



SYDNEY AIRPORT

FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER 2011

Financial Report

for year ended 31 December 2011

ASX-Listed Sydney Airport (the Group) (formerly MAp) comprises Sydney Airport Trust 1 (ARSN 099 597 921) and Sydney Airport Trust 2 (ARSN 099 597 896).

Sydney Airport Holdings Limited (ACN 075 295 760) (AFSL 236875) (SAHL, formerly MApL) is the responsible entity of Sydney Airport Trust 1 (ARSN 099 597 921) (formerly MAT1) and Sydney Airport Trust 2 (ARSN 099 597 896) (formerly MAT2). This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Financial Report

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Introduction to the Financial Report

Overview of ASX-Listed Sydney Airport (formerly MAp)

On 19 December 2011, MAp changed its name to Sydney Airport by way of changing the names of the two stapled trusts; MAp Airports Trust 1 to Sydney Airport Trust 1 (SAT1) and MAp Airports Trust 2 to Sydney Airport Trust 2 (SAT2). To reflect this change of name, on 21 December 2011 the ASX ticker changed to SYD.

ASX-listed Sydney Airport (the Group) formerly invested in airports worldwide. During the year the Group sold its interests in Brussels Airport and Copenhagen Airports through an asset swap with Ontario Teachers' Pension Plan Board (OTPP) which was announced on 19 July 2011 and settled on 7 October 2011 and 17 November 2011. The Group now focuses on the ownership of Sydney Airport as its main airport investment.

Units in the Group are stapled and quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one unit in SAT1 and one unit in SAT2.

Sydney Airport's Investments

The Group's total economic interest in each of the airport assets in which it has invested at 31 December 2011 is provided in the table below.

	Sydney Airport ¹ %	Brussels Airport %	Copenhagen Airports %	Bristol Airport ² %
Legal interest				
As at 31 December 2011	84.8	-	-	1.0
As at 31 December 2010	74.0	39.0	30.8	1.0

The following table outlines the fair values of each of these investments at 31 December 2011. The fair values have been determined in accordance with a valuation framework adopted by the directors. Discounted cash flow analysis is the methodology applied in the valuation framework.

	Sydney Airport ¹ \$m	Brussels Airport \$m	Copenhagen Airports \$m	Bristol Airport ² \$m
Economic interest				
As at 31 December 2011	6,619.3	-	-	5.1
As at 31 December 2010	5,405.6	1,014.0	924.6	5.3

¹ The financial position and results of Southern Cross Airports Corporation Holdings Ltd (SCACH) are consolidated into the Group's financial report. Accordingly the value of the Group's and SAT2's investment in SCACH do not appear in these financial reports at 31 December 2011.

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

Directors' Report

for year ended 31 December 2011

Directors' Report

For the year ended 31 December 2011, the directors of Sydney Airport Holdings Limited (SAHL or the Responsible Entity) submit the following report on the consolidated financial report of ASX-listed Sydney Airport. Sydney Airport Trust 1 (SAT1) has been identified as the parent of the consolidated group comprising SAT1 and its controlled entities and Sydney Airport Trust 2 (SAT2) and its controlled entities together acting as Sydney Airport (or the Group).

For the year ended 31 December 2011, the directors of the Responsible Entity also submit the following report on the consolidated financial report of SAT2 being SAT2 and its controlled entities (the SAT2 Group).

Principal Activities

The principal activity of the Group and the SAT2 Group (together the Groups) is the ownership of Sydney Airport. This represents a change which occurred during the year when the Group sold its interests in Brussels Airport and Copenhagen Airports through an asset swap with OTHP announced on 19 July 2011 and settled on 17 November 2011.

The Groups' investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Groups.

Directors

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

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

The following persons were directors of MAIL during the year from the period noted and up to the date of this report (unless otherwise noted). MAIL was part of the stapled Group until it was unstapled and delisted on 19 December 2011. MAIL no longer requires an independent board as it is now consolidated by SAT2 from 19 December 2011.

Name	Role	Period of Directorship
Stephen Ward	Chairman, Non-executive director	Since July 2006, appointed as Chairman on 24 November 2011, resigned 2 February 2012
Jeffrey Conyers	Chairman, Non-executive director	Since July 2003, resigned 24 November 2011
Max Moore-Wilton	Non-executive director	Since April 2006, resigned 2 February 2012
Trevor Gerber	Non-executive director	Appointed 24 November 2011, resigned 2 February 2012
John Roberts	Non-executive director	Appointed 24 November 2011, resigned 2 February 2012
Sharon Beesley	Non-executive director	Since February 2002, resigned 24 November 2011

Interests in the Group held by the directors of the Responsible Entity during the year and MAIL up to 19 December 2011 are disclosed in Note 23 to the financial report.

Directors' Report

for year ended 31 December 2011

Distributions

The total distribution by the Group for the year ended 31 December 2011 was 21.0 cents per stapled security (2010: 33.5 cents). The distribution was paid by SAT1 (21.0 cents). An interim distribution of 11.0 cents per stapled security (2010: 11.0 cents) was paid by SAT1 on 18 August 2011. A final distribution of 10.0 cents per stapled security (2010: 10.0 cents) was announced on 7 December 2011 and paid by SAT1 (10.0 cents) on 16 February 2012. A special distribution of 12.5 cents per stapled security was paid by MAIL on 21 October 2010. No distribution was paid by MAIL or SAT2 for the year ended 31 December 2011.

Cash Consideration as part of Scheme Consideration

As a result of the completion of the Simplification (refer Significant Changes in State of Affairs) on 19 December 2011, a Cash Consideration as part of the Scheme Consideration of 80.0 cents per MAIL share was paid on 19 December 2011.

Review and Results of Operations

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

	Group Consolidated 2011 \$'000	Group Consolidated 2010 \$'000	SAT2 Consolidated 2011 \$'000	SAT2 Consolidated 2010 \$'000
Revenue	1,041,968	1,006,331	337,703	71,290
Revaluation gains / (losses) from investments	185	(19,697)	314,284	1,370,860
Other income	(16,298)	16,610	2,642	363
Total revenue from continuing operations	1,025,855	1,003,244	654,629	1,442,513
Profit from continuing operations after income tax benefit	82,120	58,506	110,514	804,704
Loss from discontinued operations net of income tax	(361,554)	(6,628)	-	-
Profit / (loss) for the year after income tax (expense) / benefit	(279,434)	51,751	110,514	804,704
Profit / (loss) attributable to security holders	(239,893)	100,830	(19,020)	404,781
Earnings per stapled security from continuing operations attributable to security holders				
Basic earnings per stapled security / unit	6.54c	5.78c	0.01c	21.75c
Diluted earnings per stapled security / unit	6.54c	5.78c	0.01c	21.75c
Earnings per stapled security from discontinued operations attributable to security holders				
Basic earnings per stapled security / unit	(19.43)c	(0.03)c	0.00c	0.00c
Diluted earnings per stapled security / unit	(19.43)c	(0.03)c	0.00c	0.00c

Directors' Report

for year ended 31 December 2011

Significant Changes in State of Affairs

Sale of Interests in Brussels Airport and Copenhagen Airports, and Acquisition of Additional Interest in Sydney Airport

On 19 July 2011 the Group advised that it had entered into a binding Asset Swap Proposal (ASP) with Ontario Teachers' Pension Plan Board (OTPP). The ASP involved the sale of the Group's interests in Brussels Airport and Copenhagen Airports in exchange for OTPP's 11.02% interest in Sydney Airport and a net cash payment of \$801.0 million.

On 28 September 2011 all conditions precedent for the ASP had been satisfied.

The ASP was effected as follows:

- On 7 October 2011 MAIL's investments in Brussels Airport and Copenhagen Airports were transferred to OTPP and OTPP transferred its direct 4.96% investment in Sydney Airport to SAT2 subsidiaries.
- On 17 November 2011 subsidiaries of MAIL completed the acquisition of a further investment of 6.06% in Sydney Airport through the purchase of OTPP's 9.72% investment in Southern Cross Australian Airports Trust (SCAAT).

As a result, the Group increased its interest in Sydney Airport to 84.82% (from 73.96%), disposed of its entire non-controlling interests in Brussels Airport and Copenhagen Airports and received a final net cash payment of \$801.0 million in accordance with contractual arrangements and adjusted for foreign exchange movements and completion adjustments.

Simplification and Scheme

On 28 September 2011 the Group announced that as a result of its strategy having changed to focus solely on its ownership of Sydney Airport, it would seek investor approval to restructure and simplify (the Simplification) the group by removing MAIL from the stapled security structure by way of a scheme of arrangement (the Scheme).

Details of the Simplification and Scheme were included in an Explanatory Memorandum and Independent Expert's Report announced to investors on 24 October 2011.

All Scheme resolutions were passed by the required majorities at the Simplification Meetings and the Supreme Court of Bermuda approved the Scheme. As a result of the Scheme, investors sold their shares in MAIL to SAT2 for market value consideration in the form of a cash component of 80.0 cents per MAIL share and an issue of SAT2 units (together the Scheme Consideration) on 19 December 2011.

As a result of the unstapling resolutions, MAIL ceased to form part of the stapled Group. Investors continue to hold the same overall number of stapled securities as before the Simplification, but each stapled security now comprises one unit in SAT1 and one unit in SAT2 only.

Senior Debt Raised at Sydney Airport and Redemption of SKIES

During the year ended 31 December 2011, Sydney Airport successfully completed a \$1,069 million senior debt raising. This consisted of the following debt instruments:

- \$752 million in senior bank debt with five and six year tenors.
- C\$225 million of fixed rate guaranteed senior secured notes in the Canadian bond market maturing July 2018.
- \$100 million of fixed rate guaranteed senior secured (MTN) maturing July 2018.

On 4 July 2011 SCACH announced its intention to use the above commitments to redeem the \$650 million Sydney Kingsford Smith Interest Earning Securities (SKIES) and fund capital expenditure through to 2014. The redemption of SKIES occurred on 3 January 2012. The November 2012 MTN maturity is covered by committed undrawn bank facilities and Sydney Airport faces no debt maturities until October 2013.

Directors' Report

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Events Occurring after Balance Sheet Date

A final distribution of 10.0 cents (2010: 10.0 cents) per stapled security was paid by SAT1 on 16 February 2012.

On 3 January 2012 SCACH completed the \$650 million redemption of SKIES out of cash at bank.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the year ended 31 December 2011.

Likely Developments and Expected Results of Operations

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

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report

Contents

1. Introduction
2. Nomination and Remuneration Committee
3. Remuneration Principles
4. Remuneration Policy and Structure
5. KMP Remuneration Arrangements for the Year Ended 31 December 2011
6. Non-executive Directors' Remuneration
1. **Introduction**

The Directors present the Remuneration Report for Sydney Airport Holdings Limited (SAHL), formerly called MAP Airports Limited. This Remuneration Report includes information on:

- SAHL's Key Management Personnel (KMPs).
- Sydney Airport Corporation Limited (SACL) executives deemed to be KMP's of SAHL from 7 October 2011.
- SAHL's non-executive directors (NEDs).

SAHL is not required to prepare a remuneration report that complies with the Corporations Act 2001. However, the following remuneration report has been prepared voluntarily, as if SAHL were statutorily required to prepare a remuneration report that complied with Section 300A of the Corporations Act 2001.

Due to the Asset Swap, on 7 October 2011 certain Sydney Airport executives are treated as KMP's of SAHL as its principal activity is the investment in and operation of Sydney Airport.

2. **Nomination and Remuneration Committee**

The Nomination & Remuneration Committee (NRC) is responsible for making recommendations to the board on director and executive remuneration policy and structure. The composition and functions of the NRC are set out in the Nomination & Remuneration Committee Charter which can be viewed at www.sydneyairport.com.au.

The NRC comprises three members, two of whom are independent, non-executive directors.

The members are Stephen Ward (Chairman), Max Moore-Wilton and Michael Lee.

3. **Remuneration Principles**

The guiding principles applied in managing remuneration include:

- Linkage of individual performance to the achievement of financial targets and business strategies.
- The achievement of short and long term financial business targets that deliver improved business performance and therefore sustained growth in returns to shareholders.
- The use of relevant market data to set appropriate levels of remuneration.

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report (continued)

4. Remuneration Policy and Structure

The objectives of the remuneration framework are to:

- Attract and retain high calibre individuals.
- Reward those who consistently deliver outstanding performance.
- Provide clear linkage between business performance and remuneration of individuals.

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

4.1. Remuneration is divided into:

- A fixed annual remuneration component (FAR).
- Those components which are variable and directly linked to the delivery of personal Key Performance Indicators (KPI's) and the Groups key financial and business objectives (At Risk Remuneration or ARR).

4.2. Fixed Annual Remuneration

FAR consists of base salary and benefits at a guaranteed level. KMP's are provided with a FAR amount and have flexibility to determine the precise amount of cash and benefits they receive within the total amount. The FAR includes the minimum regulatory superannuation contribution.

4.3. At Risk Remuneration

A significant element of a KMP's maximum potential remuneration is required to be at risk and linked to corporate performance.

Corporate Performance: ASX-listed Sydney Airport's security price performed strongly in 2011, with a total shareholder return of 22.7%. This compares to the ASX 200 Accumulation Index return of -10.5% and the All Ords Accumulation Index return of -11.4%. Drivers of the strong performance were:

- Successful execution of the Asset Swap transaction through which interests in Brussels Airport and Copenhagen Airports were sold for an additional 11.02% of Sydney Airport and a net cash payment of \$801.0 million.
- The subsequent Simplification resulting in an 80.0 cents per stapled security cash payment.
- Underlying airport growth continued to display business strength and resilience.
- The foreign ownership level reduced by almost 5%. This was the result of active marketing to major domestic investors and the new sole investment focus on Sydney Airport.
- At an airport level, Sydney Airport was able to attract three new international airlines, appoint a new CEO and senior management team, and announce a new vision for the airport to be implemented by 2019.

ARR is currently provided to executives through a Short Term Incentive Plan (STI). Maximum potential STI payments for the year ended 31 December 2011, payable in 2012, range up to 100% of FAR.

Directors' Report

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Audited Remuneration Report (continued)

4.3 At Risk Remuneration (continued)

Each KMP has a tailored set of KPI's, some of which may be shared with other executives. KPI's are selected for their relevance to the short and long term objectives of the business, and therefore promote security holder value creation. KMP's directly responsible for airport operational management have KPI's relating to the specific management area for which they have responsibility. These KPI's may be the achievement of specific levels of financial performance but also include project and time specific targets related to the delivery of individual initiatives.

All KMP's have KPI's related to the delivery of corporate financial performance and security holder value creation. Corporate performance is typically measured in terms of:

- Annual EBITDA growth.
- Implementation of business initiatives.
- Security holder distributions.

The level of STI payment is determined by business performance and the achievement of a KMP's KPI's. To promote executive retention, one third of any individual's STI payment in excess of A\$50,000 is deferred for three years. Resignation or termination with cause prior to the payment of any deferred element of STI results in this element being forfeited unless the NRC determines otherwise. Similarly for SAHL KMP's, an element of their ARR is deferred for a period of three years.

Neither SAHL nor SACL currently has a Long Term Incentive Plan (LTIP). On 7 December 2011 the NRC resolved to appoint an Executive Remuneration Consultant in 2012. The consultant will provide advice to the NRC on KMP remuneration including consideration of an LTIP.

5. KMP Remuneration Arrangements for the Year Ended 31 December 2011

5.1. Service contracts

SAHL	Contract Type & Any Special Terms	FAR A\$	STI % of FAR	Termination
Kerrie Mather Chief Executive Officer	Permanent	1,700,000	100%*	12 months
Keith Irving Chief Financial Officer ³	Permanent	440,000	60%	3 months
Sally Webb Company Secretary ⁴	Permanent	212,500	40%	3 months

SACL	Contract Type & Any Special Terms	FAR A\$	STI % of FAR	Termination
Tim Finlayson Chief Financial Officer	Permanent	415,000	100%	6 months
Shelley Roberts Executive Director Aviation Services	Permanent	455,000	75%	6 months
Peter Wych General Manager Development and Construction	Permanent	316,510	75%	3 months
Craig Norton General Manager Parking and Ground Transport	Permanent	280,000	60%	6 months
Andrew Gardiner General Manager Retail	Permanent	275,000	45%	6 months

³ Mr Keith Irving ceased to be CFO of SAHL on 31 December 2011. Mr Tim Finlayson was appointed CFO from January 2012.

⁴ Ms Sally Webb also acts as General Counsel of SAHL but the above disclosure is made solely due to her position as Company Secretary.

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report (continued)

5.1 Service contracts (continued)

*Ms Mather's service contract provided for a maximum STI of 80% of FAR until 31 December 2011. Thereafter no maximum is prescribed. The Asset Swap completed with OTPP in 2011 resulted in ASX-listed Sydney Airport selling its investments in Brussels and Copenhagen Airports for an increased ownership in Sydney Airport and cash. The successful completion of the agreement and subsequent integration of the MAp and Sydney Airport teams lead to a significant increase in the value of ASX-listed Sydney Airport. The board agreed to set Ms Mather's STI% at 100% of FAR for the year ended 31 December 2011 in recognition of her contribution to the 2011 performance.

KMP contracts contain no provision for termination payments over and above the notice periods set out above and payment of applicable and outstanding incentive and retention amounts.

5.2. Total remuneration and benefits for the year

The following table details total remuneration and benefits provided to KMP's for the year.

SAHL

Name	Year	Salary A\$	STI A\$	STI retained A\$	Superannuation A\$	Total A\$
Kerrie Mather	2011	1,684,513	1,150,000	550,000	15,487	3,400,000
	2010	1,685,170	1,038,000	615,000	14,830	3,353,000
Keith Irving ⁵	2011	407,846	563,733	Nil	15,487	987,066
	2010	385,170	205,667	55,333	14,830	661,000
Sally Webb ⁶	2011	199,548	64,445	19,722	7,743	291,458
	2010	192,585	74,834	17,000	7,415	291,834

There were no non-monetary benefits provided during the year ended 31 December 2011 (2010: Nil)

SACL (7 October 2011 to 31 December 2011)

Name	Year	Salary A\$	STI A\$	STI retained A\$	Superannuation A\$	Total A\$
Tim Finlayson	2011	89,140	50,738	11,597	8,023	159,498
	2010	Nil	Nil	Nil	Nil	Nil
Shelley Roberts	2011	75,917	8,230	1,411	6,833	92,391
	2010	Nil	Nil	Nil	Nil	Nil
Peter Wych	2011	67,985	36,854	5,528	6,119	116,486
	2010	Nil	Nil	Nil	Nil	Nil
Craig Norton	2011	60,143	21,759	3,730	6,942	92,574
	2010	Nil	Nil	Nil	Nil	Nil
Andrew Gardiner	2011	53,062	Nil	Nil	4,776	57,838
	2010	Nil	Nil	Nil	Nil	Nil

All amounts disclosed for SACL Executives for the period from 7 October 2011 to 31 December 2011, when they were deemed to be KMP's of the Group.

⁵ 2011 STI includes \$A57,526 relating to prior year deferred STI payments and an early termination payment amount of \$242,207 paid to Mr Irving when he ceased employment.

⁶ Ms Webb also acts as General Counsel but the above disclosure is made solely due to her position as Company Secretary.

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report (continued)

5.3. Security holdings in ASX-listed Sydney Airport

The following table details security holdings of KMP's for the specified period.

SAHL				Value at
Name	Balance at 1 Jan 2011	Changes during the year	Balance at 31 Dec 2011	31 Dec 2011 A\$
Kerrie Mather	3,555,021	-	3,555,021	9,456,356
Keith Irving	392,353	-	392,353	1,043,659
Sally Webb	Nil	-	Nil	Nil

SACL				Value at
Name	Balance at 7 Oct 2011	Changes during the year	Balance at 31 Dec 2011	31 Dec 2011 A\$
Tim Finlayson	Nil	-	Nil	Nil
Shelley Roberts	677	-	677	1,801
Peter Wych	Nil	-	Nil	Nil
Craig Norton	Nil	-	Nil	Nil
Andrew Gardiner	Nil	-	Nil	Nil

Security holdings are disclosed for SACL KMP's for the period 7 October 2011 to 31 December 2011, when they were deemed to be KMP's of the Group.

