Southern Cross Airports Corporation Holdings Limited

Audited General Purpose Financial Report

For the Year Ended 31 December 2011

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Southern Cross Airports Corporation Holdings Limited
Corporate Information
ACN 098 082 029

This audited general purpose financial report covers both Southern Cross Airports Corporation Holdings ("SCACH") as an individual entity and the consolidated entity comprising SCACH and its controlled entities ("the Group"). The Group's functional and presentation currency is Australian Dollars ("$").

A description of the Group's operations, its principal activities and a review of operations and results is included in the Directors' report on page 7.

Directors
Max Moore-Wilton (Chairman)
Kerrie Mather (Chief Executive) – *Director for entire period, commenced as Chief Executive 1 July 2011*
Patrick Gourley
Holger Linkweiler
John Roberts
Don Huse
Trevor Gerber – *commenced 4 January 2012*
Bob Morris – *commenced 4 January 2012*
Michael Lee – *commenced 4 January 2012*
Stephen Ward – *commenced 4 January 2012*
Brenton Cox – *resigned 1 January 2012*
Russell Balding (Chief Executive) – *resigned 30 June 2011*

Company Secretary
Jamie Motum

Registered Office
10 Arrivals Court
Sydney International Airport
Mascot
NSW 2020

Auditors
KPMG
10 Shelley St
Sydney
NSW 2000

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Southern Cross Airports Corporation Holdings Limited
Directors' Report

The directors present their report on the audited consolidated results of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its controlled entities for the year ended 31 December 2011.

Directors

The names and particulars of the directors of SCACH during the period and until the date of this report were as follows:

Names and Particulars	Appointment Date	Resignation Date
Max Moore-Wilton, Chairman, has held various key executive positions in the public and private sectors. He is an Executive Director of Macquarie Group Limited and the Chairman of Sydney Airport Holdings Limited and Macquarie Media Management Limited. Mr Moore-Wilton is Chairman of the Board, Human Resources, and Strategy Committees. Mr Moore-Wilton's term as Chairman of the Airports Council International ended 31 December 2011.	22 January 2003	-
Kerrie Mather commenced as Chief Executive Officer on 1 July 2011 and is also Chief Executive Officer of Sydney Airport Holdings Limited. Ms Mather is also a member of the Audit and Risk Management, Human Resources, Safety, Security, Environment and Health and Strategy Committees.	27 June 2002	-
Patrick Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations. Mr Gourley is a member of the Audit and Risk Management and Human Resources Committees, and Chair of the Safety, Security, Environment and Health Committee.	10 September 2002	-
Holger Linkweiler is Managing Director of HOCHTIEF AirPort and HOCHTIEF AirPort Capital. Mr Linkweiler is also a member of the Audit and Risk Management, Human Resources, Safety, Security, Environment and Health and Strategy Committees.	17 October 2005	-
John Roberts is executive chairman of Macquarie Funds Group, a division of Macquarie that includes the activity of the Macquarie Infrastructure and Real Assets division (MIRA). Mr Roberts joined Macquarie in 1991.	15 February 2006	-
Don Huse is a former Chief Executive Officer of Auckland International Airport Limited and former Chief Financial Officer of Sydney Airport Corporation Limited. Mr Huse is Chairman of the Audit and Risk Management Committee.	15 December 2008	-
Trevor Gerber worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. He is also currently lead independent director of Sydney Airport Holdings Limited.	4 January 2012	-

Southern Cross Airports Corporation Holdings Limited
Directors' Report

Bob Morris is a transport consultant. Prior to 2003, he was an executive director of Leighton Contractors, where he led the successful Leighton proposals for the Eastern Distributor and Westlink M7 toll roads. Prior to, he was the Director for the Sydney region of the Roads and Traffic Authority. Bob is currently a Director of Sydney Airport Holdings Limited, Aspire Schools Financing Services (Qld), SA Health Partnerships and was Chairman of RiverCity Motorway Group until February 2011.	4 January 2012	-
Michael Lee served in the Australian Parliament for 17 years, and held a number of senior positions in both government and opposition. He was Minister for Tourism, Communications and the Arts in the Keating Government. He is currently a Director of Sydney Airport Holdings Limited, DUET Group, Superpartners and Chairman of Communications Alliance.	4 January 2012	-
Stephen Ward is head of Simpson Grierson's Corporate/Commercial Department and is a Simpson Grierson board member. Simpson Grierson is one of New Zealand's largest commercial law firms. Stephen is a member of the Commercial and Business Law Committee of the New Zealand Law Society and is a trustee of the Life Flight Trust. He is also a director of Sydney Airport Holdings Limited and a member of the New Zealand Rugby Union Appeal Council.	4 January 2012	-
Brenton Cox is a Sydney Airport Holdings Limited Asset Manager and was previously with Macquarie Capital Funds in Sydney and Europe. Mr Cox was also a member of the Audit and Risk Management, Safety, Security, Environment and Health and Strategy Committees.	22 December 2009	1 January 2012
Russell Balding, Chief Executive Officer until 30 June 2011, is a former Managing Director of the Australian Broadcasting Corporation. His career spans a number of major organisations which have required extensive government, stakeholder, community and customer interaction. Mr Balding was the Chairman of the Safety, Security, Environment and Health and a member of the Audit and Risk Management, Human Resources and Strategy Committees.	4 April 2006	30 June 2011

Southern Cross Airports Corporation Holdings Limited
Directors' Report

The names of the alternate directors of SCACH during the period and until the date of this report were as follows:

Alternate Directors	Appointment Date	Resignation Date
Michael Delaney (for P Gourley)	18 September 2003	28 October 2011
Graham Matthews (for P Gourley)	28 October 2011	-
Kerrie Mather (for J Roberts)	15 February 2006	-
Kerrie Mather (for M Moore-Wilton)	25 June 2008	-
John Roberts (for K Mather)	15 February 2006	-
John Roberts (for M Moore-Wilton)	25 June 2008	-
Karl Reinitzhuber (for H Linkweiler)	25 March 2010	1 October 2011
Gerhard Schroeder (for H Linkweiler)	1 October 2011	-
Max Moore-Wilton (for J Roberts)	25 June 2008	-
Max Moore-Wilton (for K Mather)	25 June 2008	-
Chris Ireland (for D Huse)	12 May 2009	18 October 2011
Brenton Cox (for M Moore-Wilton)	29 October 2009	1 January 2012
Brenton Cox (for K Mather)	29 October 2009	1 January 2012
Brenton Cox (for J Roberts)	22 December 2009	1 January 2012
Keith Irving (for M Moore-Wilton)	21 October 2009	9 December 2011
Keith Irving (for K Mather)	21 October 2009	9 December 2011
Keith Irving (for B Cox)	22 December 2009	9 December 2011
Keith Irving (for J Roberts)	23 February 2010	9 December 2011

Directors were in office for this entire period unless otherwise stated.

Company Secretary

Mr Jamie Motum BEc, LLB is General Counsel and Company Secretary. Mr Motum was appointed Company Secretary on 23 February 2010. He was previously a partner of DLA Phillips Fox.

Corporate structure

SCACH is a company limited by shares that is incorporated and domiciled in Australia. The SCACH consolidated financial report incorporates the following wholly-owned subsidiaries controlled by it during the year:

Southern Cross Airports Corporation Pty Limited ("SCAC")
Sydney Airport Corporation Limited ("SACL")
Sydney Airport Finance Company Pty Ltd ("FinCo")
Sydney Airport RPS Company Pty Ltd ("RPSCo")

All companies in the SCACH Group (as listed above) have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Class Order 98/1418. As all companies in the Group are party to the cross guarantee, the consolidated income statement and statement of financial position of the entities party to the cross guarantee are as presented in the consolidated column of the income statement and statement of financial position presented in these financial statements.

The deed of cross guarantee ensures that each Group company is jointly liable for the debts of all the companies party to the cross guarantee. This enables external stakeholders, such as creditors, to be able to rely on the consolidated accounts. The deed of cross guarantee can be found at www.sydneyairport.com.au/corporate/about-us/annual-report.aspx.

Southern Cross Airports Corporation Holdings Limited
Directors' Report

Principal activities

The principal activities of the consolidated entity are the provision and management of airport facilities at Sydney (Kingsford Smith) Airport. These airport facilities include commercial operations and property management. The nature of the consolidated entity's business has not changed during the reporting period.

Review of operations and results

The consolidated entity earned a profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $789.8 million for the year ended 31 December 2011 (31 December 2010: $773.0 million). EBITDA excluding specific expenses (predominantly restructuring and redundancy costs) increased to $790.7 million (31 December 2010: $773.3 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $121.5 million (31 December 2010: $131.4 million). This net loss is after redeemable preference share distributions to shareholders totalling $282.2 million (31 December 2010: $281.6 million) which are held by the ordinary shareholders in their same proportions.

Total expenses excluding specific non-recurring expenses increased to $182.0 million (31 December 2010: $169.8 million). Total expenses including specific non-recurring expenses were $183.0 million (31 December 2010: $170.1 million). Depreciation and amortisation costs were $231.1 million (31 December 2010: $235.0 million).

Net finance costs were $710.7 million (31 December 2010: $700.1 million) and includes interest expense payable to third parties (secured senior debt and SKIES holders) totalling $447.6 million (31 December 2010: $424.9 million), and redeemable preference share distributions to shareholders totalling $282.2 million (31 December 2010: $281.6 million).

Management uses the above measures in comparing the Company's historical performance and believes that they provide meaningful and comparable information to users to assist in their analysis of our performance relative to prior periods.

Financial performance and position

The following table shows the cash generated by the Group:

	31 December 2011 $'m [1]	**31 December 2010 $'m** [1]
Revenue	973	943
Operating Expenses	(183)	(170)
EBITDA	790	773
Interest revenue[2]	16	15
Cash available for debt service	806	788
Interest - Senior Debt (including Swaps)[2]	(340)	(314)
Interest – SKIES[2]	(44)	(39)
Cash available after debt service[3]	422	435

1. Numbers are rounded to the nearest million and may not exactly match the financial statements.
2. These numbers are taken from the Statement of Cash Flows on Page 20 and 21 of SCACH 31 December 2011 Financial Report.
3. Capital commitments are funded from other sources and do not impact this cash figure.

Southern Cross Airports Corporation Holdings Limited
Directors' Report

The following table shows the Net Senior Debt and selected ratios as at 31 December 2011.

	31 December 2011 $'m [1]	**31 December 2010 $'m** [1]
Gross Total Debt (including SKIES)[2]	6,825	5,976
Less: Total Cash[3]	(954)	(314)
Net Debt	5,871	5,662
Less: SKIES[4]	(650)	(650)
Net Senior Debt	5,221	5,012
EBITDA (12 mths historical)	790	773
Net Senior Debt/EBITDA	6.6x	6.5x
Cashflow Cover Ratio[5]	2.2	2.4
Gearing Ratio[6]	42%	39%

1. Numbers are rounded to the nearest million and may not exactly match the financial statements.
2. Gross Total Debt refers to Principal Amount Drawn, refer to note 17 on page 52 and excludes shareholder related borrowing (RPS) as they are subordinated to all other creditors and fair value hedge adjustments on foreign currency denominated bonds.
3. Refer to note 25(a)
4. Refer to note 17(v)
5. Cashflow Cover Ratio is calculated using defined terms in the debt documents, summarised as cashflow divided by senior debt interest expense for a rolling 12 month period.
6. Gearing Ratio is calculated using defined terms in our debt documents, summarised as net senior debt divided by enterprise value, as adopted by the SCACH Board on the basis of a valuation range provided by Deloitte as at 31st December 2011.

During the twelve months ended 31 December 2011, the Group successfully completed a $1.1 billion raising of senior debt. The Group issued $100 million of domestic medium term notes (MTN's) maturing July 2018, C$225 million of guaranteed senior secured notes in the Canadian Maple bond markets maturing July 2018 and raised $752 million in senior bank debt with five and six year tenors. These funds were used to redeem the $650 million SKIES instrument on 3 January 2012 with the balance to fund future growth capital expenditure. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012 following the SKIES redemption. In addition, as at 31 December 2011, the Group had $1,044m in committed undrawn facilities available to it.

As at 31 December 2011, there is $278 million of debt maturing in October 2012 which is covered by undrawn committed bank debt facilities. There is no further debt maturing until October 2013.

Southern Cross Airports Corporation Pty Limited and Sydney Airport Finance Company Pty Limited's senior secured debt credit ratings assigned by Standard & Poor's, Moody's and Fitch remain at BBB, Baa2 and BBB respectively.

The consolidated entity has an established corporate treasury function responsible for managing the consolidated entity's finance facilities, cash balances and interest rate risks. The corporate treasury function operates within policies set by the Board which are consistent with the consolidated entity's various debt agreements.

Independent Valuation

As at 31 December 2011, the consolidated entity ("SCACH Group") has net liabilities of $1,304.2 million. An independent valuation by Deloitte as at 31 December 2011 supported an Equity Value of approximately $7,804 million. This valuation, if applied in the financial statements of the SCACH Group as at 31 December 2011, would have more than absorbed the consolidated deficiency position at 31 December 2011.

As part of the financing arrangements, the company has received an unconditional guarantee from the parent and other members of the SCACH Group under the Security Trust Deed. Under the Security Trust Deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of external borrowings. As at 31 December 2011, $1,044 million in committed facilities remain undrawn.

The directors believe that the going concern basis is appropriate based on the degree of excess of the 31 December 2011 SCACH valuation over the deficiency position at 31 December 2011, the unconditional guarantee and there being no known factors that would have had a significant adverse effect on the valuation since 31 December 2011.

Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report. A new valuation will be carried out for each financial year end.

