

26 March 2015

2014 Annual Report

We are pleased today to release Sydney Airport's 2014 Annual Report.

The report will be mailed to those investors who have elected to receive a hard copy or may also be downloaded from our website [here](#).

The Annual Report contains details of our activities during 2014, an overview of the financial highlights and an update on our business.

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ASX-listed Sydney Airport comprises
Sydney Airport Limited and Sydney Airport Trust 1



Annual Report 2014



ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TCSAL) is the responsible entity of SAT1.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

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Our 2014 Sustainability Report will be published in April 2015. The report will be available on our website.

www.sydneyairport.com.au

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○ **\$500m**

Joint funding for
integrated ground
transport plan

○ **29%**

of parking
revenue from
online bookings

○ **Gebr.
Heinemann**

New global
duty free partner

○ **2033
Master Plan**

and Environment
Strategy approved

○ **\$241.5m**

Invested in additional
capacity and service
improvements

○ **73.3%**

Average International
load factor
(up 1.8 per cent points)



BETTER CONNECTIONS 2014

Sydney Airport is in the business of delivering facilities and upgrades to enable smarter, faster, safer and better connections. With innovation, teamwork and new global partnerships, in 2014 we celebrated an exceptional year of continued strong returns and achievement. We have a clear focus and ambition: to deliver a world-class airport experience, across every part of our passengers' journeys. Experience smart facilities, experience quality choices, experience less stress, experience a warm welcome to Australia's most vibrant city.

Experience

Syd

KEY FACTS AND HIGHLIGHTS

23.5¢  4.4%

Total distribution per stapled security

\$948.3m  6.1%

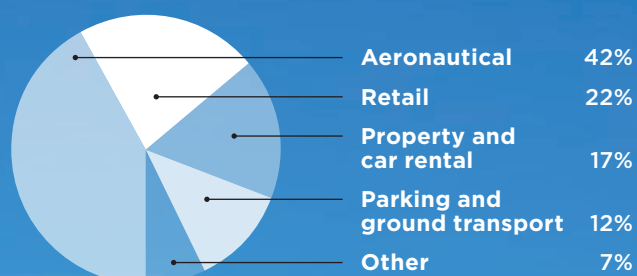
EBITDA

\$1,163.5m  4.3%

Total revenue

38.5m  1.7%

Passenger movements



International ¹	13.1m	 2.8%
Domestic	25.4m	 1.2%

1. International excludes Domestic-On-Carriage.

Ownership

Sydney Airport has more than 90,000 investors including super funds and retail investors. Together, they represent millions of Australians.

/// PASSENGER MOVEMENTS ('000)

	2014	2013	CHANGE
International	13,103	12,753	2.8%
Domestic	25,351	25,040	1.2%
Domestic-on-Carriage	42	70	(40.5%)
Total	38,496	37,863	1.7%

/// AIRCRAFT MOVEMENTS

	2014	2013	CHANGE
International	65,316	64,366	1.5%
Domestic	173,160	169,534	2.1%
Regional	58,240	63,477	(8.3%)
General aviation	23,176	21,105	9.8%
Freight	7,298	7,746	(5.8%)
Total	327,190	326,228	0.3%

/// FINANCIAL HIGHLIGHTS (SYD)

	CY 2014	CY 2013
REVENUES (\$M)		
Aeronautical	486.8	464.2
Aeronautical security recovery	81.5	83.7
Retail	255.2	241.6
Property and car rental	194.0	187.2
Parking and ground transport	139.9	132.3
Other	6.1	6.2
Total revenues	1,163.5	1,115.2
Other income	0.1	9.9
Operating costs	(215.3)	(231.5)
EBITDA	948.3	893.6

\$ PER PASSENGER MEASURES (\$)

Revenue	30.2	29.4
EBITDA	24.7	23.8

39

airlines¹

- 35 international
- 6 domestic
- 5 regional

88

destinations²

44 international

22 domestic

22 regional

8 km

to Sydney
city centre

10 km

to major tourist
attractions

1. Five airlines fly multiple sectors.
2. As at 31 December 2014.

THE GATEWAY TO SYDNEY

Sydney Airport is Australia's busiest airport. In 2014, the airport was used by 38.5 million passengers and connected Sydney to 44 international, 22 domestic interstate and 22 regional destinations.

Located just eight kilometres from the city centre, Sydney Airport contributes \$27.6 billion in economic activity a year, equivalent to six per cent of the NSW economy, while \$64.7 billion of freight is moved through the airport each year.

Sydney Airport is a major employer in NSW generating more than 283,700 direct and indirect jobs, equivalent to eight per cent of NSW employment. Some 28,000 of these jobs are at the airport itself.

Since 2002, Sydney Airport has invested more than \$2.6 billion in airport improvements in areas such as security, safety, capacity building and terminal enhancements.

There are three runways and three passenger terminals at Sydney Airport:

- **T1:** Australia's gateway, handling more than 13.1 million international passengers a year;
- **T2:** used by domestic and regional airlines; and
- **T3:** owned and operated by Qantas for domestic and regional flights.



CONNECTING SYDNEY AND THE WORLD



INTERNATIONAL AIRLINES¹

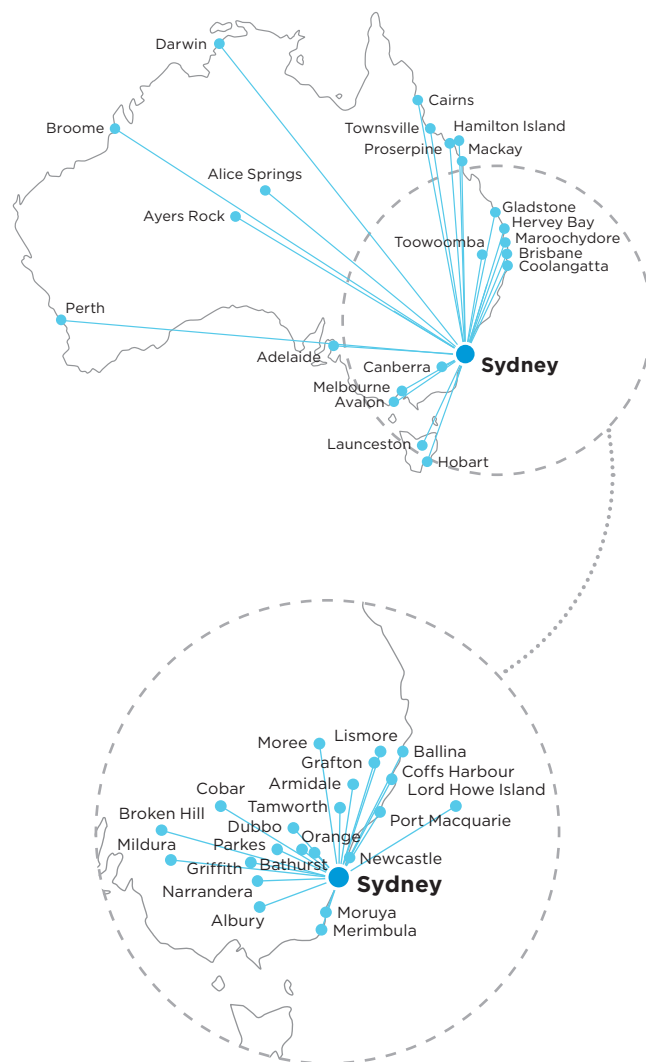
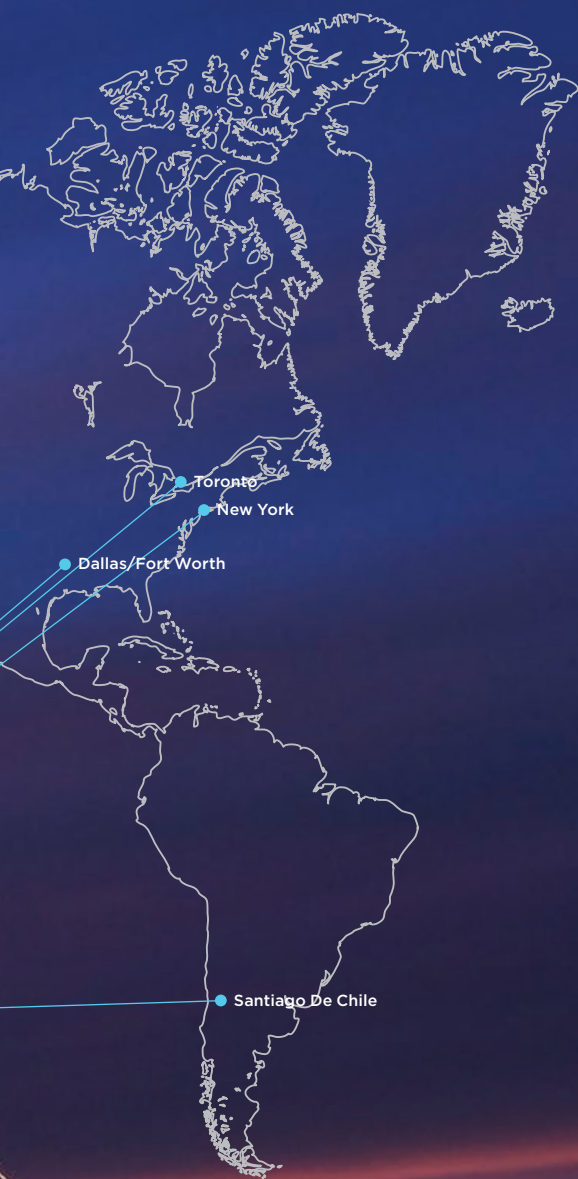
Air Caledonie
Air Canada
Air China
Air India
Air New Zealand
Air Niugini
Air Pacific
Air Vanuatu
AirAsia X

Asiana Airlines
British Airways
Cathay Pacific Airways
Cebu Pacific Air
China Airlines
China Eastern
China Southern
Delta Airlines
Emirates

Etihad Airways
Garuda Indonesia
Hawaiian Airlines
Japan Airlines
Jetstar Airways
Korean Air
LanChile
Malaysia Airlines
Philippine Airlines

Qantas Airways
Sichuan Airlines
Scoot
Singapore Airlines
Thai Airways
United Airlines
Vietnam Airlines
Virgin Australia

1. As at 31 December 2014.



DOMESTIC AND REGIONAL AIRLINES¹

JETGO
Jetstar Airways
Qantas
QantasLink
Regional Express
Tigerair
Virgin Australia

EXCEPTIONAL YEAR OF ACHIEVEMENT

Sydney Airport continued to successfully execute its strategy in 2014 underpinned by a simpler structure, and a strong focus on facilitating passenger growth and running a world-class airport.

Sydney Airport continues to follow a strategy of leveraging passenger growth through investment in our facilities and additional capacity.