6. Non-executive Directors' Remuneration

6.1. Non-executive Directors' remuneration policy

The Board sets Non-executive Directors' (NEDs) fees. Director remuneration is set with reference to external benchmarking undertaken by consultants engaged by the Board.

At the Group's Annual General Meeting (AGM) in May 2010 security holders approved the maximum directors' fee pool for SAHL of A\$1,500,000 and for MAIL of A\$240,000⁷. Current fee arrangements are detailed below.

Role	Annual fee
SAHL Board	A\$
Chairman	320,000
NED	150,000
SAHL Audit & Risk Committee	A\$
Chairman	25,000
Member	12,500
SAHL Nomination & Remuneration Committee	A\$
Chairman	20,000
Member	10,000
MAIL Board	A\$^{7,8}
Chairman	60,000
NED	50,000
MAIL Audit & Risk Committee	A\$^{7,8}
Chairman	10,000
Member	10,000

⁷ Actual liability is in US\$, however an exchange rate of A\$1:US\$1 has been used for the above disclosure.

⁸ MAIL director fees were only paid to 19 December 2011 at which time MAIL became a wholly owned subsidiary of SAT2. Accordingly MAIL directors do not earn fees from 19 December 2011.

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report (continued)

6.2. Non-executive Directors' appointment letters

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

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

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

6.3. Non-executive Directors' remuneration for the year

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

Ms Kerrie Mather, the Group's Chief Executive Officer, is an executive director and receives no additional remuneration in her role as a director over and above her executive remuneration detailed in Section 5 above.

Name	Year	Short term employee benefits		Post employment benefits	Total
		Directors' fees	Other	Superannuation	
		A\$	A\$	A\$	A\$
Max Moore-Wilton	2011	352,287⁹	150,000¹⁰	15,487	517,774
Chairman SAHL	2010	378,608	38,818 ¹⁰	14,830	432,256
Trevor Gerber¹¹	2011	164,043¹¹	Nil	14,450	178,493
	2010	169,408	13,914	13,092	196,414
Michael Lee	2011	158,257	Nil	14,243	172,500
	2010	159,699	11,320	12,801	183,820
Robert Morris	2011	152,375	Nil	10,125	162,500
	2010	139,321	11,320	30,680	181,321
John Mullen¹²	2011	19,706	Nil	1,774	21,480
	2010	71,101	Nil	6,399	77,500
John Roberts^{11,13}	2011	141,107¹¹	Nil	12,385	153,492
	2010	140,192	31,130	9,808	181,130
Stephen Ward¹⁴	2011	190,300¹⁴	Nil	11,320¹⁴	201,620
	2010	65,512	6,104	Nil	71,616
Jeffrey Conyers¹⁵	2011	63,240¹⁵	Nil	Nil	63,240
Chairman MAIL	2010	76,526	8,546	Nil	85,072
Sharon Beesley¹⁵	2011	54,205¹⁵	Nil	Nil	54,205
	2010	65,512	6,104	Nil	71,616

⁹ Includes A\$320,000 (2010: A\$320,000) as Chairman of SAHL and US\$50,000 (2010: US\$50,000) as NED of MAIL.

¹⁰ Includes additional reimbursement to Mr Moore-Wilton in respect of his appointment to the Board of Sydney Airport.

¹¹ Mr Gerber and Mr Roberts were appointed to the MAIL board on 24 November 2011. Accordingly 2011 fees include A\$3,493 for the period 24 November to 19 December 2011 (MAIL fees only paid to date when MAIL became a subsidiary of SAT2).

¹² Mr Mullen resigned on 21 February 2011.

¹³ Mr Roberts earns A\$75,000 (2010: A\$Nil) as a director of SCACH however it is paid directly to ASX-listed Sydney Airport and is not included in the above table because he holds this office as a nominee.

¹⁴ Mr Ward was appointed to the SAHL board on 21 February 2011. Includes A\$137,096 (2010: A\$Nil) as a director of SAHL and US\$58,315 (2010: US\$53,750) as a director of MAIL.

¹⁵ Mr Conyers and Ms Beesley resigned on 24 November 2011. Amount disclosed in US\$.

Directors' Report

for year ended 31 December 2011

Audited Remuneration Report (continued)

6.4. Security holdings in ASX-listed Sydney Airport

The table below details the ASX-listed Sydney Airport securities in which NEDs held relevant interests.

None of these securities are held as a direct result of equity-based compensation relating to the period of prior employment by Macquarie. As an executive director, Ms Mather's security holdings are detailed in Section 5.3.

Name	Balance at 1 Jan 2011	Changes during the year	Balance at 31 Dec 2011	Value at 31 Dec 2011 A\$
Max Moore-Wilton	650,000	Nil	650,000	1,729,000
Trevor Gerber	185,454	39,546	225,000	598,500
Michael Lee	7,060	Nil	7,060	18,780
Robert Morris	40,908	Nil	40,908	108,815
John Mullen	Nil	Nil	Nil	Nil
John Roberts	67,507	Nil	67,507	179,569
Jeffrey Conyers	25,000	Nil	25,000	66,500
Sharon Beesley	Nil	Nil	Nil	Nil
Stephen Ward	21,818	Nil	21,818	58,036

Indemnification and Insurance of Officers and Auditors

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

- of any restriction imposed by law or the SAHL constitution.
- payment is made by SAHL as trustee of SAT1, SAT2 or Southern Cross Australian Airports Trust (SCAAT), (each a relevant trust) subject to any restriction imposed by law or the constitution of the relevant trust.

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

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

Directors' Report

for year ended 31 December 2011

Interests in the Groups Issued During the Financial Year

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

Group	2011 '000	2010 '000
Securities on issue at the beginning of the year	1,861,211	1,861,211
Issued pursuant to Scheme (refer to Note 17)	-	-
Securities on issue at the end of the year	1,861,211	1,861,211

SAT2 Group	2011 '000	2010 '000
Securities on issue at the beginning of the year	1,861,211	1,861,211
Issued pursuant to Scheme (refer to Note 17)	-	-
Securities on issue at the end of the year	1,861,211	1,861,211

Value of Assets

Group	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Book value of Group assets at 31 December	12,134,535	14,325,635

SAT2 Group	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Book value of Group assets at 31 December	14,322,859	6,442,539

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

Directors' Report

for year ended 31 December 2011

Environmental Regulation

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

Sydney Airport

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

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

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

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

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 4 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 4 to the Financial Statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk 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.
- 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 capacity for the Groups, acting as advocate for the Groups or jointly sharing economic risks and rewards.

Directors' Report

for year ended 31 December 2011

Auditor's Independence Declaration

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 16.

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

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

Application of Class Order

The financial reports for SAHL and the SAT2 Group are jointly presented in the one report as permitted by ASIC Class Order 06/441.

This report is made in accordance with a resolution of the directors of Sydney Airport Holdings Limited.



Max Moore-Wilton
Sydney
22 February 2012



Trevor Gerber
Sydney
22 February 2012



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

To: the directors of Sydney Airport Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport (formerly MAp) and Sydney Airport Trust 2 (formerly MAp Airports Trust 2) 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.
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Sydney Airport, which comprises Sydney Airport Trust 1 (formerly MAp Airports Trust 1) and the entities it controlled during the year, which are deemed to include Sydney Airport Trust 2 and the entities it controlled during the year.

A handwritten signature in black ink that reads 'KPMG'.

KPMG

A handwritten signature in black ink, appearing to be 'AY' with a long horizontal stroke extending to the right.

Andrew Yates

Partner

Sydney

22 February 2012

Financial Report

for year ended 31 December 2011

Consolidated Statements of Comprehensive Income

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Continuing operations					
Revenue	2	1,041,968	1,006,331	337,703	71,290
Revaluation gains / (losses) from investments	2	185	(19,697)	314,284	1,370,860
Other income	2	(16,298)	16,610	2,642	363
Revenue from continuing operations		1,025,855	1,003,244	654,629	1,442,513
Finance costs	2	489,919	472,332	434,007	281,172
Other expenses	2	550,562	526,365	158,202	16,030
Operating expenses from continuing operations		1,040,481	998,697	592,209	297,202
Profit / (loss) from continuing operations before income tax (expense) / benefit		(14,626)	4,547	62,420	1,145,311
Income tax benefit / (expense)	3	96,746	53,832	48,094	(340,607)
Profit from continuing operations after income tax (expense) / benefit		82,120	58,506	110,514	804,704
Loss from discontinued operations net of income tax	26	(361,554)	(6,628)	-	-
Profit / (loss) for the year after income tax (expense) / benefit		(279,434)	51,751	110,514	804,704
Other comprehensive income					
Exchange differences on translation of foreign operations		-	(52,714)	-	-
Cash flow hedges – interest rate swaps		(158,887)	4,991	(23,031)	-
Cash flow hedges – deferred tax arising on hedges		47,556	(1,497)	6,800	-
Other comprehensive income for the year, net of tax		(111,331)	(49,220)	(16,231)	-
Total comprehensive income for the year		(390,765)	2,531	94,283	804,704
Profit / (loss) attributable to:					
Security holders		(239,893)	100,830	(19,020)	404,781
Non-controlling interest		(39,541)	(49,079)	129,534	399,923
		(279,434)	51,751	110,514	804,704
Profit / (loss) attributable to continuing operations:					
Security holders		121,661	107,845	(19,020)	404,781
Non-controlling interest		(39,541)	(49,079)	129,534	399,923
		82,120	58,406	110,514	804,704
Total comprehensive income attributable to:					
Security holders		(351,224)	51,610	(31,699)	404,781
Non-controlling interest		(39,541)	(49,079)	125,982	399,923
		(390,765)	2,531	94,283	804,704

Financial Report

for year ended 31 December 2011

Consolidated Statements of Comprehensive Income (continued)

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Earnings per stapled security from continuing operations attributable to security holders					
Basic earnings per stapled security / unit ¹⁶	21	6.54c	5.78c	0.01c	21.75c
Diluted earnings per stapled security / unit ¹⁶	21	6.54c	5.78c	0.01c	21.75c
Earnings per stapled security from discontinued operations attributable to security holders					
Basic earnings per stapled security / unit ¹⁶	21	(19.43)c	(0.03)c	0.00c	0.00c
Diluted earnings per stapled security / unit ¹⁶	21	(19.43)c	(0.03)c	0.00c	0.00c

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

¹⁶ Earnings used in the calculation of earnings per stapled security includes revaluation gains / (losses) from airport investments, as well as income and expenses from revaluation of other financial instruments. Consequently earnings per stapled security reflect the impact of unrealised revaluation increments and decrements which have no impact on operating performance, cashflows or distributions.

Financial Report

as at 31 December 2011

Consolidated Balance Sheets

		Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000 (restated)	Group 1 Jan 10 \$'000 (restated)	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Current assets						
Cash and cash equivalents	6	1,124,320	1,248,410	1,459,641	1,002,342	32,156
Receivables	7	506,544	498,097	514,151	577,517	5,487
Current tax receivable		-	-	1,871	-	-
Derivative financial instruments	8	-	2,076	751	-	-
Other assets		6,135	4,025	15,466	5,946	217
Total current assets		1,636,999	1,752,608	1,991,880	1,585,805	37,860
Non-current assets						
Receivables	7	41,224	44,396	41,695	2,280,742	832,300
Investments in financial assets	9	5,135	1,943,829	2,065,328	5,135	5,571,394
Property, plant and equipment	10	2,488,480	2,508,515	2,582,734	2,488,480	820
Intangible assets	11	7,953,766	8,057,147	8,166,607	7,953,766	-
Derivative financial instruments	8	-	3,355	-	-	-
Other assets		8,931	15,785	46,669	8,931	165
Total non-current assets		10,497,536	12,573,027	12,903,033	12,737,054	6,404,679
Total assets		12,134,535	14,325,635	14,894,913	14,322,859	6,442,539
Current liabilities						
Distribution payable		186,143	186,143	148,923	3	-
Payables	14	577,595	552,710	548,066	842,793	70,777
Interest bearing liabilities	15	947,092	-	-	947,092	-
Deferred income		24,363	26,113	22,277	24,363	-
Derivative financial instruments	8	91,921	58,621	61,732	91,921	-
Provisions		7,746	6,527	4,052	7,746	-
Current tax liabilities	16	50	232	1,241	49	-
Total current liabilities		1,834,910	830,346	786,291	1,913,967	70,777
Non-current liabilities						
Payables	14	2,570	4,552	5,756	2,570	-
Interest bearing liabilities	15	5,963,892	6,181,469	6,106,686	9,519,526	1,838,412
Derivative financial instruments	8	158,710	29,417	11,359	158,710	-
Provisions		1,296	1,449	2,753	1,296	239
Deferred tax liabilities	16	1,740,405	1,884,831	1,937,545	1,740,405	708,932
Total non-current liabilities		7,866,873	8,101,718	8,064,099	11,422,507	2,547,583
Total liabilities		9,701,783	8,932,064	8,850,390	13,336,474	2,618,360
Net assets		2,432,752	5,393,571	6,044,523	986,385	3,824,179
Equity						
Security holders' interests						
Contributed equity	17	3,948,486	3,948,493	3,948,660	1,949,213	291,440
Retained profits	18	710,751	1,341,499	1,864,180	3,283,745	1,847,529
Reserves	19	(2,365,309)	(355,602)	(329,250)	(4,414,207)	(99,808)
Total security holders' interests		2,293,928	4,934,390	5,483,590	818,751	2,039,161
Non-controlling interest in controlled entities	20	138,824	459,181	560,933	167,634	1,785,018
Total equity		2,432,752	5,393,571	6,044,523	986,385	3,824,179

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

Financial Report

for year ended 31 December 2011

Consolidated Statements of Changes in Equity

Group	Note	Attributable to the Group's security holders			Total \$'000	Non- controlling interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			
Total equity at 1 January 2011		3,948,493	(355,602)	1,341,499	4,934,390	459,181	5,393,571
Loss attributable to security holders		-	-	(239,893)	(239,893)	(39,541)	(279,434)
Transaction costs paid in relation to contributions of equity (net of tax)		(7)	-	-	(7)	-	(7)
Cash flow hedges, net of tax		-	(84,100)	-	(84,100)	(27,229)	(111,329)
Recycle of FCTR to the Statement of Comprehensive Income on sale of investment in financial assets		-	15,992	-	15,992	-	15,992
Net exchange differences arising on translation of foreign entities		-	4,159	-	4,159	-	4,159
Adjustment due to acquisition of additional interest in subsidiary		-	(1,945,758)	-	(1,945,758)	(202,079)	(2,147,837)
Distributions provided for or paid	5	-	-	(390,855)	(390,855)	(51,508)	(442,363)
Total equity at 31 December 2011		3,948,486	(2,365,309)	710,751	2,293,928	138,824	2,432,752
Total equity at 1 January 2010		3,948,660	(269,459)	1,804,389	5,483,590	560,933	6,044,523
Adjustment related to prior year	30	-	(59,791)	59,791	-	-	-
Total equity at 1 January 2010 (restated)		3,948,660	(329,250)	1,864,180	5,483,590	560,933	6,044,523
Profit / (loss) attributable to security holders		-	-	100,830	100,830	(49,079)	51,751
Exchange differences on translation of foreign operations		-	(52,714)	-	(52,714)	-	(52,714)
Cash flow hedges, net of tax		-	2,583	-	2,583	911	3,494
Total comprehensive income		-	(50,131)	100,830	50,699	(48,168)	2,531
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions of equity (net of tax effect)		(167)	-	-	(167)	-	(167)
Decreased interest in subsidiaries obtained during the year		-	23,779	-	23,779	-	23,779
Distributions provided for or paid	5	-	-	(623,511)	(623,511)	(53,584)	(677,095)
Total equity at 31 December 2010		3,948,493	(355,602)	1,341,499	4,934,390	459,181	5,393,571

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

Financial Report

for year ended 31 December 2011

Consolidated Statements of Changes in Equity (continued)

SAT2 Group	Note	Attributable to the SAT2 Group's security holders				Non-controlling interest \$'000	Total equity \$'000
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000		
Total equity at 1 January 2011		291,440	(99,808)	1,847,529	2,039,161	1,785,018	3,824,179
Profit / (loss) attributable to security holders		-	-	(19,020)	(19,020)	129,534	110,514
Transaction costs paid in relation to contributions of equity (net of tax)		(7)	-	-	(7)	-	(7)
Scrip consideration as part of Scheme consideration		1,657,780	-	-	1,657,780	-	1,657,780
Cash flow hedge acquired on acquisition of subsidiaries		-	(141,675)	-	(141,675)	-	(141,675)
Cash flow hedges, net of tax		-	(12,675)	-	(12,675)	(3,552)	(16,227)
Adjustment due to acquisitions of subsidiaries under common control		-	(4,160,049)	1,455,236	(2,704,813)	(1,607,572)	(4,312,385)
Distributions provided for or paid	5	-	-	-	-	(135,794)	(135,794)
Total equity at 31 December 2011		1,949,213	(4,414,207)	3,283,745	818,751	167,634	986,385
Total equity at 1 January 2010		291,500	(99,808)	1,442,748	1,634,440	1,501,340	3,135,780
Loss attributable to security holders		-	-	404,781	404,781	399,923	804,704
Total comprehensive income		-	-	404,781	404,781	399,923	804,704
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions to equity (net of tax effect)		(60)	-	-	(60)	-	(60)
Distributions provided for or paid	5	-	-	-	-	(116,245)	(116,245)
Total equity at 31 December 2010		291,440	(99,808)	1,847,529	2,039,161	1,785,018	3,824,179

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

Financial Report

as at 31 December 2011

Consolidated Statements of Cash Flows

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Cash flows from operating activities					
Dividend received on SCACH ¹⁷ ordinary shares		-	-	60,454	79,023
Dividend received on SCACH redeemable preference shares		-	-	157,565	225,480
Investment income received on convertible loans – Brussels Airport		9,995	17,625	-	-
Other interest received		75,566	59,398	11,705	6,776
Distribution and dividend income received – Copenhagen Airports		8,932	5,124	-	-
Other distribution and dividend income received		-	11,733	-	-
Interest received on intercompany loans		-	-	-	79,188
Airport revenue received (inclusive of goods and services tax)		1,074,461	1,058,083	267,303	-
Operating expenses paid (inclusive of goods and services tax)		(300,928)	(300,592)	(75,241)	(11,995)
Resource fees paid to MAp Airports (UK) Limited		-	-	(4,097)	(1,169)
Income taxes (paid) / refunds received		(165)	696	-	1,596
Indirect taxes received / (paid)		(12,166)	9,036	(2,884)	14,486
Other income received		1,714	2,555	3,309	13,941
Net cash flows from operating activities	0	857,409	863,658	418,114	407,326
Cash flows from investing activities					
Payments for purchase of subsidiaries, net of cash acquired		(83)	-	-	-
Proceeds from sale of subsidiaries, net of cash disposed		(681)	-	-	-
Cash acquired on acquisition of subsidiaries		-	-	339,541	-
Payments for purchase of investments		-	(215,453)	-	-
Proceeds from sale of investments		800,680	230,375	-	-
Transaction costs paid		(30,399)	(2,548)	(7,458)	(375)
Net proceeds from settlement of total return swap relating to ASUR ¹⁸ investment		-	33,900	-	-
Purchase of short term financial assets		-	(80,500)	-	-
Proceeds from sale of short term financial assets		-	81,919	-	-
Payments for purchase of fixed assets		(171,696)	(136,577)	(58,472)	(927)
Rental deposit paid		-	(182)	-	(182)
Proceeds from disposal of fixed assets		-	97	-	2
Net cash flows from investing activities		597,821	(88,969)	273,611	(1,482)

¹⁷ Southern Cross Airports Corporation Holdings Limited.