Dividends and distributions

In 2002, and subsequently, the economic equity for the SCACH Group was contributed to in the form of ordinary shares issued, each stapled 1:1 to redeemable preference shares ("RPS"). The right to receive payments on the RPS held by the ordinary shareholders are subordinated to Senior Debt and ordinary creditors of the Group. Despite this subordination, and the fact that the RPS are stapled to the ordinary shares, under current accounting standards:

- the $2,010.0 million carrying value of the RPS at 31 December 2011 is classified as borrowings rather than equity, and
- the $276.4 million RPS interest paid to shareholders during the period is included as interest expense rather than as a distribution of profits.

The income statement and statement of cash flows on pages 17, 18, 20 and 21 respectively identify the portion of Net Finance Costs that relate to external financing activities and shareholder related financing activities. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid.

Dividends and distributions paid:

	31 December 2011 $'000	**31 December 2010 $'000**
- on ordinary shares	107,465	103,675
- on Sydney Kingsford Smith Interest Earning Securities ("SKIES") (i)	43,720	38,871
- on redeemable preference shares ("RPS") (i)	276,380	295,819
	427,565	438,365

(i) Represents cash paid as per the Statement of Cash Flows page 20

In respect of the financial period ended 31 December 2011, the directors approved a final ordinary dividend of $15.3 million (31 December 2010: $33.3 million) and an RPS distribution of $69.7 million (31 December 2010: $69.7 million). These amounts were paid on 27 January 2012.

Southern Cross Airports Corporation Holdings Limited
Directors' Report

Significant Changes in the State of Affairs

There were no significant changes in the state of the affairs of the Group during the year, aside from changes in borrowings, as a result of normal refinancing activities.

Significant events after the balance date

An ordinary dividend of $15.3 million was declared for the year ended 31 December 2011 (31 December 2010: $33.3 million). The final dividend has not been recognised in this financial report because it was declared after 31 December 2011.

On 3 January 2012 all $650 million of SKIES were fully redeemed. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012.

Other than the matter referred to above, there has not been any matter or circumstance other than that referred to in the financial statements that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group or the Company, the results of those operations, or the state of affairs of the Group and the Company in future reporting periods.

Likely developments and expected results

Disclosure of information regarding likely developments in the operations of the Group in future financial periods and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Environmental regulation and performance

In recognition of its environmental responsibilities SACL has a five-year Environment Strategy designed to protect the environment and ensure compliance with the relevant environmental regulations. SACL also provides an annual environment report to the Commonwealth Government outlining its performance in achieving the policies and targets of the Environment Strategy and compliance with the relevant environmental legislation. The Environment Strategy is available on Sydney Airport's website, www.sydneyairport.com.

Indemnities and insurance of officers and auditors

Indemnities
SCACH's constitution indemnifies each officer of SCACH and its controlled entities against a liability incurred by that person as an officer unless that liability arises out of conduct involving a lack of good faith. The constitution also provides that SCACH may make a payment to an officer or employee (by way of advance, loan or otherwise) for legal costs incurred by them in defending legal proceedings in their capacity as an officer or employee.

SCACH has entered into a Deed of Access, Indemnity and Insurance with each director and alternate director which applies during their term in office and after their resignation (except where a director engages in conduct involving a lack of good faith). SCACH's constitution provides that it may indemnify its auditor against liability incurred in its capacity as the auditor of SCACH and its controlled entities. SCACH has not provided such an indemnity.

Insurance
During the reporting period and since the end of the reporting period, the consolidated entity has paid premiums in respect of a contract insuring directors and officers of the consolidated entity in relation to certain liabilities. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium paid.

During or since the year ended 31 December 2011 the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditors of SCACH and its controlled entities.

Southern Cross Airports Corporation Holdings Limited
Directors' Report

Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 31 December 2011 and the number of meetings attended by each director were as follows:

Director	**Board of Directors**		**Audit and Risk Management**		**Human Resources**		**Safety Security Environment and Health**		**Strategy**	
	H	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**
Max Moore-Wilton	13	13	-	-	3	3	-	-	6	6
Kerrie Mather	13	12	5	5	3	3	4	4	6	6
Patrick Gourley	13	12	5	5	3	3	2	2	-	-
Holger Linkweiler	13	6	5	3	3	2	4	2	6	2
John Roberts	13	10	-	-	-	-	-	-	-	-
Don Huse	13	13	5	5	-	-	-	-	-	-
Brenton Cox	13	13	5	5	3	3	4	4	6	6
Russell Balding	7	6	2	2	1	1	2	2	3	3

H – meetings held while director A – meetings attended '-' indicates not applicable to that director

For each alternate director who attended a board or committee meeting in that capacity during the year ended 31 December 2011, the number of meetings of directors (including meetings of board committees) held and attended by those alternate directors were as follows:

Alternate Director	**Board of Directors**		**Audit and Risk Management**		**Human Resources**		**Safety Security Environment and Health**		**Strategy**	
	H	**A**	**H**	**A**	**H**	**A**	**H**	**A**	**H**	**A**
K Reinitzhuber (for H Linkweiler)	10	5	4	2	2	-	2	1	4	3
G Schroeder (for H Linkweiler)	3	2	1	-	1	1	2	1	2	1

H – meetings held whilst alternate director A – meetings attended '-' indicates not applicable to that director

Southern Cross Airports Corporation Holdings Limited
Directors' Report

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Management Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration

The auditor's independence declaration required under the Corporations Act 2001 is included on page 13 of the financial report.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to SCACH under ASIC Class Order 98/0100, dated 10 July 1998. SCACH is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the directors

Max Moore-Wilton
Chairman

Sydney, 22 February 2012

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Southern Cross Airports Corporation Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2011 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Mitchell Petrie
Partner

Sydney

22 February 2012

Independent auditor's report to the members of South Cross Airports Corporation Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Southern Cross Airports Corporation Holdings Limited (the Company), which comprises the statements of financial position as at 31 December 2011, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, Notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the company 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 the Company are responsible for the preparation of the financial report that gives 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 report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report 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 report presents 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 Company's and the Group's 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 report of Southern Cross Airports Corporation Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2011 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.

KPMG

KPMG

Mitchell Petrie
Partner

Sydney

22 February 2012

Southern Cross Airports Corporation Holdings Limited
Directors' Declaration

1 In the opinion of the Directors of Southern Cross Airports Corporation Holdings Limited:

(a) the consolidated financial statements and notes that are set out on pages 17 to 77 are in accordance with the Corporations Act 2001, including;

(i) giving a true and fair view of the Group's financial position as at 31 December 2011 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 There are reasonable grounds to believe that the Company and the group entities identified in note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3 The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Max Moore-Wilton
Chairman

Sydney, 22 February 2012

Southern Cross Airports Corporation Holdings Limited
Income Statements
For the year ended 31 December 2011

	Note	Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000	Company 31 December 2011 $'000	Company 31 December 2010 $'000
Revenue					
Aeronautical revenue		402,513	394,682	-	-
Aeronautical security recovery	3	76,202	73,316	-	-
Retail revenue		223,344	212,890	-	-
Property and car rental revenue		156,033	150,015	-	-
Car parking and ground transport revenue		109,514	107,144	-	-
Other		5,149	4,961	-	-
Total revenue		972,755	943,008	-	-
Other income					
Profit on disposal of non-current assets	2(b)	-	97	-	-
Expenses					
Channel related initiatives		(4,303)	(2,785)	-	-
Employee benefits expense	2(c)	(37,593)	(36,130)	-	-
Services and utilities		(45,211)	(41,210)	-	-
Other operational costs	2(d)	(14,580)	(14,710)	(2)	-
Property and maintenance		(17,674)	(17,332)	-	-
Security recoverable expenses (i)	3	(62,695)	(57,633)	-	-
Specific expenses:					
Restructuring and redundancy	2(g)	(908)	(262)	-	-
Total expenses before depreciation, amortisation and finance costs		(182,964)	(170,062)	(2)	-
Profit/(loss) before depreciation and amortisation, finance costs and income tax (EBITDA)		789,791	773,043	(2)	-
Depreciation and amortisation	2(e)	(231,055)	(234,963)	-	-
Profit/(loss) before finance costs and income tax (EBIT)		558,736	538,080	(2)	-
External finance (costs)/income:					
Interest income	2(f)	15,755	15,343	4,454	1,241
Change in fair value of interest rate swaps not qualifying as hedges	2(f)	3,880	(8,236)	-	-
Borrowing costs – SKIES	2(f)	(57,354)	(43,257)	(57,354)	(43,257)
Borrowing costs – senior debt	2(f)	(390,265)	(381,593)	-	-
Interest on finance leases	2(f)	(543)	(710)	-	-
Total external finance costs (ii)	2(f)	(428,527)	(418,453)	(52,900)	(42,016)
Shareholder related finance costs:					
Borrowing costs – redeemable preference shares held by ordinary shareholders (iii)	2(f)	(282,169)	(281,602)	(282,169)	(281,602)
Internal finance income:					
Interest income from wholly-owned subsidiaries	2(f)	-	-	1,035,645	943,946
Total finance (costs)/income	2(f)	(710,696)	(700,055)	700,576	620,328
(Loss)/profit before income tax expense (iv)		(151,960)	(161,975)	700,574	620,328
Income tax (expense)/benefit	4(b)	30,482	30,562	(209,983)	(186,098)
Net (loss)/profit for the year attributable to owners of the company		(121,478)	(131,413)	490,591	434,230

Footnotes to Income Statement on page 18
Notes to the financial statements are included on pages 24 to 77

Southern Cross Airports Corporation Holdings Limited
Income Statements
For the year ended 31 December 2011

Footnotes to Income Statement:

(i) Prior year comparatives have been reclassified to align with the current year classification of Security recoverable expenses. Refer to note 3 for further breakdown.

(ii) Borrowing costs include interest expense, amortisation of debt establishment costs, swap reset costs and swap interest.

(iii) Redeemable preference shares (“RPS”) are stapled to ordinary shares. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid.

(iv) This figure includes $282.2 million (31 December 2010: $281.6 million) of interest expense on RPS to shareholders, which is only paid after all other financial obligations to the Group have been met.

Southern Cross Airports Corporation Holdings Limited
Statements of Financial Position
as at 31 December 2011

	Note	Consolidated		Company	
		31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Current assets					
Cash and cash equivalents	25(a)	953,545	314,222	680,719	23,013
Trade and other receivables	6	104,438	89,760	75	140
Other financial assets	7	-	-	965,837	918,084
Other assets		963	342	-	-
Total current assets		1,058,946	404,324	1,646,631	941,237
Non-current assets					
Property, plant and equipment	8	2,427,260	2,436,614	-	-
Intangibles	9	3,358,272	3,397,530	-	-
Goodwill	10	688,284	688,284	-	-
Trade and other receivables	11	46,839	51,508	-	-
Other financial assets	12	-	-	4,661,097	4,754,097
Other assets	13	7,752	8,510	-	-
Deferred tax assets	4(d)	280,888	201,109	505,938	457,333
Total non-current assets		6,809,295	6,783,555	5,167,035	5,211,430
Total assets		7,868,241	7,187,879	6,813,666	6,152,667
Current liabilities					
Trade and other payables	15	226,521	203,624	1,335,363	1,076,706
Provisions	16	8,182	9,842	-	-
Borrowings – external	17	926,430	-	650,000	-
Derivative financial instruments	19	91,921	58,621	-	-
Finance lease liabilities	20	1,982	1,798	-	-
Total current liabilities		1,255,036	273,885	1,985,363	1,076,706
Non-current liabilities					
Borrowings – external	17	5,743,926	5,837,841	-	636,573
Borrowings – shareholder related	18	2,009,963	2,004,174	2,009,963	2,004,174
Derivative financial instruments	19	158,710	26,062	-	-
Finance lease liabilities	20	2,571	4,552	-	-
Provisions	21	2,217	1,211	-	-
Total non-current liabilities		7,917,387	7,873,840	2,009,963	2,640,747
Total liabilities		9,172,423	8,147,725	3,995,326	3,717,453
Net (liabilities)/assets (i)		(1,304,182)	(959,846)	2,818,340	2,435,214
Equity					
Issued capital	22	1,313,991	1,313,991	1,313,991	1,313,991
Cash flow hedge reserve	23	(157,908)	(46,577)	-	-
(Accumulated losses)/Retained earnings	24	(2,460,265)	(2,227,260)	1,504,349	1,121,223
Total equity		(1,304,182)	(959,846)	2,818,340	2,435,214

(i) Refer to Going Concern note 1 which considers the reasons why the going concern assumption is appropriate in light of the net liability position.