BOARD AND EXECUTIVE CHANGES

We welcomed Ann Sherry to the board, who brings her considerable experience in tourism and transport to the business. Ann's arrival increases the female representation on the board and supports our strategy to grow tourism on behalf of Sydney and NSW. Ann replaced Bob Morris, who made a substantial contribution to the board over more than 11 years.

We also have a new chief financial officer, Hugh Wehby. Hugh has undertaken multiple airport transaction and asset management roles in Australia, Europe and other international markets over the past decade. Hugh was integral in delivering the minority acquisitions and structural simplification, leading to a transformation of the business in 2013.

BALANCE SHEET STRENGTH

We completed a landmark \$3.1 billion refinancing across the European bond, US private placement and Australian bank debt markets. The refinancing, which addressed our 2014 maturities

well ahead of time, showed strong investor appetite for our growing and stable cash flow profile.

DISTRIBUTIONS AND SECURITY PRICE PERFORMANCE

The 23.5 cent per stapled security distribution was fully covered by net operating receipts, and represents a 5.5 per cent cash yield to investors (based on the average security period price).

Sydney Airport's security price performed strongly in 2014, with a total security holder return of 30.5 per cent (assuming reinvestment of dividends). This compares to the ASX200 Accumulation Index return of 5.6 per cent and the All Ords Accumulation Index return of 5.0 per cent.

IMPLEMENTING OUR 2033 MASTER PLAN

The Australian Government approved our 2033 Master Plan and Environment Strategy in February 2014 and our immediate focus following its approval was the implementation of our five-year ground transport plan. Government is highly engaged in our plan for growing Australia's premier gateway. The NSW Government and Sydney Airport announced a joint

\$500 million in funding for roads in the airport precinct as part of a suite of ground transport solutions.

OUTLOOK

Sydney Airport remains well-placed to grow in the near and long-term.

Sustainability is a key focus for the company and we will be releasing a sustainability report in April.

I would like to thank all Sydney Airport employees and fellow board members for their contribution to a successful 12 months.

After a strong 2014, we look forward to continuing to deliver investor value into 2015 and beyond. On behalf of the board, thank you for your ongoing support.

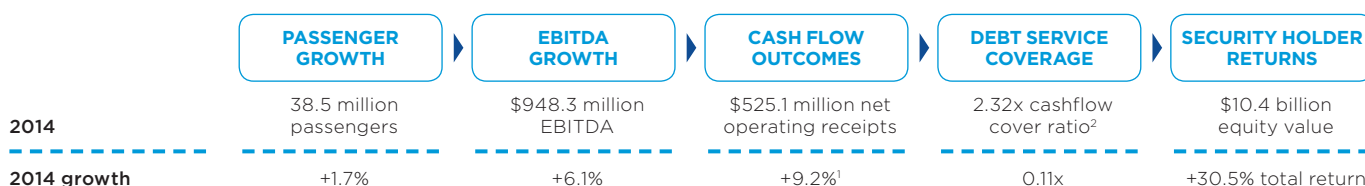
Finally, on 26 February 2015 I advised that I will retire as director of Sydney Airport and its subsidiaries at the Annual General Meeting in May 2015, after 12 years with the company.

I have enjoyed being part of the continued development of Australia's premier gateway and I thank you for your support.



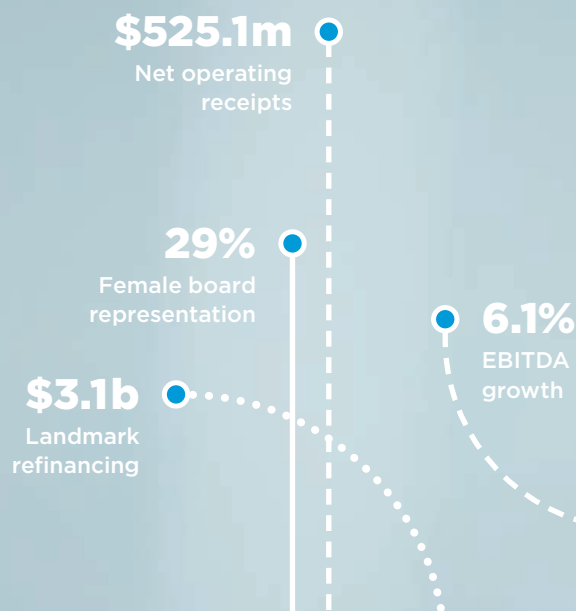
MAX MOORE-WILTON AC
CHAIRMAN

/// DELIVERING THE BUSINESS MODEL



1. On a like-for-like basis adjusting for minority interests in 2013.

2. Cashflow cover ratio is calculated using defined terms in the debt documents, summarised by operating cash flow divided by senior debt interest expense for a rolling 12-month period.



/// OUR STRATEGIC PRIORITIES AND OPPORTUNITIES

Increasing passenger numbers and aircraft movements

- Focused on attracting airlines from the Asian region, which Sydney Airport believes is an area of growth due to the increasing affluence of large emerging markets, particularly China and India
- Maintaining relationships with airlines and working with them to encourage increased aircraft size, increased flight frequency on existing routes and adding new routes
- Working with tourism authorities and industry groups to develop marketing initiatives to increase the profile of Sydney as an international tourist destination
- Working with the federal government to increase air rights to priority markets ahead of demand

Improving the customer experience

- Focused on listening to customers and improving the experience at every stage of the journey through superior customer service, operational efficiency and technological innovation
- Working collaboratively with airlines, government, on-airport businesses, staff and the community to invest in services and infrastructure that improve the safety, efficiency and amenity for those visiting or travelling through Sydney Airport

Leveraging the retail business by enhancing our understanding of customer behaviour and meeting customer needs

- Focused on providing high quality retail space, maximising passenger "dwell time" in shopping areas and creating an exciting and vibrant retail environment
- Continuing to develop a product and merchandise mix to meet the retail expectations of passengers and to identify appropriate retailers who can meet Sydney Airport's service, operational and financial objectives

Growing the property business, targeting high yields

- 32.8 hectares of land is allocated for business activities. We seek to optimise the development of available land for commercial activities through the master planning and land use management process

Tailoring the car parking business to align with customer needs

- Enhancing the car parking business by adding capacity in line with demand
- Tailoring the range of car parking products to ensure competitive pricing, customer choice and alignment with customer needs

Effectively utilising assets

- Maximising the utilisation and efficiency of Sydney Airport assets
- Balancing activity throughout the airfield, terminals and roads to reduce congestion and improve infrastructure utilisation

Effectively managing the capital structure

- Maintaining an efficient capital structure with financial flexibility
- Retaining a credit rating of Baa2/BBB

AN ENHANCED AIRPORT EXPERIENCE

Sydney Airport performed strongly in 2014, supported by our clear focus on growing aviation to support business and tourism, resulting in our passenger numbers continuing to grow year on year.

Our 2033 Master Plan and Environment Strategy were approved in February by the Australian Government and our focus in 2014 has been on implementing the initiatives detailed in the 20-year plan, starting with the five-year ground transport plan. Works have started at T1 and are moving to T2/T3 in 2015. In June, we were delighted to jointly announce \$500 million of funding for ground transport with NSW Minister for Roads and Freight, the Hon. Duncan Gay MLC, highlighting our unprecedented level of engagement with government.

In April 2014, the Australian Government announced that an airport for Western Sydney would be located in Badgerys Creek and is expected to be operational by the mid-2020s. We agree that Badgerys Creek is the logical place for the airport to be located and commend the Australian and NSW governments for announcing that significant road and rail infrastructure will be built to support the new airport.

Sydney Airport has a Right of First Refusal to develop and operate a second major airport within 100 kilometres of Sydney's CBD and we have commenced formal consultation with the Australian Government to evaluate this opportunity on behalf of our investors.

PERFORMANCE

Last year, we welcomed a record 38.5 million passengers, supported by a strong 2.8 per cent increase in international passengers. The Chinese market remains one of our standout performers, growing 16.4 per cent last year and making up 38 per cent of the growth in our international business. With a tripling of Chinese air rights by October 2016 just announced, we are well-positioned to continue capturing growth in tourism and business opportunities from this region.

Average load factors in the domestic sector continue to improve, with passengers growing 1.2 per cent over the year.

Revenue grew 4.3 per cent on passenger growth of 1.7 per cent compared to the previous 12-month period, generating EBITDA of \$948.3 million and \$525.1 million of net operating receipts.

GREATER OPERATIONAL EFFICIENCY

A number of significant improvements in airspace and airfield management, in partnership with Airservices Australia, have resulted in Sydney now having the lowest airborne delays in Australia.

One of our key achievements was upgrading and commissioning state of the art satellite-based navigational equipment.



Our 2033 Master Plan and Environment Strategy were approved by the Australian Government and our focus in 2014 was to implement the initiatives detailed in the 20-year plan, starting with the five-year ground transport plan. Works have started at T1 and are moving to T2/T3 later in 2015.

With the support of a growing number of airlines, Sydney Airport has become a world leader, supporting the most satellite-assisted performance-driven landings in the world.

This technology is helping airlines save fuel and also has potential noise-sharing benefits.

Our ability to operate in low visibility conditions and poor weather was also enhanced when we achieved Category II certification by CASA in May, following the installation of High Intensity Approach Lights on both ends of the main runway.

Gebr. Heinemann

New global
duty free partner

2033 Master Plan

and Environment
Strategy approved

SmartPath

Satellite-based navigation
technology commissioned



A WORLD-CLASS AIRPORT EXPERIENCE

Throughout 2014, we continued to improve our services and facilities for customers.

Technology has been a strong driver as we look to more automation to improve the passenger experience. In partnership with airlines, more self-service check-in kiosks were installed at T1, as well as automated bag drops, which are streamlining the passenger experience.

We continued to enhance our facilities for customers, welcoming new retailers and opening three new airline lounges – Etihad First and Business Class lounge, the SkyTeam alliance lounge and the American Express Lounge in partnership with Plaza Premium – all Australian firsts.

After a global tender process which attracted the world's best and most dynamic travel retailers, Gebr. Heinemann commenced as our new duty free operator in February 2015. We chose Heinemann on the basis of the new brands, concepts and value they could offer to our customers.

At the same time, we are taking the opportunity to transform the departures experience at T1, commencing a major redevelopment to give our gateway terminal a sense of place that's unmistakably Sydney. The first completed stages will be opened towards the end of 2015, which will make it easier for passengers to make their way around the terminal and get to airline gates.

Our customers are providing positive feedback on the changes we've made across the airport both in our regular surveys and on social media and we were delighted when T2 was recognised as Australia's best airport in *Australian Traveller* magazine's People's Choice Awards.

COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY

We continue to strive for sustainable airport development, with our five-year Environment Strategy approved by the Australian Government as part of the Master Plan in February.

Sydney Airport has invested significantly to reduce energy consumption and waste, including installing in-ground power and air-conditioning and recycling water in our terminals, so we were delighted to achieve Level 1 Airport Carbon Accreditation by Airports Council International (ACI) in May. Airport Carbon Accreditation is an internationally-recognised certification system designed to assess and recognise efforts to manage and reduce carbon emissions.