¹⁸ Grupo Aeroportuario del Sureste S.A.B de C.V. (ASUR).

Financial Report

as at 31 December 2011

Consolidated Statements of Cash Flows (continued)

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Cash flows from financing activities					
Net payments for settlement of derivatives		(74,085)	-	(28,424)	-
Proceeds received from borrowings		1,112,391	1,243,272	698,865	-
Repayment of borrowings		(298,000)	(1,150,705)	-	-
Borrowing costs paid		(344,345)	(391,400)	(182,566)	(317,356)
Distributions paid to the Group's security holders		(390,854)	(586,289)	-	-
Distributions and dividends paid to non-controlling interest		(95,244)	(104,207)	(209,454)	(116,275)
Scheme Cash Consideration paid		(1,488,969)	-	-	-
Net cash flows from financing activities		(1,579,106)	(989,329)	278,421	(433,631)
Net decrease in cash and cash equivalents held		(123,876)	(214,640)	970,148	(27,787)
Cash and cash equivalents at the beginning of the year		1,248,410	1,459,641	32,156	60,283
Exchange rate movements on cash denominated in foreign currency		(214)	11,540	38	-
Cash and cash equivalents at the end of the year		1,124,320	1,256,541	1,002,342	32,496
Reclass of cash and cash equivalents to other financial assets in previous year		-	(8,131)	-	(340)
Cash and cash equivalents at the end of the year (restated)	6	1,124,320	1,248,410	1,002,342	32,156

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

Financial Report

as at 31 December 2011

Notes to the Financial Report

1. Summary of Significant Accounting Policies

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

1.1. Basis of preparation

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

As permitted by ASIC Class order 06/441, this financial report consists of the consolidated financial statements of Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the Group), and the consolidated financial statements of Sydney Airport Trust 2 (SAT2) and its controlled entities (collectively referred to as the SAT2 Group).

The financial report was authorised for issue by the directors of Sydney Airport Holdings Limited (the Responsible Entity) on 22 February 2012. The Responsible Entity has the power to amend and reissue the financial report.

1.1.1. Compliance with IFRS

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Group and the SAT2 Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has also been prepared in accordance with and complies with IFRS as issued by the IASB.

1.1.2. Functional and presentation currency

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

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

1.1.3. Historical cost convention

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

1.1.4. Stapled security

The units of SAT1 and SAT2 are combined, issued and traded as stapled securities in ASX-listed Sydney Airport. The units of SAT1 and SAT2 cannot be traded separately.

This financial report consists of the consolidated financial statements of SAT1, which comprises SAT1 and its controlled entities, SAT2 and its controlled entities and the consolidated financial statements of SAT2 which comprises SAT2 and its controlled entities.

1.1.5. Group net current liability position

The Group is in a net current liabilities position of \$197.9 million at 31 December 2011. This is due to \$278.0 million Medium Term Notes (MTN) held by SCACH being classified as a current interest bearing liability (previously non-current interest bearing liability), which is fully covered by undrawn committed bank debt facilities. The directors believe the independent valuation as at 31 December 2011 demonstrates the going concern of SCACH. SKIES have also been classed as a current liability during the year and cash reserves exist in current assets as at 31 December 2011 to fund this liability.

Financial Report

as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.1. Basis of preparation (continued)

1.1.6. SAT2 net current liability position

SAT2 is in a net current liabilities position of \$328.2 million as at 31 December 2011. This is due to the recognition of interest payable on RPS issued to SAT1, the deemed parent entity for accounting purposes. Under the terms of the RPS, (refer Note 15), SAT1 may defer payment of interest on the RPS at no cost to it other than that interest will accrue at a contractual rate of 15.0% and 11.0% per annum on the unpaid amount. SKIES have also been classed as a current liability and cash reserves exist in current assets as at 31 December 2011 to fund this liability.

1.2. Consolidated financial statements

AASB 3: *Business Combinations* requires one of the stapled structure to be identified as the acquirer, and therefore the parent entity, for the purpose of consolidated financial reports. In accordance with this requirement SAT1 has been identified as the parent of the consolidated group comprising SAT1 and its controlled entities and SAT2 and its controlled entities.

The consolidated financial statements of the Group should be read in conjunction with the separate consolidated financial statements of the SAT2 Group, presented in this report, for the year ended 31 December 2011.

Following a change in the Corporations Act during 2010, the financial statements of the parent entities (SAT1 and SAT2) are no longer presented in the Groups' financial statements. Summarised results of the parent entities have been included in Note 29.

1.3. Basis of consolidation

1.3.1. Controlled entities

The consolidated financial statements of the Group incorporate the assets and liabilities of the entities controlled by SAT1 at 31 December 2011 and during the year, including those deemed to be controlled by SAT1 by identifying it as the parent of the Group, and the results of those controlled entities for the year then ended.

The consolidated financial statements of the SAT2 Group incorporate the assets and liabilities of the entities controlled by SAT2 at 31 December 2011 and during the year.

The effects of all transactions between entities in the consolidated entity are eliminated in full.

Profit or loss and other comprehensive income components are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling even if this results in the non-controlling interests having a deficit balance. Non-controlling are those interests in partly owned subsidiaries which are not held directly or indirectly by SAT1 or SAT2.

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

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1. Summary of Significant Accounting Policies (continued)

1.3.2. Business combinations

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Business combinations that arise in accordance with *AASB 3 Business Combinations* require that cost be measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Where listed equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange.

Transaction costs that the groups incurred in connection with business combinations are expensed as incurred except for transaction costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the entity's share of the identifiable net assets acquired is recorded as goodwill (refer Note 1.7.1). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statements of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired. Any subsequent changes in beneficial interest in subsidiaries are accounted for using the economic entity approach.

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

1.3.3. Acquisitions of entities under common control

Business combinations arising from transfers of interest in entities that are under the control of the unitholders that control the Group are deemed to be common control transactions and are not subject to *AASB 3 Business Combinations*. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling unitholder's consolidated financial statements. Any difference between the carrying value of assets and liabilities acquired and consideration paid for those assets and liabilities on the date of transfer is held in a Common Control Reserve.

1.3.4. Loss of control

Upon the loss of control, the Groups derecognise the assets and liabilities of the subsidiary, and non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost.

1.3.5. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.4. Investments in financial assets

1.4.1. Investments in airport assets

The Group has designated its non-controlled investments in airport assets as financial assets at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139: Financial Instruments: Recognition and Measurement. Changes in the fair values of investments in financial assets, both positive and negative, have been recognised in the Consolidated Statements of Comprehensive Income for the year.

Discounted cash flow analysis is the methodology applied in the valuation framework as it is the generally accepted methodology for valuing airports and the basis upon which market participants have derived valuations for airport transactions.

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

The valuation derived from the discounted cash flow analysis is periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the airports on a periodic basis, no longer than three years.

The most recent independent valuations for Sydney Airport, Copenhagen Airports and Brussels Airport were performed at 31 December 2011, 30 September 2008 and 31 December 2009 respectively.

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

1.4.2. Interests in other financial assets

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

Investment transaction costs are expensed as incurred.

1.5. Loans and receivables

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

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

1.6. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments that are held for the purpose of meeting short term cash commitments. These are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and have a remaining term to maturity of three months or less.

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1. Summary of Significant Accounting Policies (continued)

1.7. Intangible assets

1.7.1. Goodwill

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

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

1.7.2. Computer software

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

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

1.7.3. Technical service agreements, concessions and customer contracts

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

1.7.4. Leasehold land

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

1.7.5. Airport operator licence

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

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.8. Property, plant and equipment

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

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

Land is not depreciated.

The estimated useful lives of the major asset categories are:

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

1.9. Investment property

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

1.10. Impairment of assets

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

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

1.11. Prepayments and deferred income

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

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

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.12. Interest bearing liabilities

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

1.13. Payables / other liabilities

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

1.14. Distributions and dividends

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

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

1.15. Revenue and other income recognition

1.15.1. Investment income

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

1.15.2. Aeronautical revenue

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

1.15.3. Retail revenue

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

1.15.4. Property revenue

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

1.15.5. Revenue from rendering of services

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

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.16. Staff costs

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

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

1.16.1. Defined contribution superannuation plans

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

1.17. Rent and lease costs

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

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

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

1.18. Borrowing costs

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

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

1.19. Amortisation and depreciation

Amortisation and depreciation comprise the year's charges for this purpose on the Group's intangible assets with a finite life and property, plant and equipment (refer Notes 10 and 11).

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1. Summary of Significant Accounting Policies (continued)

1.20. Income tax

The income tax expense or benefit for the year is the tax payable or receivable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial reports, and to unused tax losses.

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. The utilisation of tax losses depends on the ability of the entity to satisfy certain tests at the time the losses are recouped.

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

1.20.1. SAT2

SAT2 and its wholly owned Australian entities have formed a tax-consolidated group under Australian taxation law. The head entity, SAT2, and the entities in the tax-consolidated group continue to account for their own current and deferred tax accounts. Tax expense and deferred tax liabilities arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'standalone tax payer' approach. Under the tax sharing agreement, members receive no recognition for tax benefits or deferred tax assets. All members of the tax-consolidated group are consolidated into the SAT2 Group for accounting purposes, and the effect of all transactions between SAT2 Group entities are eliminated on consolidation. Due to the existence of the tax sharing arrangement between the entities in the tax-consolidated group, when members are in a tax liability position, it accounts for SAT2's assumption of this liability by way of issuing ordinary equity to SAT2 (via interposed entities where applicable).

1.20.2. SAT1 and Southern Cross Australian Airports Trust (SCAAT)

Income tax has not been brought to account in respect of SAT1 and SCAAT, as pursuant to the Income Tax Assessments Acts, the Trusts are not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to unitholders each year.

1.20.3. MAp Airports International Limited (MAIL)

From 1 January 2011 to 23 November 2011, MAIL was resident in Bermuda for tax purposes. Under Bermudian law, MAIL was not subject to any income, withholding or capital gains taxes during that period. MAIL became an Australian tax resident on 24 November 2011 and became subject to Australian tax legislation. On the same day MAIL and its wholly owned Australian entities formed a tax-consolidated group with MAIL as the head entity. On 19 December 2011, MAIL was wholly acquired by SAT2 and the MAIL tax-consolidated group became part of the SAT2 tax-consolidated group. Refer to Note 1.20.1.

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.20. Income tax (continued)

1.20.4. Sydney Airport

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

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

1.21. Foreign currency translation

1.21.1. Functional and presentation currency

Items included in the financial reports of each of the Groups' entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the functional and presentation currency of SAT1 and SAT2.

1.21.2. Transactions and balances

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

1.21.3. Group entities

The results and financial position of the Groups' entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

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

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.22. Derivative financial instruments

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

The Groups designate certain derivatives as either:

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

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

1.22.1. Fair value hedges

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

1.22.2. Cash flow hedges

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

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

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

1.22.3. Net investment hedges

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

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

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

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as at 31 December 2011

1. Summary of Significant Accounting Policies (continued)

1.22. Derivative financial instruments (continued)

1.22.4. Derivatives that do not qualify for hedge accounting

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

1.23. Earnings per stapled security

1.23.1. Basic earnings per stapled security

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

1.23.2. Diluted earnings per stapled security

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

1.24. Goods and Services Tax and Value Added Tax

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

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

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

1.25. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker, being the Chief Executive Officer of Sydney Airport Holdings Limited.

During the year ended 31 December 2011 segments are based on the core assets of the Group's investment portfolio being Sydney Airport, Brussels Airport and Copenhagen Airports and the primary asset of SAT2 Group being Sydney Airport. From the time the Group announced the Asset Swap Proposal with OTPP, management's intention was to sell rather than invest in Brussels Airport and Copenhagen Airports. The sale became binding on 19 July 2011 therefore, from this date, these airports were no longer deemed to be operating segments of the Group.

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1. Summary of Significant Accounting Policies (continued)

1.26. Critical accounting estimates and judgments

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

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

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

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

Further information on the valuation of investments in financial assets can be found in Note 9, and information on the sensitivity of the valuations to the key assumptions is included in Note 27.

1.28. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing this financial report. None of these are expected to have a significant effect on the financial report of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2014 financial report and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

1.29. Comparative figures

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

1.30. Group formation

SAT1 and SAT2 were established in Australia on 13 July 2001 and 13 February 2002 respectively. The Responsible Entity of each of the Trusts entered into the Stapling Deed on 27 February 2002. The Stapling Deed was amended and restated on 19 December 2011 to reflect the unstapling of MAIL from SAT1 and SAT2.

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2. Profit or Loss for the Year

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

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Revenue from continuing operations				
Revenue				
Aeronautical revenue	478,714	467,997	124,572	-
Retail revenue	223,344	212,890	58,168	-
Property revenue	156,033	131,415	55,401	-
Revenue from rendering of services	109,514	116,204	22,092	-
Interest income from related parties	-	2,847	55,267	49,226
Interest income from other persons and corporations	68,659	58,256	11,325	5,633
Interest income from related parties	-	-	15,628	13,032
Fee income	956	2,099	944	2,099
Other	4,748	14,623	(5,694)	1,300
Total revenue	1,041,968	1,006,331	337,703	71,290
Revaluation gains / (losses) from investments				
Revaluation of Sydney Airport	-	-	314,284	1,370,860
Revaluation of ASUR	-	(18,667)	-	-
Revaluation of other investments	185	(1,030)	-	-
Total revaluation gains / (losses) from investments	185	(19,697)	314,284	1,370,860
Other income				
Foreign exchange gains / (losses)	2,420	2,118	(125)	-
Foreign exchange loss on recycling of foreign currency translation reserve	(15,992)	-	-	-
Fair value gains on derivative contracts	(2,726)	21,801	2,767	363
Other	-	(7,309)	-	-
Total other income	(16,298)	16,610	2,642	363
Total revenue from continuing operations	1,025,855	1,003,244	654,629	1,442,513

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2. Profit or Loss for the Year (continued)

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Operating expenses from continuing operations					
Finance costs					
Interest expense – Sydney Airport		489,919	471,908	134,696	-
Interest expense – related parties – RPS		-	-	293,584	276,596
Interest expense – related parties – other		-	-	5,727	4,576
Interest expense – other		-	424	-	-
Total finance costs		489,919	472,332	434,007	281,172
Other expenses					
Amortisation and depreciation		305,780	318,757	77,584	105
Operating and maintenance		106,615	100,349	27,214	-
Staff costs		61,484	47,098	26,216	6,847
Investment transaction expenses		31,032	13,023	11,798	375
Energy and utilities		9,724	8,633	2,512	3
Premises costs		5,612	3,403	1,416	100
Technology		4,044	3,774	1,181	214
Directors' fees		1,376	1,644	1,149	1,194
Legal fees		741	1,307	347	231
Auditors' remuneration	4	665	602	400	103
Registry fees		640	892	211	286
Custodians' fees		392	709	142	256
Investor communication expenses		57	208	43	145
Responsible Entity's and Adviser's fees – Group entities		258	151	4,044	4,271
Other expenses		22,142	25,815	3,945	1,900
Total other expenses		550,562	526,365	158,202	16,030
Total operating expenses from continuing operations		1,040,481	998,697	592,209	297,202

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3. Income Tax Expense

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

Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
(a) Profit / (loss) from continuing operations before income tax expense	(14,626)	4,547	62,420	1,145,311
Income tax (benefit) / expense calculated @ 30%	(4,388)	1,364	18,726	343,593
Tax effect of permanent differences:				
— Non-deductible expenditure	2,513	5,687	2,326	62
— Non-assessable income	(3,712)	569	(3,712)	(66)
— Assessable income	1,900	-	-	-
— Over provision in previous year	(52)	(20)	-	-
— CFC attributable income	5,871	-	5,871	-
— Deferred tax asset not brought to account attributable to tax losses	-	40,903	-	40,377
Prior year tax losses recouped during the year	(12,850)	(8,499)	(12,850)	(8,499)
Tax effect of operating results of Australian trusts	(84,502)	(120,100)	(58,455)	(34,860)
Tax effect of operating results of foreign operations	(1,526)	26,264	-	-
Income tax (benefit) / expense	(96,746)	(53,832)	(48,094)	340,607
(b) Income tax (benefit) / expense				
Income tax (benefit) / expense comprises:				
— Over provision in previous year	(52)	(20)	-	-
— Current taxation provision	(1,573)	968	(1,743)	-
— Deferred income tax (benefit) / expense	(95,121)	(54,780)	(46,351)	340,607
	(96,746)	(53,832)	(48,094)	340,607
Income tax (benefit) / expense is attributable to:				
— Profit from continuing operations	(96,746)	(53,832)	(48,094)	340,607
Deferred income tax (benefit) / expense included in income tax expense comprises:				
— (Decrease) / increase in deferred tax liabilities	16	(95,121)	(54,780)	1,040,426
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but debited directly to equity:				
— Net deferred tax debited directly to equity	16	(49,304)	2,066	(8,533)
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	65,637	110,346	65,637	108,593
Potential tax benefit @ 30%	19,691	33,104	19,691	32,578

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4. Remuneration of Auditors

	Group 31 Dec 11 \$	Group 31 Dec 10 \$	SAT2 31 Dec 11 \$	SAT2 31 Dec 10 \$
Amounts paid or payable to Auditors (KPMG) for:				
Audit services	568,500	568,390	313,000	87,725
Other services				
— Trust compliance services	16,500	16,500	11,000	9,900
— Other assurance services	119,717	367,400	115,098	5,867
— Total amounts paid or payable to Auditors	704,717	952,290	439,098	103,492
Debt raising cost capitalised	(39,400)	(350,000)	(39,400)	-
Auditors remuneration in consolidated statements of comprehensive income	665,317	602,290	399,698	103,492

5. Distributions, Dividends and Scheme Consideration Paid and Proposed

5.1. Distributions and dividends paid and proposed

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
The distributions were paid / payable as follows:				
— Interim distribution paid for the period ended 30 June (100% unfranked)	204,734	204,733	-	-
— Special distribution paid on 21 October (100% unfranked)	-	232,657	-	-
— Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)	186,121	186,121	-	-
	390,855	623,511	-	-

	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
Interim distribution paid for the period ended 30 June (100% unfranked)				
— Distribution	11.0	11.0	-	-
Special distribution paid on 19 October (100% unfranked)				
— Distribution	-	12.5	-	-
Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)				
— Distribution	10.0	10.0	-	-
	21.0	33.5	-	-

This note only discloses distributions and cash considerations paid to the Group's security holders.

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5. Distributions, Dividends and Scheme Considerations Paid and Proposed (continued)

5.2. Scheme Consideration Paid

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
The cash consideration was paid as follows:				
— Cash Consideration as part of Scheme Consideration paid on 19 December	1,488,969	-	-	-
	1,488,969	-	-	-
	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
Cash Consideration as part of Scheme Consideration paid on 19 December				
— Cash Consideration	80.0	-	-	-
	80.0	-	-	-

On 28 September 2011 the Group announced that as a result of its strategy having changed to focus solely on its ownership of Sydney Airport, it would seek investor approval to restructure and simplify (the Simplification) the Group by removing MAIL from the stapled security structure by way of a scheme of arrangement (the Scheme). As a result of the successful Scheme implementation, investors' sold their shares in MAIL to SAT2 for market value consideration in the form of a cash component of 80.0 cents per MAIL share plus issuance of SAT2 units (refer Note 17).