Notes to the financial statements are included on pages 24 to 77

Southern Cross Airports Corporation Holdings Limited
Statements of Cash Flows
For the year ended 31 December 2011

	Note	Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		1,074,461	1,058,083	-	-
Interest received		15,903	15,340	1,085,273	440,551
Cash was applied to:					
Payments to suppliers and employees		(290,263)	(282,891)	(2)	-
Interest – senior debt		(265,045)	(241,020)	-	-
Interest rate swaps receipts/(payments)		(75,345)	(73,199)	-	-
Interest – SKIES		(43,720)	(38,871)	(43,720)	(38,871)
Net cash flows provided by operating activities	25(b)	415,991	437,442	1,041,551	401,680
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		-	97	-	-
Cash was applied to:					
Acquisition of property, plant and equipment		(166,048)	(134,838)	-	-
Capitalised borrowing costs		(5,586)	(1,770)	-	-
Net cash flows used in investing activities		(171,634)	(136,511)	-	-
Cash flows from financing activities					
External financing activities:					
Cash was provided from:					
Proceeds from borrowings – medium term notes and bank loans		1,112,391	1,243,272	-	-
Cash was applied to:					
Repayment of borrowings – medium term notes and bank loans		(298,000)	(1,150,705)	-	-
Debt establishment costs		(33,108)	(35,493)	(139)	(122)
Finance lease payments		(2,472)	(2,340)	-	-
Net cash flows provided by/(used in) external financing activities		778,811	54,734	(139)	(122)
Shareholder related financing activities:					
Proceeds from issue of ordinary shares		-	-	-	-
Proceeds from issue of redeemable preference shares		-	-	-	-
Dividends paid – ordinary shares	5	(107,465)	(103,675)	(107,465)	(103,675)
Interest paid – redeemable preference shares		(276,380)	(295,819)	(276,380)	(295,819)
Net cash flows provided by/(used in) shareholder related financing activities		(383,845)	(399,494)	(383,845)	(399,494)

Southern Cross Airports Corporation Holdings Limited
Statements of Cash Flows
For the year ended 31 December 2011

	Note	Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Internal financing activities:					
Loans to other entities in wholly owned group		-	-	-	-
Advances from related parties		-	-	139	122
Net cash flows provided by/(used in) internal financing activities		-	-	139	122
Net cash flows provided by/(used in) financing activities		394,966	(344,760)	(383,845)	(399,494)
Net increase/(decrease) in cash and cash equivalents		639,323	(43,829)	657,706	2,186
Cash and cash equivalents at beginning of the year		314,222	358,051	23,013	20,827
Cash and cash equivalents at end of the year	25(a)	953,545	314,222	680,719	23,013

Notes to the financial statements are included on pages 24 to 77

Southern Cross Airports Corporation Holdings Limited
Statements of Comprehensive Income
For the year ended 31 December 2011

	Consolidated		Company	
	31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Net (loss)/profit for the year	(121,478)	(131,413)	490,591	434,230
Cash flow hedge:				
Change in fair value	(158,887)	4,991	-	-
Recognition of deferred tax	47,556	(1,497)	-	-
Amortisation of swap reset costs	-	-	-	-
Actuarial gain/(loss) on defined benefit plans	(5,803)	1,864	-	-
Recognition of deferred tax	1,741	(559)	-	-
Other comprehensive income for the year, net of tax	**(115,393)**	**4,799**	-	-
Total comprehensive income/(loss) for the year	(236,871)	(126,614)	490,591	434,230
Attributable to:				
Owners of the company	(236,871)	(126,614)	490,591	434,230

Notes to the financial statements are included on pages 24 to 77

Southern Cross Airports Corporation Holdings Limited
Statements of Changes in Equity
For the year ended 31 December 2011

Statements of Changes in Equity – Consolidated

	Issued Capital $'000	Cash flow hedge reserve $'000	Accumulated losses $'000	Total $'000
At 1 January 2010	**1,313,991**	**(50,071)**	**(1,993,477)**	**(729,557)**
Total comprehensive income/(loss) for the year	-	3,494	(130,108)	**(126,614)**
Dividends on ordinary shares	-	-	(103,675)	**(103,675)**
At 31 December 2010	1,313,991	(46,577)	(2,227,260)	**(959,846)**
At 1 January 2011	1,313,991	(46,577)	(2,227,260)	**(959,846)**
Total comprehensive income/(loss) for the year	-	(111,331)	(125,540)	**(236,871)**
Dividends on ordinary shares	-	-	(107,465)	**(107,465)**
At 31 December 2011	**1,313,991**	**(157,908)**	**(2,460,265)**	**(1,304,182)**

Statements of Changes in Equity – Company

	Issued Capital $'000	Retained Earnings $'000	Total $'000
At 1 January 2010	**1,313,991**	**790,668**	**2,104,659**
Total comprehensive income/(loss) for the year	-	434,230	**434,230**
Dividends on ordinary shares	-	(103,675)	**(103,675)**
At 31 December 2010	1,313,991	1,121,223	**2,435,214**
At 1 January 2011	1,313,991	1,121,223	**2,435,214**
Total comprehensive income/(loss) for the year	-	490,591	**490,591**
Dividends on ordinary shares	-	(107,465)	**(107,465)**
At 31 December 2011	**1,313,991**	**1,504,349**	**2,818,340**

Notes to the financial statements are included on pages 24 to 77

Southern Cross Airports Corporation Holdings Limited
Notes to the Financial Statements
For the year ended 31 December 2011

1. SUMMARY OF ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, and complies with other requirements of the law.

The financial report includes the separate financial statements of Southern Cross Airports Corporation Holdings Limited (the company) and the consolidated financial statements of the company and its controlled entities.

The consolidated financial report of the Group (the 'Consolidated entity' or 'Group') and the financial report of the company comply with International Financial Reporting Standards ('IFRS') and interpretations adopted by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 22 February 2012.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value, and defined benefit asset/liabilities measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Southern Cross Airports Corporation Holdings Limited and its controlled entities have elected to apply Class Order CO10/654 which allows companies that present consolidated financial statements to include parent entity financial statements as part of their financial report under Chapter 2M of the Corporations Act 2001. Therefore, both the consolidated entity and the parent entity financial statements are presented for the period ended 31 December 2011.

Upon redemption of the SKIES on 3 January 2012, SCACH is no longer considered a disclosing entity under the Corporations Act 2001. A Directors' Resolution was passed on 24 January 2012 to receive relief, by means of ASIC Class Order 98/2016, from meeting the disclosing entity requirements for the 31 December 2011 financial report. There are no reasons to suspect SCACH may become a disclosing entity in the next reporting period.

Adoption of new and revised Accounting Standards

Standards and Interpretations adopted with no effect on financial statements

AASB 2009-5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Project*	The amendments have not had a significant impact on the financial statements.
AASB 124 *Related Party Disclosures* (revised December 2009)	AASB 2009-12 makes amendments to simplify and clarify the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments have not had any material impact to disclosures in the financial statements.
AASB 110 Events after Balance Sheet date	The amendments made to AASB 110 have not had any material effect to disclosures made in the financial statements.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)

New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 31 December 2011, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.* AASB 9 will become mandatory for the Group's 31 December 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 31 December 2012 or earlier. The Group has not yet determined the potential effect of the standard.

Other than the matters noted above, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the company or the Group. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

Going Concern

The financial report has been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

During the twelve months ended 31 December 2011, the Group successfully completed a $1.1 billion raising of senior debt. The Group issued $100 million of domestic medium term notes (MTN's) maturing July 2018, C$225 million of guaranteed senior secured notes in the Canadian Maple bond markets maturing July 2018 and raised $752 million in senior bank debt with five and six year tenors. These funds were used to redeem the $650 million SKIES instrument on 3 January 2012 with the balance to fund future growth capital expenditure. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012 following the SKIES redemption. In addition, as at 31 December 2011, the Group had $1,044 million in committed undrawn facilities available to it.

As at 31 December 2011, the Group has net liabilities of $1,304.2 million. An independent valuation by Deloitte as at 31 December 2011 supported an Equity Value of approximately $7,804 million. This valuation, if applied in the financial statements of the Group as at 31 December 2011, would have more than absorbed the consolidated deficiency position at 31 December 2011.

As part of the financing arrangements, the company has received an unconditional guarantee from the parent and other members of the SCACH Group under the Security Trust Deed. Under the Security Trust Deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of external borrowings.

The Directors believe that, considering the degree of excess of the 31 December 2011 SCACH valuation over the deficiency position at 31 December 2011, the unconditional guarantee and there being no known factors that would have had a significant adverse effect on the valuation since 31 December 2011, that the going concern basis is appropriate.

Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report. A new valuation will be carried out for each financial year end.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) 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 profit or loss in the period in which they were incurred.

b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and in banks, money market investments readily convertible to cash within two working days and restricted short term deposits, net of outstanding bank overdrafts.

c) Derivative financial instruments

Accounting treatment

Derivative financial instruments are predominantly interest rate swaps transacted to hedge the Group's interest rate risks. Speculative trading is specifically prohibited by Board policy.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

c) Derivative financial instruments (cont'd)
If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit and loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Embedded derivatives
Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Fair value estimation
The fair value of financial instruments with embedded derivatives 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 Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of derivative financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

d) Non-derivative financial liabilities
The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has two categories of non-derivative financial liabilities on the statement of financial position: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

e) Employee benefits
A liability is recognised for benefits accruing to employees in respect of wages and salaries, incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

e) Employee benefits (cont'd)
Provision for employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in directors' remuneration as applicable, once these benefits have vested with the employee.

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on AA credit-rated or government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in profit or loss.

The Group recognises all actuarial gains and losses arising from defined benefit plans in other comprehensive income.

f) Finance costs
Finance costs consist of borrowing costs and the fair value adjustments of the derivative instruments.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

g) Investments and Other Financial assets
Investments
Investments are recognised and derecognised on trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially valued at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other Financial Assets
Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss'; 'held-to-maturity' investments; 'available-for-sale financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. At balance date SCACH had only one category of Other Financial Assets, being 'loans and receivables'.

Effective interest method
The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets
Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

h) Financial instruments issued by the company
Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

h) Financial instruments issued by the company (cont'd)
Financial liabilities
Financial liabilities are classified as either financial liabilities "at fair value through profit or loss" or other financial liabilities.

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates an interest paid on the financial liability. Fair value is determined in the manner as described in note 26.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Interest and dividends
Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

i) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and for receivables and payables, which are recognised inclusive of GST.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, is classified as operating cash flows.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

j) Goodwill
Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment of goodwill is recognised immediately in profit or loss and is not subsequently reversed.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

k) Impairment of assets
At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

l) Income tax
Current tax
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax
Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

l) Income tax (cont'd)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are released or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Taxation of Financial Arrangements (TOFA)
The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2009 and other technical amendments (TOFA legislation) provide a framework for the taxation of financial arrangements, bringing closer alignment between tax and accounting outcomes. The regime does this by introducing a number of default and elective tax timing methods which can be applied to take account of gains and losses from a financial arrangement.

TOFA came into effect for the company in the income year beginning 1 January 2011. There are specific transitional provisions in relation to the taxation of pre-commencement financial arrangements outstanding at the transition date (ie there is a choice to bring pre-commencement financial arrangements into the new regime subject to a balancing adjustment being calculated on transition that is assessable / deductible over the next succeeding four tax years). The company has elected to apply TOFA to pre-existing arrangements as at 1 January 2011.

m) Intangible assets
Intangible assets acquired in a business combination
All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

	Leasehold Land	**Airport Operator Licence**
Nature	Right to use the land of Sydney Airport	Right to operate Sydney Airport
Useful lives	Finite	Finite
Amortisation method used	95 years from 1 July 2002 on straight line basis	95 years from 1 July 2002 on straight line basis
Impairment test	When an indicator of impairment exists	When an indicator of impairment exists

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

n) Maintenance
Major periodic maintenance expenditure on runways, taxiways and aprons are capitalised and written off over the period between major repairs to the extent the maintenance enhances the economic benefit associated with the asset or the relevant component has been depreciated. This recognises that major maintenance will increase the value of the asset and therefore the cost is apportioned over the period of related benefit. Other maintenance costs are expensed as incurred.

o) Lease assets
Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

p) Basis of consolidation
The consolidated financial statements are prepared by combining the financial statements of all the entities and comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127 "Consolidated and Separate Financial Statements". Controlled entities are listed in note 31 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting principles.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions arising within the consolidated entity are eliminated in full.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

q) Property, plant and equipment
All classes of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Cost
Assets acquired are recorded at the cost of acquisition, being the purchase consideration plus costs incidental to the acquisition. Assets constructed include all direct costs incurred. These costs include materials, labour, borrowing costs and other directly attributable expenditure.

Depreciation
Property, plant and equipment assets are depreciated on a straight-line basis at various rates being the shorter of the average useful life for that asset type and, if relevant, over the remaining period of the lease. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation periods of each class of asset are:

Freehold Land	99 years
Buildings	5-60 years
Runways, taxiways and aprons	6-99 years
Other infrastructure	9-40 years
Operational plant and equipment	14-20 years
Other plant and equipment	3-60 years

r) Revenue recognition
Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Aeronautical Revenue
Aeronautical revenue with the exception of international passenger flights is generated from:
(a) Charges levied on aircraft runway movements (take off and landing) where the invoiced amount is based on the maximum take off weight of fixed wing aircraft and movements of rotary wing aircraft;
(b) charges levied on arriving and departing passengers;
(c) time based aircraft parking charges; and
(d) charges for exclusive first right use of gates.

Aeronautical revenue for international flights is derived from:
(a) A passenger service charge (incorporating runway and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and positioning crew; and
(b) time-based aircraft parking charges.

Aeronautical revenue is recognised on a straight-line basis or based on the completion of the rendering of the above-listed services.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

r) Revenue recognition (cont'd)

Aeronautical Security Recovery
Aeronautical security recoveries include charges in relation to services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than in relation to Terminal 2 passenger screening services). Aeronautical security recoveries are for the following services:

(a) International services include checked bag screening, passenger screening, counter terrorist first response and additional security measures. All charges are levied on a per passenger basis.

(b) Domestic services include counter terrorist first response and additional security measures levied on a per passenger basis and passenger screening (Terminal 2 only).

Aeronautical security recovery is recognised based on the completion of the rendering of the above-listed services.

Retail revenue
Retail revenue comprises rental from tenants whose activities include the sale of duty free, food and beverage and other retail products as well as the rendering of finance and advertising services. Rental income from the tenants is recognised on a straight-line basis over the lease term. Contingent rental income is recognised in the periods in which it is earned.

Property and car rental revenue
Property revenue relates to rent due from airport property, including terminals, buildings and other leased areas and is recognised on a straight-line basis over the lease term. Contingent rental income is recognised in the periods in which it is earned. Car rental revenue relates to concession charges from car rental and is recognised in the period in which it is earned.

Car parking and ground transport revenue
Car parking and ground transport revenue includes time-based charges from public and staff car parking. Revenue is recognised in the period in which it is earned.

s) Provisions
Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)
Significant accounting policies (cont'd)

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes
The Group is subject to income taxes in Australia. Judgement is required in determining the provision for income taxes. There are some transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(b) Critical judgements in applying the entity's accounting policies
There were no critical judgements in applying the entity's accounting policies for the period ending 31 December 2011.

