MAp AIRPORTS INTERNATIONAL LIMITED

FINANCIAL REPORT FOR YEAR ENDED 31 DECEMBER 2010

Financial Report
for year ended 31 December 2010

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

MAp Airports Limited (ACN 075 295 760) (AFSL 236875) (MAPL) is the responsible entity of MAp Airports Trust 1 and MAp Airports Trust 2. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in MAp, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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Directors' Report

For the year ended 31 December 2010, the directors of MAp Airports International Limited (the Company or MAIL) submit the following report on the consolidated financial report of the Company and its controlled entities (the Consolidated Entity).

Principal Activities

The principal activity of the Consolidated Entity is investment in airport assets. The Consolidated Entity's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities comprising MAp, which also include MAp Airports Trust 1 (MAT1) and MAp Airports Trust 2 (MAT2).

There were no significant changes in the nature of the Consolidated Entity's activities during the year.

Directors

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

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

Dividends

A final dividend of 1.6 cents per share was announced on 8 December 2010 and paid on 17 February 2011 (2009: 8.0 cents). A special distribution of 12.5 cents per stapled security was paid on 21 October 2010.

Review and Results of Operations

The performance of the Consolidated Entity for the year, as represented by the combined result of its operations, was:

	2010 $'000	2009 $'000
Revenue	**25,342**	20,514
Revaluation gains / (losses) from investments	**381,730**	(299,533)
Other income	**24,845**	160,176
Total revenue from continuing operations	**431,917**	(118,843)
Profit / (loss) from continuing activities after income tax expense	**209,800**	(483,585)
Profit / (loss) attributable to MAIL shareholders	**209,909**	(491,508)
Basic earnings per share	**11.28 cents**	(28.42) cents
Diluted earnings per share	**11.28 cents**	(28.42) cents

Directors' Report
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Significant Changes in State of Affairs

Additional Investment in Brussels Airport

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

Divestment of ASUR

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

Refinancing at Sydney Airport

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

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

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

Events Occurring after Balance Sheet Date

A final distribution of 1.6 cents (2009: 8.0 cents) per share was paid by MAIL on 17 February 2011.

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

Likely Developments and Expected Results of Operations

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

Fees Paid to the Adviser and Associates

Fees paid to the Adviser and its associates out of the Consolidated Entity's property during the year are disclosed in Note 22 to the financial report.

No fees were paid out of the Consolidated Entity's property to the directors of the Adviser during the year.

Interests in the Consolidated Entity held by the Adviser and its associates during the year are disclosed in Note 22 to the financial report.

Directors' Report
for year ended 31 December 2010

Environmental Regulation

The operations of the underlying airport assets in which the Consolidated Entity invests are subject to environmental regulations particular to the countries in which they are located.

Rounding of Amounts in the Director's Report and the Financial Report

Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

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

Jeffrey Conyers

Bermuda
23 February 2011

Sharon Beesley

Bermuda
23 February 2011

Financial Report
for year ended 31 December 2010

Statement of Comprehensive Income

	Note	**31 Dec 2010 $'000**	31 Dec 2009 $'000
Revenue	2	**25,342**	20,514
Revaluation gains / (losses) from investments	2	**381,730**	(299,533)
Other income	2	**24,845**	160,176
Total revenue from continuing operations		**431,917**	(118,843)
Finance costs	2	**110,630**	121,464
Other expenses	2	**35,626**	25,581
Internalisation expenses	2	**-**	201,608
Operating expenses from continuing operations		**146,256**	348,653
Profit / (loss) from continuing operations before income tax expense		**285,661**	(467,496)
Income tax expense	3	**(75,861)**	(16,089)
Profit / (loss) from continuing operations after income tax expense		**209,800**	(483,585)
Other comprehensive income			
Exchange differences on translation of foreign operations		**(52,961)**	(133,978)
Other comprehensive income for the year, net of tax		**(52,961)**	(133,978)
Total comprehensive income for the year		**156,839**	(617,563)
Profit / (loss) attributable to:			
MAIL shareholders		**209,909**	(491,508)
Minority interest		**(109)**	7,923
		209,800	(483,585)
Total comprehensive income is attributable to:			
MAIL shareholders		**156,843**	(617,884)
Minority interest		**(4)**	321
		156,839	(617,563)
Earnings per share from continuing operations attributable to MAIL shareholders			
Basic earnings per share[1]	20	**11.28 cents**	(28.42) cents
Diluted earnings per share[1]	20	**11.28 cents**	(28.42) cents

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

[1] Earnings used in the calculation of earnings per share includes unrealised income and expense from revaluation of some of the Consolidated Entity's investments and other financial instruments. Consequently, earnings per share reflects the impact of unrealised revaluation increments and decrements.

Financial Report
as at 31 December 2010

Balance Sheet

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Current assets			
Cash and cash equivalents	6	**439,190**	703,551
Receivables	7	**24,478**	5,175
Other assets		**195**	106
Derivative financial instruments	8	**2,076**	751
Total current assets		**465,939**	709,583
Non-current assets			
Investments in financial assets	9	**4,158,353**	3,999,095
Property, plant and equipment	10	**196**	-
Other assets		**-**	39,845
Total non-current assets		**4,158,549**	4,038,940
Total assets		**4,624,488**	4,748,523
Current liabilities			
Payables	13	**66,044**	39,205
Distribution payable	5	**29,819**	148,897
Derivative financial instruments	8	**-**	1,314
Current tax liabilities	15	**229**	287
Total current liabilities		**96,092**	189,703
Non-current liabilities			
Interest bearing liabilities	14	**678,123**	678,583
Deferred tax liabilities	15	**80,322**	4,593
Total non-current liabilities		**758,445**	683,176
Total liabilities		**854,537**	872,879
Net assets		**3,769,951**	3,875,644
Equity			
Shareholders' interests			
Contributed equity	16	**1,341,978**	1,342,036
Retained profits	17	**2,401,143**	2,453,708
Reserves	18	**26,513**	79,579
Total shareholders' interests		**3,769,634**	3,875,323
Minority interest in controlled entities	19	**317**	321
Total equity		**3,769,951**	3,875,644

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

Jeffrey Conyers

Bermuda

23 February 2011

Sharon Beesley

Bermuda

23 February 2011

Financial Report
for year ended 31 December 2010

Statement of Changes in Equity

	Note	Contributed equity	Reserves	Retained earnings	Total	Minority interest	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000
Total equity at 1 January 2010		**1,342,036**	**79,579**	**2,453,708**	**3,875,323**	**321**	**3,875,644**
Profit / (loss) for the period		**-**	**-**	**209,909**	**209,909**	**(109)**	**209,800**
Exchange differences on translation of foreign operations		**-**	**(53,066)**	**-**	**(53,066)**	**105**	**(52,961)**
Total comprehensive income		**-**	**(53,066)**	**209,909**	**156,843**	**(4)**	**156,839**
Transactions with equity holders in their capacity as equity holders:							
Transaction costs paid in relation to contributions of equity (net of tax)		**(58)**	**-**	**-**	**(58)**	**-**	**(58)**
Distributions paid or provided for	5	**-**	**-**	**(262,474)**	**(262,474)**	**-**	**(262,474)**
Total equity at 31 December 2010		**1,341,978**	**26,513**	**2,401,143**	**3,769,634**	**317**	**3,769,951**
Total equity at 1 January 2009		1,150,491	205,955	3,094,113	4,450,559	-	4,450,559
(Loss) / profit for the period		-	-	(491,508)	(491,508)	7,923	(483,585)
Exchange differences on translation of foreign operations		-	(126,376)	-	(126,376)	(7,602)	(133,978)
Total comprehensive income		-	(126,376)	(491,508)	(617,884)	321	(617,563)
Transactions with equity holders in their capacity as equity holders:							
Securities cancelled pursuant to security buy-back (including transaction costs)		(9,924)	-	-	(9,924)	-	(9,924)
Equity raised in entitlement offer on 6 November 2009		201,707	-	-	201,707	-	201,707
Transaction costs paid in relation to contributions of equity (net of tax)		(238)	-	-	(238)	-	(238)
Distributions paid or provided for	5	-	-	(148,897)	(148,897)	-	(148,897)
Total equity at 31 December 2009		1,342,036	79,579	2,453,708	3,875,323	321	3,875,644