6. Cash and Cash Equivalents

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Cash at bank	803,773	192,833	774,271	4,646
Deposits	320,547	1,055,577	228,071	27,510
	1,124,320	1,248,410	1,002,342	32,156

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments that are held for the purpose of meeting short term cash commitments. These are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and have a remaining term to maturity of three months or less. Cash at bank includes \$650 million held for the repayment of SKIES which occurred on 3 January 2012. The current maturity profile of cash and cash equivalents is as follows:

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Deposits				
Original term to maturity of less than three months	105,372	415,969	105,372	-
Original term to maturity of three to six months	215,175	639,608	122,699	27,510
Original term to maturity of greater than six months	-	-	-	-
Total deposits	320,547	1,055,577	228,071	27,510
Cash on hand	803,773	192,833	774,271	4,646
Total cash and cash equivalents	1,124,320	1,248,410	1,002,342	32,156

Deposits with a remaining term to maturity of greater than three months are classified separately as other financial assets.

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6. Cash and Cash Equivalents (continued)

6.1. Deposits

The outstanding negotiable certificates of deposit, commercial paper and term deposits held by the Group at year end received interest at an average rate of 5.58% (2010: 5.33%) per annum. The outstanding negotiable certificates of deposit, commercial paper and term deposits held by SAT2 at year end received interest at an average rate of 5.64% (2010: 5.66%) per annum.

6.2. Cash not available for use

Included in the Group's consolidated cash balance is \$102.5 million (2010: \$89.8 million) in a separate bank account held by Southern Cross Airports Corporation Pty Limited (SCAC), which is being held as a debt servicing reserve and can only be used for the repayment of debt. An additional \$26.8 million (2010: \$22.0 million) in the Group's consolidated cash balance is being held by SCACH as a reserve account. Cash also includes \$650 million for the redemption of SKIES which occurred on 3 January 2012.

Discussion of the Groups' policies concerning the management of credit risk can be found in Note 27.5.

7. Receivables

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Current					
Interest receivable		1,418	90	228	9
GST receivable		1,528	564	1,154	448
VAT receivable		22	102	22	-
Withholding tax receivable		2,770	-	2,770	-
Receivables from related parties	23	-	-	72,537	3,315
Accrued revenue		41,358	38,005	41,358	-
Land rich stamp duty receivable ¹⁹	14	401,525	401,525	401,525	-
Other receivables		2,757	14,944	2,757	876
		451,378	455,230	522,351	4,648
Trade receivables		55,374	42,991	55,374	839
Provision for doubtful receivables		(208)	(124)	(208)	-
Total current receivables		506,544	498,097	577,517	5,487
Non-current					
Lease receivable		28,266	31,047	28,266	-
Accrued revenue		12,958	-	12,957	-
Receivables from related parties	23	-	-	2,239,519	832,300
Other		-	13,349	-	-
Total non-current receivables		41,224	44,396	2,280,742	832,300

¹⁹ The receivable from the Federal Government relates to an indemnity on stamp duty in relation to Sydney Airport. The assessment amount was for duty of \$259.0 million plus interest of \$143.0 million (the Assessment). A matching liability for the Assessment has been recognised (refer Note 14). A contingent liability exists for interest and penalties that continue to accrue beyond the date of the assessment amounting to approximately \$180 million at 31 December 2011. As part of the sale of Sydney Airport, the Commonwealth agreed to pay any land rich stamp duty assessed to Southern Cross Airports Corporation Pty Ltd (SCAC) by the NSW Office of State Revenue in relation to the transfer of the shares and granted SCAC an indemnity against any obligation to pay such duty (including any penalties or interest that are payable).

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7. Receivables (continued)

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

Discussion of the Groups' policies concerning the management of credit risk can found in Note 27.5.

8. Derivative Financial Instruments

	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Current assets				
Forward FX contracts	-	2,076	-	-
Total current derivative financial instrument assets	-	2,076	-	-
Non-current assets				
Interest rate swap contracts	-	3,355	-	-
Total non-current derivative financial instrument assets	-	3,355	-	-
Current liabilities				
Forward FX contracts	20,706	19,548	20,706	-
Interest rate swap contracts	71,215	39,073	71,215	-
Total current derivative financial instrument liabilities	91,921	58,621	91,921	-
Non-current liabilities				
Forward FX contracts	(3,130)	29,417	(3,130)	-
Interest rate swap contracts	161,840	-	161,840	-
Total non-current derivative financial instrument liabilities	158,710	29,417	158,710	-

8.1. Instruments used by the Groups

At 31 December 2011, the Groups are party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 27).

8.2. Interest rate swap contracts – cash flow hedges

Floating rate interest bearing liabilities of the Groups (amounting to \$4,720.6 million) currently bear an average variable interest rate of 5.30% (Group 2010: 5.88%, SAT2 2010: Nil%). It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Groups have entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

The Groups' interest rate risk arises from long-term borrowings and cash balances held. Borrowings issued at variable rates expose the Groups to cash flow interest rate risk. The Groups 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% (Group 2010: 91.3%, SAT2 2010: Nil%) of senior drawn borrowings (excluding SKIES) were either fixed rate or hedged through interest rate swaps.

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8. Derivative Financial Instruments (continued)

At 31 December 2011 the maturity, the notional amounts and the weighted averaged fixed interest rates on the swaps were:

Group	2011 \$'000	Weighted average fixed interest rate	2010 \$'000	Weighted average fixed interest rate
Less than 1 year	2,936,000	5.63%	400,000	7.67%
1-2 years	-	-%	1,963,000	6.30%
2-3 years	189,000	4.74%	-	-%
3-4 years	1,655,000	6.31%	189,000	4.78%
4-5 years	1,829,336	5.50%	1,255,000	6.29%
Greater than 5 years	259,336	5.51%	968,672	5.63%
	6,868,672	5.73%	4,775,672	6.21%

SAT2 Group	2011 \$'000	Weighted average fixed interest rate	2010 \$'000	Weighted average fixed interest rate
Less than 1 year	2,936,000	5.63%	-	-%
1-2 years	-	-%	-	-%
2-3 years	189,000	4.74%	-	-%
3-4 years	1,655,000	6.31%	-	-%
4-5 years	1,829,336	5.50%	-	-%
Greater than 5 years	259,336	5.51%	-	-%
	6,868,672	5.73%	-	-%

At 31 December 2011 the interest rate swap contracts were liabilities with a fair value of \$233.1 million (Group 2010: liabilities \$39.1 million, SAT2 2010: \$Nil) presented as liabilities and assets with a fair value of \$Nil (Group 2010: liabilities \$3.4 million, SAT2 2010: \$Nil) presented as an asset.

8.3. Forward foreign exchange contracts

On 30 September 2010, Sydney Airport Finance Company Pty Ltd issued US\$500 million in Guaranteed Senior Secured Notes maturing in 2021 at a fixed interest rate of 5.125% per annum (payable semi-annually) into the US 144A/Reg S bond markets. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the Notes.

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 Canadian 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 Australian dollar will have no impact on profit or loss or equity.

At 31 December 2011 the forward FX contracts were liabilities with a fair value of \$17.6 million (Group 2010: liabilities \$50.0 million, SAT2 2010: \$Nil) presented as liabilities and assets with a fair value of \$Nil (Group 2010: liabilities \$2.1 million, SAT2 2010: \$Nil) presented as an asset.

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9. Investments in Financial Assets

The table below summarises the movements in the Group's significant investments during the year ended 31 December 2011.

Group 2011	Brussels Airport \$'000 (9.1)	Copenhagen Airports \$'000 (9.2)	Bristol Airport \$'000 (9.3)	Total \$'000
Balance at 1 January 2011	1,013,963	924,580	5,286	1,943,829
Acquisitions	-	402	-	402
Income received from investments	(9,995)	(8,932)	-	(18,927)
Revaluation decrement to disposal	(214,593)	(196,206)	-	(410,799)
Revaluation increments / (decrement) attributable to foreign exchange movements to disposal	35,614	28,271	(151)	63,734
Disposals	(824,989)	(752,173)	-	(1,577,162)
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2011	-	4,058	-	4,058
Balance at 31 December 2011	-	-	5,135	5,135

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

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9. Investments in Financial Assets (continued)

Group	Consolidated 31 Dec 2011 \$'000	Consolidated 31 Dec 2010 \$'000
Brussels Airport (9.1)		
Interests in unlisted securities in companies and trusts		
Investment in Brussels Airport Investments S.a r.l.	-	1,013,963
Copenhagen Airports (9.2)		
Interests in listed and unlisted securities in companies and trusts		
Investment in Copenhagen Airports S.a r.l.	-	810,423
Investment in KøbenhavnsLufthavne A/S	-	114,157
Bristol Airport (9.3)		
Interests in unlisted securities in companies and trusts		
Investment in Bristol Airport (Bermuda) Limited	5,135	5,286
Total investments	5,135	1,943,829

9.1. Brussels Airport

The Group's investment in Brussels Airport was held by MAIL through Brussels Airport Investment S.à.r.l (BAISA). BAISA held a 75.0% controlling interest in Brussels Airport. The Group's investment in BAISA was comprised of ordinary shares, ordinary preferred shares and convertible loans.

During the year ended 31 December 2011, the Group sold its entire interest in Brussels Airport through the Asset Swap Proposal (ASP) with Ontario Teachers' Pension Plan Board (OTPP) announced on 19 July 2011, in exchange for OTPP's 9.72% investment in SCAAT and \$405.6 million cash consideration.

At 31 December 2011, the Group's held a nil interest in BAISA (2010: 52.0%). The Group's beneficial interest in Brussels Airport at 31 December 2011 was nil (2010: 39.0%).

9.2. Copenhagen Airports

The Group's investment in Copenhagen Airports was held by MAIL through Kastrup Airports Parent Aps (KAP). Following the restructure as part of the refinancing on sale to OTPP in July 2011, KAP held a 53.7% controlling interest in Copenhagen Airports. The Group's investment in KAP comprised shares and loans issued by KAP.

During the year ended 31 December 2011, the Group sold its entire interest in Copenhagen Airports through the ASP with OTPP announced on 19 July 2011 in exchange for OTPP's direct 4.95% investment in Sydney Airport and \$395.0 million cash consideration.

At 31 December 2011, the Group held a nil interest in KAP (2010: 50.0%) and a nil direct interest in Copenhagen Airports (2010: 3.9%). The Group's beneficial interest in Copenhagen Airports at 31 December 2011 was nil (2010: 30.8%).

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9. Investments in Financial Assets (continued)

9.3. Bristol Airport

The Group has a 1.0% (2010:1.0%) interest in Bristol Airport that is held by MAIL through its investment in Bristol Airport (Bermuda) Limited (BABL) which owns 50% of Bristol Airport. The Group's 1% interest in BABL is subject to a put and a call option at an exercise price of GBP3.6 million (\$5.1 million). The put option may be exercised by MAIL at any time during the six month period from the completion of the refinancing of the Bristol airport debt facility and the call option may be exercised by OTPP at any time during the six months commencing from the end of the put option.

SAT2 Group	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Interests in unlisted securities in companies		
Sydney Airport		
Southern Cross Airports Corporation Holdings Limited (SCACH)	-	5,571,020
MALP Airports (Europe) Limited		
Map Airports (Europe) Limited (MAEL)	-	374
Bristol Airport (9.3)		
Interests in unlisted securities in companies and trusts		
Investment in Bristol Airport (Bermuda) Limited	5,135	-
Total investments	5,135	5,571,394

Following the ASP on 7 October 2011, OTPP sold its direct 4.96% interest in Sydney to SAT2 subsidiaries. From this date, SAT2 was deemed to control and therefore consolidated SCACH.

Following the Scheme on 19 December 2011, SAT2 was deemed to control and therefore consolidated the MAIL Group, including its MAEL subsidiary.

During the year the above financial assets were measured at fair value in accordance with AASB139: *Financial Instruments: Recognition and Measurement*. Up until the date of consolidation, changes in fair value were recognised as income or expenses in the Consolidated Statements of Comprehensive Income in the financial year in which the changes occurred. The fair value gains to the date of derecognition as a financial asset at fair value is \$314.3 million which is recognised in revenue (refer to Note 2).

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10. Property, Plant and Equipment

Group	Land and buildings \$'000	Plant and machinery \$'000	Other fixtures and fittings, tools and equipment \$'000	Property, plant and equipment under construction \$'000	Total property, plant and equipment \$'000
Net book amount at 1 January 2011	1,116,007	1,281,346	48,055	63,107	2,508,515
Additions	-	-	63	182,520	182,583
Disposals / transfers	68,620	67,880	22,393	(159,118)	(225)
Depreciation	(89,353)	(84,650)	(28,396)	-	(202,399)
Retranslation of foreign operations	-	-	6	-	6
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
At 31 December 2011					
Cost	1,517,000	1,787,586	170,867	86,509	3,561,962
Disposal of Controlled Entity	-	-	(163)	-	(163)
Accumulated depreciation	(421,726)	(523,010)	(128,583)	-	(1,073,319)
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
Net book amount at 1 January 2010	1,031,530	1,354,613	59,860	136,731	2,582,734
Additions	-	-	1,170	135,407	136,577
Disposals / transfers	176,212 ²⁰	16,644	14,683	(209,031)	(1,492)
Depreciation	(91,735)	(89,911)	(27,651)	-	(209,297)
Retranslation of foreign operations	-	-	(7)	-	(7)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515
At 31 December 2010					
Cost	1,448,379	1,719,706	148,311	63,107	3,379,503
Accumulated depreciation	(332,372) ²⁰	(438,360)	(100,256)	-	(870,988)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515

²⁰ Includes an \$8.2 million cost and depreciation adjustment

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10. Property Plant and Equipment (continued)

	Land and buildings \$'000	Plant and machinery \$'000	Other fixtures and fittings, tools and equipment \$'000	Property, plant and equipment under construction \$'000	Total property, plant and equipment \$'000
SAT2 Group					
Net book amount at 1 January 2011	-	-	815	5	820
Acquisitions through business combinations	1,095,268	1,265,851	35,793	69,333	2,466,245
Additions	-	-	58	73,051	73,109
Disposals / transfers	22,610	19,543	13,771	(55,880)	44
Depreciation	(22,604)	(20,818)	(8,316)	-	(51,738)
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
At 31 December 2011					
Cost	1,117,877	1,285,393	50,480	86,509	2,540,260
Accumulated depreciation	(22,603)	(20,817)	(8,360)	-	(51,780)
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
Net book amount at 1 January 2010					
Additions	-	-	922	5	927
Disposals / transfers	-	-	(2)	-	(2)
Depreciation	-	-	(105)	-	(105)
Net book amount at 31 December 2010	-	-	815	5	820
At 31 December 2010					
Cost	-	-	920	5	925
Accumulated depreciation	-	-	(105)	-	(105)
Net book amount at 31 December 2010	-	-	815	5	820

SAT2 consolidated SCACH from 7 October 2011 as a common control transaction (refer Note 1.3.3). On that date, the assets and liabilities of SCACH were consolidated using the Group's carrying value. This explains why the carrying values noted above are the same as the carrying values recognised by the Group set out on the previous page.

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11. Intangible Assets

Group	Concession and customer contracts \$'000	Airport operator licence \$'000	Leasehold land ²¹ \$'000	Goodwill \$'000	Total \$'000
Net book amount at 1 January 2011	79,426	5,359,927	1,948,073	669,721	8,057,147
Amortisation charge for the year	(18,903)	(61,959)	(22,519)	-	(103,381)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766
At 31 December 2011					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(109,290)	(309,793)	(112,594)	-	(531,677)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766
Net book amount at 1 January 2010	100,023	5,425,965	1,970,898	669,721	8,166,607
Amortisation charge for the year	(20,597)	(66,038)	(22,825)	-	(109,460)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147
At 31 December 2010					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(90,387)	(247,834)	(90,075)	-	(428,296)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147
SAT2 Group					
Net book amount at 1 January 2011	-	-	-	-	-
Acquisitions through business combinations	65,248	5,313,458	1,931,184	669,721	7,979,611
Amortisation charge for the year	(4,725)	(15,490)	(5,630)	-	(25,845)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766
At 31 December 2011					
Cost	65,248	5,313,458	1,931,184	669,721	7,979,612
Accumulated amortisation	(4,725)	(15,490)	(5,630)	-	(25,846)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766

SAT2 consolidated SCACH from 7 October 2011 as a common control transaction (refer Note 1.3.3). On that date, the assets and liabilities of SCACH were consolidated using the Group's carrying value. This explains why the carrying values noted above are the same as the carrying values recognised by the Group.

²¹ Leasehold land represents the right to use the land in relation to Sydney Airport.

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11. Intangible Assets (continued)

11.1. Impairment test for goodwill

Goodwill is allocated to the Group's cash-generating unit (CGU) identified as being Sydney Airport.

Group	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Sydney Airport	669,721	669,721
Total goodwill	669,721	669,721

SAT2 Group	31 Dec 2011	31 Dec 2010
	\$'000	\$'000
Sydney Airport	669,721	-
Total goodwill	669,721	-

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

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

The key assumption used in the calculation to determine the fair value less cost to sell is the discount rate used in the discounted cash flow model. For Sydney Airport the discount rate used was 13.5% (2010: 14.3%) for the year ended 31 December 2011.

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

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

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12. Subsidiaries

12.1. The Group's significant subsidiaries

Name of entity	Country of incorporation / establishment	Class of shares / units	Beneficial ownership interest	
			31 Dec 2011	31 Dec 2010
MApp Airports (Sydney Holdings) Pty Limited	Australia	Ordinary Shares (Ord Shares) / Redeemable Preference Shares (RPS)	100.0%	100.0%
MApp Airports (Sydney Holdings) Two Pty Limited	Australia	Ord Shares / RPS	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 1 Pty Limited	Australia	Ord Shares / RPS	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 2 Pty Limited	Australia	Ord Shares / RPS	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 3 Pty Limited	Australia	Ord Shares / RPS	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 4 Pty Limited	Australia	Ord Shares / RPS	100.0%	100.0%
Southern Cross Australian Airports Trust	Australia	Ordinary units	95.1 %	85.6%
Southern Cross Airports Corporation Holdings Limited	Australia	Ord Shares	84.8 %	74.0%
Sydney Airport Corporation Limited	Australia	Ord Shares	84.8 %	74.0%
Southern Cross Airports Corporation Pty Limited	Australia	Ord Shares	84.8 %	74.0%
MApp Airports International Limited	Bermuda	Ord Shares	100.0%	-
NA International S.a.r.l.	Luxembourg	Ord shares / Preference Shares	100.0%	100.0%
TICKETS Defeasance Trust	Australia	Units	-%	100.0%
MApp Airports (UK) Limited	United Kingdom	Ord Shares	-%	100.0%

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12. Subsidiaries (continued)

12.2. SAT2 Group's significant subsidiaries

Name of entity	Country of incorporation/ establishment	Class of shares / units	Beneficial ownership interest	
			31 Dec 2011	31 Dec 2010
MApp Airports (Sydney Holdings) Pty Limited	Australia	Ordinary shares (Ord Shares)	100.0%	100.0%
MApp Airports (Sydney Holdings) Two Pty Limited	Australia	Ord Shares / Redeemable Preference Shares (RPS)	100.0%	-%
MApp Airports Sydney Kingsford Smith No.1 Pty Limited	Australia	Ord Shares / RPS	100.0%	-%
MApp Airports Sydney Kingsford Smith No. 2 Pty Limited	Australia	Ord Shares	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 3 Pty Limited	Australia	Ord Shares	100.0%	100.0%
MApp Airports Sydney Kingsford Smith No. 4 Pty Limited	Australia	Ord Shares / RPS	100.0%	-%
Southern Cross Australian Airports Trust	Australia	Ordinary units	95.1%	53.5%
Southern Cross Airports Corporation Holdings Limited	Australia	Ord Shares	77.2%	67.3%
Sydney Airport Corporation Limited	Australia	Ord Shares	77.2%	67.3%
Southern Cross Airports Corporation Pty Limited	Australia	Ord Shares	77.2%	67.3%
MApp Airports International Limited	Bermuda	Ord Shares	100.0%	-%
NA International S.à.r.l	Luxembourg	Ord Shares / Preference Shares	100.0%	-%

12.3. Investment in Sydney Airport

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

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13. Investments in Associates

13.1. The Group's significant associates

Name of associate	Beneficial ownership interest ²²	
	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Brussels Airport Investments S.a r.l.	-%	39.0%
Copenhagen Airports S.a r.l.	-%	26.9%

During the year the Group sold its interests in Brussels Airport and Copenhagen Airports through an asset swap with Ontario Teachers' Pension Plan (OTPP) which was announced on 19 July 2011 and settled on 17 November 2011. During the year Brussels Airport and Copenhagen Airports were classified as investments in financial assets and were measured at fair value in accordance with AASB139: *Financial Instruments: Recognition and Measurement*. Changes in fair value were recognised as income or expenses in the Consolidated Statements of Comprehensive Income (refer Note 9).