Southern Cross Airports Corporation Holdings Limited
Notes to the Financial Statements
For the year ended 31 December 2011

2. REVENUE AND EXPENSES		Consolidated		Company	
	Notes	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
(a) Revenue					
Operating lease rental revenue:					
Contingent rental revenue (i)		91,813	85,839	-	-
(b) Other income/expenses					
Included in other income/expenses:					
Profit on disposal of property, plant and equipment		-	97	-	-
(c) Employee benefits expense					
Wages and salaries and bonus		32,997	31,302	-	-
Defined benefit superannuation expense	28	1,026	1,399	-	-
Defined contribution superannuation expense		2,464	2,550	-	-
Payroll and fringe benefit taxes		2,767	2,682	-	-
Worker's compensation costs		515	519	-	-
Other		850	648	-	-
		40,619	39,100	-	-
Less:					
Security recoverable employee benefits expense	3	(3,026)	(2,970)	-	-
		37,593	36,130		
Redundancy costs	2(g)	908	262	-	-
		38,501	36,392	-	-
(d) Other operational costs					
Software and software support		3,796	3,538	-	-
Marketing costs		1,652	2,203	-	-
Insurance costs		3,754	3,902	-	-
Legal fees		523	821	-	-
Bad and doubtful debt expenses		84	(471)	-	-
Operating lease payments		71	380	-	-
Other		5,185	4,766	-	-
		15,065	15,139	-	-
Less:					
Security recoverable other operational costs	3	(485)	(429)	-	-
		14,580	14,710	-	-
(e) Depreciation and amortisation					
Depreciation of property, plant and equipment	8	191,797	195,705	-	-
Amortisation of intangible assets	9	39,258	39,258	-	-
		231,055	234,963	-	-

(i) Contingent rental revenue is derived from retail, property and car rental and some car parking and ground transport areas.

2. REVENUE AND EXPENSES (cont'd)	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
(f) Finance (costs)/income				
External finance (costs)/income				
Interest income				
Bank Interest	15,755	15,343	4,454	1,241
Other finance income/(expenses)				
Fair value adjustment to interest rate swaps not qualifying as hedges	3,880	(8,236)	-	-
Interest expense				
SKIES interest paid or accrued	(43,788)	(41,372)	(43,788)	(41,372)
Amortisation of deferred debt establishment costs and other recurring borrowing costs	(2,005)	(1,885)	(2,005)	(1,885)
Accelerated amortisation of SKIES borrowing costs	(11,561)	-	(11,561)	-
SKIES interest expense	(57,354)	(43,257)	(57,354)	(43,257)
Senior debt interest paid or accrued	(306,257)	(280,592)	-	-
Net swap interest expense	(65,536)	(65,852)	-	-
Amortisation of deferred debt establishment costs and other borrowing costs	(24,058)	(36,919)	-	-
Borrowing costs capitalised	5,586	1,770	-	-
Senior debt interest expense	(390,265)	(381,593)	-	-
Interest on finance leases	(543)	(710)	-	-
Total external finance costs	(428,527)	(418,453)	(52,900)	(42,016)
Shareholder related finance costs				
Redeemable preference shares held by ordinary shareholders interest paid or accrued	(276,380)	(276,560)	(276,380)	(276,560)
Amortisation of deferred debt establishment costs and other borrowing costs	(5,789)	(5,042)	(5,789)	(5,042)
Redeemable preference shares interest expense	(282,169)	(281,602)	(282,169)	(281,602)
Internal finance income				
Interest income				
Interest from wholly-owned subsidiaries	-	-	1,035,645	943,946
Net finance (costs)/income	(710,696)	(700,055)	700,576	620,328

2. REVENUE AND EXPENSES (cont'd)

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
(g) Specific non-recurring expenses				
(i) Restructuring and redundancy costs	908	262	-	-

Costs relate to redundancies paid during the year.

3. AERONAUTICAL SECURITY RECOVERY

The income statement includes both revenues and costs relating to aeronautical security recovery. Security recovery charges are set at appropriate levels to ensure cost recovery only, in accordance with ACCC guidelines for pass-through of Government mandated security costs.

Aeronautical security recoveries include charges in relation to services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than in relation to Terminal 2 checked bag screening and passenger screening services). Aeronautical security recoveries are for the following services, all of which are mandated government requirements:

a) International services include checked baggage screening, passenger screening and additional security measures. All charges are levied on a per passenger basis.

b) Domestic services include additional security measures, Terminal 2 checked bag screening and Terminal 2 passenger screening. All charges are levied on a per passenger basis.

Security recoveries include any direct operating expenses incurred together with recovery of depreciation expense and the recovery of the borrowing costs associated with the assets employed in providing the services required.

The following is a summary of all revenues and expenses associated with security recovery:	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Revenue				
Security recovery	76,202	73,316	-	-
Expenses				
Employee benefits expense	(3,026)	(2,970)	-	-
Services and utilities	(56,963)	(52,341)	-	-
Other operational costs	(485)	(429)	-	-
Property and maintenance	(2,221)	(1,893)	-	-
Total direct costs	(62,695)	(57,633)		
Depreciation	(8,101)	(9,501)	-	-
Borrowing costs	(5,406)	(6,182)	-	-
Surplus/deficit	-	-	-	-

4. INCOME TAXES	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
(a) Income tax recognised in profit or loss				
Tax benefit/(expense) comprises:				
Current income tax				
Current income tax benefit/(expense)	60,453	31,277	(209,983)	(186,098)
Deferred income tax				
Relating to origination and reversal of temporary differences	(29,971)	(715)	-	-
Income tax benefit/(expense) reported in income statement	30,482	30,562	(209,983)	(186,098)
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Loss)/profit before income tax	(151,960)	(161,975)	700,574	620,328
Income tax benefit/ (expense) calculated at 30%	45,588	48,593	(210,172)	(186,098)
Amortisation of intangibles	(11,777)	(11,777)	-	-
Adjustments recognised in the current year in relation to the prior year	383	(5,626)	189	-
Effect of revenue that is exempt from taxation and expenses that are not deductible	(3,712)	(628)	-	-
Income tax benefit/(expense) reported in income statement	30,482	30,562	(209,983)	(186,098)

(c) Tax losses

At 31 December 2011 all tax assets arising from tax losses have been recognised.

4. INCOME TAXES (cont'd)

(d) Deferred taxes

Deferred income taxes are calculated in full on temporary differences under the comprehensive liability method using the income tax rates applicable for all group companies.

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
The movement on the deferred income tax account is as follows:				
At the beginning of the year	201,109	172,603	457,333	431,031
Transferred from common controlled entities	-	-	258,588	212,400
Charged to equity	49,297	(2,056)	-	-
Charged to income statement	30,482	30,562	(209,983)	(186,098)
At the end of the year	280,888	201,109	505,938	457,333

(e) Deferred tax balances

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Deferred tax assets comprise:				
Tax losses – revenue	518,389	457,936	518,389	457,936
Temporary differences	97,417	48,827	29,707	15,156
	615,806	506,763	548,096	473,092
Deferred tax liabilities comprise:				
Temporary differences	334,918	305,654	42,158	15,759

	Consolidated			
31 December 2011	**Opening balance $'000**	**Charged to income $'000**	**Charged to equity $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Deferred debt establishment cost	(38,475)	14,378	-	(24,097)
Accrued revenue	(9,450)	(409)	-	(9,859)
Property, plant and equipment	(251,582)	(14,150)	-	(265,732)
Actuarial gains and losses on defined benefit plan	(571)	-	1,741	1,170
Borrowings	(2,899)	(30,719)	-	(33,618)
Prepayments	(2,348)	382	-	(1,966)
Defined benefit plan asset / (deficit)	(329)	(487)	-	(816)
	(305,654)	(31,005)	1,741	(334,918)
Gross deferred tax assets:				
Shareholder issuance cost	163	-	-	163
Accrued interest payable on redeemable preference shares	14,993	(14,765)	-	228
Accrued expense and provisions	7,439	395	-	7,834
Deferred income	827	(917)	-	(90)
Derivatives	25,405	2,228	47,556	75,189
Tax losses	457,936	60,453	-	518,389
TOFA asset	-	14,093	-	14,093
	506,763	61,487	47,556	615,806
Net deferred tax (liabilities)/assets	**201,109**	**30,482**	**49,297**	**280,888**

4. INCOME TAXES (cont'd)

(d) Deferred taxes (cont'd)

31 December 2010	**Consolidated** **Opening balance $'000**	**Charged to income $'000**	**Charged to equity $'000**	**Closing balance $'000**
Gross deferred tax liabilities:				
Deferred debt establishment cost	(35,611)	(2,864)	-	(38,475)
Accrued revenue	(8,518)	(932)	-	(9,450)
Property, plant and equipment	(256,180)	4,598	-	(251,582)
Actuarial gains and losses on defined benefit plan	(12)	-	(559)	(571)
Borrowings	-	(2,899)	-	(2,899)
Prepayments	(2,730)	382	-	(2,348)
Defined benefit plan asset / (deficit)	445	(774)	-	(329)
	(302,606)	(2,489)	(559)	(305,654)
Gross deferred tax assets:				
Shareholder issuance cost	218	(55)	-	163
Accrued interest payable on redeemable preference shares	20,770	(5,777)	-	14,993
Accrued expense and provisions	7,316	123	-	7,439
Deferred income	(1,287)	2,114	-	827
Derivatives	21,533	5,369	(1,497)	25,405
Tax losses	426,659	31,277	-	457,936
	475,209	33,051	(1,497)	506,763
Net deferred tax (liabilities)/assets	172,603	30,562	(2,056)	201,109

31 December 2011	**Company** **Opening balance $'000**	**Charged to income $'000**	**Charged to equity $'000**	**Other** (i) **$'000**	**Closing balance $'000**
Gross deferred tax liabilities:					
Deferred debt establishment cost	(15,759)	8,039	-	-	(7,720)
Borrowings	-	(34,438)	-	-	(34,438)
	(15,759)	(26,399)	-	-	(42,158)
Gross deferred tax assets:					
Shareholder issuance cost	163	-	-	-	163
Accrued interest payable on redeemable preference shares	14,993	(14,767)	-	-	226
Tax losses	457,936	(198,135)	-	258,588	518,389
TOFA asset	-	29,318	-	-	29,318
	473,092	(183,584)	-	258,588	548,096
Net deferred tax assets/ (liabilities)	**457,333**	**(209,983)**	**-**	**258,588**	**505,938**

(i) Tax losses and current tax liabilities from subsidiaries are transferred to the head entity of the tax consolidated group.

4. INCOME TAXES (cont'd)

(d) Deferred taxes (cont'd)			**Company**		
31 December 2010	**Opening balance $'000**	**Charged to income $'000**	**Charged to equity $'000**	**Other (i) $'000**	**Closing balance $'000**
Gross deferred tax liabilities:					
Deferred debt establishment cost	(16,616)	857	-	-	(15,759)
Gross deferred tax assets:					
Shareholder issuance cost	218	(55)	-	-	163
Accrued interest payable on redeemable preference shares	20,770	(5,777)	-	-	14,993
Tax losses	426,659	(181,123)	-	212,400	457,936
	447,647	(186,955)	-	212,400	473,092
Net deferred tax assets/ (liabilities)	431,031	(186,098)	-	212,400	457,333

(i) Tax losses and current tax liabilities from subsidiaries are transferred to the head entity of the tax consolidated group.
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income tax assets relate to the same fiscal authority.

(e) Tax consolidation
The company and all the wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. Southern Cross Airports Corporation Holdings Limited is the head entity of the tax-consolidated group. Tax expense/income, 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 statements of the members of the tax-consolidated group. The amounts recognised are calculated using the assumptions set out in the tax funding agreement, using the "stand-alone 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 the company.

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

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

The consolidated entity has not paid income tax during the year and has not recorded a current income tax liability at 31 December 2011. The franking account balance is $nil (31 December 2010: $nil).

(f) Tax expense/(income) relating to items of other comprehensive income	**Consolidated**		**Company**	
	31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Cash flow hedges	47,556	(1,497)	-	-
Actuarial gains/(losses) on retirement benefit obligation	1,741	(559)	-	-
	49,297	(2,056)	-	-

5. DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED

	31 December 2011		31 December 2010	
	$ per share	Total $'000	$ per share	Total $'000
Ordinary shares				
Recognised amounts				
First quarter (January)	2.4364	33,253	0.5591	7,631
Second quarter (April)	2.4556	33,515	2.6254	35,832
Third quarter (July)	0.9191	12,544	1.4254	19,455
Fourth quarter (October)	2.0627	28,153	2.9862	40,757
		107,465		103,675

Under the Group's constituent documents, ordinary dividends are only paid on shares if there is cash available after payment of operating costs and interest on senior debt, SKIES and RPS. Interest paid on RPS for the year ended 31 December 2011 was $276.4 million ($295.8 million for the year ended 31 December 2010).

Dividends in 2011 were paid on 27 January 2011, 27 April 2011, 27 July 2011 and 27 October 2011. These dividends were unfranked.

	31 December 2011		31 December 2010	
Unrecognised amounts	$ per share	Total $'000	$ per share	Total $'000
Final dividend	1.1212	15,303	2.436	33,253

In respect of the financial period ended 31 December 2011, the directors approved a final ordinary dividend of $15.3 million (31 December 2010: $33.3 million). This was paid on 27 January 2012 (31 December 2010: 27 January 2011).

		Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Sydney Kingsford Smith Interest Earning Securities ("SKIES")	(i)				
Accrued interest at the beginning of the year		(10,944)	(8,443)	(10,944)	(8,443)
Interest paid		43,720	38,871	43,720	38,871
Accrued interest at the end of the year	15	11,012	10,944	11,012	10,944
SKIES interest paid or accrued	2(f)	43,788	41,372	43,788	41,372
Redeemable preference shares ("RPS")	(i)				
Accrued interest at the beginning of the year		(49,975)	(69,234)	(49,975)	(69,234)
Interest paid		276,380	295,819	276,380	295,819
Accrued interest at the end of the year	15	49,975	49,975	49,975	49,975
Redeemable preference shares interest paid or accrued	2(f)	276,380	276,560	276,380	276,560

(i) Interest in respect of SKIES and RPS (which are stapled to ordinary shares) are included as borrowing costs in the income statement consistent with the statement of financial position classification of the related instrument. Accrued interest includes only that portion of the proposed distribution that is attributable to the accounting period. Interest payments in respect of SKIES and RPS were made on 27 January 2011, 27 April 2011, 27 July 2011 and 27 October 2011.

On 3 January 2012 all $650 million of SKIES were fully redeemed. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012.

6. CURRENT TRADE AND OTHER RECEIVABLES

		Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Trade receivables	(i)	60,254	47,585	-	-
Provision for impairment of receivables	(ii)	(208)	(124)	-	-
		60,046	47,461	-	-
Accrued revenue		36,138	33,842	-	-
Credit note provision		(4,810)	(4,684)	-	-
Operating lease receivable		4,231	3,027	-	-
Prepaid expenses		5,500	3,306	-	-
Other receivables		3,333	6,808	75	140
		104,438	89,760	75	140

Refer to note 11 for non-current portion of trade receivables

(i) Trade receivables are non-interest bearing and are generally on 30-day terms. The total value of trade receivables past due date but not impaired is $1.88 million (2010: $1.17 million).
(ii) Movement in the allowance for doubtful debts is shown in the table below

		Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Balance at the beginning of the year		124	787	-	-
Increase/(decrease) in allowance recognised in other operational costs	2(d)	84	(471)	-	-
Increase/(decrease) in allowance recognised in revenue		-	(192)	-	-
Balance at end of the year		208	124	-	-

7. OTHER CURRENT FINANCIAL ASSETS

At amortised cost					
Loans to entities in the wholly-owned group	(i)	-	-	965,837	918,084
		-	-	965,837	918,084

(i) Terms and conditions are disclosed in note 31.

Refer to note 12 for the non-current portion of other current financial assets

Southern Cross Airports Corporation Holdings Limited
Notes to the Financial Statements
For the year ended 31 December 2011

8. PROPERTY, PLANT AND EQUIPMENT

Consolidated reconciliation of gross carrying amount 31 December 2011	*Balance at 1 January 2011 $'000*	*Additions $'000*	*Transfers $'000*	*Disposals $'000*	*Adjustments $'000*	*Balance at 31 December 2011 $'000*
Freehold land	11,432	-	-	-	-	11,432
Buildings on leasehold land	1,409,684	-	68,620	-	-	1,478,304
Runways, taxiways and aprons	675,995	-	27,900	-	-	703,895
Other infrastructure	646,779	-	35,074	-	-	681,853
Operational plant and equipment	327,036	-	4,906	-	-	331,942
Other plant and equipment	149,351	-	22,557	(61)	-	171,847
Capital works in progress	63,102	182,500	(159,041)	-	(73)	86,488
Total property, plant and equipment	3,283,379	182,500	16	(61)	(73)	3,465,761

Consolidated reconciliation of accumulated depreciation and impairment	*Balance at 1 January 2011 $'000*	*Depreciation $'000*	*Transfers $'000*	*Disposals $'000*	*Adjustments $'000*	*Balance at 31 December 2011 $'000*
Freehold land	(1,155)	(119)	-	-	-	(1,274)
Buildings on leasehold land	(320,498)	(84,529)	-	-	-	(405,027)
Runways, taxiways and aprons	(123,133)	(23,973)	-	-	-	(147,106)
Other infrastructure	(143,199)	(28,470)	-	-	-	(171,669)
Operational plant and equipment	(159,896)	(27,121)	-	-	-	(187,017)
Other plant and equipment	(98,884)	(27,585)	-	61	-	(126,408)
Total property, plant and equipment	(846,765)	(191,797)	-	61	-	(1,038,501)

	Consolidated		**Company**	
Net book value	**31 December 2011 $'000**	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Gross carrying cost	3,465,761	3,283,379	-	-
Accumulated depreciation and impairment	(1,038,501)	(846,765)	-	-
Total property, plant and equipment	2,427,260	2,436,614	-	-

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Consolidated reconciliation of gross carrying amount 31 December 2010	*Balance at 1 January 2010 $'000*	*Additions $'000*	*Transfers $'000*	*Disposals $'000*	*Adjustments $'000*	*Balance at 31 December 2010 $'000*
Freehold land	11,433	-	(1)	-	-	11,432
Buildings on leasehold land	1,241,308	-	176,103	-	(7,727)	1,409,684
Runways, taxiways and aprons	660,829	-	15,166	-	-	675,995
Other infrastructure	663,648	-	(16,869)	-	-	646,779
Operational plant and equipment	308,656	-	18,380	-	-	327,036
Other plant and equipment	134,656	-	14,764	(69)	-	149,351
Capital works in progress	136,730	133,915	(207,543)	-	-	63,102
Total property, plant and equipment	3,157,260	133,915	-	(69)	(7,727)	3,283,379

Consolidated reconciliation of accumulated depreciation and impairment	*Balance at 1 January 2010 $'000*	*Depreciation $'000*	*Transfers $'000*	*Disposals $'000*	*Adjustments $'000*	*Balance at 31 December 2010 $'000*
Freehold land	-	(1,155)	-	-	-	(1,155)
Buildings on leasehold land	(240,641)	(87,584)	-	-	7,727	(320,498)
Runways, taxiways and aprons	(98,595)	(24,538)	-	-	-	(123,133)
Other infrastructure	(117,302)	(25,897)	-	-	-	(143,199)
Operational plant and equipment	(130,689)	(29,207)	-	-	-	(159,896)
Other plant and equipment	(71,627)	(27,324)	-	69	(2)	(98,884)
Total property, plant and equipment	(658,854)	(195,705)	-	69	7,725	(846,765)

8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Aggregate Depreciation
Aggregate depreciation charged during the year is recognised as an expense and disclosed in note 2.

Domestic terminal leases
Domestic terminal leases presently include a term that requires SACL to buy buildings constructed by a tenant at market value at the date the lease terminates in 2019.

9. INTANGIBLE ASSETS

Consolidated	*Leasehold land* *$'000*	*Airport operator licence* *$'000*	*Total* *$'000*
Gross carrying costs			
At 31 December 2011	1,672,044	2,058,070	**3,730,114**
Accumulated amortisation			
Opening accumulated amortisation as at 1 January 2011	(148,457)	(184,127)	**(332,584)**
Amortisation	(17,596)	(21,662)	**(39,258)**
At 31 December 2011	(166,053)	(205,789)	**(371,842)**
At 31 December 2011			
Cost (gross carrying amount)	1,672,044	2,058,070	**3,730,114**
Accumulated amortisation	(166,053)	(205,789)	**(371,842)**
Net carrying amount	1,505,991	1,852,281	**3,358,272**

Consolidated	*Leasehold land* *$'000*	*Airport operator licence* *$'000*	*Total* *$'000*
Gross carrying costs			
At 31 December 2010	1,672,044	2,058,070	**3,730,114**
Accumulated amortisation			
Opening accumulated amortisation as at 1 January 2010	(130,861)	(162,465)	**(293,326)**
Amortisation	(17,596)	(21,662)	**(39,258)**
At 31 December 2010	(148,457)	(184,127)	**(332,584)**
At 31 December 2010			
Cost (gross carrying amount)	1,672,044	2,058,070	**3,730,114**
Accumulated amortisation	(148,457)	(184,127)	**(332,584)**
Net carrying amount	1,523,587	1,873,943	**3,397,530**

Significant intangible assets
The consolidated entity holds the right to operate the leasehold land as an airport. As at 30 June 1998, the Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary, the ownership of a 50 plus 49 year lease of land. At the same time, an airport operator license was granted, which is subject to meeting certain requirements set by governing bodies in Australia on an annual basis.

9. INTANGIBLE ASSETS (cont'd)

The carrying amounts and remaining useful lives of the intangibles are:

	Leasehold land		Airport operator license	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Carrying amount	1,505,991	1,523,587	1,852,281	1,873,943
Remaining useful life	85.5 years	86.5 years	85.5 years	86.5 years

Leasehold land and the airport operator licence have been recognised at their respective cost of acquisition by reference to the purchase consideration and independent professional valuation advice. Both intangibles have been assessed as having a finite life and are amortised using the straight line method over a period of 95 years from 28 June 2002, being the date of acquisition. Both assets are tested for impairment where an indicator of impairment arises.

Leasehold land and the airport operator licence have been tested for impairment based on single cash generating unit approach. All income streams are inextricably linked to one single cash generating unit and individual cash flows cannot be separated from airport operations. Refer to note 10 on Goodwill for the impairment testing methodology.

10. GOODWILL

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Gross carrying amount	688,284	688,284	-	-
Accumulated impairment losses	-	-	-	-
Net book value				
At the beginning of the financial year	688,284	688,284	-	-
At the end of the financial year	688,284	688,284	-	-

Goodwill relates to the acquisition of Sydney Airport at 28 June 2002 and is considered as an indefinite life asset.

Indefinite life intangible assets, such as goodwill, are reviewed annually for impairment. The recoverable amount of such assets is assessed by reference to their value in use. Value in use is determined by reference to discounted cash flow forecasts for the cash generating unit of Sydney Airport.

Under the Group's debt documents, SCACH is required to undertake an annual independent Valuation based on 20 year forecast cashflows. The key assumptions upon which management has based the cashflow projections are passenger forecasts, revenue and operating expenses, interest rates, inflation and future financing assumptions. A Corporate Plan was approved by the Board in December 2011 and this is used as the basis of the first 5 years of cashflows. The Corporate Plan is the result of a detailed business planning process, based on historical performance and the company's views on key drivers. For the remaining 15 years of the forecasts, the assumptions are based on the 5 year Corporate Plan and industry comparables for key drivers including inflation and long term passenger forecasts. A period of 20 years is used for cashflow projections as the airport operates under a 50 year lease (37.5 years remaining) from the Commonwealth, with an additional zero cost 49 year option.

10. GOODWILL (cont'd)
In its Valuation as at 31 December 2011, Deloitte calculated the Equity Value of the cash generating unit (SCACH) in accordance with the Group's debt documents by discounting the SCACH equity cashflows at a discount rate derived using the CAPM model, being 13.5% per annum post tax (31 December 2010: 14.0%). Net Finance Debt is then added to Equity Value to arrive at Enterprise Value. Further details of the Valuation as at 31 December 2011, performed by Deloitte, are contained below.

During the financial year, no such assets were found to be impaired (31 December 2010: $Nil).

Valuation of Sydney Airport
The valuation as at 31 December 2011 equates to a SCACH Equity Value of $7,804 million (31 December: 2010: $7,287 million) compared to a book net liabilities of $1,304.2 million (31 December 2010: $959.8 million).

The directors believe that it is appropriate to rely on the valuation for 31 December 2011 reporting period and are unaware of any factors occurring since the valuation date that would have a material negative impact on the valuation.

11. NON-CURRENT TRADE AND OTHER RECEIVABLES

	Note	Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Accrued revenue		12,840	13,144	-	-
Operating lease receivable		28,266	31,047	-	-
Prepayments		5,733	7,317	-	-
		46,839	51,508	-	-

12. OTHER NON-CURRENT FINANCIAL ASSETS

At amortised cost					
Loans to entities in the wholly-owned group	(i)	-	-	4,557,269	4,650,269
Investment in subsidiaries	(ii)	-	-	103,828	103,828
		-	-	4,661,097	4,754,097

(i) Terms and conditions are disclosed in note 31.
(ii) Contribution to subsidiaries arising from tax consolidation.

13. OTHER NON-CURRENT ASSETS

Superannuation plan asset	28	-	3,000	-	-
Deferred costs		118	206	-	-
Deferred debt establishment costs	(i)	7,634	5,304	-	-
		7,752	8,510	-	-

(i) Deferred debt establishment costs represent prepaid borrowing costs on debt facilities undrawn at 31 December 2011.

14. ASSETS PLEDGED AS SECURITY
In accordance with the security arrangements of liabilities, as disclosed in note 17 to the financial statements, all assets of the Group, except goodwill, together with a mortgage over the Airport lease have been pledged as security. Financial guarantees in respect of the wrapped medium term notes and wrapped capital indexed bonds are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp. All medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

15. CURRENT TRADE AND OTHER PAYABLES

	Note	Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000	Company 31 December 2011 $'000	Company 31 December 2010 $'000
Trade payables	(i)	4,851	5,132	-	-
Accrued distribution – SKIES	(ii)	11,012	10,944	11,012	10,944
Accrued distribution – Redeemable preference shares	(ii)	49,975	49,975	49,975	49,975
Bank loan and medium term note accrued interest	(iii)	59,384	53,096	-	-
Other payables and accruals	(i)	67,577	53,205	2,859	2,858
Goods and services tax (GST) payable	(iv)	5,532	5,159	-	-
Tax payable to entities in wholly owned group		-	-	1,271,627	1,012,929
Unearned revenue	(v)	28,190	26,113	-	-
		226,521	203,624	1,335,473	1,076,706

(i) Trade payables and other payables are non-interest bearing and are normally settled on 30-day terms.
(ii) Refer to note 5.
(iii) Interest payable is either settled quarterly or bi-annually.
(iv) The net of GST payable and GST receivable is remitted to the Australian Taxation Office on a monthly basis.
(v) Unearned revenue was classified as other current liabilities in prior periods.