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

Financial Report
for year ended 31 December 2010

Statement of Cash Flows

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Cash flows from operating activities			
Southern Cross Australian Airports Trust – distribution received		**80,283**	41,632
Brussels Airport – investment income received on convertible loans		**17,625**	29,058
Other interest received		**20,914**	19,353
Copenhagen Airports associates – distribution and dividend income received		**5,124**	-
Other distribution and dividend income received		**30,944**	29,780
Adviser's base fees paid		**(6,334)**	(18,600)
Operating expenses paid (inclusive of goods and services tax)		**(6,355)**	(8,270)
Income taxes paid		**(190)**	(2)
Net indirect taxes paid		**(1,237)**	2
Internalisation payment		**-**	(199,643)
Other		**1,590**	45
Net cash flows from operating activities	21	**142,364**	(106,645)
Cash flows from investing activities			
Payments for purchase of investments		**(215,453)**	(122,699)
Proceeds received upon sale of investments, net of transaction costs		**230,375**	481,998
Net proceeds from settlement of total return swap relating to ASUR investment		**33,900**	-
Transaction costs paid		**(2,023)**	-
Payments for purchase of fixed assets		**(247)**	-
Proceeds from disposal of fixed assets		**8**	-
Proceeds from sale of other non-current assets		**-**	25,026
Net cash flows from investing activities		**46,560**	384,325
Cash flows from financing activities			
Proceeds received from issue of shares		**-**	201,707
Payments made for security buyback		**-**	(11,864)
Proceeds received from borrowings		**-**	(337,163)
Repayment of borrowings made		**-**	(137,618)
Borrowing costs paid		**(83,287)**	(40,837)
Distributions paid		**(381,548)**	-
Distributions, dividends and returns of capital paid to minority interest		**-**	(62,336)
Net cash flows from financing activities		**(464,835)**	(388,111)
Net decrease in cash and cash equivalents held		**(275,911)**	(110,431)
Cash and cash equivalents at the beginning of the year		**703,551**	839,300
Exchange rate movements on cash denominated in foreign currency		**11,550**	(25,318)
Cash and cash equivalents at the end of the year	21	**439,190**	703,551
Non-cash financing and investing activities	21	**-**	-

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

Financial Report
for year ended 31 December 2010

Notes to the Financial Report

1. Summary of Significant Accounting Policies

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

1.1. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, and with regard to the Australian Corporations Act rules which no longer require disclosure of parent entity results in the balance sheet, statement of comprehensive income, statement of changes in equity or statement of cash flows.

This financial report consists of the consolidated financial statements of MAIL and the entities it controlled at the end of, and during, the year (collectively referred to as the Consolidated Entity).

The financial report was authorised for issue by the directors on 23 February 2011. The directors have the power to amend and reissue the financial report.

1.1.1. Compliance with IFRSs

Compliance with Australian Accounting Standards ensures that the financial statements and notes 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 financial statements are presented in Australian dollars, which is the functional currency of the Consolidated Entity.

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

1.1.3. Historical cost convention

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

1.1.4. Stapled security

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

This financial report consists of the consolidated financial statements of MAIL and its controlled entities.

1.2. Consolidated financial statements

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

The financial statements of the Consolidated Entity should be read in conjunction with the separate consolidated financial statements of the MAp consolidated group for the year ended 31 December 2010.

1. Summary of Significant Accounting Policies (continued)

1.3. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entities controlled by the Company at 31 December 2010 and during the year, and the results of those controlled entities for the year then ended. The effects of all transactions between entities in the Consolidated Entity are eliminated in full. Minority interests in the results and equity are shown separately in the Consolidated Statement of Comprehensive Income and the Consolidated Balance Sheet respectively. Minority interests are those interests in partly owned subsidiaries which are not held directly or indirectly by the Company.

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

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

The purchase method of accounting was used to account for the acquisition of subsidiaries by the Consolidated Entity up to 31 December 2009. Any future acquisitions will be accounted for by applying the acquisition method under revised AASB 3: *Business Combinations (2008)*.

1.4. Investments in airport assets

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

Investments have been brought to account by the Consolidated Entity as follows:

1.4.1. Interests in unlisted securities in companies and trusts

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

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 1.23.

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for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

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

The risk premia applied to the discounted cash flow forecasts of the Consolidated Entity's interests in securities in companies and trusts are:

MAp	Sydney Airport %	Brussels Airport %	Copenhagen Airports %
As at 31 December 2010			
Risk free rate[2]	**5.4**	**3.6**	**2.7**
Risk premium	**8.9**	**8.2**	**10.5**
Total discount rate	**14.3**	**11.8**	**13.2**
As at 31 December 2009			
Risk free rate[2]	5.5	3.6	3.6
Risk premium	9.6	8.6	9.4
Total discount rate	15.1	12.2	13.0

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

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

1.4.2. Interests in listed securities in companies and trusts

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

1.4.3. Interests in other financial assets

Interests in convertible loans and other debt securities are brought to account at fair value. Adjustments to the fair value of convertible loans and other debt securities are recognised in the Consolidated Statement of Comprehensive Income.

Investment transaction costs are expensed as incurred.

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

1. Summary of Significant Accounting Policies (continued)

1.4.4. 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.

1.5. Investments in associates

Investments in associates have been accounted for at fair value through profit or loss.

1.6. Determination of fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using an appropriate valuation technique. The valuation technique used is discounted cashflow analysis making as much use of available and supportable market data as possible.

1.7. Receivables

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 a review of all outstanding amounts at year end. Bad debts are written off in the period in which they are identified.

1.8. Cash, cash equivalents and other financial assets

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

Deposits with original maturities of greater than three months are classified separately as other financial assets.

1.9. 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.

Financial Report
for year ended 31 December 2010

1. Summary of Significant Accounting Policies (continued)

1.10. Borrowings

1.10.1. 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 the Consolidated Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

1.10.2. Convertible loans

The convertible loans issued by subsidiaries to minority interest shareholders are carried at fair value with changes in the fair value recognised as a finance cost in the Consolidated Statement of Comprehensive Income. The fair value of the convertible loans is determined using discounted cash flow analysis. Transaction costs are expensed as incurred.

1.11. Payables / other liabilities

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

1.12. Dividends

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.

1.13. Revenue and other income recognition

1.13.1. 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.

1.14. Depreciation

Depreciation comprises the year's charges for this purpose on the Consolidated Entity's property, plant and equipment.

1.15. Income tax

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

Deferred 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.

1. Summary of Significant Accounting Policies (continued)

1.15. Income tax (continued)

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.

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

1.16. Foreign currency translation

1.16.1. Transactions and balances

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

1.16.2. Consolidated Entity entities

The results and financial position of all the entities within the Consolidated Entity 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 Consolidated 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 Statement 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 are re-attributed to the non-controlling interests in that foreign operation. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate at the date of that Consolidated Balance Sheet.