13.2. SAT2 Group's significant associates

Name of associate	Beneficial ownership interest	
	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Southern Cross Airports Corporation Holdings Limited (SCACH)	-%	47.3%
MAp Airports (Europe) Limited (MAEL)	-%	25.1%

Following the ASP on 7 October 2011, OTPP sold its direct 4.96% interest in Sydney Airport to SAT2 subsidiaries. From this date, SAT2 was deemed to control and therefore consolidated SCACH.

Following the Scheme on 19 December 2011, SAT2 was deemed to control and therefore consolidated the MAIL Group, including its MAEL subsidiary.

During the year the above associates were classified as investments in financial assets and were measured at fair value in accordance with AASB139: *Financial Instruments: Recognition and Measurement*. Changes in fair value were recognised as income or expenses in the Consolidated Statements of Comprehensive Income (refer Note 9).

²² Beneficial interest in underlying airports.

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14. Payables

	Note	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Current					
Interest payable on external debt		76,450	73,774	79,800	-
Interest payable on MASH redeemable preference shares (RPS)		-	-	48,064	43,692
Interest payable on MASKS1 RPS		-	-	28,284	-
Interest payable on MASKS2 RPS		-	-	100,980	13,636
Interest payable on MASKS3 RPS		-	-	13,598	4,396
Interest payable on MASKS4 RPS		-	-	38,472	-
Interest payable on MASHT RPS		-	-	21,898	-
Interest payable to related parties		-	-	10,220	-
Interest payable on SAT1 Loans		-	-	681	-
Trade payables		9,086	5,317	8,843	66
Expense accruals		58,608	38,280	58,583	490
Employee entitlements		11,647	10,675	11,647	2,602
Payables relating to related parties	23	-	-	-	5,173
Land rich stamp duty liability	7	401,525	401,525	401,525	-
Amounts payable under finance lease agreement		1,982	1,798	1,982	-
GST payable		6,827	5,816	6,827	657
Withholding tax payable		-	2,555	-	-
Sundry creditors		11,470	12,970	11,389	65
		577,595	552,710	842,793	70,777
Non-current					
Lease payable		2,570	4,552	2,570	-
		2,570	4,552	2,570	-

The fair values of payables approximate their carrying values.

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15. Interest Bearing Liabilities

	Note	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	SAT2 31 Dec 11 \$'000	SAT2 31 Dec 10 \$'000
Current					
SCACH					
— Medium Term Notes	15.1.2	276,430	-	276,430	-
— SKIES	15.1.5	670,662	-	670,662	-
Total current interest bearing liabilities		947,092	-	947,092	-
Non-current					
SCACH					
— Bank facilities	15.1.1	1,026,217	534,708	1,026,217	-
— Medium Term Notes	15.1.2	3,755,978	3,726,392	3,755,978	-
— Capital Index Bonds	15.1.3	938,223	917,238	938,223	-
— SCACH Redeemable Preference Shares	15.1.4	243,474	341,623	378,187	-
— SKIES	15.1.5	-	661,508	-	-
MASH Redeemable Preference Shares	15.2.1	-	-	871,900	871,900
MASKS1 Redeemable Preference Shares	15.2.2	-	-	249,186	-
MASKS2 Redeemable Preference Shares	15.2.3	-	-	1,165,773	846,381
MASKS3 Redeemable Preference Shares	15.2.4	-	-	88,395	59,309
MASKS4 Redeemable Preference Shares	15.2.5	-	-	496,239	-
MASHT Redeemable Preference Shares	15.2.6	-	-	241,494	-
Loans from SAT1	15.2.7	-	-	328,543	78,546
Total Non-current		5,963,892	6,181,469	9,540,135	1,856,136
Reclassification to interest payable		-	-	(20,609)	(17,724)
Total non-current interest bearing liabilities		5,963,892	6,181,469	9,519,526	1,838,412
Total interest bearing liabilities		6,910,984	6,181,469	10,466,618	1,838,412

15.1. SCACH interest bearing liabilities

15.1.1. Bank facilities

SCACH has entered into a series of bank facilities secured by fixed and floating charges over the assets and undertakings of the SCACH group and a mortgage over the Airport lease. Interest is charged at Bank Bill Swap Bid Rate (BBSY) plus a predetermined margin. As at 31 December 2011, SCACH has an undrawn balance on these facilities of \$1,044 million (2010: \$789 million).

15.1.2. Medium Term Notes

SCACH has issued a mixture of fixed and floating interest rate Medium Term Notes (MTN). The MTNs are secured by fixed and floating charges over assets and undertakings of SCACH and its subsidiaries (SCACH Group) and a mortgage over the Airport lease. Financial guarantee in respect of the notes are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.

15.1.3. Capital Index Bonds

SCACH has issued two tranches of Capital Index Bonds (CIBs). The bond principal for both increases through to maturity by the Consumer Price Index (CPI). Both tranches of CIBs pay a fixed interest rate that is calculated on the increasing bond principal. The CIBs are secured by fixed and floating charges over assets and undertakings of SCACH Group and a mortgage over the Airport lease. Financial guarantees in respect of the bonds are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.

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15. Interest Bearing Liabilities (continued)

15.1.4. SCACH RPS

As at 31 December 2011 SCACH has on issue 13,648,394 Redeemable Preference Shares (RPS) (2010: 13,648,394 RPS), with each SCACH RPS stapled to one ordinary share of SCACH. At 31 December 2011 the Group holds 11,995,115 RPS (2010: 11,317,875 RPS) which are eliminated on consolidation. The RPS carry an entitlement to a fixed cumulative dividend at a rate of 13.5% per annum, payable quarterly. The RPS are redeemable at a premium of \$50 on 28 June 2032.

15.1.5. SKIES

As at 31 December 2011 SCACH has on issue 6.5 million (2010: 6.5 million) Sydney Kingsford Smith Interest Earning Securities (SKIES). SKIES are a subordinated, unsecured note listed on the Australian Securities Exchange (ASX). The notes have a 10 year maturity from issue date and pay interest quarterly at a margin of 1.8% over Bank Bill Swap Rate (BBSW). On 3 January 2012 Sydney Airport redeemed \$650 million SKIES from its \$1,069 million senior debt raising.

15.2. SAT2 Group interest bearing liabilities

15.2.1. RPS issued by MASH

Redeemable preference shares (RPS) issued by MASH includes \$871.9 million RPS (2010: \$871.9 million) held by SAT1. MASH RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

871.9 million MASH RPS (2010: 871.9 million) are redeemable at \$1 per RPS on the date 30 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. Dividends are payable quarterly in arrears. On distribution of capital on a winding up of MASH, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASH. The effective interest rate on the MASH RPS is 15.2% per annum.

15.2.2. RPS issued by MASKS1

RPS issued by MASKS1 includes \$249.2 million RPS (2010: \$Nil) held by SAT1. The MASKS1 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

173.0 million MASKS1 RPS (2010: Nil) are redeemable at \$1 per RPS on the date 40 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS1, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS1. The effective interest rate on the RPS is 14.9% per annum.

76,214 MASKS1 RPS (2010: Nil) are redeemable at \$1,000 per RPS on the date 10 days prior to 10 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 11.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS1, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS1. The effective interest rate on the RPS is 11.0% per annum.

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15. Interest Bearing Liabilities (continued)

15.2.3. RPS issued by MASKS2

RPS issued by MASKS2 includes \$1,166 million RPS (2010: \$846.4 million) held by SAT1. MASKS2 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

846.4 million MASKS2 RPS (2010: 846.4 million) are redeemable at \$1 per RPS on the date 40 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. Dividends are payable quarterly in arrears. On distribution of capital on a winding up of MASKS2, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS2. The effective interest rate on the MASKS2 RPS is 15.0% per annum.

319,392 MASKS2 RPS (2010: Nil) are redeemable at \$1,000 per RPS on the date 10 days prior to 10 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 11.0% per annum on the capital paid up and any unpaid dividends per RPS. Dividends are payable quarterly in arrears. On distribution of capital on a winding up of MASKS2, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS2. The effective interest rate on the MASKS2 RPS is 10.9% per annum.

15.2.4. RPS issued by MASKS3

RPS issued by MASKS3 includes \$88.4 million RPS (2010: \$59.3 million) held by SAT1. The MASKS3 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

59.3 million MASKS3 RPS (2010: 59.3 million) are redeemable at \$1 per RPS on the date 40 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS3, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS3. The effective interest rate on the MASKS3 RPS is 14.9% per annum.

29,086 MASKS3 RPS (2010: Nil) are redeemable at \$1,000 per RPS on the date 10 days prior to 10 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 11.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS3, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS3. The effective interest rate on the RPS is 11.1% per annum.

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15. Interest Bearing Liabilities (continued)

15.2.5. RPS issued by MASKS4

RPS issued by MASKS4 includes \$496.2 million RPS (2010: \$Nil) held by SAT1. The MASKS4 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

350.0 million MASKS4 RPS (2010: Nil) are redeemable at \$1 per RPS on the date 40 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS4, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS4. The effective interest rate on the RPS is 14.9% per annum.

146,239 MASKS4 RPS (2010: Nil) are redeemable at \$1,000 per RPS on the date 10 days prior to 10 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 11.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASKS4, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASKS4. The effective interest rate on the RPS is 11.0% per annum.

15.2.6. RPS issued by MASHT

RPS issued by MASHT includes \$241.5 million RPS (2010: \$Nil) held by SAT1. The MASHT RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

156.5 million MASHT RPS (2010: Nil) are redeemable at \$1 per RPS on the date 40 years after the issue date of the RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 15.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASHT, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASHT. The effective interest rate on the RPS is 14.9% per annum.

84,958 MASHT RPS (2010: Nil) are redeemable at \$1,000 per RPS on the date 10 days prior to 10 years after the issue date of the MASHT RPS, provided any redemption is effected in accordance with the Corporations Act 2001. Holders of the RPS have the right to receive a fixed cumulative dividend at a contractual rate of 11.0% per annum on the capital paid up and any unpaid dividends per RPS. The dividend is payable quarterly in arrears. On distribution of capital on a winding up of MASHT, holders of the RPS shall be entitled to the repayment of capital paid up on the RPS, in priority to any repayment to the ordinary shareholders of MASHT. The effective interest rate on the RPS is 11.0% per annum.

15.2.7. Loans from SAT1

On 16 December 2011 SAT2 borrowed \$250 million on commercial terms from SAT1. Interest is charged quarterly at BBSW plus a pre-determined margin under similar terms. At 31 December 2011 SAT2 had total borrowings with SAT1 of \$328.5 million (2010: \$78.5 million) under similar terms.

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15. Interest Bearing Liabilities (continued)

The following tables detail 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 based on the earliest date on which the Group's can be required to pay. The capitalised costs column represents unamortised borrowing costs.

Group	Maturity date of interest bearing liability						Capitalised costs \$'000	Total \$'000
	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Greater than 5 years \$'000		
2011								
SCACH								
— Bank facilities	-	361,100	35,500	160,000	245,000	245,000	(20,383)	1,026,217
— Capital Index Bonds	-	-	-	-	-	992,812	(54,589)	938,223
— Medium Term Notes	276,430	217,000	700,000	475,000	-	2,419,394	(55,416)	4,032,408
— SCACH Redeemable Preference Shares	-	-	-	-	-	247,992	(4,518)	243,474
SKIES	670,662	-	-	-	-	-	-	670,662
Total	947,092	578,100	735,500	635,000	245,000	3,905,198	(134,906)	6,910,984
2010								
SCACH								
— Bank facilities	-	-	354,100	35,500	160,000	-	(14,892)	534,708
— Capital Index Bonds	-	-	-	-	-	978,591	(61,353)	917,238
— Medium Term Notes	-	278,000	217,000	700,000	475,000	2,118,007	(61,615)	3,726,392
— SCACH Redeemable Preference Shares	-	-	-	-	-	348,967	(7,344)	341,623
SKIES	-	-	-	-	-	650,000	11,508	661,508
Total	-	278,000	571,100	735,500	635,000	4,095,565	(133,696)	6,181,469

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15. Interest Bearing Liabilities (continued)

Group	Floating interest rate \$'000	Fixed interest rate (term)						Total \$'000	Weighted average rate
		1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Greater than 5 years \$'000		
2011									
SCACH	4,720,568	37,688	-	-	173,109	-	1,979,619	6,910,984	5.30%
Total	4,720,568	37,688	-	-	173,109	-	1,979,619	6,910,984	
Derivatives (notional balances)									
SCACH	(6,868,672)	1,323,104	832,228	1,061,653	657,532	352,137	2,642,013	-	5.73%
Total	(6,868,672)	1,323,104	832,228	1,061,653	657,537	352,137	2,642,013	-	
Net exposure	(2,148,104)	1,360,792	832,228	1,061,653	830,646	352,137	4,621,632	6,910,984	
2010									
SCACH	4,212,736	-	37,531	-	-	172,673	1,758,529	6,181,469	5.88%
Total	4,212,736	-	37,531	-	-	172,673	1,758,529	6,181,469	
Derivatives (notional balances)									
SCACH	(4,775,672)	-	268,712	636,857	824,924	509,991	2,535,188	-	6.21%
Total	(4,775,672)	-	268,712	636,857	824,924	509,991	2,535,188	-	
Net exposure	(562,936)	-	306,243	636,857	824,924	682,664	4,293,717	6,181,469	

SCACH has entered into interest rate and cross currency swaps to manage the interest rate risk on the floating rate interest bearing liabilities. Details of these derivative contracts can be found in Note 8 and details of the risk management for the Group's can be found in Note 27.

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15. Interest Bearing Liabilities (continued)

The following tables detail the SAT2 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 based on the earliest date on which the Group can be required to pay. The capitalised costs column represents unamortised borrowing costs.

SAT2 Group	Maturity date of interest bearing liability						Capitalised costs \$'000	Total \$'000
	1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Greater than 5 years \$'000		
2011								
SCACH								
— Bank facilities	-	361,100	35,500	160,000	245,000	245,000	(20,383)	1,026,217
— Capital Index Bonds	-	-	-	-	-	992,812	(54,589)	938,223
— Medium Term Notes	276,430	217,000	700,000	475,000	-	2,419,394	(55,416)	4,032,408
— SCACH Redeemable Preference Shares	-	-	-	-	-	385,204	(7,017)	378,187
— SKIES	670,662	-	-	-	-	-	-	670,662
SAT2 Redeemable Preference Shares	-	-	-	-	-	3,092,378	-	3,092,378
Loans from SAT1	-	-	-	-	-	328,543	-	328,543
Total	947,092	578,100	735,500	635,000	245,000	7,463,331	(137,405)	10,466,618
2010								
SAT2 Redeemable Preference Shares	-	-	-	-	-	1,759,866	-	1,759,866
Loans from SAT1	-	-	-	-	-	78,546	-	78,546
Total	-	-	-	-	-	1,838,412	-	1,838,412

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15. Interest Bearing Liabilities (continued)

SAT2 Group	Floating interest rate \$'000	Fixed interest rate (term)						Total \$'000	Weighted average rate
		1 year or less \$'000	1 to 2 years \$'000	2 to 3 years \$'000	3 to 4 years \$'000	4 to 5 years \$'000	Greater than 5 years \$'000		
2011									
SCACH	4,720,568	37,688	-	-	173,109	-	2,114,332	7,045,697	5.30%
Total	4,720,568	37,688	-	-	173,109	-	2,114,332	7,045,697	
Derivatives (notional balances)									
SCACH	(6,868,672)	1,323,104	832,228	1,061,653	657,537	352,137	2,642,013	-	5.73%
Total	(6,868,672)	1,232,104	832,228	1,061,653	657,537	352,137	2,642,013	-	
SAT 2 RPS	-	-	-	-	-	-	3,420,924	3,420,924	13.34%
Loans from SAT1	-	-	-	-	-	-	328,543	328,543	
Net exposure	(2,148,104)	1,360,792	832,228	1,061,653	830,646	352,137	8,505,812	10,795,164	
2010									
SAT 2 RPS	-	-	-	-	-	-	1,759,866	1,759,866	15.00%
Loans from SAT1	-	-	-	-	-	-	78,546	78,546	
Net exposure	-	-	-	-	-	-	1,838,412	1,838,412	

SCACH has entered into interest rate and cross currency swaps to manage the interest rate risk on the floating rate interest bearing liabilities. Details of these derivative contracts can be found in Note 8 and details of the risk management for the Group can be found in Note 27.

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15. Interest Bearing Liabilities (continued)

15.2.8. Undrawn balance on loan facilities

Group	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Bank facilities	847,000	592,000
Working capital facility	236,000	86,000
Liquidity facility	111,000	111,000
Undrawn balance on bank facilities	1,194,000	789,000

SAT2 Group	31 Dec 2011 \$'000	31 Dec 2010 \$'000
Bank facilities	847,000	-
Working capital facility	86,000	-
Liquidity facility	111,000	-
Undrawn balance on bank facilities	1,044,000	-

On 23 December 2011, SAT1 entered into a 12 month \$150 million working capital facility with Commonwealth Bank of Australia, Royal Bank of Scotland (Australia Branch) and Westpac Banking Corporation. Interest on any drawdowns is charged at (Bank Bid Rate) BBR plus a predetermined margin. As at 31 December 2011 SAT1 has an undrawn balance on this facility of \$150 million.

SAT2 is guarantor for SAT1 regarding the working capital facility described above and SAT1 can on-lend the working capital facility to SAT2.