STRONG COMMUNITY FOCUS

We significantly stepped up our community engagement investing close to \$1.5 million in funding and in-kind support in 2014.

The annual lost property auction raised a record \$154,000 for charity, which will be distributed to a range of charities and causes this year. The auction proceeds have been utilised to expand our community program, reinvesting in a diverse range of

worthwhile causes across our key categories of health, education, environment and families in need. To date, with the money raised, we have announced scholarships for students studying the Bachelor of Tourism Management degree at the University of Western Sydney and a partnership with Conservation Volunteers Australia to rehabilitate a key site in Kurnell. We look forward to announcing more partnerships this year.

Finally, our Sydney Airport Community Christmas Giving Appeal raised a record \$263,000 for Variety – the Children's Charity. The appeal – now in its third year – brings together our broad airport community from aviation partners to customers in the spirit of giving across the airport.

We have now had one full year of operating under a simplified corporate structure and it has been successful in focusing the executive team on the day to day objectives of Sydney Airport.

Thank you for your continued support of Sydney Airport and on behalf of the management team, we look forward to building on the successes of the past 12 months in 2015.

KERRIE MATHER
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

DELIVERING A WORLD-CLASS PASSENGER EXPERIENCE

EVERY PHASE OF THE JOURNEY

To deliver the best service to our customers, we take a holistic view of the customer journey – starting at home when researching destinations, booking flights and accommodation, travelling to the airport by car or public transport, going through Customs and security, using our free Wi-Fi and apps through to check-in and boarding to arriving back and planning the next trip.

GROUND TRANSPORT

Following the announcement of a joint \$500 million in funding with the state and federal governments in June, we have commenced works to improve ground access to the airport precinct in line with the five-year integrated ground transport plan contained in the 2033 Master Plan.

At T1, the first stage in a series of works was opened in December 2014. This included a new centre road through the precinct, a purpose-built public pick-up area and the relocation of boom gates to improve traffic flow.

The works continue with commencement of construction of the Marsh St overpass toward the end of this year, which will further improve traffic flow around the T1 precinct.

Following extensive community consultation, a draft major development plan (draft MDP) was lodged with the Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon. Warren Truss MP, on 22 December 2014. The plan includes a one-way road network linking the T2/T3 precinct to Qantas Drive and Robey St,

a ground transport interchange with facilities for public and active transport and storage for vehicles, an improved pedestrian corridor to the terminals (pictured below) and a 4-5 star hotel. Traffic modelling done in consultation with Transport for NSW shows the road will improve traffic circulation by eliminating competing traffic movements and providing motorists with up to 33 per cent more green light time.

Sydney Airport carefully considered 126 submissions and comments received during the public exhibition period and held a further round of targeted consultations with key stakeholders ahead of lodging the draft MDP for approval.

Pending approval, works on the T2/T3 ground transport solutions start this year.



More than 60,000 downloads of the free Sydney Airport app.



Six international airlines now use self-service check-in kiosks at T1.



TECHNOLOGY DRIVING EFFICIENCY

We are using technology to deliver a major step change in passenger facilitation and the customer experience, providing opportunities to simplify our passenger processes, reduce airline costs, enhance airport capacity, work more efficiently with our airlines and other airport partners, and improve the airport experience for our customers.

Sydney Airport is adapting to and meeting the growing expectation of customers for more automation, more convenience, more self-service and use of technology for a faster, more efficient airport experience.

These touch points are providing us with the opportunity to interact with our customers well before they arrive at and after they leave the airport. At the same time, they are delivering resourcing and productivity improvements, enhanced capacity and improved profitability for our airline and other airport partners.

Highlights this year have included:

- More self-service check-in kiosks – now used by six international airlines at T1 – Air Canada, Air New Zealand, Delta Airlines, Hawaiian Airlines, Qantas, United Airlines
- Self-service bag drops at T1 in partnership with Qantas, with an average transaction time of less than one minute

- Continued improvements to the inbound Customs experience, with a further rollout of SmartGate kiosks
- Upgrades to the Wi-Fi infrastructure to increase capacity
- 2.3 million hits to our website each month – 50 per cent of which are from a mobile device
- More than 60,000 downloads of our free iOS and Android Sydney Airport apps
- New function on the Sydney Airport app allowing customers to provide feedback regarding cleaning or maintenance using their smartphone. By providing a convenient way for customers to contact us, we are receiving more meaningful and actionable feedback
- Upgrade of check-in equipment at T1 in partnership with global aviation IT services provider ARINC
- Working with the Australian Government on implementation of outbound e-Gates, expected this year.



Sydney Airport is adapting to and meeting the growing expectation of customers for more automation, more convenience, more self-service and use of technology for a faster, more efficient airport experience.

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self service check-in kiosks at T1
(up 19.9%)



SmartPath is a precision approach and landing system that allows suitably equipped aircraft to land within one metre of the runway centre line in low visibility conditions.

WORLD'S BEST PRACTICE IN AIRFIELD OPERATIONS

We continued to invest in our airfield infrastructure to improve safety and deliver greater efficiency to our airport partners.

Sydney Airport was the first Australian airport to commission satellite-based navigation technology, commissioning SmartPath, in partnership with Airservices Australia, Qantas and Honeywell.

SmartPath is a precision approach and landing system allowing suitably equipped aircraft to land within one metre of the runway centre line in low visibility conditions and was officially launched by the Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon. Warren Truss MP, on 2 July.

A single ground-based augmentation unit, consisting of four receiving antennas and one transmitter, can perform the work of six individual Instrument Landing System (ILS) units, which are located at each of Sydney Airport's six runway ends.

It replicates existing ILS approaches within a 23 nautical mile (42km) radius of the airport and is simpler to calibrate and maintain.

Sydney Airport is a world leader in the use of SmartPath, supporting the most satellite-assisted landings in the world, with a growing number of airlines – Qantas, Virgin Australia, Air New Zealand, Cathay Pacific and Emirates – utilising the technology.

5

Airlines utilising SmartPath technology

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Safety and the ability to continue operations during low visibility conditions were also enhanced following the commissioning of High Intensity Approach Lights (HIALS) on both ends of the main runway and the airport's upgrade to Category II operations by the Civil Aviation Safety Authority (CASA) in April.

Sydney Airport worked with airlines and CASA on the feasibility of an innovative reduced-length HIALS to accommodate the Botany Bay end of the runway, with a unique cantilevered gantry designed to deliver the safety benefits of a conventional HIALS, and minimise environmental impacts.

The investment resulted in an immediate improvement in operational performance, with more aircraft able to land during low visibility conditions.

Australia's first American Express lounge was unveiled at Sydney Airport in December 2014.



40 new Airport Ambassadors helping passengers find their way with a relaunched and expanded program.



EXPANSION OF LOUNGE OFFERING

We continued to expand our lounge offering for airlines and their guests, opening three additional airline lounges in 2014:

- Etihad Airways first and business lounge
- SkyTeam alliance lounge, catering to passengers of the seven SkyTeam airlines that fly to Sydney (China Airlines, China Eastern, China Southern, Delta Airlines, Garuda Indonesia, Korean Air and Vietnam Airlines)
- The American Express lounge in partnership with Plaza Premium for eligible Platinum and Centurion card holders

All three lounges are Australian-firsts, further cementing Sydney's position as the nation's gateway airport.

Air New Zealand is scheduled to open a new concept lounge in 2015.

AIRPORT AMBASSADORS

We launched our Airport Ambassadors expansion program with a significant increase in the number of ambassadors, new uniforms and iPads to assist in providing real-time information to our customers. More than 70 Mandarin-speaking ambassadors join the program between the Christmas and Chinese New Year period to help facilitate greater numbers of Chinese passengers over this time.

DUTY FREE

Following a global tender process carried out during 2014, Gebr. Heinemann was awarded a seven-and-a-half-year contract, commencing on 17 February 2015.

A new and innovative duty free offer tailored to our customer profile will be progressively introduced throughout 2015 and 2016 that will incorporate 400 new brands, together with key partnerships, including Move by Dick Smith, ensuring that Sydney Airport's duty free business will continue to grow in the future.

Heinemann will implement a multi-channel digital commerce strategy offering customers the convenience of online shopping, mobile shopping, a digital loyalty app and other unique digital features.

The development will also provide an improved food and beverage offer together with a comprehensive range of luxury specialist shops.

MANAGING THE AIRPORT'S FUTURE

MASTER PLAN 2033

Sydney Airport's Master Plan 2033 was approved by the Deputy Prime Minister and Minister for Infrastructure and Regional Development, the Hon. Warren Truss MP, on 17 February 2014.

The plan outlines how we will improve the airport experience for airline passengers – which are forecast to grow from 38.5 million in 2014 to 74.3 million in 2033 – and ensure Sydney Airport remains Australia's premier airport and major international gateway.

The initiatives proposed in the plan will deliver a better passenger experience, improve airport efficiency, enhance safety for our users and maximise the capacity of the airport.

The plans include transformational ground transport solutions for both the T1 and T2/T3 terminal precincts, the implementation of which is underway.

While preparing the plan, Sydney Airport consulted extensively and engaged with all of our stakeholders including airlines and other aviation industry partners, governments, key business and tourism organisations and the broader Sydney community. Stakeholders widely recognised that the consultation process undertaken to prepare this master plan was more extensive than any previously undertaken by Sydney Airport.



The Master Plan 2033 outlines how we will improve the airport experience for airline passengers and ensure Sydney Airport remains Australia's premier airport and major international gateway.





NORTHERN AIRPORT PRECINCT

The Northern Airport Precinct Project involves the design and construction of an at-grade vehicle storage area, a new landside bridge spanning Alexandra Canal and the associated services infrastructure.

The at-grade vehicle storage area will accommodate approximately 1,000 vehicle spaces with street lighting and a provision for utilities for the future development of the adjacent land. The vehicle storage area is located to the east of the HIALS zone and the extended centreline for Runway 16R.

The landside bridge to span Alexandra canal will be four lanes wide with an associated approach road from Airport Drive. This will facilitate vehicle access to and from the Northern Airport Precinct to Airport Drive. Pedestrian and bicycle access will also be included on the bridge.

Airport Drive will be regraded to provide vehicle, cycle and pedestrian access to the Northern Airport Precinct and additional turning lanes for the approach and departure of the bridge in both directions.

The bridge and on-grade vehicle storage area are programmed to be complete in the first quarter of 2016.

HOTELS STRATEGY

Following the success of the Sydney Airport Rydges at T1 and the Ibis Budget hotel in the T2/T3 precinct, an Expression of Interest process has commenced for prospective hotel operators and possible development partners for a new 126-room, 2-3-star hotel adjacent to the existing Ibis hotel.