1.17. 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 Consolidated Entity designates certain derivatives as either:

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

The Consolidated Entity documents 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 Consolidated Entity also documents its 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. Summary of Significant Accounting Policies (continued)

1.17. Derivative financial instruments (continued)

1.17.1. 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 Statement of Comprehensive Income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1.17.2. 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 Statement of Comprehensive Income.

Amounts accumulated in equity are recycled in profit or loss in the Consolidated Statement 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 Statement 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 Statement of Comprehensive Income.

1.17.3. Net investment hedges

Hedges of net investment in foreign operation 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 Statement of Comprehensive Income within other income or other expenses.

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

1.17.4. 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 Statement of Comprehensive Income.

1.18. Earnings per share

1.18.1. Basic earnings per share

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

1.18.2. Diluted earnings per share

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

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1. Summary of Significant Accounting Policies (continued)

1.19. Goods and Services Tax or 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 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 amount of GST or VAT. The net amount of GST or VAT recoverable from, or payable to, the taxation relevant authority is included with other receivables or payable in the Consolidated Balance Sheet.

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.

1.20. Significant terms and conditions of investments

The Consolidated Entity's investment in Sydney Airport is held through its investment in MAp Airports Sydney Kingsford Smith No. 1 Pty Limited (MASKS1), MAp Airports Sydney Kingsford Smith No. 4 Pty Limited (MASKS4) and MAp Airports (Sydney Holdings) Two Pty Limited (MASHT). MASKS1, MASKS4 and MASHT hold units in Southern Cross Australian Airports Trust (SCAAT), which holds stapled securities issued by Southern Cross Airports Corporation Holdings Limited (SCACH), the holding company of Sydney Airport. The stapled securities comprise ordinary shares and redeemable preference shares and the two classes of shares cannot be traded separately.

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

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

1.21. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of MAIL.

For the year ended 31 December 2010 the segments are based on the core assets of the Consolidated Entity's investment portfolio being Sydney Airport, Copenhagen Airports and Brussels Airport.

1.22. Acquisitions of assets

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

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1. Summary of Significant Accounting Policies (continued)

1.22. Acquisitions of assets (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill.

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 Statement 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 as 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.

1.23. Critical accounting estimates and judgements

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

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

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

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

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

1.24. New standards and interpretations not yet adopted

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

1.25. Comparative figures

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

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1. Summary of Significant Accounting Policies (continued)

1.26. Company formation

The Company was incorporated in Bermuda on 4 February 2002. The Responsible Entity of MAT1 and the Responsible Entity of MAT2, MAIL and MAIL's Adviser entered into the Stapling Deed on 28 March 2002.

1.27. Rounding of amounts

Amounts in the financial report have been rounded to the nearest thousand dollars, unless otherwise indicated.

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2. Profit for the Year

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

	Note	**31 Dec 2010 $'000**	31 Dec 2009 $'000
Revenue from continuing operations			
Revenue			
Interest income from related parties	22.6	**806**	19,177
Interest income from other persons and corporations		**20,335**	427
Revenue from rendering of services	22.7	**4,201**	910
Total revenue		**25,342**	20,514
Revaluation gains / (losses) from investments			
Revaluation of ASUR		**(18,667)**	102,541
Revaluation of Bristol Airport		**(1,068)**	(88,825)
Revaluation of Brussels Airport		**11,927**	(137,948)
Revaluation of Copenhagen Airports		**(18,555)**	(204,728)
Revaluation of Japan Airport Terminal		**-**	(49,417)
Revaluation of Sydney Airport		**360,097**	46,205
Revaluation of TICkETS Defeasance Trust		**47,996**	32,639
Total revaluation gains / (losses) from investments		**381,730**	(299,533)
Other income			
Foreign exchange gains		**22,166**	17,569
Gain on redemption of IIHL preference shares		**2,118**	76,979
Fair value movement on derivative contracts		**561**	65,405
Other income		**-**	223
Total other income		**24,845**	160,176
Total revenue from continuing operations		**431,917**	(118,843)

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2. Profit for the Year (continued)

	Note	31 Dec 2010 $'000	31 Dec 2009 $'000
Operating expenses from continuing operations			
Finance costs			
Interest expense - related parties RPS		**110,206**	54,066
Interest expense on loans from MAT1		**-**	3,979
Finance costs - IIHL preference shares		**-**	62,336
Interest expense other		**424**	1,083
Total finance costs		**110,630**	121,464
Other expenses			
Auditor's remuneration	4	**181**	346
Amortisation and Depreciation		**40**	-
Adviser's base fees paid – Macquarie Group		**-**	15,270
Adviser's base fees paid – MAp entities	22.5	**8,355**	1,878
Directors' fees		**286**	323
Premises Costs		**222**	-
Energy and Utilities		**9**	-
Technology		**23**	-
Investment transaction expenses		**12,498**	2,503
Staff costs		**2,754**	775
Investor communication expenses		**32**	90
Legal fees		**217**	1,810
Custodian fees		**11**	-
Registry fees		**379**	303
Other expenses		**10,619**	2,283
Total other expenses		**35,626**	25,581
Internalisation expenses			
Fee in relation to termination of management arrangements		**-**	199,643
Internalisation costs		**-**	1,965
Total internalisation expenses		**-**	201,608
Total operating expenses from continuing operations		**146,256**	348,653

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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	**31 Dec 2010 $'000**	31 Dec 2009 $'000
(a) Profit / (loss) from continuing operations before income tax expense		**285,660**	(467,496)
Income tax expense / (benefit) calculated @ 30%		**85,698**	(140,249)
Tax effect of permanent differences:			
— Non-deductible expenditure		**(7)**	4,324
(Under) / over provision in previous year		**(19)**	20
Deferred tax asset not brought to account attributable to tax losses		**526**	-
Tax effect of operating result of foreign operations		**(10,337)**	151,994
Income tax expense		**75,861**	16,089
(b) Income tax expense			
Income tax expense comprises:			
— Under / (over) provision in previous year		**(19)**	20
— Current taxation provision		**151**	11,476
— Deferred income tax liability	15	**75,729**	4,593
		75,861	16,089
Income tax expense is attributable to:			
— Profit from continuing operations		**75,861**	16,089
Deferred income expense included in income tax expense comprises:			
— Increase in deferred tax liabilities	15	**75,729**	4,593
(c) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		**1,753**	-
Potential tax benefit @ 30%		**526**	-

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4. Remuneration of Auditors

	31 Dec 2010 $	31 Dec 2009 $
Amounts paid or payable to Auditors (KPMG in 2010, PriceWaterhouse Coopers in 2009) for:		
Audit services	**175,098**	330,378
Taxation compliance services	**-**	12,900
Other assurance services	**5,667**	2,966
	180,765	346,244

5. Dividends Paid and Proposed

	31 Dec 2010 $'000	31 Dec 2009 $'000
The dividends were paid/payable as follows:		
Special dividend paid on 21 October (100% unfranked)	**232,655**	-
Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)	**29,819**	148,897
	262,474	148,897

	Cents per share	Cents per share
Special dividend paid on 21 October (100% unfranked)	**12.5**	-
Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)	**1.6**	8.0
	14.1	8.0

6. Cash and Cash Equivalents

	31 Dec 2010 $'000	31 Dec 2009 $'000
Cash at bank	**7,562**	110,172
Negotiable certificates of deposit, commercial paper and term deposits with maturities less than 90 days from 31 December 2010	**431,628**	593,379
	439,190	703,551

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

The outstanding negotiable certificates of deposit, commercial paper and term deposits held by the Consolidated Entity at year end paid interest at an average rate of 4.88% per annum (2009: 2.27%).