16. CURRENT PROVISIONS

	Note	Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000	Company 31 December 2011 $'000	Company 31 December 2010 $'000
Employee benefits	(i)	8,182	7,813	-	-
Legal settlements		-	2,029	-	-
		8,182	9,842	-	-

(i) Refer to note 21 for non-current employee benefits

17. BORROWINGS - External

Group

		Principal amount drawn		Carrying Amount	
		31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
At amortised cost:					
Current					
Medium term notes	(ii)	278,000	-	276,430	-
SKIES	(v)	650,000	-	650,000	-
		928,000	-	926,430	-
Non-current					
Bank loans	(i)	1,046,600	549,600	1,029,332	534,707
Medium term notes	(ii)	3,101,000	3,279,000	3,056,808	3,227,485
Medium term notes – foreign currency	(iii)	736,063	518,672	724,839	509,332
Capital indexed bonds	(iv)	1,013,119	978,591	958,529	939,408
SKIES	(v)	-	650,000	-	636,573
		5,896,782	5,975,863	5,769,508	5,847,505
Fair value hedge adjustments	(iii)	(25,582)	(9,664)	(25,582)	(9,664)
		5,871,200	5,966,199	5,743,926	5,837,841

Carrying amounts reflect financial liabilities measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Company

		Principal amount drawn		Carrying Amount	
		31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
At amortised cost:					
Current					
SKIES	(v)	650,000	-	650,000	-
Non-current					
SKIES	(v)	-	650,000	-	636,573

17. BORROWINGS - External (cont'd)

(i) Bank loans

Senior bank debt facilities as at 31 December 2011 comprised of seven drawn tranches (31 December 2010: five tranches) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	**31 December 2011 $'000**	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Non-current					
Tranche I	31 December 2013	50,000	38,000	49,214	36,866
Tranche K	31 December 2013	30,000	23,000	29,550	22,354
Tranche L	31 October 2013	281,100	293,100	277,265	287,199
Tranche M	31 October 2014	35,500	35,500	35,043	34,885
Tranche N	31 October 2015	160,000	160,000	154,744	153,403
Tranche P	30 June 2016	245,000	-	242,010	-
Tranche R	30 June 2017	245,000	-	241,506	-
		1,046,600	549,600	1,029,332	534,707

Interest is charged at Bank Bill Swap Bid Rate ("BBSY") plus a pre-determined margin. Refer to note 26 for disclosure of the effective interest rate.

Bank loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Senior bank debt ranks pari passu with the medium term notes and capital indexed bonds.

17. BORROWINGS - External (cont'd)

(ii) Medium term notes ("MTN's") – Domestic

MTN's as at 31 December 2011 comprised of nine issues (31 December 2010: eight issues) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Current					
Wrapped[1]					
Issue 3	11 October 2012	278,000	-	276,430	-
Non-current					
Wrapped[1]					
Issue 3	11 October 2012	-	278,000	-	274,568
Issue 4	20 November 2014	700,000	700,000	694,588	692,801
Issue 5	20 November 2015	300,000	300,000	297,156	296,473
Issue 8	20 November 2013	217,000	217,000	215,928	215,367
Issue 9	20 November 2021	200,000	200,000	197,627	197,421
Issue 10	11 October 2022	750,000	750,000	735,093	734,101
Issue 11	11 October 2027	659,000	659,000	644,642	644,081
		2,826,000	3,104,000	2,785,034	3,054,812
Unwrapped					
Issue 12	6 July 2015	175,000	175,000	173,109	172,673
Issue 13	6 July 2018	100,000	-	98,665	-
		3,101,000	3,279,000	3,056,808	3,227,485

[1] Wrapped refers to credit wrapped bonds

Fixed interest is charged on the following MTN's at the following rates
$38m facility included in Issue 3: 6.425%
$175m facility (Issue 12): 8.00%
$100m facility (Issue 13): 7.75%

The remaining floating rate notes at the Bank Bill Swap Rate ("BBSW") plus a pre-determined margin.

All MTN's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the wrapped notes are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp. All medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

17. BORROWINGS - External (cont'd)

(iii) Medium term notes ("MTN's") – Foreign Currency

MTN's as at 31 December 2011 comprised of two issues (31 December 2010: one) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Non-current					
USD MTN[1]	22 February 2021	518,672	518,672	509,793	509,332
CAD MTN[2]	6 July 2018	217,391	-	215,046	-
Fair value hedge adjustments		(25,582)	(9,664)	(25,582)	(9,664)
		710,481	509,008	699,257	499,668

[1] 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/RegS 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.

[2] On 21 June 2011, Sydney Airport Finance Company Pty Ltd issued C$225 million in guaranteed senior secured notes maturing in 2018 at a fixed interest rate of 4.602% per annum (payable semi-annually) into the Canadian Maple bond markets. The total CAD dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

All MTN's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. All medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

(iv) Capital indexed bonds ("CIB")

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Issue 1	20 November 2020	663,899	641,267	631,050	617,363
Issue 2	20 November 2030	349,220	337,324	327,479	322,045
		1,013,119	978,591	958,529	939,408

Interest is charged at a fixed rate of 3.76% p.a. on Issue 1 and 3.12% on Issue 2. Additionally, the principal repayable for both issues is increased through to maturity linked to the rate of inflation ("CPI"). The fixed interest charged is calculated on the increasing liability.

CIB's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. Capital indexed bonds rank pari passu with the senior bank debt and medium term notes.

17. BORROWINGS - External (cont'd)

(v) Sydney Kingsford Smith Interest Earning Securities ("SKIES")

	Principal amount drawn		Carrying amount	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Maturity date	$'000	$'000	$'000	$'000
20 December 2016	650,000	650,000	650,000	636,573

The SKIES issued by SCACH on 20 December 2006 are a subordinated debt instrument carrying a cumulative interest cost of BBSW plus a margin of 1.8%.

On 3 January 2012 all $650 million of SKIES were fully redeemed. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012.

The deferred establishment costs associated with SKIES was written down so as to be fully amortised to zero at balance date.

(vi) Deferred debt establishment costs
Deferred establishment costs are amortised over the term of maturity of the underlying financial instrument following the effective interest rate method.

18. BORROWINGS – SHAREHOLDER RELATED

Redeemable preference shares ("RPS")
Group

	Principal amount drawn		Carrying amount	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Maturity date	$'000	$'000	$'000	$'000
28 June 2032	2,047,259	2,047,259	2,009,963	2,004,174

Company

	Principal amount drawn		Carrying amount	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Maturity date	$'000	$'000	$'000	$'000
28 June 2032	2,047,259	2,047,259	2,009,963	2,004,174

Each RPS is stapled to one ordinary share of SCACH at a nominal value of $150 each. RPS are redeemable at a premium of $50 per RPS on 28 June 2032.

The shares carry an entitlement to a fixed cumulative dividend at a rate of 13.5% p.a. Dividends are payable quarterly, subject to availability of cash within the consolidated entity and distributable profits within SCACH. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid. Failure to pay RPS dividends will trigger restrictions on payment of ordinary share dividends.

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
At fair value:				
Current				
Interest rate swaps	71,215	39,073	-	-
Cross currency swaps	20,706	19,548	-	-
	91,921	58,621	-	-
Non-current				
Interest rate swaps	161,840	(3,355)	-	-
Cross currency swaps	(3,130)	29,417	-	-
	158,710	26,062	-	-

Refer to note 26 for a description of the entities policy for interest rate and cross currency swaps and managing interest rate and foreign currency risk.

20. FINANCE LEASE LIABILITIES

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Current	1,982	1,798	-	-
Non-current	2,571	4,552	-	-

Refer to note 27(b) (iii) for finance lease detail.

21. NON-CURRENT PROVISIONS

		Consolidated		Company	
	Note	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Superannuation plan deficit	28	1,179	-	-	-
Employee benefits		1,038	1,211	-	-
		2,217	1,211	-	-

Employee benefits - Long-service leave provision
A provision for long-service leave is recognised in accordance with the Long-Service Act of NSW. Assumptions used in the calculation of the provision for long-service leave relate to the probability of employees anticipated to accumulate the years to become eligible for the benefits and the anticipated increase of rate of salaries over the next few years. The discount rate used for the calculation of the net present value is in compliance with bonds issued by the Commonwealth Government. On-costs to account for payroll related costs are included in the calculation of the total balance of long-service leave provision.

22. ISSUED CAPITAL

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Issued capital	1,313,991	1,313,991	1,313,991	1,313,991

	31 December 2011		31 December 2010	
	No.	$'000	No.	$'000
Fully paid ordinary shares				
13,648,394 issued and fully paid ordinary shares	1,313,991	1,313,991	1,313,991	1,313,991

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of and amounts paid up on shares held.

Each fully paid ordinary share entitles its holder to one vote, either in person or by proxy, at a meeting of the company.

Each of the fully paid ordinary shares has been stapled to one RPS, as referred to in note 18.

23. CASH FLOW HEDGE RESERVE

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Cash flow hedge reserve	(157,908)	(46,577)	-	-
Cash flow hedge reserve				
Balance at beginning of financial year	(46,577)	(50,071)	-	-
Change in fair value	(158,887)	4,991	-	-
Deferred tax arising on hedges	47,556	(1,497)	-	-
Balance at end of financial year	(157,908)	(46,577)	-	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. Details of the movements are disclosed in the statements of comprehensive income.

24. (ACCUMULATED LOSSES)/RETAINED EARNINGS

	Note	Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000	Company 31 December 2011 $'000	Company 31 December 2010 $'000
Balance at beginning of financial year		(2,227,260)	(1,993,477)	1,121,223	790,668
Actuarial (loss)/gain on defined benefit plans	28	(5,803)	1,864	-	-
Recognition of deferred tax		1,741	(559)	-	-
Dividends	5	(107,465)	(103,675)	(107,465)	(103,675)
Net (loss)/profit for the year		(121,478)	(131,413)	490,591	434,230
Balance at end of financial year		(2,460,265)	(2,227,260)	1,504,349	1,121,223

25. NOTES TO THE CASH FLOW STATEMENT

		Consolidated 31 December 2011 $'000	Consolidated 31 December 2010 $'000	Company 31 December 2011 $'000	Company 31 December 2010 $'000
(a) Reconciliation of cash and cash equivalents					
Cash at bank and in hand – available for general use	(i)	160,783	197,810	-	-
Cash and short term deposits – reserved for specific purposes	(ii)	792,762	116,412	680,719	23,013
		953,545	314,222	680,719	23,013

(i) Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates.

(ii) Short term deposits are generally made for a period of three months and earn interest at the respective short term deposit rates. The deposits are certain cash reserve accounts which are reserved for specific purposes in accordance with the terms of the current senior debt agreements. As at 31 December 2011, short term deposits were primarily held for the redemption of all $650 million of SKIES on 3 January 2012.

25. NOTES TO THE CASH FLOW STATEMENT (cont'd)

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
(b) Reconciliation from the net (loss)/profit after tax to the net cash flows from operating activities				
(Loss)/profit for the year	(121,478)	(131,413)	490,591	434,230
Depreciation and amortisation of non-current assets	231,055	234,963	-	-
Net gain on disposal of property, plant and equipment	-	(97)	-	-
Operating lease straight lining adjustment	1,576	(1,578)	-	-
(Gain)/loss on fair value through profit and loss of derivative liabilities	(3,880)	8,236	-	-
Bad debt expense	84	(471)	-	-
Finance lease interest	543	710	-	-
Non cash interest expense	45,043	62,030	19,216	6,805
Borrowing costs included in financing activities (borrowing costs paid)	17,899	4,083	139	122
Changes in working capital:				
Receivables	(15,007)	8,450	45,174	(504,637)
Payables	14,133	7,297	68	2,502
Other assets	66	251	-	-
Other liabilities	1,488	1,081	-	-
Increase in provisions	(1,429)	(2,098)	-	-
Movement in tax balances	(30,482)	(30,562)	209,983	186,098
Distribution – redeemable preference shares	276,380	276,560	276,380	276,560
Net cash flows generated provided by operating activities	**415,991**	**437,442**	**1,041,551**	**401,680**

(c) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

		Consolidated		Company	
		31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Total facilities		7,219,000	6,115,000	-	-
Facilities used at reporting date	(i)	(6,175,000)	(5,326,000)	-	-
Facilities unused at reporting date	(ii)	1,044,000	789,000	-	-

(i) The facilities used does not incorporate any fair value hedge adjustments on foreign currency MTN.
(ii) Facilities unused at reporting date represent senior bank debt facilities. Undrawn facilities have maturities between October 2013 and October 2017.

26. FINANCIAL INSTRUMENTS

(a) Capital Risk Management

The SCACH Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while considering the optimisation of the debt and equity balance, lowering the cost of capital and the return to shareholders.

The capital structure of the Group consists of debt, which includes the bank loans, medium term notes, capital indexed bonds and SKIES disclosed in note 17, cash and cash equivalents, equity attributable to equity holders of the parent comprising of redeemable preference shares, issued capital, reserves and retained earnings as disclosed in notes 18, 22, 23 and 24 respectively.

The Group monitors its capital structure on a regular basis. As part of the review process, management considers the risks and costs of each class of capital. The Group balances its overall capital structure through issue of new debt or retiring of existing debt or shareholder distributions.

During the year ended 31 December 2011, the Group's strategy remained unchanged.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Categories of financial instruments	**Consolidated**		**Company**	
	31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Financial assets				
Cash and cash equivalents	953,545	314,222	680,719	23,013
Loans and other receivables	151,278	141,268	5,523,181	5,568,493
Investment in subsidiary	-	-	103,828	103,828
	1,104,823	455,490	6,307,728	5,695,334
Financial liabilities				
Trade and other payables	226,521	203,624	1,335,363	1,076,706
Borrowings at amortised cost	8,686,640	7,842,015	2,659,963	2,640,747
Derivative instruments	246,022	84,683	-	-
Finance lease liabilities	4,553	6,350	-	-
	9,163,736	8,136,672	3,995,326	3,717,453

(d) Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, inflation risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors covering specific areas, such as foreign exchange risk, interest-rate risk, use of derivative financial instruments and non-derivative financial instruments, and investing excess liquidity. Speculative trading is specifically prohibited by Board policy. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

26. FINANCIAL INSTRUMENTS (cont'd)

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency movements (see note 26(i)). The Group enters into interest rate and cross currency swap contracts to mitigate the risk of rising interest rates and negative foreign exchange movements.