COMMUNITY CONSULTATION

During 2014, Sydney Airport undertook consultation with a wide range of stakeholders, including the community, to prepare the T2/T3 Ground Access Solutions and Hotel preliminary draft major development plan (pdMDP). It was released for three months' public comment on 1 July 2014.

The airport conducted a number of stakeholder briefings during the exhibition period and two community information sessions were held. A cycling forum comprising Sydney Airport, state government agencies, local government and local cycling groups was also held to gather feedback on the plans. Overwhelmingly positive feedback on the proposed ground access solutions was received from the many hundreds of people who attended the sessions.

In addition to consultation on the major development plan, we continued to implement our community and stakeholder engagement program in 2014. This is intended to inform and seek feedback from the community and stakeholders on proposed development and future planning for the airport.

Sydney Airport's membership of the Sydney Airport Community Forum (SACF) and Planning Coordination Forum (PCF) are part of this program.

The SACF – which is convened by the Commonwealth Department of Infrastructure and Regional Development and includes state and federal members of parliament, local mayors, the broader community and airlines – met four times during 2014.

The PCF – which is convened by Sydney Airport and includes senior departmental officials from state and federal aviation, transport and planning agencies, local government and the Sydney business community – met twice during 2014.



Information days were held where members of the public could find out about Sydney Airport initiatives such as the ground transport solutions plan.



Rydges Sydney Airport offers convenient accommodation and conference facilities opposite T1.

DELIVERING AN AIRPORT FOR WESTERN SYDNEY

Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, Sydney Airport has a Right of First Refusal, which provides the opportunity to develop and operate a second major airport within 100 kilometres of Sydney's CBD.

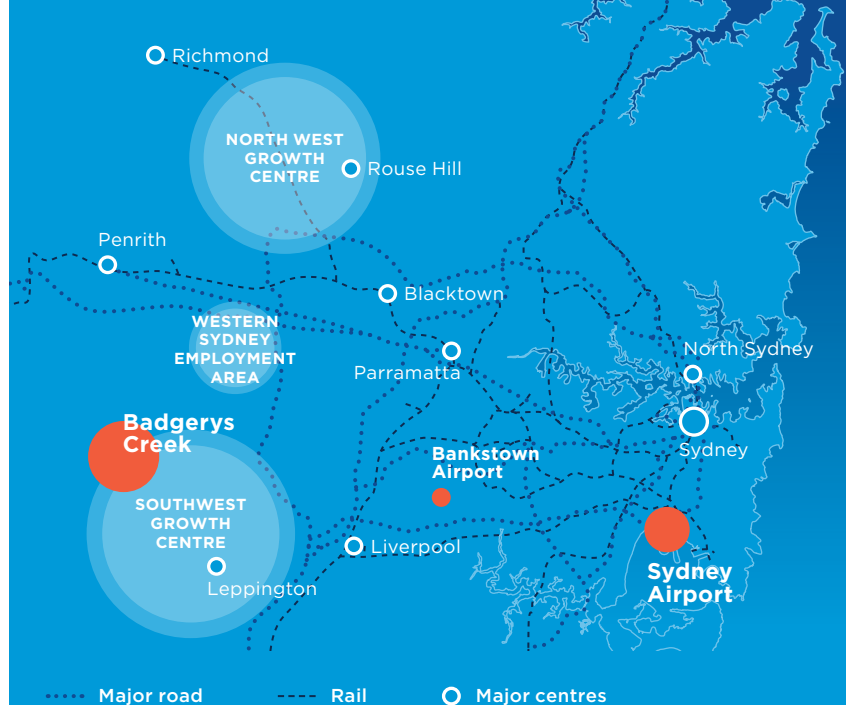
In April 2014, the Australian Government announced that Badgerys Creek would be the site for the Western Sydney airport.

The Government has outlined its expectations for the new airport:

- Could be operational from the mid-2020s
- Built to serve new demand
- Anticipated three million passengers on opening
- Initial stage – single runway on opening
- Ultimate airport layout – parallel runways
- Expected to be a full service airport

Sydney Airport agrees that Badgerys Creek is the logical place for the airport to be located and commends the Australian and NSW governments for announcing that significant road and rail infrastructure will be built to support the new airport.

The Australian Government issued, and Sydney Airport accepted, a Notice to Consult on the development and operation of a Western Sydney airport on 18 August 2014. The nine-month consultation period commenced on 30 September 2014.



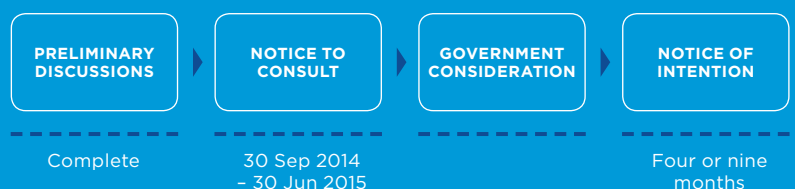
We are 100 per cent committed to the consultation process with the Australian Government.

To that end, we have established a team of internal and external experts to examine the business case and evaluate the opportunity. The work streams include passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, funding and financial modelling.

Following the end of the formal consultation, and after a period of consideration, the Australian Government may enter a contractual phase which would involve issuing Sydney Airport a Notice of Intention setting out the material terms for the development and operation of the Western Sydney airport. The Commonwealth would then allow Sydney Airport four or nine months to consider the exercise of its option.

Sydney Airport anticipates that the business case analysis and evaluation of the opportunity would continue through both the consultation and subsequent contractual phase; these are expected to take up to 18 months to complete.

/// INDICATIVE CONSULTATION AND CONTRACTUAL TIMETABLE





GROWING INVESTORS' CASH DISTRIBUTIONS

In 2014, Sydney Airport revenues grew 4.3 per cent year on year to \$1,163.5 million, underlying costs rose by 2.2 per cent and EBITDA grew 6.1 per cent to \$948.3 million. Sydney Airport declared distributions of 23.5¢ per stapled security for the full year.

FINANCIAL PERFORMANCE ANALYSIS

Sydney Airport has four main revenue streams, all of which grew in 2014. The table below displays their contributions to total revenue.

/// REVENUE STREAMS

	REVENUE \$M	REVENUE CONTRIBUTION	REVENUE GROWTH
Aeronautical (excl security recovery)	486.8	42%	4.9%
Retail	255.2	22%	5.6%
Property and car rental	194.0	17%	3.6%
Parking and ground transport	139.9	12%	5.7%

REVENUE GROWTH AT SYDNEY AIRPORT

Sydney Airport revenue growth is driven by four key factors:

PASSENGER GROWTH

Passengers travelling through the airport are the major consumer of the services provided by Sydney Airport. A large majority of aeronautical revenues are directly linked to passenger numbers. Charges levied on maximum take-off weight provide an indirect linkage as larger or more aircraft are required to transport more passengers. The commercial revenues (retail, property and car rental, parking and ground transport) are directly and indirectly linked to passenger volumes.

CAPITAL INVESTMENT

Sydney Airport earns a return on capital investments made in aeronautical and commercial infrastructure. Investment is made to allow more passengers to use the airport, improving the efficiency of the airport and improving the experience for airport customers.

MANAGEMENT INITIATIVES

Management continually reviews the airport's assets, contracts and operations for opportunities to better utilise assets, increase the value of available space, reduce costs and improve efficiency. These initiatives contribute significantly to increasing real revenues per passenger.

INFLATION

Sydney Airport includes inflation linkages in many of its commercial contracts and revenues are therefore directly linked to inflation.

A more detailed analysis of specific growth drivers is provided in the following revenue streams and operating expense sections.

KEY PERFORMANCE MEASURES

Measures used to assess the financial performance of Sydney Airport are shown in the table below.

GROWTH OVER 2013

Passengers	38.5 million	1.7%	▲
Revenue	\$1,163.5 million	4.3%	▲
Operating expenditure	\$215.3 million	7.1%	▼
EBITDA	\$948.3 million	6.1%	▲
Net operating receipts	\$525.1 million	9.2% ¹	▲
Distribution to investors	23.5 cents	4.4%	▲

DISTRIBUTIONS AND NET OPERATING RECEIPTS (NOR)

NOR provides a measure of operational cash flows available to pay Sydney Airport distributions. As a result, it is a key measure of Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that Sydney Airport can sustainably return to investors while investing in the infrastructure and continuing to deleverage the business. The measure is a proxy for free cash flow that is derived from both income statement performance and the cash position of SAL and SAT1.

RECONCILIATION OF NET OPERATING RECEIPTS

NOR provides a proxy for operational cash flows available to pay Sydney Airport distributions. The table below reconciles the statutory result of Sydney Airport for the period ended 31 December 2014 to NOR.

ASX-LISTED SYDNEY AIRPORT 31 DEC 2014 \$M

Profit before income tax expense	115.7
Add back: depreciation and amortisation	326.4
Profit before tax depreciation and amortisation	442.1
Add back non-cash financial expenses	
- fair value adjustment to swaps	54.6
- amortisation of debt establishment costs	24.6
- Capital Indexed Bonds capitalised	29.7
- borrowing costs capitalised	(8.0)
Total non-cash financial expenses	100.9
Add/subtract other cash movements	
- movement in cash reserved for specific purposes	(8.7)
- other	(9.2)
Total other cash movements	(17.9)
Net Operating Receipts	525.1
Stapled securities on issue ('m)	2,216.2
NOR per stapled security	23.7 cents
Distributions declared per stapled security	23.5 cents

Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial reports. No comparative data is presented for the previous corresponding period due to the material change in the ownership of Sydney Airport and corporate structure in the second half of 2013. It is expected that comparative data will be presented in the Financial Report for year ending 31 December 2015 and onwards.