7. Receivables

	Note	**31 Dec 2010 $'000**	31 Dec 2009 $'000
Current			
Other interest receivable		**75**	30
Receivables from related parties	22.7	**24,166**	1,683
Withholding tax receivable		**-**	3,460
Trade receivable		**135**	-
VAT receivable		**102**	-
GST receivable		**-**	2
		24,478	5,175

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

Discussion of the Consolidated Entity's policies concerning the management of credit risk can found in Note 24.

8. Derivative Financial Instruments

	31 Dec 2010 $'000	31 Dec 2009 $'000
Current assets		
Forward FX contracts	**2,076**	751
Total current derivative financial instrument assets	**2,076**	751
Current liabilities		
Forward FX contracts	**-**	1,314
Total current derivative financial instrument liabilities	**-**	1,314

8.1. Instruments used by the Consolidated Entity

At 31 December 2010, the Consolidated Entity is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Consolidated Entity's financial risk management policies (refer to Note 24).

8. Derivative Financial Instruments (continued)

8.2. Forward foreign exchange contracts

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

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

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

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

9. Investments in Financial Assets

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

2010	Sydney Airport $'000 (9.1)	Brussels Airport $'000 (9.2)	Copenhagen Airports[3] $'000 (9.3)	Bristol Airport $'000 (9.4)	ASUR $'000 (9.5)
Balance at 1 January 2010	**1,182,030**	**947,296**	**972,340**	**6,446**	**138,303**
Acquisitions	**-**	**72,365**	**360**	**-**	**140,039**
Income received from investments	**(80,283)**	**(17,625)**	**(5,124)**	**(91)**	**(10,654)**
Revaluation increment / (decrement) to 31 December 2010	**360,097**	**197,468**	**137,455**	**91**	**(27,723)**
Revaluation decrement attributable to foreign exchange movements to 31 December 2010	**-**	**(185,541)**	**(156,010)**	**(1,160)**	**9,056**
Disposals	**-**	**-**	**-**	**-**	**(235,601)**
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2010	**-**	**-**	**(24,441)**	**-**	**(13,420)**
Balance at 31 December 2010	**1,461,844**	**1,013,963**	**924,580**	**5,286**	**-**

2009	Sydney Airport $'000 (9.1)	Brussels Airport $'000 (9.2)	Copenhagen Airports $'000 (9.3)	Bristol Airport $'000 (9.4)	JAT $'000	ASUR[4] $'000 (9.5)
Balance at 1 January 2009	245,611	1,114,302	1,054,284	336,793	372,792	127,519
Acquisitions	533,124	-	124,357	-	-	-
Income received from investments	(41,632)	(29,058)	-	-	(1,558)	(14,050)
Revaluation increment / (decrement) to 31 December 2009[5]	406,244	(137,948)	(204,728)	(104,258)	(49,417)	50,567
Disposals	46,205	-	(72)	(226,089)	(249,070)	-
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2009	-	-	(1,501)	-	(72,747)	(25,733)
Balance at 31 December 2009	1,182,030	947,296	972,340	6,446	-	138,303

At 31 December 2010, the value of the Consolidated Entity's investments in non-controlled airport assets is $4,158.4 million (2009:$3,999.1 million). The value of these investments which are unlisted has been determined by discounted cash flow analyses in accordance with the valuation framework adopted by the directors and applying specified risk premia as outlined in Note 1.4. The investment valuation sensitivity to movements in the risk premia and revenue forecasts are disclosed in the table below.

[3] Copenhagen Airports represents MAIL's investment in CASA, the holding entity through which the Copenhagen Airports investment was held as well as a direct investment into Copenhagen Airports.
[4] Only includes the physical equity holding, and does not include total return swap value.
[5] Includes gains / (losses) from foreign exchange movements.

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9. Investments in Financial Assets (continued)

	2010 1% lower $million	**2010 1% higher $million**	2009 1% lower $million	2009 1% higher $million
Change in valuation of investments due to movement in the risk premia				
— Sydney Airport	**154.1**	**(132.4)**	111.1	(97.5)
— Brussels Airport	**116.5**	**(100.0)**	111.6	(95.7)
— Copenhagen Airports	**113.0**	**(95.1)**	131.1	(109.5)
	383.6	**(327.5)**	353.8	(302.7)
Change in the valuation of investments due to movement in revenue forecasts				
— Sydney Airport	**(26.2)**	**26.2**	(22.0)	21.8
— Brussels Airport	**(20.0)**	**20.0**	(23.2)	23.4
— Copenhagen Airports	**(24.8)**	**24.4**	(26.3)	26.7
	(71.0)	**70.6**	(71.5)	71.9

	31 Dec 2010 $'000	31 Dec 2009 $'000
Sydney Airport (9.1)		
Interests in unlisted securities in companies and trusts		
— Investment in Southern Cross Australian Airports Trust	**1,461,844**	1,182,030
Brussels Airport (9.2)		
Interests in unlisted securities in companies and trusts		
— Investment in Brussels Airport Investments S.a r.l.	**1,013,963**	947,296
Copenhagen Airports (9.3)		
Interests in listed and unlisted securities in companies and trusts		
— Investment in Copenhagen Airports S.a r.l.	**810,423**	832,150
— Investment in KøbenhavnsLufthavne A/S	**114,157**	140,190
Bristol Airport (9.4)		
Interests in unlisted securities in companies and trusts		
— Investment in Bristol Airport (Bermuda) Limited	**5,286**	6,446
ASUR (9.5)		
Interests in listed securities in companies and trusts	**-**	138,303
Other investments (9.6)		
Investment in TICkETS Defeasance Trust	**752,680**	752,680
Total investments	**4,158,353**	3,999,095

9. Investments in Financial Assets (continued)

9.1. Sydney Airport

MAIL's interest in Sydney Airport is held through its investment in MAp Airports Sydney Kingsford Smith No. 1 Pty Limited (MASKS1), MAp Airports Sydney Kingsford Smith No. 4 Pty Limited (MASKS4) and MAp Airports (Sydney Holdings) Two Pty Limited (MASHT). MASKS1, MASKS4 and MASHT hold units in Southern Cross Australian Airports Trust (SCAAT), which holds stapled securities issued by Southern Cross Airports Corporation Holdings Limited (SCACH), the holding company of Sydney Airport.

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

9.2. Brussels Airport

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

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

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

At 31 December 2010, MAIL held a 52.0% interest in BAISA. MAIL's beneficial interest in Brussels Airport at 31 December 2010 was 39.0%. MAIL increased its beneficial interest to 39% following the acquisition of the 4% interest in BAISA (representing a 3.0% interest in Brussels Airport) held by Macquarie Global Infrastructure Fund 2 (GIF2) on 21 January 2010.

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

9. Investments in Financial Assets (continued)

9.3. Copenhagen Airports

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

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

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

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

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

MEIF3 holds the remaining 50% interest in CASA. If there is a change of control of MEIF3, including where a Macquarie Group entity ceases to be its manager (but excluding a listing of the fund), MAIL has the option to purchase that interest in BAISA at fair value.

9.4. Bristol Airport

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

9.5. ASUR

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

9.6. Other investments

Other investments comprise investment in TICkETS Defeasance Trust, a wholly owned subsidiary of MAp, consolidated within MAT1.

10. Property, Plant and Equipment

Property, Plant and Equipment balances relate to fixed assets in the MAp Airports (UK) Limited office which were commissioned during the year.