15.2.9. Assets pledged as security

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

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16. Tax Assets and Tax Liabilities

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Current liabilities				
Provision for income tax	50	232	49	-
Non-current liabilities				
Deferred tax liabilities	1,740,405	1,884,831	1,740,405	708,932
The balance of deferred tax liabilities comprises temporary differences attributable to:				
Amounts recognised in the Consolidated Statements of Comprehensive Income				
— Prepayments	1,967	2,349	1,967	-
— Property, plant and equipment	283,889	272,847	283,889	-
— Intangibles	2,104,891	2,135,905	2,104,891	-
— Financial assets at fair value through profit or loss	(428)	-	(428)	748,892
— Interest bearing liabilities	(13,257)	(12,674)	(13,257)	-
— Other payables	(8,642)	(8,690)	(8,642)	(821)
— Finance cost payable	(11,949)	(8,545)	(11,949)	(13,429)
— Deferred income	90	2,899	90	-
— Deferred costs	(17,766)	(26,615)	(17,766)	(26,615)
— Accrued revenue	10,628	10,376	10,628	926
— Cash flow hedges	(7,597)	(5,369)	(7,597)	-
— TOFA asset	(14,093)	-	(14,093)	-
— Tax losses	(518,389)	(457,936)	(518,389)	-
	1,809,344	1,904,547	1,809,344	708,953
Amounts recognised directly in equity				
— Cash flow hedges	(67,592)	(20,036)	(67,592)	-
— Establishment costs	(1,347)	320	(1,347)	(21)
	(68,939)	(19,716)	(68,939)	(21)
Net deferred tax liabilities	1,740,405	1,884,831	1,740,405	708,932
Movements in deferred tax liabilities:				
Opening balance at 1 January	1,884,830	1,937,545	708,912	368,315
Debited / (credited) to the Consolidated Statements of Comprehensive Income				
— Prepayments	13,768	(382)	13,831	-
— Property, plant and equipment	(3,108)	(8,631)	(3,858)	-
— Intangibles	(31,014)	(32,838)	(12,195)	-
— Financial assets at fair value through profit or loss	(428)	-	-	319,982
— Interest bearing liabilities	(583)	242	(2,392)	-
— Other payables	(705)	(1,788)	(1,594)	(384)
— Finance cost payable	(6,302)	12,422	2,218	11,999
— Deferred income	917	2,899	57	-
— Deferred costs	8,856	8,782	8,815	8,782
— Accrued revenue	252	1,160	459	228
— Cash flow hedges	(2,228)	(5,369)	(7,418)	-
— TOFA asset	(14,093)	-	(14,093)	-
— Tax losses	(60,453)	(31,277)	(30,164)	-
— Deferred tax liabilities on acquisition of subsidiaries	-	-	1,835,252	-
— Deferred tax balance derecognised on acquisition of subsidiaries	-	-	(748,892)	-
	(95,121)	(54,780)	1,040,426	340,607
Debited to equity	(49,304)	2,066	(8,533)	10
Closing balance at 31 December	1,740,405	1,884,831	1,740,405	708,932

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17. Contributed Equity

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Opening balance at 1 January	3,948,493	3,948,660	291,440	291,500
Scheme Scrip Consideration ²³	-	-	1,657,780	-
Transaction costs paid in relation to contributions to equity (net of tax)	(7)	(167)	(7)	(60)
Closing balance at 31 December	3,948,486	3,948,493	1,949,213	291,440

	SAT1 2011 Number of stapled securities / units '000	SAT1 2010 Number of stapled securities / units '000	SAT2 2011 Number of units '000	SAT2 2010 Number of units '000
On issue at the beginning of the year	1,861,211	1,861,211	1,861,211	1,861,211
Issued pursuant to the Scheme ²³	-	-	-	-
On issue at the end of the year	1,861,211	1,861,211	1,861,211	1,861,211

17.1. Ordinary units in SAT1 and SAT2

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the Australian Corporations Act 2001, Bermudian Companies Act, the Australian Securities Exchange Listing Rules and the foreign ownership provisions in the Group's constitutions. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in SAT1 and SAT2 and one vote for each fully paid share in respect of MAIL, noting that MAIL was destapled on 19 December 2011 as a result of the Simplification. While SAT2 is taxed as a company, it need not distribute all of its taxable income to security holders. Unless the Responsible Entity determines otherwise, a security on issue in SAT1 at the end of an income period entitles its holder to a pro-rata proportion of the net income of the Trust in respect of that income period. The Responsible Entity determines the net income of the Trusts as at the end of each financial year. The entitlement to income of each fully paid stapled security will be distributed to the investor within two months of the last day of the income period. Upon the winding up of a Trust, the Responsible Entity is required to realise the assets of the Trust and after meeting liabilities of the Trust, to distribute the net proceeds to the security holders pro-rata according to the number of securities held on the date upon which the Trust commenced to be wound up.

²³ A scheme was undertaken on 19 December 2011 such that MAIL shares were unstapled from SAT1 and SAT2 units. Following this, SAT1 and SAT2 units were temporarily suspended. SAT2 acquired all the MAIL shares and in part consideration issued scrip to MAIL shareholders that increased SAT2 share capital by \$1,657.8 million (\$0.8907 per MAIL share) with the balance of the consideration consisting of a single cash payment. To retain the SAT1 and SAT2 stapling ratio of 1:1 the SAT2 units were first split and issued to MAIL shareholders. Following this the units were reconstituted with SAT1 units resulting in no change in the number of securities held by security holders.

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18. Retained Profits

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000 (restated)	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Opening balance at 1 January	1,341,499	1,804,389	1,847,529	1,442,748
Adjustment related to previous years (refer Note 30)	-	59,791	-	-
Opening balance at 1 January – Group prior period restated	1,341,499	1,864,180	1,847,529	1,442,748
Pre-acquisition retained earnings on acquisition of subsidiaries	-	-	1,455,236	-
Profit / (loss) attributable to Group's security holders	(239,893)	100,830	(19,020)	404,781
Distributions provided for or paid	(390,855)	(623,511)	-	-
Closing balance at 31 December Group prior period restated	710,751	1,341,499	3,283,745	1,847,529

19. Reserves

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000 (restated)	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Balance of reserves				
Capital reserve	(713,165)	(713,165)	-	-
Hedging reserve - cash flow hedges	(133,936)	(31,595)	(123,353)	-
Foreign currency reserve	(2,519)	(22,670)	(2,519)	-
Common control reserve	-	-	(4,188,527)	-
Other reserve	(1,515,689)	411,828	(99,808)	(99,808)
	(2,365,309)	(355,602)	(4,414,207)	(99,808)
Movements of reserves				
Capital reserves				
Opening balance at 1 January	(713,165)	(713,165)	-	-
Transfers to retained profits	-	-	-	-
Closing balance at 31 December	(713,165)	(713,165)	-	-
Hedging reserve – cash flow hedges				
Opening balance at 1 January	(31,595)	(34,178)	-	-
Reserve acquired on acquisition of subsidiaries	-	-	(141,675)	-
Adjustment due to the acquisition of additional interest in subsidiary	(18,241)	-	-	-
Transfer to common control reserve	-	-	30,997	-
Revaluation – gross	(120,010)	3,690	(17,991)	-
Tax effect	35,910	(1,107)	5,316	-
Closing balance at 31 December	(133,936)	(31,595)	(123,353)	-
Foreign currency translation reserve				
Opening balance at 1 January	(22,670)	89,835	-	-
Adjustment related to previous years (refer Note 30)	-	(59,791)	-	-
Opening balance at 1 January - prior year restated	(22,670)	30,044	-	-
Recycle of FCTR to the statement of comprehensive				
Income on sale of investments in financial assets	15,992	-	-	-
Reserve acquired on acquisition of subsidiaries	-	-	(2,519)	-
Net exchange differences arising on translation of foreign controlled entities	4,159	(52,714)	-	-
Closing balance at 31 December	(2,519)	(22,670)	(2,519)	-

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19. Reserves (continued)

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Common Control Reserve				
Opening balance at 1 January 2011	-	-	-	-
Adjustment due to acquisition of SCACH	-	-	(2,224,032)	-
Adjustment due to acquisition of MAIL	-	-	(1,964,495)	-
Closing balance at 31 December 2011	-	-	(4,188,527)	-
Other reserve				
Opening balance at 1 January	411,828	388,049	(99,808)	(99,808)
Adjustment due to acquisition of additional interest in subsidiary	(1,927,517)	23,779 ²⁴	-	-
Closing balance at 31 December	(1,515,689)	411,828	(99,808)	(99,808)

19.1. Nature and purpose of reserves

19.2. Capital reserve

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

19.3. Hedging reserve – cash flow hedges

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

19.4. Foreign currency translation reserve

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

19.5. Common control reserve

The common control reserve represents the difference between the fair value of the consideration paid and the existing carrying value of assets and liabilities arising from transfers of interest in entities that are under the control of the unitholders that control the Group that are not subject to AASB3: *Business Combinations* as described in Note 1.3.3.

19.6. Other Reserve

The other reserve represents transactions between equity holders and other reserves on business combination. Movements during the year in other reserves represents the reduction in non-controlling interests in SCACH due to the Company obtaining a further 11.02% share in Sydney Airport. Movements to this reserve in prior periods represents similar transactions to acquire increased shares in Sydney Airport.

²⁴ Relates to prior year entry previously booked against other reserves, now reclassified to SCACH Redeemable Preference Shares within interest bearing liabilities.

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20. Non-Controlling Interest in Controlled Entities

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Interest in:				
Contributed equity	306,552	655,196	394,618	1,011,250
Reserves	190,775	353,539	275,333	(7,065)
Retained profits	(358,503)	(549,554)	(502,317)	780,833
	138,824	459,181	167,634	1,785,018

20.1. The Group's non-controlling interest in controlled entities

As the Group holds a controlling interest in Sydney Airport and SCAAT (refer Note 12), it must consolidate 100% of the assets, liabilities and results of these entities into its consolidated financial report for the year ended 31 December 2011 (2010: 100%) and recognise a non-controlling interest (NCI). This has undertaken as follows:

20.2. The Group's non-controlling interest in SCACH

For the period 1 January to 6 October 2011, the Group held a direct interest in SCACH of 73.96%. Accordingly, 26.04% of contributed equity, reserves and net result after tax of SCACH was recognised as NCI. As part of the ASP with OTPP announced on 19 July 2011 and completed through October to December 2011, the Company increased its underlying ownership in SCACH from 73.96% to 84.8%.

On 7 October 2011, due to the ASP, OTPP sold its direct 4.96% interest in SCACH to SAT2 subsidiaries. For the period 7 October to 17 November 2011, the Group held a direct interest in SCACH of 78.92%. Accordingly, 21.08% of contributed equity, reserves and net result after tax of SCACH was recognised as NCI.

On 17 November 2011, due to the ASP, OTPP sold its indirect 6.05% interest in SCACH to MAIL subsidiaries (5.90%) and Unisuper (0.15%) through the sale of its direct 9.72% interest in SCAAT to MAIL subsidiaries (9.47%) and Unisuper (0.25%) For the period 18 November to 31 December 2011, the Group held a direct interest in SCACH of 84.82%. Accordingly 15.18% of contributed equity, reserves and net results after tax of the Group was recognised as NCI. The carrying amount of SCACH's net assets in the Group's financial statements at the date of the acquisition was \$2,302.5 million. The Group recognised a corresponding decrease in non-controlling interests of \$202.1 million.

20.3. The Group's non-controlling interest in SCAAT

For the period 1 January to 17 November 2011, the Group held a direct interest in SCAAT of 85.61%. Accordingly, 14.39% of contributed equity, reserves and net result after tax of SCAAT was recognised as NCI.

On 17 November 2011 due to the Asset Swap, OTPP sold its direct 9.72% interest in SCAAT to MAIL subsidiaries (9.47%) and Unisuper (0.25%). For the period 18 November to 31 December 2011, the Group held a direct interest in SCAAT of 95.08%. Accordingly, 4.92% of contributed equity, reserves and net result after tax of SCAAT was recognised as NCI.

20.4. SAT2 Group's non-controlling interest in controlled entities

As SAT2 holds a controlling interest in SCACH and SCAAT (refer note 12), it must consolidate 100% of the assets, liabilities and results of these entities into its consolidated financial report for the year ended 31 December 2011 (2010: SCACH Nil%, SCAAT 100%) and recognise a NCI.

20.5. SAT2 Group's non-controlling interest in SCACH

On 7 October 2011 due to the Asset Swap, OTPP sold its direct 4.96% interest in SCACH to SAT2 subsidiaries. From this date, SAT2 was deemed to control SCACH and therefore consolidated SCACH. For the period 7 October to 17 November 2011, SAT2 held a direct interest in SCACH of 52.22%. Accordingly, 47.78% of contributed equity, reserves and net result after tax of SCACH was recognised as NCI.

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20. Non-Controlling Interest in Controlled Entities (continued)

20.6. SAT2 Group's non-controlling interest in SCACH

On 18 November 2011 due to the Asset Swap, OTPP sold its indirect 6.05% interest in SCACH to MAIL subsidiaries (5.90%) and Unisuper (0.15%) through the sale of its direct 9.72% interest in SCAAT to MAIL subsidiaries (9.47%) and Unisuper (0.25%). For the period 18 November to 18 December 2011, SAT2 held a direct interest in SCACH of 52.22%. Accordingly, 47.78% of contributed equity, reserves and net result after tax of SCACH was recognised as NCI.

On 19 December 2011 due to the Scheme, SAT2 was deemed to hold control of MAIL and therefore consolidated the MAIL Group. For the period 19 December to 31 December 2011, SAT2 held a direct interest in SCACH of 78.12%. Accordingly, 21.88% of contributed equity, reserves and net result after tax of SCACH was recognised as NCI.

20.7. SAT2 Group's non-controlling interest in SCAAT

For the period 1 January to 17 November 2011, SAT2 held a direct interest in SCAAT of 53.51%. Accordingly, 46.49% of contributed equity, reserves and net result after tax of SCAAT was recognised as NCI.

On 17 November 2011 due to the Asset Swap, OTPP sold its direct 9.72% interest in SCAAT to MAIL subsidiaries (9.47%) and Unisuper (0.25%). For the period 18 November to 18 December 2011, SAT2 held a direct interest in SCAAT of 53.51%. Accordingly, 46.49% of contributed equity, reserves and net result after tax of SCAAT was recognised as NCI.

On 19 December 2011 due to the Scheme, SAT2 was deemed to hold control of MAIL and therefore consolidated the MAIL Group. For the period 19 December to 31 December 2011, SAT2 held a direct interest in SCAAT of 95.08%. Accordingly, 4.92% of contributed equity, reserves and net result after tax was recognised as NCI.

21. Earnings per Stapled Security

	Group 31 Dec 2011	Group 31 Dec 2010	SAT2 31 Dec 2011	SAT2 31 Dec 2010
Earnings per stapled security from continuing operations attributable to security holders				
Basic earnings per stapled security	6.54c	5.78c	0.01c	21.75c
Diluted earnings per stapled security	6.54c	5.78c	0.01c	21.75c
Earnings per stapled security from discontinued operations attributable to security holders				
Basic earnings per stapled security	(19.43)c	(0.03)c	0.00c	0.00c
Diluted earnings per stapled security	(19.43)c	(0.03)c	0.00c	0.00c
Profit from continuing operations after income tax expense	\$82,118,964	\$58,406,854	\$110,514,764	\$804,704,457
Loss from discontinued operations net of income tax	(\$361,554,341)	(\$6,628,000)	-	-
Non-controlling interest	(\$39,540,546)	\$49,079,240	\$129,534,874	\$399,922,571
Diluted earnings per stapled security				
Earnings used in calculation of basic earnings from continuing operations per stapled security	\$121,661,509	\$107,845,094	(\$19,019,110)	\$404,781,886
Earnings used in calculation of basic earnings from discontinued operations per stapled security	(\$361,554,341)	(\$6,628,000)	-	-
Weighted average number of securities on issue				
Weighted average number of ordinary securities used in calculation of basic earnings per stapled security	1,861,210,782	1,861,210,782	1,861,210,782	1,861,210,782
Weighted average number of ordinary securities used in calculation of diluted earnings per stapled security	1,861,210,782	1,861,210,782	1,861,210,782	1,861,210,782

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22. Cash Flow Information

	Group 31 Dec 2011 \$'000	Group 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Reconciliation of profit from continuing operations after income tax expense from operating activities				
Profit from continuing operations after income tax (expense) / benefit	82,120	51,751	110,514	804,704
Revaluation (gain) / loss from investments	-	26,325	-	(1,370,860)
Revaluation of investments following receipt of cash	18,927	34,482	218,018	304,503
Expenses relating to investing activities	30,399	13,023	7,458	375
Expenses relating to financing activities	489,919	472,332	434,007	281,172
(Gain) / loss on derivative contracts	2,726	7,309	(2,767)	-
Net foreign exchange differences	13,572	(21,801)	125	(363)
Depreciation and amortisation	305,782	318,757	77,584	105
Doubtful debts	84	-	-	-
Revaluation gain from investments	-	-	(314,284)	-
Gain on redemption of IHL preference shares	-	(2,118)	-	-
Changes in operating assets and liabilities net of effects of deconsolidation / acquisition of controlled entities:				
(Increase) / decrease in receivables and other assets	(8,660)	16,986	(190,401)	45,342
Increase / (decrease) in payables	19,286	(1,420)	125,954	(324)
Increase / (decrease) in tax liabilities	(96,746)	(51,968)	(48,094)	342,672
Net cash inflow from operating activities	857,409	863,658	418,114	407,326

22.1. Non-cash financing and investing activities

22.1.1. The Group

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

22.1.2. SAT2 Group

As part of the Asset Swap with OTHP, RPS held by SAT1 were issued by MASKS1 of \$249.2 million, MASKS2 of \$319.4 million, MASKS3 of \$29.1 million, MASKS4 of \$496.2 million and MASHT of \$241.5 million. These are measured at amortised cost and interest expense is recognised under the effective interest method (refer Note 15).

As part of the Simplification and Scheme, the acquisition of MAIL shares by SAT2 was in part facilitated by an issue of scrip to MAIL shareholders that increased SAT2 share capital by \$1,657.8 million (refer Note 17).

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23. Related Party Disclosures

23.1. Responsible Entity

The Responsible Entity of SAT1 and SAT2 is Sydney Airport Holdings Limited (SAHL). SAHL is a wholly owned subsidiary of SAT2. The registered office of the Responsible Entity is 10 Arrivals Court, Sydney International Airport, New South Wales 2020.

23.2. Adviser

MAIL ceased to be listed and stapled to SAT1 and SAT2 on 19 December 2011. The adviser to MAIL for the period 1 January 2011 to 19 December 2011 was SAHL.

23.3. Directors

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

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

The following persons were directors of MAIL during the year from the period noted and up to the date of this report (unless otherwise noted). MAIL was part of the Group until it was unstapled and delisted on 19 December 2011. MAIL no longer requires an independent board as it is now consolidated by SAT2 from 19 December 2011.

Name	Role	Period of Directorship
Stephen Ward	Chairman, Non-executive director	Since July 2006, appointed as Chairman on 24 November 2011, resigned 2 February 2012
Jeffrey Conyers	Chairman, Non-executive director	Since July 2003, resigned 24 November 2011
Max Moore-Wilton	Non-executive director	Since April 2006, resigned 2 February 2012
Trevor Gerber	Non-executive director	Appointed 24 November 2011, resigned 2 February 2012
John Roberts	Non-executive director	Appointed 24 November 2011, resigned 2 February 2012
Sharon Beesley	Non-executive director	Since February 2002, resigned 24 November 2011

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23. Related Party Disclosures (continued)

23.3 Directors (continued)

The number of stapled securities in ASX-listed Sydney Airport and units in SAT2 held directly and indirectly by the directors of the Responsible Entity are listed below:

Name	Balance at 1 Jan 2010	Changes during the prior year	Balance at 1 Jan 2011	Changes during the year	Balance at 31 Dec 2011
Max Moore-Wilton	657,479	(7,479)	650,000	-	650,000
Trevor Gerber	185,454	-	185,454	39,546	225,000
Michael Lee	6,630	430	7,060	-	7,060
Robert Morris	40,908	-	40,908	-	40,908
John Mullen	Nil ²⁵	-	Nil	-	Nil
John Roberts	63,390	4,117	67,507	-	67,507
Kerrie Mather	3,554,521 ²⁶	500	3,555,021	-	3,555,021

The number of stapled securities in ASX-listed Sydney Airport and units in SAT2 held directly and indirectly by the directors of MAIL unless disclosed above are listed below:

Name	Balance at 1 Jan 2010	Changes during the prior year	Balance at 1 Jan 2011	Changes during the year	Balance at 19 Dec 2011
Jeffrey Conyers	Nil	25,000	25,000	-	25,000
Sharon Beesley	Nil	-	Nil	-	Nil
Stephen Ward	21,818	-	21,818	-	21,818

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

23.4. Key Management Personnel

KMP are defined in AASB 124: *Related Party Disclosures* are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In the prior year, the Directors of the Responsible Entity, SAHL, were considered Key Management Personnel. Subsequent to the Simplification, the executives set out in 23.8.1 are now considered KMP's.

²⁵ Balance as at 1 July 2010 being the date of Mr Mullen's appointment.

²⁶ Balance as at 1 July 2010 being the date of Ms Mather's appointment.

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23. Related Party Disclosures (continued)

23.5. Remuneration and policy structure

The objectives of the remuneration framework are to:

- Attract and retain high calibre individuals.
- Reward those who consistently deliver outstanding performance.
- Provide clear linkage between business performance and remuneration of individuals.

