airports Trust 2 for the year ended 31 December 2010, complies with the basis of preparation of the remuneration report as described within the remuneration report

KPMG

Andrew Yates
Partner

Sydney
23 February 2010