	Other fixtures and fittings, tools and equipment $'000
Net book amount at 1 January 2010	
Additions	**247**
Disposals / transfers	**(9)**
Depreciation	**(35)**
Translation of foreign operations	**(7)**
Net book amount at 31 December 2010	**196**
At 31 December 2010	
Cost	**231**
Accumulated depreciation	**(35)**
Net book amount at 31 December 2010	**196**

11. Subsidiaries

11.1. MAIL Group Significant Subsidiaries

			Beneficial Ownership Interest	
Name of Entity	**Country of Incorporation / Establishment**	**Class of Shares**	**31 Dec 2010**	31 Dec 2009
MAp Airports (UK) Limited	United Kingdom	Ordinary shares	**100%**	100%
International Infrastructure Holdings Limited	Bermuda	Ordinary shares and preference shares	**0%**[6]	75.1%
MAp Airports (Europe) Limited	Bermuda	Ordinary shares	**74.9%**	74.9%
JMEX B.V.	Netherlands	Ordinary shares	**100%**	100%
NA International S.a.r.l.	Luxembourg	Ordinary shares and preference shares	**100%**	100%
MAp Airports (Sydney Holdings) Two Pty Limited	Australia	Ordinary shares	**100%**	100%
MAp Airports Sydney Kingsford Smith No. 1 Pty Limited	Australia	Ordinary shares	**100%**	100%
MAp Airports Sydney Kingsford Smith No. 4 Pty Limited	Australia	Ordinary shares	**100%**	100%

[6] IIHL was originally formed to acquire MAp's interest in Japan Airport Terminal. During 2010 IIHL was wound up, in addition, to its two subsidiaries, Cooperatief International Infrastructure Holdings U.A. and International Infrastructure Holdings BV.

12. Associates

12.1. MAIL Group significant associates

Name of Associate	Beneficial Ownership Interest[7] 31 Dec 2010 %	31 Dec 2009 %
Copenhagen Airports S.A.	26.9%[8]	26.9%[8]
Brussels Airport Investments S.A.	39.0%	36.0%

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

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

13. Payables

	31 Dec 2010 $'000	31 Dec 2009 $'000
Current		
Interest payable to MASHT	**19,305**	14,984
Interest payable to MASKS1	**20,128**	13,510
Interest payable to MASKS4	**23,945**	7,028
Trade payables	**-**	184
Employee entitlements	**837**	943
Sundry creditors	**1,829**	2,556
	66,044	39,205

The fair value of payables approximate their carrying values.

14. Interest Bearing Liabilities

	Note	**31 Dec 2010 $'000**	31 Dec 2009 $'000
Non-current			
Redeemable preference shares issued by MASHT	14.1	**155,872**	155,929
Redeemable preference shares issued by MASKS1	14.2	**172,514**	172,713
Redeemable preference shares issued by MASKS4	14.3	**349,737**	349,941
		678,123	678,583

14.1. The redeemable preference shares (RPS) represent 156.5 million RPS issued by MASHT to MAT1. The MASHT RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

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

[7] Beneficial interest in underlying airports.
[8] Excludes an interest of 3.9% in Copenhagen Airports A/S held directly by a wholly owned subsidiary of MAp.

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14 Interest Bearing Liabilities (continued)

14.2. The RPS represent 173.0 million RPS issued by MASKS1 to MAT1. The MASKS1 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

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

14.3. The RPS represent 350.0 million RPS issued by MASKS4 to MAT1. The MASKS4 RPS are measured at amortised cost and interest expense is recognised under the effective interest method.

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

The fair values of interest bearing liabilities approximate their carrying values.

15. Tax Liabilities

	31 Dec 2010 $'000	31 Dec 2009 $'000
Current liabilities		
Provision for income tax	**229**	287
Non-current liabilities		
Deferred tax liabilities	**80,322**	4,593
The balance of deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in the Consolidated Statements of Comprehensive Income		
— Financial assets at fair value through profit or loss	**98,920**	14,976
— Finance cost payable	**(18,598)**	(10,379)
— Other payables	**-**	(4)
	80,322	4,593
Movements in deferred tax liabilities:		
Opening balance at 1 January	**4,593**	-
Debited / (credited) to the Consolidated Statement of Comprehensive Income		
— Financial assets at fair value through profit or loss	**83,944**	14,976
— Finance cost payable	**(8,219)**	(10,379)
— Accrued expenses	**4**	(4)
	75,729	4,593
Closing balance at 31 December	**80,322**	4,593

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16. Contributed Equity

	31 Dec 2010 $'000	31 Dec 2009 $'000	31 Dec 2010 $'000 Number of Shares	31 Dec 2009 $'000 Number of Shares
Ordinary Shares				
Opening balance 1 January	**1,342,036**	1,150,491	**1,861,211**	1,713,636
Cancelled pursuant to security buyback 8 January 2009 to 20 January 2009	**-**	(9,924)	**-**	(7,511)
Issued pursuant to entitlement offer on 6 November 2009	**-**	201,707	**-**	155,086
Costs incurred in the raising of capital	**(58)**	(238)	**-**	-
Closing balance 31 December	**1,341,978**	1,342,036	**1,861,211**	1,861,211

16.1. Ordinary shares in MAIL

Each fully paid share confers the right to vote at meetings of shareholders, subject to any voting restrictions imposed on a shareholder under the Australian Corporations Act 2001, Bermudian Companies Act, the Australian Securities Exchange Listing Rules and the foreign ownership provisions in MAp's constitutions. On a show of hands, every shareholder present in person or by proxy has one vote. On a poll, every shareholder who is present in person or by proxy has one vote for each fully paid share in respect of the Company.

The directors of the Company may declare dividends which appear justified by the financial position of the Company. The entitlement to income of each fully paid share will be distributed to the investor within two months of the last day of the income period.

If the Company is wound up, the liquidator may, with the sanction of an extraordinary resolution and any other requirement of law, divide among the members in specie the whole or any part of the assets of the Company.

16.2. Buyback of MAIL ordinary shares

From 8 to 20 January 2009, 7.5 million shares were bought back for consideration of $9.9 million.

16.3. Entitlement Offer

On 28 August 2009, MAp announced that to fund the internalisation fee of $345.0 million it would undertake a 1 for 11 non-renounceable pro-rata entitlement offer at $2.30 per stapled security. The entitlement offer which closed on 28 October 2009 was significantly over subscribed. As a result of the entitlement offer an additional 155.1 million stapled securities in MAp (and consequently 155.1 million ordinary shares in MAIL) were issued and a total of $356.7 million in additional capital was raised. MAIL's portion of this additional capital was $201.7 million.

17. Retained Profits

	31 Dec 2010 $'000	31 Dec 2009 $'000
Opening balance 1 January	**2,453,708**	3,094,113
Profit / (loss) attributable to MAIL shareholders	**209,909**	(491,508)
Distributions provided for or paid	**(262,474)**	(148,897)
Closing balance 31 December	**2,401,143**	2,453,708

18. Reserves

	31 Dec 2010 $'000	31 Dec 2009 $'000
Foreign currency translation reserve		
Opening balance 1 January	**79,579**	205,955
Net exchange differences on translation of foreign controlled entities	**(53,066)**	(126,376)
Closing balance 31 December	**26,513**	79,579

18.1. 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 1.16.

19. Minority Interest in Controlled Entities

	31 Dec 2010 $'000	31 Dec 2009 $'000
Interest in:		
— Share capital	**125**	44,671
— Reserves	**4**	1
— Retained profits	**188**	(44,351)
	317	321

As the Consolidated Entity holds a controlling interest MAEL (refer Note 11.1) it must consolidate 100% of the assets, liabilities and results of these entities into its financial report for the year ended 31 December 2010 and disclose a minority interest.