1. On a like-for-like basis adjusting for minority interests in 2013.

GROUP FINANCIAL PERFORMANCE

/// SYDNEY AIRPORT FINANCIAL HIGHLIGHTS

	ASX-LISTED SYDNEY AIRPORT 12 MONTHS TO 31 DEC 2014 \$M	ASX-LISTED SYDNEY AIRPORT 12 MONTHS TO 31 DEC 2013 \$M	% CHANGE
Revenue			
Aeronautical	486.8	464.2	4.9%
Aeronautical security recovery	81.5	83.7	(2.6%)
Retail revenue	255.2	241.6	5.6%
Property and car rental revenue	194.0	187.2	3.6%
Parking and ground transport revenue	139.9	132.3	5.7%
Other	6.1	6.2	(1.6%)
Total revenue before specific revenue	1,163.5	1,115.2	4.3%
Other income:			
Profit on disposal of non-current assets	0.1	0.2	n/a
Profit on disposal of interest in Newcastle Airport	-	9.7	n/a
Total revenue and other income	1,163.6	1,125.1	3.4%
Expenses			
Employee benefits expense	46.9	48.1	(2.5%)
Services and utilities	52.4	51.8	1.2%
Property and maintenance	19.7	18.8	4.8%
Security recoverable expense	71.5	73.1	(2.2%)
Other operational costs	23.4	20.4	14.7%
Investment transaction expenses	1.2	19.3	n/a
Restructuring and redundancy	0.2	-	n/a
Total expenses	215.3	231.5	(7.1%)
EBITDA	948.3	893.6	6.1%
Net external finance (costs) / income	(405.3)	(404.7)	0.1%
Movement in cash reserved for specific purposes and other items	(17.9)	(17.0)	5.3%
Cash flow timing differences and net corporate transaction items	-	8.9	n/a
Cash flows available for minority interests	-	(36.0)	n/a
Net operating receipts available to SYD security holders	525.1	444.8	18.0%
Stapled securities on issue (millions)	2,216	1,977	n/a
Net operating receipts per stapled security	23.7c	22.5c	5.3%
Distributions per stapled security	23.5c	22.5c	4.4%
Capital expenditure	241.5	241.3	0.1%
Passengers (millions)			
International (including domestic-on-carriage)	13.1	12.8	2.5%
Domestic (including regional)	25.4	25.1	1.2%
Total passengers	38.5	37.9	1.7%
Per passenger measures (\$)			
Revenue before specific revenue	30.2	29.4	2.7%
EBITDA before specific revenue and expenses	24.7	23.8	3.5%

EQUITY

2014 DISTRIBUTION

The total distribution by Sydney Airport for the year ended 31 December 2014 was \$520.9 million or 23.5 cents per stapled security (2013: \$457.0 million or 22.5 cents).

An interim distribution of \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents) was paid on 15 August 2014 by:

- SAL \$133.0 million or 6.0 cents; and
- SAT1 \$121.9 million or 5.5 cents (2013: \$204.7 million or 11.0 cents).

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

DISTRIBUTION REINVESTMENT PLAN

The distribution reinvestment plan (DRP) operated in respect of the half year ended 30 June 2014. In July 2014, to satisfy the DRP take up, 9.9 million stapled securities were acquired on market for transfer for a total of \$43.1 million. No new securities were issued. Securities were transferred to DRP participants at \$4.33 per stapled security with no discount applied.

The DRP operated in respect of the year ended 31 December 2014 distribution. In January 2015, to satisfy the DRP take up, 8.2 million stapled securities were acquired on market for transfer for a total of \$40.6 million. No new securities were issued. Securities were transferred to DRP participants at \$4.96 per stapled security with no discount applied.

The DRP also operated in respect of the distribution for the year ended 31 December 2013. In February 2014, to satisfy the DRP take up, 5.8 million stapled securities were acquired on market for transfer for a total of \$22.8 million and 21.9 million new securities were issued. Securities were transferred to DRP participants at \$3.66 per stapled security after a 2.5% discount was applied.

The 2013 DRP proceeds were utilised to fully repay the SAL debt facility. This was drawn to partially fund the ATO settlement, stamp duty and costs associated with the 2013 simplification.

GROUP FINANCIAL PERFORMANCE

CAPITAL MANAGEMENT

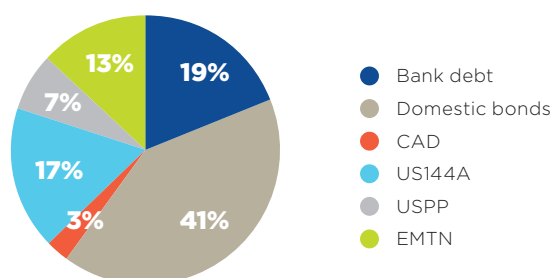
Sydney Airport maintains a strong focus on prudent capital management by proactively diversifying the debt portfolio and addressing the refinancing of this debt well in advance of its maturity. This strategy further strengthens the capital structure and creates a strong platform for future raisings.

2014 REFINANCE SUMMARY

During the year, Sydney Airport successfully completed a landmark refinancing, issuing into two new debt capital markets and restructuring its bank debt portfolio. The \$3.1 billion refinancing comprised a European bond of A\$1.0 billion, bank debt facilities of \$1.5 billion, and US Private Placement (USPP) bonds of A\$0.6 billion.

Outcomes of this refinancing contributing to the key debt metrics below as at 31 December 2014 were:

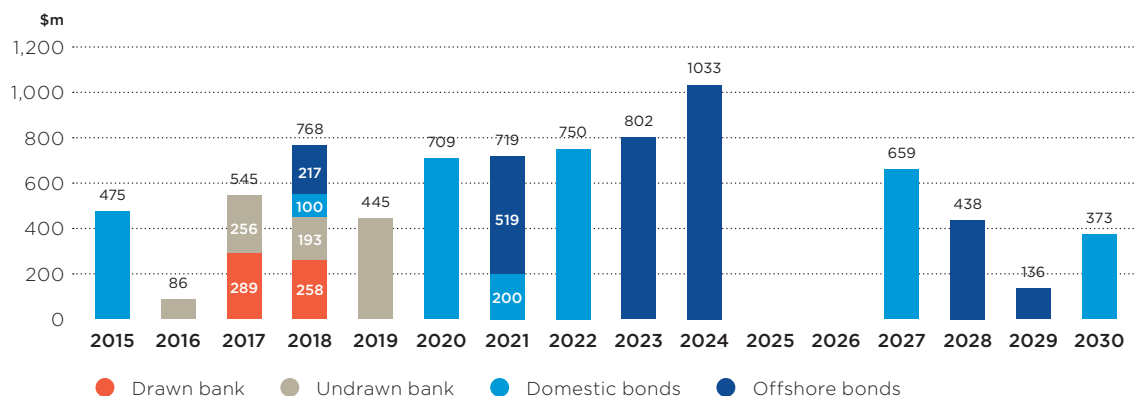
- \$1.0 billion of undrawn facilities available to cover current liabilities, fund growth capital expenditure into 2018 and cover any working capital requirements;
- Weighted average debt maturity lengthened by over two years to mid-2022;
- Next debt maturity is in the second half of 2015 which represents only 6 per cent of total debt outstanding.



CATEGORY	31 DEC 2014	31 DEC 2013
Net debt	\$ 6.6 billion	\$ 6.3 billion
Net debt / EBITDA	6.9x	7.0x
Cash flow cover ratio	2.3x	2.2x
Credit rating (S&P / Moody's)	BBB / Baa2	BBB / Baa2
Average maturity	Mid-2022	Mid-2020

Sydney Airport executed interest rate and cross currency hedges over 2014 with tenors ranging between five and 10 years. All foreign currency debt is 100 per cent hedged. Interest cost is stable with 83 per cent of interest rate exposure fixed or hedged as at 31 December 2014 and 70 per cent of interest rate exposure hedged for the next five years.

/// DEBT MATURITY PROFILE - DRAWN AND UNDRAWN DEBT



CAPITAL EXPENDITURE

Capital expenditure for 2014 of \$241.5 million was predominantly invested in capacity and service improvements.

Major projects undertaken during the year:

CATEGORY	PROJECT DESCRIPTION	BENEFITS	COMPLETION
Airfield	Resheet and improvements of taxiways B and C to the south of T2	• Asset life extension	Mid 2015
	Runway lighting	• Upgrade of centre lighting on third runway for enhanced safety and increased operational usage during low visibility	February 2015
	Aprons	• Commenced work to create two new layover aprons in the South East Sector to accommodate Code F (Airbus A380) aircraft	December 2015
Terminal works	Baggage	• Two additional A380 capable baggage reclaim belts, facilitating additional capacity	Staged completion from October 2014
		• New early bag store and additional sorting and make-up facilities	Staged completion from October 2014
	Gates	• Upgrade of Bay 50 to accommodate Code E (Boeing 787, Airbus A350) aircraft	Mid 2015
		• Expanding the Northern Concourse gate lounges 8, 9 and 10 to accommodate A380 aircraft	Mid 2015
	Terminals	• Beginning of work on major restructuring of T1 to improve passenger experience, seating and retail offering in departures and arrivals	Late 2016
		• Improvements to T1 Pier C with expanded seating capacity and improved natural light	Completed December 2014
Parking and ground transport	T1 road and car park improvement	<ul style="list-style-type: none"> • New centre road to streamline traffic flow through the precinct • New dedicated express pick-up zone • Expansion of pre-book taxi area and limousine facility • 45 per cent increase in the number of entry and exit boom gates 	First stage completed December 2014

GROUP FINANCIAL PERFORMANCE

CASHFLOW

CATEGORY	SYDNEY AIRPORT 31 DEC 2014 \$M	SYDNEY AIRPORT 31 DEC 2013 \$M
Net cash flows from operating activities	985.3	896.3
Net cash flows used in investing activities	(296.4)	(350.6)
Net cash flows used in financing activities	(685.4)	(536.1)
Net increase/(decrease) in cash and cash equivalents held	3.5	9.6

1. These numbers are taken from the Sydney Airport pro forma Financial Statements for year ended 31 December 2014.

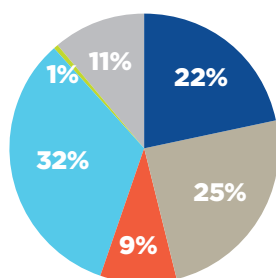
Net cash inflows from operating activities have increased during the year due mainly to increased airport revenues received offset by airport operating expenses paid.

The prior year's outflows in investing activities included \$69 million paid to the ATO on settlement of the specific issue tax audit as described in Section 2.3 of the Sydney Airport Financial Report for year ended 31 December 2014 and \$63 million paid to the NSW Office of State Revenue for Stamp duty relating to the minority acquisitions as described in Section 2.3 of the Sydney Airport Financial Report for year ended 31 December 2014.

Cash flows from financing activities in 2014 reflects \$1.6 billion received mainly from the European bond issuance and the US Private Placement as described in the Capital Management section of the Operating and Financial Review, with repayments of bank debt and bonds amounting to \$1.7 billion. Distributions were paid to Sydney Airport security holders during the year amounting to \$485 million. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for year ended 31 December 2014.

OPERATING EXPENSE

/// OPERATING EXPENSE BY CATEGORY



	2014 \$M	2013 \$M	% CHANGE
Employee benefits expense	46.9	48.1	(2.5%)
Services and utilities	52.4	51.8	1.2%
Property and maintenance	19.7	18.8	4.8%
Security recoverable expenses	71.5	73.1	(2.2%)
Investment transaction expense	1.2	19.3	(93.8%)
Other operational costs	23.4	20.4	14.7%
Total expense¹	215.1	231.5	(7.1%)

1. Total expense above excludes restructuring and redundancy

2014 REVIEW

Sydney Airport operating expenses fell 7.1 per cent compared to 2013. The main driver of this was the fall in investment transaction expenses which were one-off costs relating to the minority acquisition and restructure of the ASX-listed Sydney Airport group (Simplification). Underlying operating costs (excluding investment transaction expenses and security recoverable expenses) rose by 2.2 per cent, approximately in line with CPI and demonstrating tight control over the operating cost base.