At a Group and company level, market risk exposures are measured using a sensitivity analysis.

There has been no change during the period to the Group's exposure to market risks or the manner in which it manages or measures risk.

(f) Foreign currency risk

The Group operates domestically and is currently a party to two foreign currency borrowings. The Group is, from time to time, exposed to minor foreign exchange risk arising from currency exposures, primarily in respect to the US and CAD dollar. Foreign exchange risk arises from future commercial transactions. To manage their foreign exchange risk arising from future commercial transactions, entities in the Group may use forward contracts, transacted by Group Treasury. The Group's risk management policy is to fully hedge foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue or operating expenditure and capital expenditure over certain thresholds. At 31 December 2011 there were no unhedged foreign currency exposures over the set threshold (31 December 2010: nil).

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2011			31 December 2010		
	AUD $'000	USD $'000	CAD $'000	AUD $'000	USD $'000	CAD $'000
Secured senior notes – foreign currency	(736,063)	(500,000)	(225,000)	(518,672)	(500,000)	-
Cross currency swaps	736,063	500,000	225,000	518,672	500,000	-
	-	-	-	-	-	-

At 31 December 2011, the Company had no material exposure to foreign currency risk.

Sensitivity analysis

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/RegS 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.

On 21 June 2011, Sydney Airport Finance Company Pty Ltd issued C$225 million in guaranteed senior secured notes maturing in 2018 at a fixed interest rate of 4.602% per annum (payable semi-annually) into the Canadian Maple bond markets. The total CAD dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

As the foreign currency exposures are fully hedged, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

26. FINANCIAL INSTRUMENTS (cont'd)

(g) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group.

Derivative counterparties and cash balances are limited to high credit quality financial institutions as at 31 December 2011. It is the Group's policy that all financial institution counterparties must have a Standard & Poor's rating of at least "A" or Moody's long-term rating of "A2". The Group has policies limiting the amount of credit exposure to any financial institution by both volume and term.

The Group has significant concentrations of credit risk. Approximately 40 to 50% of trade receivables are in the one industry being aeronautical (refer also to note 6).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in the credit quality. There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Financial assets and other credit exposures

Refer to note 31 for details on the deed of cross guarantee.

(h) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed borrowing facilities and the ability to close out market positions. Due to the capital investment nature of the underlying business, Group Treasury aims to maintain flexibility in funding by maintaining committed borrowing lines available from a number of counterparties. A liquidity policy is in place to maintain liquidity including the following:

- Working capital facility;
- Debt service cover, in the form of cash and an undrawn committed facility; and
- Maintenance capital expenditure reserve.

26. FINANCIAL INSTRUMENTS (cont'd)

(h) Liquidity risk (cont'd)

Maturity of financial liabilities

The following tables detail the company's and the Group's remaining contractual maturity for its financial liabilities, derivative financial assets and derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities, derivative financial assets and derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment columns represent the contractual future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

Consolidated

31 December 2011	**Total contractual cashflows**				
	Less than 1 year $'000	**1 – 5 years $'000**	**5+ years $'000**	**Interest $'000**	**Carrying Value $'000**
Borrowings – CIB	(35,371)	(150,707)	(1,709,206)	936,755	(958,529)
Borrowings – RPS	(277,137)	(1,106,277)	(6,995,708)	6,369,159	(2,009,963)
Borrowings – bank loans	(68,834)	(976,602)	(253,002)	269,106	(1,029,332)
Borrowings – MTN's – Domestic currency	(459,890)	(1,914,990)	(2,349,479)	1,391,121	(3,333,238)
Borrowings – MTN's – Foreign currency	(62,470)	(249,369)	(951,810)	564,392	(699,257)
Borrowings – SKIES	(661,372)	-	-	11,372	(650,000)
Derivative liabilities	(22,160)	23,288	52,851	(304,610)	(250,631)
Trade and other payables	(226,521)	-	-	-	(226,521)
	(1,813,755)	**(4,374,657)**	**(12,206,354)**	**9,237,295**	**(9,157,471)**

(i) Weighted average interest rates are disclosed in note 26(i)

31 December 2010					
Borrowings – CIB	(35,073)	(148,589)	(1,634,683)	878,938	(939,408)
Borrowings – RPS	(276,380)	(1,106,277)	(7,272,846)	6,651,329	(2,004,174)
Borrowings – bank loans	(39,200)	(648,222)	-	152,715	(534,707)
Borrowings – MTN's – Domestic currency	(176,389)	(2,260,288)	(2,332,436)	1,541,628	(3,227,485)
Borrowings – MTN's – Foreign currency	(45,749)	(160,811)	(776,622)	483,514	(499,668)
Borrowings – SKIES	(43,420)	(173,799)	(692,230)	272,876	(636,573)
Derivative liabilities	(50,955)	(85,543)	(37,821)	89,636	(84,683)
Trade and other payables	(203,624)	-	-	-	(203,624)
	(870,790)	**(4,583,529)**	**(12,746,638)**	**10,070,636**	**(8,130,322)**

(i) Weighted average interest rates are disclosed in note 26(i)

26. FINANCIAL INSTRUMENTS (cont'd)
(h) Liquidity risk (cont'd)

Maturity of financial liabilities (cont'd)

Company

	Total contractual cashflows				
	Less than 1 year $'000	**1 – 5 years $'000**	**5+ years $'000**	**Interest $'000**	**Carrying Value $'000**
31 December 2011					
Borrowings – RPS	(277,137)	(1,106,277)	(6,995,708)	6,369,159	(2,009,963)
Borrowings – SKIES	(661,372)	-	-	11,372	(650,000)
Trade and other payables[1]	(1,335,473)	-	-	-	(1,335,473)
	(2,273,982)	**(1,106,277)**	**(6,995,708)**	**6,380,531**	**(3,995,436)**

(i) Weighted average interest rates are disclosed in note 26(i)

31 December 2010					
Borrowings – RPS	(276,380)	(1,106,277)	(7,272,846)	6,651,329	(2,004,174)
Borrowings – SKIES	(43,420)	(173,799)	(692,230)	272,876	(636,573)
Trade and other payables[1]	(1,076,706)	-	-	-	(1,076,706)
	(1,396,506)	**(1,280,076)**	**(7,965,076)**	**6,924,205**	**(3,717,453)**

(i) Weighted average interest rates are disclosed in note 26(i)

1. Includes intercompany loan liabilities of $1,272 million (31 December: 2010:$ 1,013 m) as disclosed in note 15.

26. FINANCIAL INSTRUMENTS (cont'd)

(i) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from long-term borrowings and cash balances held. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group policy is to ensure that, in the medium term a minimum of 75% of its senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps on a five year, look forward basis. At 31 December 2011, 84.4% (31 December 2010: 91.3%) of senior drawn borrowings (excluding SKIES) were either fixed rate or hedged through interest rate swaps.

The Group manages its cash flow interest-rate risk by using floating-to-fixed interest-rate swaps. Such interest-rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest-rate swaps, the Group agrees with other parties to exchange, at quarterly intervals the difference between fixed contract rates and floating interest-rate amounts calculated by reference to the agreed notional principal amounts.

<u>Interest rate sensitivity</u>

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date. A 150 basis point (31 December 2010: 150 basis points) increase or decrease is used when reviewing interest rates internally by key finance management and represents their assessment of a possible change in interest rates over a 12 month period.

The following table summarises the impact of an increase/decrease of interest rates by 150 basis points (31 December 2010: 150 basis points) while all other variables where held constant:

	Impact on post-tax profit		**Impact on other equity (post-tax)**	
	Consolidated +/- $'000	**Company +/- $'000**	**Consolidated +/- $'000**	**Company +/- $'000**
31 December 2011				
Interest rates – 150 basis point increase	(16,940)	(6,825)	148,327	-
Interest rates – 150 basis point decrease	16,940	6,825	(160,024)	-
31 December 2010				
Interest rates – 150 basis point increase	(11,690)	(6,825)	108,260	-
Interest rates – 150 basis point decrease	11,690	6,825	(116,155)	-

The Group's sensitivity to interest rates has increased as the amount of floating rate debts has increased during the year.

The Company's sensitivity to interest rates remained unchanged as the SKIES instrument was unchanged during the current year.

<u>Interest rate swap contracts</u>

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the cash and swap curves at reporting date and the credit risk inherent in the contract, and disclosed below. In the table below the average interest rate is based on the outstanding balances at the end of the financial year.

26. FINANCIAL INSTRUMENTS (cont'd)

(i) Cash flow and fair value interest rate risk (cont'd)

The table below details the notional principal amounts and remaining terms of floating for fixed interest rate swap contracts outstanding as at reporting dates:

Outstanding floating for fixed contracts	Average contracted fixed interest rates 31 December 2011 %	31 December 2010 %	Notional Principal Amount 31 December 2011 $'000	31 December 2010 $'000	Fair Value 31 December 2011 $'000	31 December 2010 $'000
Less than 1 year	5.6344%	7.6675%	2,936,000	400,000	(20,261)	(5,955)
1 to 2 years	-	6.2958%	-	1,963,000	-	(30,672)
2 to 5 years	5.8281%	6.0936%	3,673,336	1,444,000	(193,641)	(18,692)
5 years +	5.5133%	5.6298%	259,336	968,672	(19,153)	19,600
			6,868,672	4,775,672	(233,055)	(35,718)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is Australian BBSW or BBSY. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

As at the reporting date, the Group had the following variable and fixed rate borrowings and interest swap contracts outstanding:

	As At 31 December 2011 Weighted Average Interest Rate %	Carrying Value $'000	As At 31 December 2010 Weighted Average Interest Rate %	Carrying Value $'000
Senior debt (including swaps)	6.4082	6,020,356	6.2550	5,201,268
SKIES	6.7217	650,000	6.7600	636,573
Total	6.4387	6,670,356	6.3101	5,837,841

26. FINANCIAL INSTRUMENTS (cont'd)

(j) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions
- the fair value of derivative instruments are based on market prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Except as detailed in the following table, the directors consider the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values:

	Carrying amount		*Fair Value*	
Consolidated	**31 December 2011 $'000**	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Financial liabilities				
RPS	2,009,963	2,004,174	3,280,109	2,875,417
$38m MTN	37,774	37,505	38,649	38,676
$175m MTN	173,109	172,673	197,490	188,605
$100m MTN	98,665	-	118,721	-
US$500m MTN	486,537	499,668	621,106	567,258
CAD$225m MTN	212,720	-	254,914	-
SKIES	650,000	636,573	659,087	642,525
	3,668,768	3,350,593	5,170,076	4,312,481

	Carrying amount		*Fair Value*	
Company	**31 December 2011 $'000**	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Financial liabilities				
RPS	2,009,963	2,004,174	3,280,109	2,875,417
SKIES	650,000	636,573	659,087	642,525
	2,659,963	2,640,747	3,939,196	3,517,942

26. FINANCIAL INSTRUMENTS (cont'd)

(k) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

As of 1 January 2009, the entity has adopted the amendment to AASB 7, Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:
(a) quoted prices (unadjusted) in active markets for identical assets for liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2011.

Consolidated – as at 31 December 2011	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	250,631	-	250,631

Consolidated – as at 31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivatives used for hedging	-	84,683	-	84,683

27. COMMITMENTS AND CONTINGENCIES

(a) Capital expenditure commitments

At 31 December 2011, the Group has estimated capital expenditure commitments of $66.1 million (31 December 2010: $39.7 million). These principally relate to:

	31 December 2011 $'000	31 December 2010 $'000
Improvements to runway, taxiways and aprons	11,781	24,416
Upgrade of buildings	3,518	10,195
Plant and utilities' improvements	50,597	3,412
Various other fixed asset projects	173	1,694

The commitments contracted for at reporting date, but not provided for:

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Payable within one year	66,069	39,717	-	-
Payable later than one year but not later than five years	-	-	-	-
Payable after five years	-	-	-	-
	66,069	39,717	-	-

(b) Operating Commitments

(i) Lease commitments-Group as lessee

The Group has entered into one commercial property lease. The lease has a term of 50 years with rent payable monthly in advance. Renewal terms are not included in the contract. Renewal is at the option of the lessor. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under non-cancellable operating lease are as follows:

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Payable within one year	120	120	-	-
Payable later than one year but not later than five years	480	480	-	-
Payable after five years	1,790	1,910	-	-
Aggregate lease expenditure contracted for at balance sheet date	2,390	2,510	-	-

(ii) Lease commitments – Group as lessor

Substantially, all of the property owned by the Group is leased to third parties under operating leases. Lease terms vary between tenants as allowed by the lease from the Commonwealth of Australia and some leases include percentage rental payments based on sales volume and/or passenger volume related lease payments.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Receivable within one year	262,049	222,610	-	-
Receivable later than one year but not later than five years	618,260	638,253	-	-
Receivable after five years	227,934	261,292	-	-
	1,108,243	1,122,155	-	-

27. COMMITMENTS AND CONTINGENCIES (cont'd)

Future minimum lease revenue due includes rents payable on leases that are based on minimum passenger throughput rents, where a minimum guaranteed amount can be determined. It excludes rent that is subject to variability in the amount of passenger throughput, excludes percentage rentals which may become receivable on the basis of sales in excess of a stipulated minimum, and also excludes recovery of outgoings. No present value discount rate has been applied to minimum lease payments. Minimum lease payments due should not be read as a forecast.