At 31 December 2010, the Consolidated Entity holds a beneficial interest in MAEL of 74.9%. Accordingly, 25.1% of the contributed equity, reserves and retained profit of MAEL are shown as minority interest in the MAIL financial report as at 31 December 2010. At 31 December 2009, the Consolidated Entity also held a beneficial interest in IIHL of 75.1%. This entity was dissolved on 21 December 2010, and accordingly no minority interest is shown at 31 December 2010.

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20. Earnings per Share

	31 Dec 2010	31 Dec 2009
Basic earnings per share	**11.28 cents**	(28.42) cents
Diluted earnings per share	**11.28 cents**	(28.42) cents
Basic earnings per share		
Profit from continuing activities after income tax expense	**$209,799,251**	($483,584,426)
Minority interest	**$109,426**	($7,923,380)
Earnings used in calculation of basic earnings per share	**$209,908,677**	($491,507,806)
Diluted earnings per share		
Earnings used in calculation of basic earnings per share	**$209,908,677**	($491,507,806)
Earnings used in calculation of diluted earnings per share	**$209,908,677**	($491,507,806)
Weighted average number of shares on issue		
Weighted average number of ordinary shares used in calculation of basic earnings per share	**1,861,210,782**	1,729,714,778
Conversion of TICkETS	**-**	283,898,501
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**1,861,210,782**	2,013,613,279

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21. Cash Flow Information

	31 Dec 2010 $'000	31 Dec 2009 $'000
(i) Reconciliation of profit from continuing operations after income tax expense from operating activities		
Profit / (loss) from continuing operations after income tax expense	**209,800**	(483,585)
Revaluation of investments	**(381,730)**	299,533
Revaluation of investments following receipt of cash	**133,977**	101,056
Expenses relating to investing activities	**12,498**	2,503
Expenses relating to financing activities	**110,630**	121,464
Net loss on derivative contracts	**(561)**	(65,405)
Net foreign exchange differences	**(22,166)**	(17,569)
Gain on buyback of IIHL Preference Shares	**(2,118)**	(76,979)
Withholding tax on buyback of JAT shares	**-**	11,081
Depreciation and amortisation	**40**	-
Changes in operating assets and liabilities net of effects of acquisition of controlled entities, foreign currency translation and transactions booked directly in equity:		
Decrease in receivables and other assets	**3,093**	3,574
(Decrease) / increase in payables	**3,230**	(7,102)
Increase in deferred tax liabilities	**75,729**	4,593
Increase / (decrease) in tax liabilities	**(58)**	191
Net cash inflow from operating activities	**142,364**	(106,645)
(ii) Reconciliation of cash and cash equivalents		
Cash and cash equivalents at the end of the year as shown in the Cash Flow Statement is reconciled to the related items in the Consolidated Balance Sheet as follows:		
Cash and cash equivalents	**439,190**	703,551

21.1. Non-cash financing and investing activities

The Consolidated Entity did not have any non-cash financing and investing activities during the current or the prior year.

22. Related Party Disclosures

22.1. Adviser

The adviser of the Company is MAPL.

22.2. Internalisation

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

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

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

22.3. Directors

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

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

The number of stapled securities in MAp (and hence ordinary shares in MAIL) held directly and indirectly by the directors of the Company are listed below:

Name	Balance at 1 Jan 2010	Changes during the year	Balance at 31 Dec 2010	Value at 31 Dec 2010 $
Max Moore-Wilton	657,479	(7,479)	650,000	1,943,500
Jeffrey Conyers	Nil	25,000	25,000	74,750
Sharon Beesley	Nil	-	Nil	Nil
Stephen Ward	21,818	-	21,818	65,236

During the year, no director of the Company has received or become entitled to receive any benefit because of a contract made by the Consolidated Entity 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.

22.4. Key Management Personnel

The following are Key Management Personnel of the Consolidated Entity:

— Max Moore-Wilton (Director)
— Jeffrey Conyers (Director)
— Sharon Beesley (Director)
— Stephen Ward (Director)
— Kerrie Mather (CEO of MAp, KMP from 16 October 2009)

22. Related Party Disclosures (continued)

22.4 Key Management Personnel (continued)

Key Management Personnel are defined in AASB 124: *Related Party Disclosures* as those having authority and responsibility for planning, directing and controlling the activities of the entity. The directors of the Company meet the definition of Key Management Personnel as they have this authority in relation to the activities of the Company. These powers have not been delegated by the directors of the Company to any person other than the CEO of MAp. Accordingly, there are no other Key Management Personnel of the Company.

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

	2010 A$	2009 A$
Max Moore-Wilton	**58,160**	50,000
Jeffrey Conyers	**85,071**	71,217[9]
Sharon Beesley	**71,616**	41,543
Stephen Ward	**71,616**	160,239[9]

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

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

Details of MAp's remuneration framework (including remuneration of CEO) are included in the Remuneration Report within the MAp financial report.

22.5. Adviser's Fees

Under the terms of the documents governing the Company, fees paid or payable (inclusive of non-recoverable GST and VAT) to the Adviser were:

	31 Dec 2010 $	31 Dec 2009 $
Adviser's base fees – Macquarie Group	**-**	17,147,612

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

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

	31 Dec 2010 $	31 Dec 2009 $
Adviser's base fees – MAp entities	**8,354,575**	1,878,000

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

22. Related Party Disclosures (continued)

22.6. Other transactions - Macquarie

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

From time to time, Macquarie and companies within the Macquarie Group buy and sell investments to and from the Consolidated Entity (for example, BAISA). The terms of investment transactions between the Consolidated Entity and Macquarie are the same as those offered to other parties.

As mentioned above, for the purposes of AASB 124, Macquarie shall be deemed a related party until 15 October 2010.

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

At 31 December 2010, entities within the Consolidated Entity had $nil (2009: $13,239,886) on deposit with Macquarie Bank Limited (MBL), a wholly owned subsidiary of Macquarie.

During the year entities within the Consolidated Entity earned $743,934 (2009: $431,897) interest on deposits with MBL. The Consolidated Entity earns interest on deposits at commercial rates.

At 31 December 2010, the Consolidated Entity had $nil (2009: $593,378,930) balances of negotiable certificates of deposit and commercial paper that had been purchased from the MBL Treasury and Debt Market desks.

During the year, entities within the Consolidated Entity earned $62,668 (2008: $16,811,695) interest on negotiable certificates of deposit and commercial paper that had been purchased from the MBL Treasury and Debt Market desks. The Consolidated Entity earned interest on the commercial paper at commercial rates.

The Consolidated Entity utilises foreign exchange services provided by Macquarie Bank Limited from time to time. These services are provided under normal commercial terms and conditions.

During the year Macquarie acted as joint underwriter of the divestment in ASUR as disclosed in Note 9.5. Macquarie received underwriting fees of $3,236,347 in this transaction.

22.7. Other transactions – other related entities

During the year the following transactions occurred:

- During 2010, MAT1's investment in MASHT redeemable preference shares ($156,536,265) accrued and paid interest of $26,614,128 (2009: $17,337,076).
- During 2010, MAT1's investment in MASKS1 redeemable preference shares ($172,971,858) accrued and paid interest of $28,298,369 (2009: $14,370,000).
- During 2010, MAT1's investment in MASKS4 redeemable preference shares ($350,000,000) accrued and paid interest of $55,293,290 (2009: $20,085,000).
- During 2010, the Consolidated Entity received $4,200,763 (2009: $910,000) from MAPL relating to resource fees for services provided by MAp Airports (UK) Limited during the year. At 31 December 2010 the balance receivable from MAPL was $1,529,288 (2009 $907,659).
- During 2009 MAPL charged management fees to ARL. At 31 December 2010 the balance outstanding was $150,720 (2009 $150,720).
- During the year TDT distributed funds to MAIL of $47,996,117 (2009 $nil) of which $22,997,640 is outstanding at 31 December 2010 (2009 $nil).
- At 31 December 2010 the balance outstanding from MAIL to MAPL for adviser base fees was $206,760 (2009 $760,315 net payable).