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

Remuneration is divided into:

- A fixed annual remuneration component (FAR).
- Those components which are variable and directly linked to the delivery of personal Key Performance Indicators (KPI's) and the Groups key financial and business objectives (At Risk Remuneration or ARR).

23.6. Fixed Annual Remuneration

FAR consists of base salary and benefits at a guaranteed level. KMP's are provided with a FAR amount and have flexibility to determine the precise amount of cash and benefits they receive within the total amount. The FAR includes the minimum regulatory superannuation contribution.

23.7. At Risk Remuneration

A significant element of a KMP's maximum potential remuneration is required to be at risk and linked to corporate performance.

Corporate Performance: ASX-listed Sydney Airport's security price performed strongly in 2011, with a total shareholder return of 22.7%. This compares to the ASX 200 Accumulation Index return of -10.5% and the All Ords Accumulation Index return of -11.4%. Drivers of the strong performance were:

- Successful execution of the Asset Swap transaction through which interests in Brussels Airport and Copenhagen Airports were sold for an additional 11.02% of Sydney Airport and a net cash payment of \$801.0 million.
- The subsequent simplification resulting in an 80.0 cents per stapled security cash payment.
- Underlying airport growth continued to display business strength and resilience.
- The foreign ownership level reduced by almost 5%. This was the result of active marketing to major domestic investors and the new sole investment focus on Sydney Airport.
- At an airport level, Sydney Airport was able to attract three new international airlines, appoint a new CEO and senior management team, and announce a new vision for the airport to be implemented by 2019.

At Risk Remuneration (ARR) is currently provided to executives through a Short Term Incentive Plan (STI). Maximum potential STI payments for the year ended 31 December 2011, payable in 2012, range up to 100% of FAR.

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23. Related Party Disclosures (continued)

23.7 At Risk Remuneration (continued)

Each KMP has a tailored set of KPI's, some of which may be shared with other executives. KPI's are selected for their relevance to the short and long term objectives of the business, and therefore promote security holder value creation. KMP's directly responsible for airport operational management have KPI's relating to the specific management area for which they have responsibility. These KPI's may be the achievement of specific levels of financial performance but also include project and time specific targets related to the delivery of individual initiatives.

All KMP's have KPI's related to the delivery of corporate financial performance and security holder value creation. Corporate performance is typically measured in terms of:

- Annual EBITDA growth.
- Implementation of business initiatives.
- Security holder distributions.

The level of STI payment is determined by business performance and the achievement of a KMP's KPI's. To promote executive retention, one third of any individual's STI payment in excess of A\$50,000 is deferred for three years. Resignation or termination with cause prior to the payment of any deferred element of STI results in this element being forfeited unless the NRC determines otherwise. Similarly for SACL executives, an element of their ARR is deferred for a period of three years.

Neither SAHL nor SACL currently has a Long Term Incentive Plan (LTIP). On 7 December 2011 the NRC resolved to appoint an Executive Remuneration Consultant in 2012. The consultant will provide advice to the NRC on KMP remuneration including consideration of an LTIP.

23.8. KMP Remuneration Arrangements for the Year Ended 31 December 2011

23.8.1. Service contracts

SAHL	Contract Type & Any Special Terms	FAR A\$	STI % of FAR	Termination
Kerrie Mather Chief Executive Officer	Permanent	1,700,000	100%*	12 months
Keith Irving Chief Financial Officer ²⁷	Permanent	440,000	60%	3 months
Sally Webb Company Secretary ²⁸	Permanent	212,500	40%	3 months
SACL	Contract Type & Any Special Terms	FAR A\$	STI % of FAR	Termination
Tim Finlayson Chief Financial Officer	Permanent	415,000	100%	6 months
Shelley Roberts Executive Director Aviation Services	Permanent	455,000	75%	6 months
Peter Wych General Manager Development and Construction	Permanent	316,510	75%	3 months
Craig Norton General Manager Parking and Ground Transport	Permanent	280,000	60%	6 months
Andrew Gardiner General Manager Retail	Permanent	275,000	45%	6 months

²⁷ Mr Irving ceased to be CFO of SAHL on 31 December 2011. Mr Finlayson was appointed CFO from January 2012.

²⁸ Ms Webb also acts as General Counsel of SAHL but the above disclosure is made solely due to her position as Company Secretary.

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23. Related Party Disclosures (continued)

*Ms Mather's service contract provided for a maximum STI of 80% of FAR until 31 December 2011. Thereafter no maximum is prescribed. The Asset Swap completed with OTP in 2011 resulted in ASX-listed Sydney Airport selling its investments in Brussels and Copenhagen Airports for an increased ownership in Sydney Airport and cash. The successful completion of the agreement and subsequent integration of the MAP and Sydney Airport teams lead to a significant increase in the value of ASX-listed Sydney Airport. The board agreed to set Ms Mather's STI% at 100% of FAR for the year ended 31 December 2011 in recognition of her contribution to the 2011 performance.

KMP contracts contain no provision for termination payments over and above the notice periods set out above and payment of applicable and outstanding incentive and retention amounts.

23.8.2. Total remuneration and benefits for the year

The following table details total remuneration and benefits provided to KMP's for the year.

SAHL

Name	Year	Salary \$A	STI ²⁹ \$A	STI		Total \$A
				Retained \$A	Superannuation \$A	
Kerrie Mather	2011	1,684,513	1,150,000	550,000	15,487	3,400,000
	2010	1,685,170	1,038,000	615,000	14,830	3,353,000
Keith Irving ³⁰	2011	407,846	563,733	Nil	15,487	987,066
	2010	385,170	205,667	55,333	14,830	661,000
Sally Webb ³¹	2011	199,548	64,445	19,722	7,743	291,458
	2010	192,585	74,834	17,000	7,415	291,834

There were no Non-Monetary Benefits provided during the year ended 31 December 2011 (2010: NIL).

SACL (7 October to 31 December 2011)

Name	Year	Salary A\$	STI A\$	STI retained A\$	Superannuation A\$
Tim Finlayson	2011	89,140	50,738	11,597	8,023
	2010	Nil	Nil	Nil	Nil
Shelley Roberts	2011	75,917	8,230	1,411	6,833
	2010	Nil	Nil	Nil	Nil
Peter Wych	2011	67,985	36,854	5,528	6,119
	2010	Nil	Nil	Nil	Nil
Craig Norton	2011	60,143	21,759	3,730	6,942
	2010	Nil	Nil	Nil	Nil
Andrew Gardiner	2011	53,062	Nil	Nil	4,776
	2010	Nil	Nil	Nil	Nil

All amounts disclosed for SACL Executives are for the period from 7 October 2011 to 31 December 2011, when they were deemed to be KMP's of SAHL.

²⁹ As noted in section 3.2, no STI payments were made before February 2011. However executives are eligible for STI payments in February 2012, dependent on performance between 1 January 2011 to 31 December 2011.

³⁰ 2011 STI includes A\$57,526 relating to prior year deferred STI payments paid when Mr Irving ceased employment.

³¹ Ms Webb also acts as General Counsel of the Group but the above disclosure is made solely due to her position as Company Secretary.

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23. Related Party Disclosures (continued)

23.9. Responsible Entity's and Adviser's fees

Operational expenses incurred by Group entities to 19 December 2011 were invoiced to SAT1, SAT2 and MAIL quarterly, based on each entity's share of net assets on a cost plus 15% basis.

From 20 December 2011, operational expenses incurred by Group entities are invoiced to SAT1 and SAT2 quarterly, based on each entity's share of net assets on a cost plus 15% basis.

	Group 31 Dec 2011 \$	Group 31 Dec 2010 \$	SAT2 31 Dec 2011 \$	SAT2 31 Dec 2010 \$
Responsible Entity's and Adviser's fees – Group Entities	257,906	151,211	4,044,000	4,270,815

23.10. Other transactions

Sharon Beesley is a shareholder of ISIS Limited, to which fees of \$129,944 (2010: \$143,098), for company secretarial and funds administrative services were paid during the period 1 January 2011 – 24 November 2011.

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

23.11. Transactions with Macquarie

On 24 July 2009, the Group announced that it had reached agreement with Macquarie to internalise management.

The internalisation was completed on 16 October 2009, however Macquarie provided transitional services for the period from internalisation to 15 October 2010. SAHL determined that for the purposes of AASB 124: *Related Party Transactions*, Macquarie was deemed a related party until 15 October 2010.

During the period 1 January 2010 to 15 October 2010:

- Entities within the Group earned the following interest on deposits at commercial rates with Macquarie Bank Limited.
 - SAHL \$1,278,778.
 - SAT2 Group \$198,029.
- Macquarie received \$760,278 for various transitional services following internalisation of management.
- Macquarie's foreign exchange departments provided services to SAHL from time to time.
- Bond Street Custodians Limited, a wholly owned subsidiary of Macquarie, acted as custodian of certain assets of SAT1 and SCAAT. Fees paid by the Group to Bond Street Custodians Limited under the terms of the Custody Agreements were:
 - SAHL \$159,590.
 - SAT2 Group \$17,640.
- Sydney Airport paid \$4,547,561 to Macquarie for advisory services.
- Sydney Airport used the services provided by Macquarie's debt market departments for interest rate swaps.

All of the above represented transactions on arm's length commercial terms made in relation to the provision of goods and services.

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23. Related Party Disclosures (continued)

23.12. SAT2 Group

The following transactions are specific for the SAT2 Group:

- SAT1 has loaned monies to SAT2 under interest bearing facilities. Under the terms of the facilities, interest is calculated at floating market rates and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the year ended 31 December 2011, interest of \$5,726,888 (2010: \$4,576,141) was paid or accrued on facilities. The balance outstanding as at 31 December 2011 is \$328,545,842 (2010: \$78,545,842).
- Companies within the SAT2 Group have loaned monies to SAT1 under a general purpose interest bearing facility set up in 2008. Under the terms of the facility, interest is calculated at floating market rates and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the year ended 31 December 2011, interest of \$52,048,840 (2010: \$48,030,837) was paid or accrued on this facility. The balance outstanding as at 31 December 2011 is \$832,300,422 (2010: \$832,300,422).

During the year ended 31 December 2011, SAT1's investment in SAT2 subsidiaries are:

- MASH Redeemable Preference Shares \$871,900,000 (2010: \$871,900,000) paid interest of \$130,375,000 (2010: \$111,900,000).
- MASKS2 Redeemable Preference Shares \$1,165,772,833 (2010: \$846,380,833) paid interest of \$52,950,000 (2010: \$200,355,560).
- MASKS3 Redeemable Preference Shares \$88,394,579 (2010: \$59,308,579) paid interest of \$4,810,000 (2010: \$5,100,000).
- During the year MAT2 Holdings Pty Ltd (MAT2HPL) advanced \$348,013 to SAT1. The balance outstanding as at 31 December 2011 is \$nil (2010: \$nil).
- During the prior year MAT2HPL advanced cash to MAp Airports Holdings Pty Ltd. The balance outstanding as at 31 December 2011 is \$nil (2010: \$5,940).
- During the year SAHL charged management fees to SAT1 of \$5,200,095 (2010: \$4,153,717). The balance outstanding as at 31 December 2011 is \$nil (2010: \$1,035,257).
- During 2009 SAHL charged management fees to Airports Resourcing Ltd. The balance outstanding as at 31 December 2011 is \$150,720 (2010: \$150,720).

MAIL Group was consolidated into the SAT2 Group on 19 December 2011. During the periods specified:

- MAIL has loaned monies to SAT1 under interest bearing facilities set up in 2011. Under the terms of the facilities, interest is calculated at floating market rates and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the period 20 December 2011 – 30 December 2011 interest of \$2,824,798 was paid or accrued on this facility. The balance outstanding as at 31 December 2011 is \$1,407,218,316.
- During the period 1 January 2011 to 19 December 2011 SAHL charged management fees to MAIL of \$9,135,361 (2010: \$8,333,378). The balance outstanding as at 19 December 2011 was \$nil (2010: \$206,760).
- During the period 1 January 2011 to 7 October 2011 MAp Airports (UK) Ltd charged management fees to SAHL of \$3,993,684 (2010: \$3,962,754). The balance outstanding as at 7 October 2011 was \$nil (2010: \$1,529,288).

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23. Related Party Disclosures (continued)

23.12. SAT2 Group (continued)

At 31 December 2011, SAT1 had an interest in:

- MASHT Redeemable Preference Shares \$241,494,265.
- MASKS1 Redeemable Preference Shares \$249,185,858.
- MASKS4 Redeemable Preference Shares \$496,239,000.

SCACH was consolidated into the SAT2 Group on 7 October 2011. During the period 1 January 2011 to 7 October 2011:

- SAT2 charged SCACH \$1,234,963 (2010: \$1,300,000) for a range of advisory services rendered at arm's length commercial terms.
- MASKS2 acquired 620,713 stapled securities in SCACH for a total of \$319,392,000.
- MASKS3 acquired 56,527 stapled securities in SCACH for a total of \$29,086,000.

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24. Business Combinations

24.1. SAT2 acquisition of SCACH

On 7 October 2011, MAIL's investments in Brussels Airport and Copenhagen Airports were sold to OTPP for its direct 4.95% investment in Sydney Airport to SAT2 subsidiaries.

As a result, SAT2 increased its voting interest in SCACH to more than 75% of Directors Voting Entitlements, which the SCACH constitution deems to constitute control. SAT2 consolidated SCACH from 7 October 2011.

The consolidation of SCACH in SAT2 is regarded as a common control transaction and accounted for under accounting policy Note 1.3.3. The assets and liabilities of SCACH were consolidated by SAT2 at their carrying values on 7 October 2011. The difference between the fair value of purchase consideration given and the carrying values of the assets and liabilities of SCACH is recognised in the common control reserve.

Purchase	Note	\$'000
Issue of MASKS2 11% Redeemable Preference Shares	15.2.3	319,392
Issue of MASKS3 11% Redeemable Preference Shares	15.2.4	29,086
Total purchase consideration - fair value		348,478

Assets and liabilities acquired - carrying value	\$'000
Cash and cash equivalents	318,681
Receivables	547,084
Fixed assets	2,466,245
Intangibles	7,979,611
Payables	(616,595)
Derivatives financial instruments	(198,644)
Interest bearing liabilities	(6,333,814)
Deferred tax liabilities	(1,860,055)
Total assets and liabilities acquired - carrying value	2,302,513

Cash inflow from acquisition of subsidiary	\$'000
Cash acquired on acquisition of subsidiary	318,681
Acquisition costs paid	(5,383)
Total cash inflow from acquisition of subsidiary - investing cash flow	313,298

Revenue and profit contribution

During the period 7 October 2011 to 31 December 2011, SCACH contributed revenue of \$119.37 million and net profit after tax of \$48.21 million to the SAT2 Group financial result.

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24.2. SAT2 acquisition of MAIL

On 28 September 2011 the Group announced that MAIL would be removed from the stapled security structure by way of a scheme of arrangement (the Scheme).

As a result of the implementation of the Scheme, investors sold their shares in MAIL to SAT2 for market value consideration in the form of a cash component of 80.0 cents per MAIL share and an issue of SAT2 units (together the Scheme Consideration) on 19 December 2011. SAT2 consolidated MAIL from 19 December 2011.

The consolidation of MAIL in SAT2 is regarded as a common control transaction and accounted for under accounting policy Note 1.3.3. The assets and liabilities of MAIL were consolidated by SAT2 at their carrying values on 19 December 2011. The difference between fair value of purchase consideration given and the carrying values of the assets and liabilities of MAIL is recognised in the common control reserve.

Purchase consideration – fair value	Note	\$'000
Scheme cash consideration	5.2	1,488,969
Scheme scrip consideration	17	1,657,780
Total purchase consideration – fair value		3,146,749
Assets and liabilities acquired – carrying value		\$'000
Cash and cash equivalents		20,860
Receivables		14,785
Loans		2,646,187
Other investment in financial assets		5,135
Payables		(90,607)
Interest bearing liabilities		(980,508)
Deferred tax liabilities		24,804
Total assets and liabilities acquired - carrying value		1,591,048
Cash outflow from acquisition of subsidiary		\$'000
Scheme cash consideration		(1,488,969)
Cash acquired on acquisition of subsidiary		20,860
Acquisition cost paid		(2,075)
Total cash outflow from acquisition of subsidiary		(1,470,184)

Revenue and profit contribution

During the period 19 December 2011 to 31 December 2011, MAIL contributed revenue of \$6.13 million and net loss after tax of \$0.76 million to the SAT2 Group financial result.

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25. Segment Reporting

The directors of the Responsible Entity have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Chief Executive Officer of Sydney Airport Holdings Limited (effective from 19 December 2011).

The chief operating decision maker considers the business from the aspect of each of the core portfolio airports and has identified three operating segments for which it received regular reports. The segments are the investment in Sydney Airport and foreign investments in Brussels Airport and Copenhagen Airports.

The Group's airport business also included investments in ASUR (up to 16 August 2010). However, given the relative value of this investment, and also the fact that the chief operating decision maker did not receive regular reports on this investment, it did not meet the definition of an operating segment under AASB 8: *Operating Segments*.

Brussels Airport and Copenhagen Airports were disposed of on 7 October 2011, as part of the ASP. The ASP became binding on 19 July and these investments cease to meet the definition of operating segments under AASB: *Operating Segments* from that date. The last financial information made available to the CEO of SAHL as the chief decision maker was at 30 June 2011 and this information is presented in the table below. The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 3: *Operating Segments* at 31 December 2011 and the information presented below is for the full year.

As at 31 December 2011, Brussels Airport and Copenhagen Airports represent discontinued operations and appropriate disclosures have been made at Note 26.

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

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

Group	Sydney Airport \$'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000
Year to 31 December 2011			
Total segment revenues from external customers	972,755	1,586,900	188,388
Total segment expenses from external customers	(182,964)	(782,500)	(79,890)
EBITDA	789,791	804,400	108,498
Year to 31 December 2010			
Total segment revenues from external customers	943,104	3,525,500	365,455
Total segment expenses from external customers	(170,061)	(1,561,800)	(161,428)
EBITDA	773,043	1,963,700	204,027

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25. Segment Reporting (continued)

Group	Sydney Airport \$'000	Copenhagen Airports \$'000	Brussels Airport \$'000	Other \$'000	Total \$'000
31 December 2011					
Non-current assets	10,491,538	-	-	5,998	10,497,536
Total assets	11,951,219	-	-	183,316	12,134,535
Total liabilities	(11,398,035)	-	-	1,696,252	(9,701,783)
31 December 2010					
Non-current assets	10,624,663	924,580	1,013,963	9,821	12,573,027
Total assets	11,430,513	924,580	1,013,963	956,579	14,325,635
Total liabilities	(8,791,854)	-	-	(140,210)	(8,932,064)

A reconciliation of the Group's EBITDA to loss before income tax benefit is provided as follows:

Group	Sydney Airport \$'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Total '000
Year to 31 December 2011				
EBITDA	789,791	804,400	108,498	
EBITDA of investments carried at Fair Value	-	(804,400)	(108,498)	
AUD equivalent	789,791	-	-	789,791
Other income and expenses				
Interest income				68,659
Fair value movement on derivative contracts				2,420
Other income				617
Revaluation gains from investments				185
Finance costs				(489,919)
Amortisation and depreciation				(305,781)
Other expenses				(61,880)
Foreign exchange gains				(18,718)
Loss from continuing activities before income tax benefit				(14,626)

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

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25. Segment Reporting (continued)

SAT2 Group	Sydney Airport \$'000
Year to 31 December 2011	
Total segment revenues	972,755
Total segment expenses	<u>(182,964)</u>
EBITDA	789,791
Year to 31 December 2010	
Total segment revenues	943,104
Total segment expenses	<u>(170,061)</u>
EBITDA	773,043

SAT2 Group	Sydney Airport \$'000	Other \$'000	Total \$'000
31 December 2011			
Non-current assets	10,491,538	2,245,516	12,737,054
Total assets	11,951,219	2,371,641	14,322,859
Total liabilities	<u>(11,398,035)</u>	<u>(1,938,439)</u>	<u>(13,336,474)</u>
31 December 2010			
Non-current assets	5,571,019	833,660	6,404,679
Total assets	5,571,019	871,520	6,442,539
Total liabilities	-	<u>(2,618,360)</u>	<u>(2,618,360)</u>

A reconciliation of the SAT2 Group EBITDA to profit before income tax expense is provided as follows:

SAT2 Group	2011 \$'000	2010 \$'000
EBITDA	789,791	773,043
EBITDA of investments carried at Fair Value	<u>(789,791)</u>	(773,043)
Other income and expenses		
Interest income	66,592	54,859
Other income	273,753	16,795
Revaluation gains from investments	314,284	1,370,860
Finance costs	<u>(434,007)</u>	(281,172)
Amortisation and depreciation	<u>(77,523)</u>	(105)
Administration expenses	<u>(80,679)</u>	(15,926)
Internalisation expenses	-	-
Profit before income tax expense	62,420	1,145,311

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26. Discontinued Operations

On 7 October 2011, the Group disposed of entire interest in Copenhagen Airports through the ASP with OTPP announced on 19 July 2011 in exchange for OTPP's direct 4.95% investment in Sydney Airport and \$395.1 million net cash consideration.