(iii) Finance leases

The group leases common user terminal equipment with a carrying value of $3,996,817 expiring in February 2014. Under the terms of the lease, the group has the option to acquire the leased assets for $1 at date of expiry.

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Commitments in relation to finance leases are payable as follows:				
Within one year	2,340	2,340	-	-
Later than one year but not later than five years	2,730	5,071	-	-
	5,070	7,411	-	-
Future finance charges	(517)	(1,061)	-	-
Recognised as a liability	4,553	6,350	-	-
Representing lease liabilities:				
Current (note 20)	1,982	1,798	-	-
Non-current (note 20)	2,571	4,552	-	-
	4,553	6,350	-	-

(c) Contingencies
Contingent liabilities
There are no material unrecorded liabilities at 31 December 2011 nor are there any claims against the Group that, in the expectation of the Directors, will give rise to a material loss in the future. In accordance with the provisions of the Australian Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", the following contingent liabilities are disclosed:

Land Rich Stamp Duty
In June 2002, the Commonwealth Government privatised Sydney Airport by selling all of its shareholding in Sydney Airport Corporation Limited (SACL) to SCAC. As part of SCAC's acquisition of SACL, the Commonwealth Government agreed to pay any land rich stamp duty assessed to SCAC by the NSW Office of State Revenue in relation to the transfer of the shares to SCAC (including any penalties or interest that are payable).

On 17 November 2006, SCAC received a notice of assessment for stamp duty from the NSW Office of State Revenue ("OSR"). SCAC wrote to the Commonwealth providing a copy of the notice and directing the Commonwealth to pay the assessment amount in accordance with the share sale agreement. The assessment amount was for duty of $258.9 million plus interest of $142.6 million (assessment). Interest and penalties continue to accrue and now exceed $300 million.

Under the terms of the share sale agreement, and in return for agreeing to pay the assessment, the Commonwealth has the right to defend or institute legal proceedings in SCAC's name to resist the payment of the assessment by objecting to or otherwise disputing, compromising or bringing proceedings challenging the assessment. The Commonwealth has exercised that right and has brought the proceedings in SCAC's name challenging the validity of the assessment. The proceedings are brought pursuant to a statutory right to seek a review of the assessment in the Supreme Court of NSW.

27. COMMITMENTS AND CONTINGENCIES (cont'd)

The basis of the challenge, among others, is that the Commonwealth considers that the sale of SACL in June 2002 was not a land rich transaction.

The proceedings are being conducted under the management and control, and at the cost of, the Commonwealth. SACL and SCAC are providing assistance where required by the Commonwealth.

Clean Energy Future

The Senate passed the Australian Government 'Clean Energy Future' legislation package on 8 November 2011 to be implemented from 1 July 2012. The scheme imposes a fixed price of $23 per tonne on carbon emissions for the first 3 years, followed by a flexible emissions trading scheme on 1 July 2015. This will impose a carbon price on domestic air travel which contributes a proportionately smaller amount to SCACH revenue than international air travel, which is not captured. Based on the details currently available and statements made by airlines operating in Australia regarding the likely impact on domestic airfares, the Directors do not believe that the introduction of a carbon pricing mechanism will significantly impact the assumptions used for the purpose of the calculations used in asset impairment testing.

28. SUPERANNUATION PLAN

All employees are entitled to varying levels of benefits on retirement, disability or death. The Sydney Airport Superannuation Plan consists of a defined benefit plan which is fully funded and provides benefits based on years of service and final average salary and a defined contribution plan. The plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members Contributions. Employees contribute to the plan at various percentages of their wages and salaries. Contributions by the entity of up to 9% of employees' wages and salaries are legally enforceable in Australia.

The following table summarises the components of the net benefit recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the plan:

	Consolidated		**Company**	
	31 December 2011 $'000	**31 December 2010 $'000**	**31 December 2011 $'000**	**31 December 2010 $'000**
Amounts recognised in income in respect of these defined benefit plans are as follows:				
Current service costs	1,531	1,694	-	-
Interest cost	953	896	-	-
Expected return on plan assets	(1,458)	(1,191)	-	-
Total included in 'employee benefit expense'	1,026	1,399	-	-
Net actuarial losses/(gains) recognised in statements of comprehensive income	5,803	(1,864)	-	-
Cumulative actuarial gains recognised in the statements of comprehensive income	3,871	(1,902)	-	-
The amount included in the statement of financial position arising from the entity's obligations in respect of its defined benefit plans is as follows:				
Present value of funded defined benefit obligations	(23,557)	(18,676)	-	-
Fair value plan assets	22,378	21,677	-	-
Net (liability)/asset arising from defined benefit obligations	(1,179)	3,000	-	-

28. SUPERANNUATION PLAN (cont'd)

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Included in the statement of financial position:				
Non-current provisions (note 21)				
Superannuation plan liability	(1,179)	-	-	-
Non-current assets (note 13)				
Superannuation plan asset	-	3,000	-	-
Net (liability)/asset arising from defined benefit obligations	(1,179)	3,000	-	-

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Movements in the present value of the defined benefit obligations in the current year were as follows:				
At the beginning of the reporting year	18,676	20,199	-	-
Current service cost	1,531	1,694	-	-
Interest cost	953	896	-	-
Actuarial losses/(gains)	4,860	(2,019)	-	-
Benefits paid	(1,970)	(1,378)	-	-
Taxes, premiums and expenses paid	(632)	(716)	-	-
Closing defined benefit obligation	23,418	18,676	-	-
Movements in the present value of the plan assets in the current year were as follows:				
Opening fair value of plan assets	21,677	18,755	-	-
Expected return on plan assets	1,458	1,191	-	-
Actuarial gains/(losses)	(913)	(155)	-	-
Employer contributions	2,758	3,980	-	-
Benefits paid	(1,970)	(1,378)	-	-
Taxes, premiums and expenses paid	(632)	(716)	-	-
Closing fair value of plan assets	22,378	21,677	-	-

The actual return on plan assets was an increase of $0.5 million (2010: increase of $2.9 million).

The Group expects to contribute at the current recommended rates of 14.1% (including 3% productivity contributions) of salaries of defined benefit members, 9.0% of salaries of defined contribution members.

The principal actuarial assumptions used in determining superannuation plan liability for the Group's plan are:	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Discount rate	3.2%	4.8%	-	-
Expected rate of return on assets	6.3%	6.3%	-	-
Future salary increases	3.5%	3.5%	-	-

28. SUPERANNUATION PLAN (cont'd)

The analysis of the plan assets and the expected rate of return at the balance sheet date is as follows:

	Expected return		Fair value of plan assets	
	31 December 2011	31 December 2010	31 December 2011 $'000	31 December 2010 $'000
Australian equity instruments	1.20%	1.20%	4,252	4,119
International equity instruments	1.26%	1.20%	4,476	4,119
Fixed income	1.38%	1.31%	4,923	4,551
Property	0.82%	0.57%	2,909	1,951
Alternatives/other	0.25%	0.63%	895	2,168
Cash	1.39%	1.39%	4,923	4,769
	6.30%	6.30%	22,378	21,677

The history of experience adjustments is as follows:

	Consolidated				
	31 December 2011 $'000	31 December 2010 $'000	31 December 2009 $'000	31 December 2008 $'000	31 December 2007 $'000
Fair value of plan assets	22,378	21,677	18,755	19,479	22,973
Present value of defined benefit obligation	(23,418)	(18,676)	(20,199)	(24,576)	(20,352)
Surplus/(deficit)	(1,179)	3,000	(1,444)	(5,097)	2,621
Experience adjustments on plan liabilities	4,860	(2,019)	(1,795)	3,428	21
Experience adjustments on plan assets	(913)	(155)	(484)	(4,582)	(421)

	Consolidated		Company	
	31 December 2011 $'000	31 December 2010 $'000	31 December 2011 $'000	31 December 2010 $'000
Defined benefit				
Employer contributions	3,280	3,980	-	-
Employee contributions	-	-	-	-
	3,280	3,980	-	-
Defined contribution				
Employer contributions	2,851	2,550	-	-
Employee contributions	324	336	-	-
	3,175	2,886	-	-

29. AUDITOR'S REMUNERATION

	Consolidated		Company	
	31 December 2011 $	31 December 2010 $	31 December 2011 $	31 December 2010 $
Amounts received or due and receivable by KPMG for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	244,492	225,000	-	-
- other services in relation to the entity and any other entity in the consolidated entity:				
- assurance related	39,400	350,000	-	-
- accounting assistance		-	-	-
	283,892	575,000	-	-
Amounts received or due and receivable by KPMG for non-audit related services	-	-	-	-
	283,892	575,000	-	-

30. KEY MANAGEMENT PERSONNEL

Key management personnel compensation

Key management personnel compensation comprised:

	2011 $	2010 $
Short term employee benefits – salary and fees	2,773,485	2,405,653
Short term employee benefits – bonus	2,447,783	1,705,038
Post employment benefits – superannuation	363,624	306,701
Other long term employee benefits	863,659	102,581
Termination benefits	499,766	-
	6,948,317	4,519,973

In addition to a Fixed Annual Reward (FAR) including superannuation, and a Short Term Incentive (STI), key management personnel may also be eligible to receive additional benefits, such as car parking, payment of professional memberships and reimbursement of home telephone costs. The cost of these benefits are deducted from their FAR.

Certain key management personnel have a notice period equivalent to six months in their employment contract. Upon resignation at the Group's request, they may be entitled to termination benefits equivalent to up to 6 months' gross salary plus a pro-rated payment in relation to any short term incentive.

Some key management personnel, or their related parties, may hold positions in other entities within the Group. These positions result in key management personnel, or their related entities, having control or significant influence over the financial or operating policies of these entities. Details of transactions with these related parties can be found in note 31.

31. RELATED PARTY DISCLOSURE

The consolidated financial statements include the financial statements of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its subsidiaries as follows:

Name	Country of incorporation	Equity interest % 31 December 2011	31 December 2010
Parent entity			
Southern Cross Airports Corporation Holdings Limited ("SCACH") (i)	Australia		
Subsidiaries			
Southern Cross Airports Corporation Pty Limited ("SCAC") (ii)	Australia	100	100
Sydney Airport Corporation Limited ("SACL") (ii)	Australia	100	100
Sydney Airport Finance Company Pty Limited ("FinCo") (ii)	Australia	100	100
Sydney Airport RPS Company Pty Limited ("RPSCo") (ii)	Australia	100	100

SCACH is the parent entity of the Group.

(i) SCACH is the head entity within the tax-consolidated group.
(ii) These companies are members of the tax-consolidated group.
(iii) The ultimate parent entity and Australian parent entity is Sydney Airport Trust 1.

The registered office and principal place of business of SCACH is:

10 Arrivals Court
Sydney International Airport
Mascot NSW 2020

All companies in the SCACH Group (as listed above) have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Class Order 98/1418. As all companies in the Group are party to the cross guarantee, the consolidated income statement and statement of financial position of the entities party to the cross guarantee are as presented in the consolidated column of the income statement and statement of financial position presented in these financial statements.

No liability was recognised by the parent entity in relation to this guarantee as the fair value of the guarantee is immaterial.

The following related party transactions occurred during the year ended 31 December 2011:

Transactions within the wholly-owned group

Loans granted by SCACH to SCAC are repayable on 30 June 2048. Interest on the loan is charged at 18% p.a. and interest on unpaid interest is charged at 19% p.a. These rates were set as at the date of establishment of the intercompany loan to approximate the required rate of return for what is notionally the equity in Sydney Airport based on other relevant benchmarks.

Other related party transactions

Sydney Airport Trust 1 ("SAT1") and Sydney Airport Trust 2 ("SAT2") are stapled entities listed on ASX as Sydney Airport. SAT1 is the deemed parent entity and the ultimate parent entity of SCACH.

SACL paid SAT2 $2.092 million (31 December 2010: $0.931 million) for strategic consulting services and advice pertaining to the refinancing during the year ended 31 December 2011. These arrangements (including the fees) were on arm's length terms. In addition, a further $0.093 million was accrued for strategic consultancy services at 31 December 2011 (December 2010: $0.265 million) – also on arm's length terms.

During the year the Group charged MAT2 Holdings Pty Limited, a wholly owned subsidiary of SAT2, $0.1 million for costs pertaining to the relocation of staff and office space.

Airport Strategic Consulting Pty Ltd, a related party of Hochtief, was paid $1.732 million (31 December 2010: $2.208 million) for strategic consultancy services provided to SCACH on arm's length terms. In addition, a further $0.054 million was accrued for strategic consultancy services at 31 December 2011 (31 December 2010: $0.265 million).

31. RELATED PARTY DISCLOSURE (cont'd)

Transactions with entities with joint-control or significant influence over the Group
A number of directors of SCACH also hold directorships on the Boards of Directors of related companies. Transactions between the Group and related entities are stated above. SCACH's directors do not derive any direct personal benefit from the transactions between the Group and these businesses.

Terms and conditions of transactions with related parties
Transactions between related parties are made under normal commercial terms and conditions. For the year ended 31 December 2011 and 31 December 2010, the Group has not raised any allowance for doubtful debts relating to the loans granted from SCACH to SCAC as the payment history of the interest charges is strong. This assessment is undertaken at each reporting period through examining the financial position of SCAC and the market in which the entity operates.

32. EVENTS AFTER THE BALANCE SHEET DATE

An ordinary dividend of $15.3 million was declared for the year ended 31 December 2011 (31 December 2010: $33.3 million). The final dividend has not been recognised in this financial report because it was declared after 31 December 2011.

On 3 January 2012 all $650 million of SKIES were fully redeemed. Southern Cross Airports Corporation Holdings Limited was removed from the official list of the Australian Stock Exchange at the close of trading on 4 January 2012.

Other than the matter referred to above, there has not been any matter or circumstance other than that referred to in the financial statements that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group or the Company, the results of those operations, or the state of affairs of the Group and the Company in future reporting periods.