22. Related Party Disclosures (continued)

22.7 Other transactions – other related entities (continued)

The below transactions occurred during the prior year:

- On 9 January 2009, MAT1 advanced an additional $42,844,401 to MASKS1. MASKS1 repaid this facility in full on 22 January 2009 via the issuance of RPS to MAT1. 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 2009, interest of $863,041 was paid or accrued on this facility.
- On 8 January 2009, the MASKS1 loan of $105,437,600 to Southern Cross Australian Airports Trust (SCAAT) was repaid through the issuance of SCAAT units. Under the terms of the facility, interest is calculated at a fixed rate of 5.3% and is payable quarterly in arrears. Interest which is not paid may be capitalised. During the year ended 31 December 2009, interest of $122,852 was received or accrued on this facility.
- On 27 March 2009, MAT1 loaned $371,396,674 to MASKS4. MASKS4 repaid this facility in full during June 2009 via the issuance of RPS to MAT1. During the year ended 31 December 2009, interest of $3,978,738 was paid or accrued on this facility.
- On 27 March 2009, MAIL loaned $244,142,861 to MAT1. MAT1 repaid this facility in full during June 2009. During the year ended 31 December 2009, interest of $1,814,397 was paid or accrued on this facility.
- During 2009, MASHT bought back redeemable preference shares from MAT1 for total consideration of $226,611,298 (face value $211,148,132).
- During 2009, MASKS1 bought back redeemable preference shares from MAT1 for total consideration of $115,711,454 (face value $110,579,145).
- During 2009, MASKS4 acquired 259,719,836 stapled securities in SCACH for a total of $482,757,805.
- On 23 January 2009, two MASKS1 shares valued at $2 were transferred from MAIL to MAT1. On 15 June 2009, a further 115,711,454 units were issued to MAIL for a total of $115,711,454.
- On 25 June 2009, two MASKS3 shares valued at $2 were transferred from MAIL to MAT2.
- During 2009, MASKS4 issued 132,849,048 shares valued at $132,849,048 to MAIL.
- During 2009, MASHT issued a further 226,611,298 shares valued at $226,611,298 to MAIL.
- On 27 August 2009, MAp Airports (UK) Limited (MAUK) issued 2 shares to MAIL for $4.
- On 13 October 2009, MAIL transferred one ordinary share in CASA to MCGL.

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

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23. Segment Reporting

The directors of MAIL have determined the operating segments based on the reports reviewed by the chief operating decision maker, being the Board of MAIL.

The Board considers the business from the aspect of each of the core portfolio airports and has identified three operating segments for which it receives regular reports. The segments are the investments in Sydney Airport, Brussels Airport, Copenhagen Airports and until 21 December 2009, Bristol Airport.

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

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

The segments noted below also represent MAp's geographical segments, determined by country in which they operate. All airport investments are deemed non-controlled investments and are carried at fair value with changes recognised through profit and loss.

	Sydney Airport $'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Bristol Airport[10] GBP'000
Year to 31 December 2010				
Total segment revenues from external customers	**943,104**	**3,525,500**	**365,455**	**-**
Total segment expenses from external customers	**(170,061)**	**(1,561,800)**	**(161,428)**	**-**
EBITDA	**773,043**	**1,963,700**	**204,027**	**-**
Year to 31 December 2009				
Total segment revenues	853,347	2,923,959	365,660	48,220
Total segment expenses	(164,035)	(1,405,647)	(174,440)	(19,706)
EBITDA	689,312	1,518,312	191,220	28,514

MAp	Sydney Airport $'000	Copenhagen Airports $'000	Brussels Airport $'000	Bristol Airport $'000	Other $'000	Total $'000
31 December 2010						
Non-current assets	**1,461,844**	**924,580**	**1,013,963**	**5,286**	**752,876**	**4,158,549**
Total assets	**1,461,844**	**924,580**	**1,013,963**	**5,286**	**1,218,815**	**4,624,488**
Total liabilities	**-**	**-**	**-**	**-**	**(854,537)**	**(854,537)**
31 December 2009						
Non-current assets	1,182,031	972,340	947,295	6,446	1,640,411	4,748,523
Total assets	1,182,031	972,340	947,295	6,446	1,640,411	4,748,523
Total liabilities	-	-	-	-	(872,879)	(872,879)

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

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23. Segment Reporting (continued)

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

	Sydney Airport $'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Total $'000
Year to 31 December 2010				
EBITDA	**1,113,165**	**5,087,300**	**204,027**	
EBITDA of investments carried at Fair Value	**(1,113,165)**	**(5,087,300)**	**(204,027)**	
AUD equivalent	**-**	**-**	**-**	**-**
Other income and expenses:				
Interest income				**21,141**
Fair value movement on derivative contracts				**561**
Foreign exchange gains				**22,166**
Other income				**6,319**
Revaluation gains from investments				**381,730**
Finance costs				**(110,630)**
Amortisation and depreciation				**(40)**
Administration expenses				**(35,587)**
Profit before income tax expense				**285,660**

	Sydney Airport $'000	Copenhagen Airports $'000	Brussels Airport $'000	Bristol Airport $'000	Total $'000
Year to 31 December 2009					
EBITDA	689,312	1,518,312	191,220	28,514	
EBITDA of investments carried at Fair Value	(689,312)	(1,518,312)	(191,220)	(28,514)	
AUD equivalent	-	-	-	-	-
Other income and expenses:					
Interest income					20,514
Fair value movement on derivative contracts					65,405
Foreign exchange gains					17,569
Other income					77,202
Revaluation losses from investments					(299,533)
Finance costs					(121,464)
Administration expenses					(25,581)
Internalisation expense					(201,608)
Loss before income tax expense					(467,496)

24. Financial Risk Management

The Consolidated Entity's activities expose it 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 Consolidated Entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Consolidated Entity. The Consolidated Entity's 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 Company under policies approved by the Board of the Company. The Board of the Company 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.

24.1. Market risk

24.1.1. Foreign exchange risk

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

The Consolidated Entity operates internationally and is exposed to foreign exchange risk arising from currency exposures to the Euro, Great Britain Pound, United States Dollar and Danish Krone.

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

Monetary items are converted to the Australian Dollar at the rate of exchange ruling at the financial reporting date. Derivative instruments are valued with reference to forward exchange rates from the year-end to settlement date, as provided by independent financial institutions.

24.1.2. Price risk

The Consolidated Entity holds investments which are classified on the Consolidated Balance Sheet at fair value through profit or loss. Accordingly the Consolidated Entity is exposed to equity securities price risk resulting in unrealised gains or losses from time to time. The Consolidated Entity is a long term investors and do not hedge against short term fluctuations in securities prices.

The Consolidated Entity is not exposed to commodity price risk.

24.1.3. Interest rate risk

The Consolidated Entity's 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 Consolidated Entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the Consolidated Entity to fair value interest rate risk. The Consolidated Entity has long term borrowings issued at both fixed and floating interest rates. For floating rate exposures, the Consolidated Entity partially hedge the exposure by entering into interest rate and cross currency swaps, whereby the Consolidated Entity agrees 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 Consolidated Entity invests cash and cash equivalents in a manner designed to opimise interest earned whilst not engaging in unacceptable credit or liquidity risk.