Employee benefits expense

Employee benefits includes the salaries and benefits of 348 permanent employees and contractors engaged by Sydney Airport. Costs decreased 2.5 per cent year on year, as a result of insourcing work through permanent staff previously conducted by contractors and higher vacancy rates compared to 2013.

Services and utilities

Service and utilities includes the cost of electricity, water and gas used by the airport as well as cleaning, car park and kerbside management and bussing. Costs have been contained at 1.2 per cent growth year on year, well below the CPI rate. This is primarily due to lower utility costs following the repeal of the carbon tax from 1 July 2014 and the renegotiation of utility supply contracts at lower rates taking advantage of market conditions.

Property and maintenance

Property and maintenance covers the cost of maintaining airfield and airport infrastructure which is contracted through five major service contracts. Costs have increased 4.8 per cent year on year, driven by an increase in the asset base to be maintained. This has helped deliver capacity increases and overall revenue growth.

Security recoverable expenses

This relates to the cost of the provision of government-mandated security measures such as passenger and baggage screening. Security costs are recovered from the airlines through per passenger charges at no margin. Security recoverable costs have fallen 2.2 per cent year on year following the retendering of the main security contract at the end of 2013 and working with airlines to drive efficiencies in security processing.

Investment transaction expense

Investment expenses relate to the costs associated with transactions and corporate structuring. The 2014 expenses relate to asset valuation and advisory costs resulting from the Simplification. The 2013 expenses related to the implementation of the Simplification.

Other operational costs

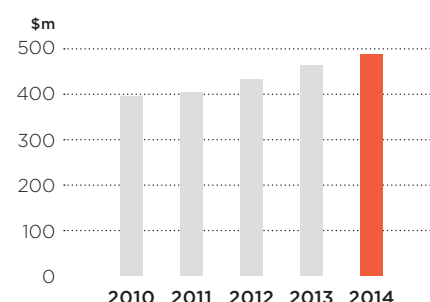
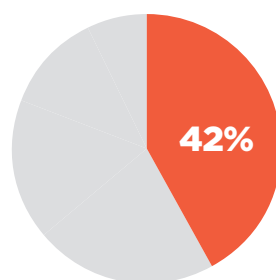
Other operational costs includes corporate costs. These costs have increased 14.7 per cent year on year. This is a result of increased corporate costs following the finalisation of the Simplification and the Macquarie Group in-specie distribution of its entire holdings of Sydney Airport securities. This has led to a significant increase in the breadth of the investor base driving an increase in corporate management, registry and compliance costs. In addition, more funds have been allocated to marketing which have helped to drive the revenue growth in online car parking.



OUR BUSINESS

AERONAUTICAL SERVICES

\$487m  **4.9%**



/// REVENUE 2014

Traffic	
Passengers	38.5 million
Domestic	25.4 million
International	13.1 million
Aircraft movements	327,190
Tonnes transported	16.7 million

/// REVENUE CONTRIBUTION

Infrastructure	
Runways	3
Aircraft parking bays	103
Passenger terminals	3
Contact gates	48
A380 gates	6

/// REVENUE GROWTH HISTORY

Network	
Airlines	39
Destinations	88
Countries with direct services from Sydney	27
Share of international passengers to Australia	40%

/// KEY STATISTICS

ABOUT AERONAUTICAL

Aeronautical revenues are derived through charges to our airline customers for the use of terminal and airfield infrastructure. Aeronautical charges are charged mainly on a per passenger basis. Revenues derived through aeronautical services grow from both increased passengers and infrastructure investment base charge increases. Sydney Airport's costs of providing security services are recovered from the airlines.

Sydney Airport has three runways – the main north-south runway (4.0 km), the parallel north-south runway (2.4 km) and the east-west runway (2.5 km). Terminals include T1 with 25 contact gates including six A380 capable gates, T2 with 23 gates and five international and two domestic freight terminals. Qantas owns and operates T3 as the Qantas Domestic terminal and Sydney Airport receives ground lease rental recognised in Property and Car Rental revenue.



39 airlines fly to Sydney Airport across a network of nearly 90 destinations.

2014 REVIEW

Aeronautical revenues (excluding security recovery) grew 4.9 per cent to \$487 million in 2014, representing 42 per cent of group revenues. This was driven primarily by international passenger growth of 2.8 per cent (excluding domestic-on-carriage) and investment in aviation capacity and aeronautical facilities. Recoverable security revenue declined 2.6 per cent in 2014, reflecting the introduction of the new reduced-cost security contract.

Aeronautical investments which have had the largest impact on revenue growth during the period include an additional A380 gate, new apron works, terminal improvements and baggage system enhancements.

/// PASSENGER MOVEMENTS

	TOTAL PASSENGERS JAN-DEC 2014 (‘000)	TOTAL PASSENGERS JAN-DEC 2013	GROWTH %
Domestic	25,351	25,040	1.2
International	13,103	12,753	2.8
Domestic-on-carriage	42	71	(40.5)
Total	38,496	37,863	1.7

OUR BUSINESS

Cebu Pacific Air Chief executive advisor Garry Kingshott and Sydney Airport managing director and CEO Kerrie Mather with the inaugural flight in September 2014.



The HIALS gantry on Runway 34L supporting Category II operations at Sydney Airport.



MARKET DEVELOPMENTS

The strongest foreign nationality passenger growth during 2014 came from China (+16.4 per cent), India (+11.9 per cent), Malaysia (+11.6 per cent) and the USA (+5.0 per cent).

Chinese nationality travellers were again Sydney’s fastest and most consistently growing market, up 16.4 per cent in 2014. Growth in Chinese travellers through Sydney Airport accounted for 50 per cent of foreign nationality growth.

Australian nationality travellers, our largest market at approximately half of all international travellers, grew 1.4 per cent in 2014.

/// PASSENGERS BY NATIONALITY 2014

RANK	NATIONALITY	CHANGE %
1	Australia	1.4
2	New Zealand	0.9
3	China	16.4
4	UK	(2.1)
5	USA	5.0
6	Korea	2.7
7	Japan	0.8
8	India	11.9
9	Malaysia	11.6
10	Germany	0.4

The domestic market experienced growth in passengers of 1.2 per cent in 2014 which demonstrates robust underlying demand for air travel domestically.

NEW SERVICES

Sydney Airport welcomed Cebu Pacific Air for the first time in September 2014, commencing services from Sydney to Manila four times weekly and moving to five times weekly in December. Fiji Airways launched a new route from Sydney to Suva in 2014 with a three-weekly service. China Airlines launched a new service to Christchurch with a three weekly service.

Five airlines delivered frequency increases in 2014 including:

- China Airlines services to Taipei increased to seven weekly for the entire northern winter season
- Malaysia Airlines services to Kuala Lumpur increased from 14 to 21 a week
- Philippine Airlines services to Manila increased from four weekly to seven weekly
- LAN services to Santiago increased from four weekly to seven weekly
- Virgin Australia services to Bali increased from seven weekly to 10 weekly

Qantas upgauged to an Airbus A380 on its direct service to Dallas, Air Canada upgauged to a Boeing 777-300ER on its Vancouver service and Cathay Pacific upgauged to Boeing 777-300ER on its Hong Kong service. Virgin Atlantic ceased operating its Hong Kong service.

INFRASTRUCTURE DEVELOPMENTS

During 2014, Sydney Airport made significant capital investment in aeronautical assets to provide enhanced services to airlines and passengers. These include ground transport infrastructure, airfield infrastructure, terminal improvements, baggage systems and technology.

Sydney Airport invested in a new centre road and dedicated pick-up area to alleviate road congestion at T1 as the first stage in a multi-year ground transport plan in consultation with the NSW Government to improve traffic flow in and around the airport.

Capital investment on the airfield included new HIALS for the main runway. In 2014, Sydney Airport completed taxiway resheets, enhancements to taxiways B, and C and the final stage of south west aircraft parking aprons. All of these investments improved the efficiency and safety of operations on the airfield.

At T1, Sydney Airport invested in improving the baggage systems with a new makeup loop and a new baggage room in Pier B significantly expanding makeup capacity. Initial work began on an early bag store that will further enhance the baggage handling system. Two new 90-metre baggage reclaimers were completed at the northern end of the baggage hall providing more baggage reclaim capacity for A380 aircraft arrivals.

Chinese nationality passengers grew 16.4 per cent in 2014.



Additional passenger seating at T1 was created through the infill of the atrium void at Pier C. Sydney Airport invested extensively in building and bathroom upgrades throughout the terminal and in technology infrastructure to provide a new Airport Operating System which provides critical technology support for the smooth running of the airport.

2015 OUTLOOK

The Australian Government announced a new air services agreement with China in January 2015, with an immediate 136 per cent increase in capacity, comprising seats between the Chinese gateway cities of Beijing, Shanghai and Guangzhou and major Australian cities and, for the first time, an equivalent amount of capacity for services from second and third tier Chinese cities. Over the life of the agreement, total capacity will more than treble.

Sydney Airport is well-positioned to benefit from new Chinese air rights and is in discussion with potential and existing airlines about new services and increased frequencies.

A number of our airlines have announced additional capacity or new routes this year, including:

- Etihad deploying larger aircraft on its routes, with 777-300ER services to be served by the A380 from June 2015 and A340-600 services to be served by a 777-300ER
- Qantas increased to four services a week to Santiago from February and will be adding a new daily service to Haneda, Tokyo, flying daily from August



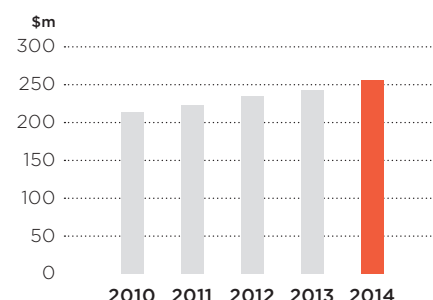
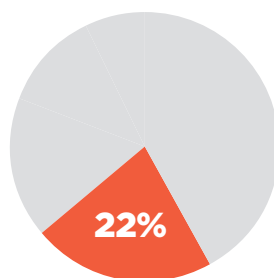
Aeronautical services comprised 42 per cent of revenue in 2014.

“

During 2014, Sydney Airport made significant capital investment in aeronautical assets to provide enhanced services to airlines and passengers.

RETAIL

\$255m  5.6%



/// REVENUE 2014

T1 terminal	
Area	20,765 m²
Number of stores	127
Average dwell time post security at T1	~100 minutes

/// REVENUE CONTRIBUTION

/// REVENUE GROWTH HISTORY

T2 terminal	
Area	4,637 m²
Number of stores	57
Digital and static advertising sites (T1 and T2)	596

/// KEY STATISTICS

ABOUT RETAIL

Retail revenues comprise rental leases of 184 retail outlets and licensing of advertising rights in and around the T1 and T2 terminals. Retail tenant activities include the sale of duty free, food and beverage, news and books, fashion, gifts and currency exchange services.