On 7 October 2011, the Group disposed of its entire interest in Brussels Airport through the ASP with OTPP announced on 19 July 2011 in exchange for OTPP's indirect 9.72% investment in SCAAT and \$405.6 million net cash consideration.

Both investments were recorded at fair value and recognised as operating segments under AASB 8: *Operating Segments*. Neither investment was classified as held for sale at 31 December 2010.

Brussels Airport and Copenhagen Airports

	31 Dec 11 \$'000	31 Dec 10 \$'000
Results of disposed entities		
Brussels Airport	(188,467)	11,927
Copenhagen Airports	(173,087)	(18,555)
Total revaluation for the year	(361,554)	(6,628)

The total revaluation gains from the Brussels Airport and Copenhagen Airports investments are entirely attributable to security holders and are inclusive of \$18.9 million of distributions received below.

	31 Dec 11 \$'000	31 Dec 10 \$'000
Cash inflows from disposed entities		
Brussels Airport	9,995	17,625
Copenhagen Airports	8,932	5,124
Total distributions received for the year	18,927	22,749

	31 Dec 11 \$'000	31 Dec 10 \$'000
Net cash inflows from disposals		
Brussels Airport	405,617	-
Copenhagen Airports	395,063	-
Total cash consideration received from disposals	800,680	-

	31 Dec 11 \$'000	31 Dec 10 \$'000
Effect of disposal on the financial position of the Group		
Brussels Airport	(1,013,963)	-
Copenhagen Airports	(924,580)	-
Total disposal of investments in financial assets	(1,938,543)	-

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27. Financial Risk Management

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

Risk management is carried out by the Responsible Entity under policies approved by the Board of the Responsible Entity. The Board of the Responsible Entity identifies, evaluates and hedges financial risks and provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

27.1. Market risk

The Group's activities exposed primarily to the financial risks of changes in interest rates and foreign currency movements. 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 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 managers or measures risk.

27.2. Foreign exchange risk

Foreign exchange risk arises when recognised assets and liabilities and future commercial transactions are denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Groups no longer operate internationally and therefore exposure to foreign exchange risk arising from currency exposures has been significantly removed.

Commitments to divest foreign assets denominated in foreign currencies are hedged, by way of forward contracts, as close as possible to the time of reaching financial close. Historically distributions from investments denominated in foreign currencies were typically hedged on a progressively declining basis out to 18 months. Monetary items are converted to the Australian Dollar at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

27.3. Price risk

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

The Groups are not exposed to commodity price risk.

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27. Financial Risk Management (continued)

27.4. Interest rate risk

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

Borrowings issued at variable rates expose the Groups to cash flow interest rate risk. Borrowings issued at fixed rates expose the Groups to fair value interest rate risk. The Groups have long term borrowings issued at both fixed and floating interest rates. For floating rate exposures, the Groups partially hedge the exposure by entering into interest rate and cross currency swaps, whereby the Groups agree with their counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts. The Groups invest cash and cash equivalents in a manner designed to optimise interest earned whilst not engaging in unacceptable credit or liquidity risk.

27.5. Credit risk

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions as well as credit exposures to committed transactions. The Groups limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Groups only accept independently rated parties with minimum ratings of A2. The Board of the Responsible Entity occasionally sets exposure limits to financial institutions and these are monitored on an on-going basis. Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions such as quality, concentration, maturity and security.

Group As at 31 December 2011	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	1,124,320	-	1,124,320
Receivables	401,525	1,418	117,279	520,222
Total	401,525	1,125,738	117,279	1,644,542

Group As at 31 December 2010	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	1,248,410	-	1,248,410
Derivative financial instruments	-	5,431	-	5,431
Receivables	402,191	90	140,212	542,493
Total	402,191	1,253,931	140,212	1,796,334

SAT2 Group As at 31 December 2011	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	1,002,342	-	1,002,342
Receivables	401,525	1,418	117,279	520,222
Total	401,525	1,003,760	117,279	1,522,564

SAT2 Group As at 31 December 2010	Governments \$'000	Financial institutions \$'000	Corporates \$'000	Total \$'000
Cash and cash equivalents	-	32,496	-	32,496
Derivative financial instruments	-	-	-	-
Receivables	448	8	-	546
Total	448	32,504	-	32,952

Further SAT2 Group credit risk exposure relates to \$832.3 million (2010: \$832.3 million) receivable, due from SAT1.

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27. Financial Risk Management (continued)

27.5.1. Governments

The credit risk to government relates to amounts that are receivable from the Australian government, and until 7 October 2011 the Belgian, Danish and United Kingdom governments which all have strong credit ratings.

27.5.2. Financial institutions

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

27.5.3. Corporates

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

27.6. Liquidity risk

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

27.6.1. Undiscounted future cash flows

Group As at 31 December 2011	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Sundry creditors	176,070	-	-	-	-	176,070
Distribution payable	186,142	-	-	-	-	186,142
Medium Term Notes	278,000	217,000	700,000	795,416	2,099,064	4,089,480
Bank facilities	-	361,100	35,500	405,000	245,000	1,046,600
Capital Index Bonds	-	-	-	-	938,223	938,223
SCACH Redeemable Preference Shares	-	-	-	-	247,992	247,992
SKIES	670,662	-	-	-	-	670,662
Derivative financial instruments	51,515	24,698	24,587	20,286	11,222	132,308
Total	1,362,389	602,798	760,087	1,220,702	3,541,502	7,487,477

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

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as at 31 December 2011

27. Financial Risk Management (continued)

27.6.1. Undiscounted future cash flows (continued)

SAT2 Group As at 31 December 2011	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Trade payables	38	-	-	-	-	38
Loans from SAT1	60,470	4,296	4,296	8,605	90,930	168,597
Redeemable Preference Shares issued by MASH	179,206	130,785	130,785	261,928	2,899,965	3,602,669
Redeemable Preference Shares issued by MASKS2	263,514	162,090	162,090	324,625	5,415,112	6,327,431
Redeemable Preference Shares issued by MASKS3	25,728	12,096	12,096	24,225	392,942	467,087
Total	528,956	309,267	309,267	619,383	8,798,949	10,565,822

SAT2 Group As at 31 December 2010	Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-5 years \$'000	Greater than 5 years \$'000	Total \$'000
Trade payables	66	-	-	-	-	66
Loans from SAT1	8,806	4,706	4,693	9,386	96,778	124,369
Redeemable Preference Shares issued by MASH	174,477	131,143	130,785	261,570	3,031,107	3,729,082
Redeemable Preference Shares issued by MASKS2	140,593	127,305	126,957	253,914	5,055,444	5,704,213
Redeemable Preference Shares issued by MASKS3	13,292	8,921	8,896	17,793	357,517	406,419
Total	337,234	272,075	271,331	542,663	8,540,846	9,964,149

27.7. Capital management

The Groups' capital management objectives are to:

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

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

Capital is defined as contributed equity plus reserves. As at 31 December 2011 the Groups' only externally imposed capital requirement arises as a consequence of SAHL's Australian Financial Services Licence (AFSL). Under the terms of its AFSL, SAHL is required to maintain a minimum of \$5,000,000 of net tangible assets (NTA) and \$50,000 surplus liquid funds (SLF) at all times. SAHL's NTA and SLF positions and compliance with the licence's capital requirements are managed on an ongoing basis with formal testing performed at least on a monthly basis.

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

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as at 31 December 2011

27. Financial Risk Management (continued)

27.8. Fair value estimation

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Discounted cash flows are used to determine fair value for the remaining financial instruments (refer Notes 1.4.1 and 1.22). The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date. For all Financial Instruments except those noted below, the fair value approximates the carrying value.

Group As at 31 December 2011	Carrying amount		Fair value	
	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000	Group 31 Dec 11 \$'000	Group 31 Dec 10 \$'000
Financial liabilities				
SCACH Redeemable Preference Shares	243,474	341,623	534,977	649,365
SKIES	670,662	661,508	679,749	642,525
Medium Term Notes	1,008,805	709,846	1,230,880	794,539
Total financial liabilities	1,922,941	1,712,977	2,445,606	2,086,429

SAT2 has 15% Redeemable Preference Shares issued to SAT1 that have a carrying amount of \$679.5 million at 31 December 2011. At this date the fair value of the RPS is \$1,077.1 million.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Group As at 31 December 2011	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	5,134	5,134
Total assets	-	-	5,134	5,134
Liabilities				
Derivatives used for hedging	-	250,631	-	250,631
Total liabilities	-	250,631	-	250,631

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27. Financial Risk Management (continued)

27.8. Fair Value estimation (continued)

Group As at 31 December 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	1,943,829	1,943,829
Derivatives used for hedging	-	5,431	-	5,431
Total assets	-	5,431	1,943,829	1,949,260
Liabilities				
Derivatives used for hedging	-	58,621	-	58,621
Total liabilities	-	58,621	-	58,621
SAT2 Group				
As at 31 December 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
Investments in financial assets	-	-	5,571,393	5,571,393
Total assets	-	-	5,571,393	5,571,393

27.9. Foreign exchange risk

In assessing foreign exchange risk, management has assumed the following movements in the Australian Dollar of +/-12.7% (2010: +/- 16.5%):

Currency pairing	Movement against Australian Dollar	
	2011	2010
Euro	11.6%	11.8%
United States Dollar	N/A	20.4%
Pound Sterling	N/A	10.5%
Danish Krone	11.6%	11.8%
Weighted average	11.6%	16.5%

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27. Financial Risk Management (continued)

27.9. Foreign exchange risk (continued)

The table below displays the balances for financial instruments that would be recognised in the Consolidated Statements of Comprehensive Income for movement of +/- 11.6% (2010: +/- 16.5%) of the Australian dollar. The Group's management has determined a +/- 11.6% movement in the Australian dollar to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies over the current year.

The Groups As at 31 December 2011	Foreign Exchange Risk	
	11.6% appreciation of Australian dollar	11.6% depreciation of Australian dollar
	P&L ³² \$'000	P&L \$'000
Cash and cash equivalents	(15)	19
Payables	3	(4)
	(12)	15

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

SAT2 Group

As at 31 December 2010 the SAT2 Group did not have significant exposure to foreign exchange risk.

³² Hereafter used as an abbreviation for Consolidated Statements of Comprehensive Income.

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as at 31 December 2011

27. Financial Risk Management (continued)

27.10. Interest rate risk

In assessing interest rate risk, management has assumed a +/- 150 basis point movement (2010: +/- 150 basis point movement) in interest rates. The below tables display the effect that a +/- 150 basis point interest rate movement would have on the Consolidated Statements of Comprehensive Income or directly in equity. The Group's management has determined a +/- 150 basis point movement to be the appropriate sensitivity following analysis of the interest spreads of comparable debt instruments.

Group	Interest Rate			
	150 basis point increase in interest rates depending on country		150 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
As at 31 December 2011				
Cash and cash equivalents	16,865	-	(16,865)	-
Interest bearing liabilities	(32,222)	-	32,222	-
Derivatives	-	148,327	-	(160,024)
Total	(15,357)	148,327	15,357	(160,024)

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

SAT2 Group	150 basis point increase in interest rates depending on country		150 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
	As at 31 December 2011			
Cash and cash equivalents	432	-	(432)	-
Receivables	12,485	-	(12,485)	-
Total	12,917	-	(12,917)	-

SAT2 Group	150 basis point increase in interest rates depending on country		150 basis point decrease in interest rates depending on country	
	P&L \$'000	Equity \$'000	P&L \$'000	Equity \$'000
	As at 31 December 2010			
Cash and cash equivalents	487	-	(487)	-
Receivables	12,485	-	(12,485)	-
Total	12,972	-	(12,972)	-

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28. Commitments

28.1. The Groups

SCACH has commitments of \$66.1 million (2010: \$39.7million) in relation to capital expenditure.

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

	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows:		
Within one year	120	120
Later than one year but not later than five years	480	480
Later than five years	1,790	1,910
	2,390	2,510

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

	Consolidated 2011 \$'000	Consolidated 2010 \$'000
Commitments for minimum lease payments in relation to finance leases:		
Within one year	2,340	2,340
Later than one year but not later than five years	2,730	5,071
Later than five years	-	-
Less: Future finance charges	(517)	(1,061)
Recognised as a liability	4,553	6,350

29. Parent Entity Disclosures

As at, and throughout the financial year ending 31 December 2011 SAT1 was deemed to be the parent entity of the Group (refer Note 1.2).

As at, and throughout the financial year ending 31 December 2011 SAT2 was deemed to be the parent entity of the SAT2 Group.

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as at 31 December 2011

29. Parent Entity Disclosures (continued)

	SAT1 31 Dec 2011 \$'000	SAT1 31 Dec 2010 \$'000	SAT2 31 Dec 2011 \$'000	SAT2 31 Dec 2010 \$'000
Result of the parent entities				
Profit / (loss) from continuing operations after income tax (expense) / benefit	386,134	66,002	(3,957)	358,469
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	386,134	66,002	(3,957)	358,469
Financial position of parent entity at year end				
Current assets	363,993	583,877	313	3,809
Total assets	4,329,259	3,658,057	5,647,594	2,492,490
Current liabilities	258,392	189,212	17,705	5,581
Total liabilities	2,497,910	1,821,988	2,038,773	537,485
Total equity of the parent entity comprising of:				
Contributed equity	2,315,074	2,315,074	1,949,213	291,440
Retained profits	229,439	234,159	1,659,608	1,663,565
Reserves	(713,164)	(713,164)	-	-
Total equity	1,831,349	1,836,069	3,608,821	1,955,005

29.1. Parent entity contingencies

At 31 December 2011 the Parent Entities have no contingent assets or liabilities which are material either individually or as a class (2010: Nil).

SAT2 is parent entity for the SAT2 Tax Consolidated Group, however at 31 December 2011 no tax liabilities of other entities exists within the group. No liability existed at 31 December 2010.

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

At 31 December 2011 the Parent Entities have not made any capital commitments for acquisition of property, plant and equipment (2010: Nil).

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

At 31 December 2011 the Parent Entities have not made any guarantees in respect of the debts of their subsidiaries.

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as at 31 December 2011

30. Restatements

Changes in the accounting for foreign exchange

The Group has restated the opening 1 January 2010 balances of retained earnings and foreign currency translation reserve disclosed in these consolidated interim financial statements in order to retrospectively apply AASB 121: *The Effects of Changes in Foreign Exchange Rates* whereby amounts previously recognised in the foreign currency translation reserve are required to be reclassified to profit or loss on disposal of a foreign operation.

In accordance with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors*, the opening 1 January 2010 balances on the consolidated interim statement of financial position and the consolidated interim statement of changes in equity have been restated as follows:

- Foreign currency translation reserve has been debited by \$59,791,480.
- Retained earnings have been credited by \$59,791,480.
- The above adjustments have no impact on profit or loss or cash flow for the year ended 30 December 2011.

31. Contingent Assets and Liabilities

In June 2002, the Commonwealth Government privatised Sydney Airport by selling all of its shareholding in Sydney Airport Corporation Ltd (SACL) to Southern Cross Airports Corporation Pty Ltd (SCAC). As part of SCAC's acquisition of SACL, the Commonwealth 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).

The assessment amount was for duty of \$259 million plus interest of \$143 million (the assessment). A receivable from the Federal Government and matching liability for the stamp duty payable has been recognised for the assessment. A contingent liability exists for interest and penalties that continue to accrue beyond the date of assessment amounting to \$180 million at 31 December 2011. The indemnity given to SCAC by the Commonwealth also covers this contingent liability.

SAHL provided a comprehensive set of representations and warranties in respect of Copenhagen Airports and Brussels Airport, which were more commensurate with those normally provided by an owner/operator than a minority investor. OTPP was indemnified for OTPP's share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other contingent liabilities.

At 31 December 2011 the Group has no other contingent assets or liabilities which are material either individually or as a class (2010: Nil).

32. Events Occurring after Balance Sheet Date

A final distribution of 10.0 cents (2010: 10.0 cents) per stapled security was paid by SAT1 on 16 February 2012.

On 3 January 2012 SCACH completed the \$650 million redemption of Sydney Kingsford Smith Interest Earning Securities out of cash at bank.

Since the end of the year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to the year ended 31 December 2011.

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Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1

In the opinion of the directors of directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT1:

- (a) the consolidated financial statements and notes for SAT1 set out on pages 17 to 96 and the Remuneration report in the Directors' report (set out on pages 2 to 15), are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements;
 - ii. 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
- (b) There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 31 December 2011.

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

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



Max Moore-Wilton
Sydney
22 February 2012



Trevor Gerber
Sydney
22 February 2012

Financial Report

as at 31 December 2011

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 2

In the opinion of the directors of directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT2:

- (a) the consolidated financial statements and notes for SAT2 set out on pages 17 to 96 and the Remuneration report in the Directors' report (set out on pages 2 to 15), are in accordance with the Corporations Act 2001, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory reporting requirements;
 - ii. 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
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and the Chief Financial Officer for the year ended 31 December 2011.

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

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



Max Moore-Wilton
Sydney
22 February 2012



Trevor Gerber
Sydney
22 February 2012



Independent auditor's report to the unitholders of Sydney Airport Trust 1 (formerly MAP Airports Trust 1) and Sydney Airport Trust 2 (formerly MAP Airports Trust 2)

Report on the financial report

We have audited the accompanying financial reports of Sydney Airport (formally MAP Airports Trust 1) and Sydney Airport Trust 2 (formerly MAP Airports Trust 2), which comprise the consolidated balance sheets as at 31 December 2011, and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory information and the directors' declaration for Sydney Airport and Sydney Airport Trust 2 (the 'Groups'). Sydney Airport comprises Sydney Airport Trust 1 and the entities it controlled during the year, which are deemed to include Sydney Airport Trust 2 and the entities it controlled during the year. Sydney Airport Trust 2 comprises Sydney Airport Trust 2 and the entities it controlled during the year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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



Independence

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

Auditor's opinion

In our opinion:

- (a) the financial reports of the Groups are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Groups' 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.

Report on the Remuneration Reports

We have audited the Remuneration Reports included in the directors' report for the year ended 31 December 2011. The directors of the Responsible Entity are responsible for the preparation and presentation of the Remuneration Reports in accordance with the basis of preparation of the Remuneration Reports as described within the Remuneration Reports. Our responsibility is to express an opinion on the Remuneration Reports, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Reports of Sydney Airport and Sydney Airport Trust 2 for the year ended 31 December 2011, comply with the basis of preparation of the Remuneration Reports as described within the Remuneration Reports.

KPMG

Andrew Yates

Partner

Sydney

22 February 2012