24. Financial Risk Management (continued)

24.2. Credit risk

Potential areas of credit risk consist of cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions as well as credit exposures to committed transactions. The Consolidated Entity limits its exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. The Consolidated Entity only accepts independently rated parties with minimum ratings. The Board of the Company from time to time sets exposure limits to financial institutions and these are monitored on an on-going basis. The Consolidated Entity is a long term investors and manage risks associated with investments in associates on an entity by entity 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.

As at 31 December 2010	Governments $'000	Financial Institutions $'000	Corporates $'000	Total $'000
Cash and cash equivalents	**-**	**439,190**	**-**	**439,190**
Derivative financial instruments	**-**	**2,076**	**-**	**2,076**
Receivables	**102**	**75**	**24,301**	**24,478**
Total	**102**	**441,341**	**24,301**	**465,744**

As at 31 December 2009	Governments $'000	Financial Institutions $'000	Corporates $'000	Total $'000
Cash and cash equivalents	-	703,551	-	703,551
Derivative financial instruments	-	751	-	751
Receivables	3,462	30	1,683	5,175
Total	3,462	704,332	1,683	709,477

24.2.1. Governments

The credit risk to government relates to receivables that are due from the Belgian, Danish and United Kingdom governments which are all institutions with strong credit ratings.

24.2.2. Financial institutions

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

24.2.3. Corporates

The credit risk to corporates primarily relates to receivables from related parties.

24.3. Liquidity risk

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

24. Financial Risk Management (continued)

24.3.1. Undiscounted future cash flows

The Consolidated Entity has total RPS outstanding of $678.1 million (2009: $679.5 million) with a term of 40 years. Annual contractual interest payments on the RPS are $101.9 million.

At 31 December 2010 the Consolidated Entity did not have any material future cash outflows, other than the dividend of $29.8 million (2009: $148.9 million).

24.4. Capital management

The Consolidated Entity's capital management objectives are to:

— Ensure sufficient capital resources to support the Consolidated Entity's business and operational requirements
— Safeguard the Consolidated Entity's ability to continue as a going concern.

Periodic reviews of the Consolidated Entity's capital requirements are performed to ensure the Consolidated Entity is meeting its objectives.

Capital is defined as contributed equity plus reserves. As at 31 December 2010 the Consolidated Entity does not have any externally imposed capital requirements.

24.5. Fair value estimation

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

The fair value of financial instruments that are not actively traded in an active market is determined using valuation techniques. Discounted cash flows, are used to determine fair value for the remaining financial instruments (refer Notes 1.4 and 1.17). 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, the fair value approximates the carrying value.

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

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

As at 31 December 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments in financial assets	-	-	4,158,353	4,158,353
Derivatives used for hedging	-	2,076	-	2,076
Total assets	-	2,076	4,158,353	4,160,429

24. Financial Risk Management (continued)

24.5 Fair Value Estimation (continued)

As at 31 December 2009	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Investments in financial assets	-	-	3,860,792	3,860,792
Listed investments (ASUR)	138,303	-	-	138,303
Derivatives used for hedging	-	751	-	751
Total assets	138,303	751	3,860,792	3,999,846
Liabilities				
Derivatives used for hedging	-	1,314	-	1,314
Total liabilities	-	1,314	-	1,314

24.6. Foreign exchange risk

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

Currency Pairing	Movement against Australian Dollar **2010**	2009
Euro	**11.8%**	13.1%
United States Dollar	**20.4%**	21.2%
Pound Sterling	**10.5%**	10.8%
Japanese Yen	**11.8%**	25.8%
Danish Krone	**11.8%**	N/A
Weighted Average	**16.5%**	21.0%

The below tables display the balances for financial instruments that would be recognised in profit and loss or directly in equity for movement of +/- 16.5 (2009: +/- 21.1%) of the Australian dollar. Management has determined a +/- 16.5% (2009: +/- 21.1%) movement in the Australian dollar to be an appropriate sensitivity following analysis of foreign exchange volatility for relevant currencies over the current year.

As at 31 December 2010	Foreign Exchange Risk: 16.5% appreciation of Australian dollar	Foreign Exchange Risk: 16.5% depreciation of Australian dollar
	P&L[11] $'000	**P&L $'000**
Cash and cash equivalents	**(417)**	**550**
Receivables	**(29)**	**35**
Payables	**274**	**(344)**
	(172)	**241**

[11] Hereafter used as an abbreviation for Consolidated Statement of Comprehensive Income.

24. Financial Risk Management (continued)

24.6 Foreign exchange risk (continued)

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

24.7. Interest Rate Risk

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

	Interest Rate			
	150 basis point increase in interest rates depending on country		**150 basis point decrease in interest rates depending on country**	
As at 31 December 2010	**P&L $'000**	**Equity $'000**	**P&L $'000**	**Equity $'000**
Cash and cash equivalents	**6,588**	**-**	**(6,588)**	**-**
Total	**6,588**	**-**	**(6,588)**	**-**

	Interest Rate risk			
	135 basis point increase in interest rates depending on country		**135 basis point decrease in interest rates depending on country**	
As at 31 December 2009	**P&L $'000**	**Equity $'000**	**P&L $'000**	**Equity $'000**
Cash and cash equivalents	9,475	-	(9,475)	-
Total	9,475	-	(9,475)	-

25. Commitments

At 31 December 2010, the Consolidated Entity has no commitments which are material either individually or as a class (2009: nil).

26. Parent Entity Disclosures

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

	MAIL 31 Dec 2010 $'000	MAIL 31 Dec 2009 $'000
Result of the parent entity		
Profit / (loss) from continuing operations after income tax (expense) / benefit	**159,264**	(643,475)
Other comprehensive income	**-**	(7,522)
Total comprehensive income for the year	**159,264**	(650,997)
Financial position of parent entity at year end		
Current assets	**371,386**	579,913
Total assets	**3,802,973**	4,026,922
Current liabilities	**30,734**	151,422
Total liabilities	**30,734**	151,422
Total equity of the parent entity comprising of:		
Contributed equity	**1,341,978**	1,342,036
Retained profits	**2,270,996**	2,543,712
Reserves	**-**	(10,248)
Total equity	**3,612,974**	3,875,500

26.1. Parent entity contingencies

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

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

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

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

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

27. Contingent Assets and Liabilities

At 31 December 2010, the Consolidated Entity has no contingent assets or liabilities which are material either individually or as a class.

28. Events Occurring after Balance Sheet Date

A final dividend of 1.6 cents (2009: 8.0 cents) per share was paid by MAIL on 17 February 2010.

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

Statement by the Directors of MAp Airports International Limited

In the opinion of the directors of MAp Airports International Limited:

a. the financial report and notes for the Consolidated Entity (as defined in Note 1.2) set out on pages 4 to 47 are:

   i. complying with Accounting Standards and other mandatory professional reporting requirements;

   ii. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2010 and of its performance for the financial year ended on that date; and

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

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

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

Jeffrey Conyers	**Sharon Beesley**
Bermuda	Bermuda
23 February 2011	23 February 2011

Independent Auditor's Report to the Members of MAp Airports International Limited

Report on the financial report

We have audited the accompanying financial report of MAp Airports International Limited, which comprises the consolidated balance sheet as at 31 December 2010, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory information and the directors' declaration for MAp Airports International Limited (the consolidated entity). The consolidated entity comprises MAp Airports International Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of MAp Airports International Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards, a true and fair view which is consistent with our understanding of the consolidated entity's financial position and of its 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 Australian professional ethical pronouncements.

Auditor's opinion

In our opinion:

a. the financial report of MAp Airports International Limited is in accordance with the Australian Accounting Standards, including:

   i. giving a true and fair view of the Consolidated Entity's position as at 31 December 2010 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards.

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

KPMG

KPMG

Andrew Yates
Partner

Sydney
23 February 2011