Sydney Airport has an extensive network of digital and static advertising sites in terminals, beside access roads and on car parks, leased to advertising agencies under two major contracts. Our retail income is supported by a high level of minimum guaranteed rent, which accounted for more than 90 per cent of revenue from retail activities in 2014.

2014 REVIEW

Retail revenue increased 5.6 per cent to \$255 million which accounts for 22 per cent of group revenue. During the year, Sydney Airport completed the duty free retender with the selection of Gebr. Heinemann. The new contract formally commenced on 17 February 2015 and will run for seven-and-a-half years until 31 August 2022.

T2 retail revenues grew strongly, driven by increased passenger numbers and also the full-year effect of the enhanced retail

offering (completed in late 2013) following the expansion of Pier A.

Advertising revenues grew by 13 per cent through an increased level of demand, the addition of new sites and the refurbishment and upgrade of existing sites. A major partnership was signed with American Express to provide a new lounge, express facilitation and other services to eligible cardholders and free Wi-Fi and mobile charging stations for all T1 customers.

2015 OUTLOOK

A staged redevelopment of the T1 landside food court started in 2014 which will improve passenger flow and sightlines to departures and allow for 15 new tenancy fit-outs. A number of brands new to the airport have committed to the project. These include Toby's Estate which opened in December 2014, Mac II by Machiavelli, Hokka Hokka, Roll'd and Soul Origin, which will open by the second quarter of 2015.

We have also commenced a major redevelopment of T1 departures to coincide with Heinemann starting its contract in February 2015.

To support the redevelopment, a major leasing campaign will be launched, targeting international

luxury brands in line with our market profile and customer segments.

At T2, space has been optimised in Pier A to provide additional retail opportunities, while a redevelopment of the food court is planned for the end of the year.

The Sydney Airport advertising contract went out to tender in October 2014, and was awarded to APN Outdoor in March 2015.



Above: Burberry at T1.
Right: Veloce at T2.

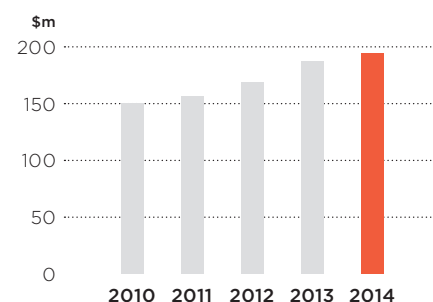
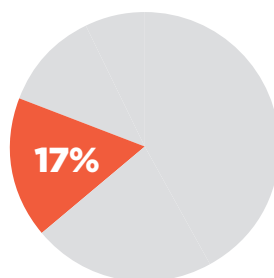




OUR BUSINESS

PROPERTY AND CAR RENTAL

\$194m  **3.6%**



/// REVENUE 2014

Gross lettable area	937,800 m²
Number of sites	534
Number of tenants	162
Property, licences and agreements	313

/// REVENUE CONTRIBUTION

Car rental operators	6
Lounges	
T1	8
T2	2

/// REVENUE GROWTH HISTORY

/// KEY STATISTICS

ABOUT PROPERTY AND CAR RENTAL

Property and car rental revenues comprise rents from leases for sites, buildings and other facilities around the airport.

Leases include airline lounges, airline offices, freight facilities, hotel sites, T3, aircraft hangars, sites on the airport perimeter, buildings such as Customs House and car rental areas.

Property tenants require proximity to Sydney Airport's terminal, airfield and key infrastructure assets to conduct their businesses which provides a unique market to support the property portfolio.

2014 REVIEW

Property and car rental revenue grew 3.6 per cent to \$194 million and accounted for 17 per cent of total revenues in 2014. Growth was driven by new tenancies and rent reviews with occupancy remaining at 98 per cent.

Four additional airline lounge areas leased in late 2013 and 2014, the expansion of the Virgin Australia lounge at T2, Etihad Airways, SkyTeam and American Express (both managed by Plaza Premium) at T1 contributed to the growth in revenue.

New car rental contracts were negotiated in 2014 with all six existing on-airport car rental operators. Additional operational parking spaces at the T1 and T2 precincts are being made available to facilitate demand from the car rental industry.

The Northern Airport Precinct project commenced in 2014 which will initially provide access to three hectares of vehicle storage area.

2015 OUTLOOK

Sydney Airport will continue to actively manage its property portfolio.

We look forward to commencing new arrangements with six on-airport car rental operators, following the signing of new agreements.

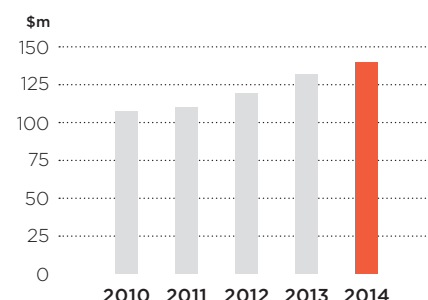
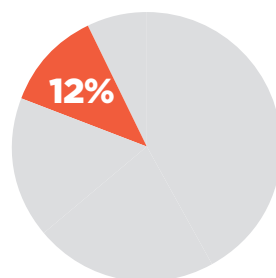
The success of Rydges at T1 informs our overall hotel strategy. Expressions of interest are being sought to develop a new minimum service 2-3-star, 126-room hotel next to the existing Ibis Budget hotel, adjacent to the T2/T3 precinct after development approval was received late last year.



The SkyTeam lounge at T1 serves seven airlines that fly to Sydney.

PARKING AND GROUND TRANSPORT

\$140m  5.7%



/// REVENUE 2014

Total car spaces	16,864
T1	6,162
T2	3,678
Blu Emu	6,117
Valet	907

/// REVENUE CONTRIBUTION

Registered online users	~400,000
Growth in online bookings	39%

/// REVENUE GROWTH HISTORY

/// KEY STATISTICS

ABOUT PARKING AND GROUND TRANSPORT

Parking and ground transport revenues comprise time-based charges from car parking services from 16,864 car parking spaces as well as charges from taxis, buses and limousines collecting passengers from the airport. Some 29 per cent of revenues from car parking are derived from online bookings.

Sydney Airport operates three major car parking precincts, P1, P2 and P3 domestic car parks located between T2 and T3, P7 and P9 located at T1 and the Blu Emu car park located on the south eastern side of the airport with a shuttle bus service to the domestic terminals.

Domestic passengers account for the majority of car parking revenues.

2014 REVIEW

Parking and ground transport revenues grew by 5.7 per cent in 2014 to \$140 million and accounted for 12 per cent of total revenues. Growth of 5.7 per cent is relative to 1.2 per cent growth in domestic passengers, reflecting the growth of online products and the improved utilisation of car parking infrastructure.

Online offers continue to be refined to ensure that they target off-peak periods and long-stay customer segments. Sydney Airport's online products provide customers with more choice and a clear value proposition which in turn has resulted in higher occupancy of all car parks.

In addition to the online product expansion, car parking revenues benefited from a capacity expansion of 964 spaces in the domestic precinct.

We commenced implementation of our new comprehensive five-year ground transport plan in 2014 in consultation with the NSW Government. The plan will improve traffic flow at the airport with new and reconfigured roads, a ground transport interchange with facilities to encourage greater use of public transport and improved pedestrian and cycle paths.

Key measures in the plan include a new one-way ring road for the T2/T3 precinct and improvements to T1 including the creation of a free-flowing road through the precinct and a new city-bound exit. These changes will increase 'green light' time at key intersections by up to

33 per cent, significantly improving ground transport efficiency and reducing congestion.

The plan is also aimed at encouraging greater use of public transport with the creation of new bus and multipurpose parking facilities. It also continues Sydney Airport's commitment to advocating for new and more affordable bus and train services to the airport.

In December, the first stage of works at T1 was delivered, with a new centre road to streamline traffic flow, a new dedicated express pick-up zone and a 45 per cent increase in entry and exit boom gates.

2015 OUTLOOK

Sydney Airport will deliver a new Customer Relationship Management and service solution by the end of the year to improve the level of customer service and increase retention rates.

Work will continue on the implementation of the five-year ground transport plan, including the commencement of works on the Seventh St extension at the T2/T3 precinct and continuation of works at T1.

ADDITIONAL HIGHLIGHTS

Introduction of fully automated taxi short fare system utilising licence plate recognition

One, two and three-hour “quick trip” prebooked online offers introduced targeted at meeters and farewellers who can now also take advantage of discounted online pricing

Introduction of first three-door Blu Emu Express bus with increased capacity and improved efficiency

Opening of Sydney Airport parking customer service call centre on 133-SYD



Around 150,000 people come to the airport each day, comprising passengers, visitors and staff.



INVESTING IN OUR PEOPLE

With a focus on customer service and an ever increasing number of passengers, we continually ensure that our people are equipped to capably and confidently handle the demands of working at Australia's busiest airport.

ORGANISATION DEVELOPMENT

Regular reviews of team structure, resourcing levels to meet growing or changing business demands and organisational capability are undertaken. These reviews inform the size and structure of our teams and in 2014, resulted in the creation of an increased number of customer-facing and operational roles.

The reviews also inform our learning and development program which aims to develop organisational capability as well as provide all staff with further professional development opportunities.

In 2014, some of the programs offered to staff included management training, presenting with confidence (in conjunction with NIDA), clear communication and a number of short form courses in the areas of influencing and persuading, managing upwards, motivating others and handling conflict.

SAFETY

In 2014, Sydney Airport undertook an extensive review of the Safety Management System (SMS) which has resulted in the implementation of a comprehensive and contemporary system which underpins our overarching safety framework.

The rollout of the SMS was supplemented by a bespoke training program to ensure that all staff are aware of their obligations with respect to safety. The program will continue into 2015, and similar to the SMS, will continue to evolve in line with changing business needs to ensure it continues to meet the highest standards.

One of the key elements of the 2014 program was a mock court session run by Deloitte offered to the executive team and managers. The session was an opportunity to see a real case play out in a simulated court setting, with a number of staff participating in the key roles of witnesses and defendants. It is intended to roll this program out more broadly in 2015.

ENGAGEMENT

Sydney Airport continues to identify ways to improve employee engagement and in 2014, more than 40 staff volunteered to facilitate the identification and development of a number of initiatives which have now been successfully implemented across the organisation. These initiatives were aimed at further improving staff communication and cross-team collaboration at the middle management level.

DIVERSITY

Sydney Airport's commitment and approach to diversity have resulted in an increased number of women employed in 2014; 107, up from 104 at the same time last year.

In 2014, Ann Sherry joined the Sydney Airport board, thus doubling the female representation on the board to 29 per cent. Sydney Airport was also pleased to receive the Workplace Gender Equality Agency notification of compliance with the new reporting framework, which was launched for the 2013-2014 reporting year.

OUR VALUES

INTEGRITY AND OPENNESS

Acting honestly and openly to achieve corporate and social objectives

SAFETY AND SECURITY

Delivering the highest levels of safety and security

EXCELLENCE

Striving to deliver an outstanding airport experience through operational efficiency, superior customer service and innovation

TEAMWORK

Fostering a collaborative and supportive work environment that values diversity

CREATIVITY AND FLEXIBILITY

Working with our partners to achieve superior business outcomes

SUSTAINABILITY

Responsible growth through balancing community and environmental needs with corporate objectives



HUGH WEHBY
CHIEF FINANCIAL OFFICER



SALLY FIELKE
GENERAL MANAGER
- CORPORATE AFFAIRS

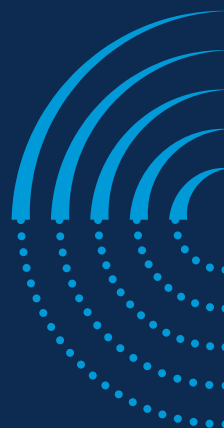


KERRIE MATHER
MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER

OUR LEADERSHIP TEAM



GLYN WILLIAMS
GENERAL MANAGER
- RETAIL



SHELLEY ROBERTS
EXECUTIVE DIRECTOR
- AVIATION SERVICES



JAMIE MOTUM
GENERAL COUNSEL AND
COMPANY SECRETARY



CRAIG NORTON
GENERAL MANAGER
- PARKING AND
GROUND TRANSPORT



PETER WYCH
GENERAL MANAGER
- DEVELOPMENT AND
CONSTRUCTION

INVESTING IN THE COMMUNITY

Sydney Airport has a strong history of partnership and engagement with the local community, investing in initiatives that support and benefit the children, families and businesses in the area in which we live and work.

In 2014, Sydney Airport invested \$1.48 million in the community comprising funding, in-kind support, marketing exposure and staff and customer contributions. We partnered with charities, local community and sporting organisations and schools throughout the year and sponsored a number of local and major events.

PARTNERING WITH CHARITIES

Working with local and national charities to raise funds for those in need is an integral component of Sydney Airport's community engagement program.

In 2014, Sydney Airport hosted our third annual airport community Christmas Giving Appeal in partnership with Variety – the Children's Charity, joining with airport partners, passengers and the general public to raise a record \$263,000 over the six weeks to Christmas.

Our annual charity lost property auction raised \$154,000 to be donated to a variety of causes this year. Contributions from the 2013 auction were made to Father Chris Riley's Youth Off The Streets, the Salvation Army's Red Shield Appeal and the Australian Kookaburra Kids Foundation.

Sydney Airport supported a variety of awareness days by providing access to our terminals for charitable organisations to collect donations for causes such as Cancer Council's Daffodil Day, Legacy Week and Starlight Day.

Our staff also supported a number of initiatives, including fielding our largest ever team for the MS Sydney



Children from The Hills School in Northmead enjoying an airfield tour in a Variety Sunshine Coach purchased with proceeds from the Sydney Airport Community Christmas Giving Appeal.



Entrants in the 2014 Variety Bash crossing the finishing line at the Blu Emu car park.

to the Gong Ride in 2014, with 38 riders raising more than \$24,000 and donating \$10,000 to Motor Neurone Disease Australia through the Ice Bucket Challenge.

SUSTAINABILITY IN LOCAL SCHOOLS

In 2014, the School Grants Program awarded 13 local schools more than \$60,000 in grants to assist in the funding and delivery of environmental projects.

The program is an annual community investment initiative designed to directly benefit local students, teachers and schools.

The projects deliver environmentally sustainable outcomes for school communities and in 2014 they included upgrades to outdoor learning classrooms, establishment of edible gardens and installation of rainwater tanks.

SYDNEY AIRPORT SURROUNDS

Sydney Airport has a long history of supporting families and businesses in our local community.

Our longstanding partnership as a major sponsor of the Surf Life Saving Sydney Branch continued in 2014 with \$30,000 in funding to support Nippers' training at 15 Sydney beaches.

We also supported other local community and sporting clubs and events, including the Randwick Petersham Cricket Club, Marrickville Cricket Club, Cook Community Classic, Sutherland Shire Netball Association, the Rockdale City Raiders and the St George Randwick Hockey Club.



Local clubs play an important role in the community by teaching children valuable life skills such as leadership and teamwork. Our support of local clubs ensures the organisations are able to provide the young members in our community with continued guidance, training and experience.

WORKING WITH STAKEHOLDERS

Sydney Airport helped and facilitated charitable initiatives by our airline partners, waiving landing fees and associated charges and providing free parking for charity flights including the Qantas Jumbo Joy Flight, the Qantas Pathfinders, and a Virgin Australia charity flight supporting the Starlight Children's Foundation Australia.

\$1.48m

Invested in the community, including:

\$263,000

Christmas Giving Appeal -
in partnership with Variety

\$60,000

School Grants Program

\$30,000

Each to Surf Life Saving Sydney Branch,
Father Chris Riley's Youth Off The
Streets and the Salvation Army's Red
Shield Appeal

\$24,000

MS Sydney to the Gong Ride

\$20,000

Australian Kookaburra Kids Foundation

ENVIRONMENT POLICY AND STRATEGY

Sydney Airport is committed to sustainable growth and implemented a range of measures in 2014 towards maximising energy, water and waste efficiencies, as well as reducing noise.

NEW ENVIRONMENT STRATEGY APPROVED

On 17 February 2014, the Minister for Infrastructure and Regional Development, the Hon. Warren Truss MP, approved the new Sydney Airport Master Plan 2033, including a new Environment Strategy and Ground Transport Plan for the airport.

The minister's approval followed an extensive consultation program implemented during the preparation of the new strategy, which included the formal public exhibition of the Preliminary Draft Environment Strategy (PDES) between 5 June and 30 August 2013.

It also included a series of workshops and meetings with key airport stakeholders, including:

- Australian and NSW government authorities (including Department of the Environment, Office of Environment and Heritage and NSW Environmental Protection Authority) regarding the airport's environmentally significant areas
- Consultation with the Sydney Airport Community Forum (SACF) which includes community representatives, state and federal MPs, local councils and representatives of the international and domestic airline industries

- Sydney Airport tenants and operators.

The new environment strategy builds on the environmental achievements and initiatives of the previous strategy and outlines more than 100 new and ongoing actions and initiatives that together will minimise the airport's impact on the environment and support Sydney Airport's objective of sustainable growth.



Some of the key actions and initiatives proposed in the new strategy include:

SUSTAINABILITY AND ENVIRONMENTAL MANAGEMENT

- Developing and operating Sydney airport in a sustainable manner
- Implementing systems to assist with continual environmental improvement

CLIMATE CHANGE AND ENERGY MANAGEMENT

- Reducing energy and carbon emissions by continuing to implement cost-effective energy efficiency opportunities and cleaner energy usage, in accordance with Sydney Airport's Energy and Carbon Strategy 2013+ and Energy Saving and Carbon Reduction Plan

WATER MANAGEMENT

- Building on existing water recycling and reuse initiatives by continuing to explore water efficiency opportunities, as outlined in Sydney Airport's Water Savings Action Plan

AIR QUALITY

- Completing air quality monitoring within the airport boundary and identifying opportunities to reduce pollution

GROUND-BASED NOISE

- Continuing to increase the use of fixed electrical ground power units to minimise the use of noisier on-aircraft auxiliary power units. This also improves air quality and reduces carbon emissions

GROUND TRANSPORT

- Continuing to encourage the use of sustainable transport options (including public transport and cycling). These are outlined in the Ground Transport Plan included in the Master Plan 2033
- Sydney Airport will continue to advocate to the NSW Government for improved bus and train services to and from the airport

BIODIVERSITY AND CONSERVATION MANAGEMENT

- Continuing to implement the successful program to enhance the environmentally significant Sydney Airport Wetlands, including weed and carp control, native fish restocking and revegetation works

HERITAGE

- Reviewing and updating Sydney Airport's Heritage Management Plan. A Heritage Interpretation Strategy will be finalised and its implementation commenced

WASTE AND RESOURCE MANAGEMENT

- Building on existing recycling initiatives by continuing to implement innovative waste minimisation options

SOIL AND LAND MANAGEMENT

- Continuing to minimise the potential for soil contamination and actively managing acid sulfate soils

SPILLS RESPONSE AND HAZARDOUS MATERIALS

- Implementing best-practice environmental controls for prevention and management of spills and release of hazardous materials.

“

The new Environment Strategy outlines more than 100 new and ongoing actions and initiatives that together will minimise the airport's impact on the environment and support Sydney Airport's objective of sustainable growth.

100⁺

Environmental actions and initiatives

ACHIEVING AIRPORT CARBON ACCREDITATION

On 27 May 2014, Airports Council International (ACI) awarded Sydney Airport with Level 1 Airport Carbon Accreditation (Mapping). Airport Carbon Accreditation is an internationally-recognised certification system designed to assess and recognise airports that actively manage and reduce their carbon emissions. The program was recently commended by the OECD's International Transport Forum.

In order to achieve Level 1 certification, Sydney Airport was required to map the various sources of CO₂ emissions on the airport site and then have its carbon footprint independently verified, as well as provide details of our carbon management processes.

Airport Carbon Accreditation assists airports in taking steps towards achieving the objectives of the Global Aviation Industry Commitment to Action on Climate Change, which Sydney Airport signed in 2008. Airport Carbon Accreditation is the only industry-specific, performance-based, voluntary and institutionally-endorsed accreditation label designed specifically for airports. The four levels of accreditation enable all airports to participate at different stages on their journey to carbon neutrality.

Sydney Airport joins more than 100 airports certified worldwide, including a growing number of airports in the Asia-Pacific.



Airport Carbon Accreditation is an internationally recognised certification system designed to assess and recognise airports that actively manage and reduce their carbon emissions.



MD and CEO Kerrie Mather was presented with a certificate of Level 1 Airport Carbon Accreditation at the ACI Asia-Pacific Regional Assembly in Korea in May 2014.



SYDNEY AIRPORT RECOGNISED IN ENVIRONMENTAL AWARDS

Sydney Airport received a number of environmental awards and accreditations during 2014, providing acknowledgment of our focus on environmental sustainability and best practice in recent years.

In April 2014, Sydney Airport received a Huon Award from Greenfleet, in recognition of more than five years of continuous support to the Greenfleet program. The program, which Sydney Airport has supported for the last eight years, seeks to offset the carbon emissions from Sydney Airport's vehicle fleet through native forest restoration programs.

In March 2014, Sydney Airport received an East Coles Corporate Performance Award for Best

Environment, Social and Governance (ESG). The award recognises excellence in performance across the entire ASX top 100 companies. In addition to the ESG award, Sydney Airport managing director and chief executive officer Kerrie Mather also received the award for best CEO in the infrastructure sector.

SYDNEY AIRPORT WELCOMES THE AIRBUS A350

In August 2014, Sydney Airport welcomed the first Australian landing of the new Airbus A350.

The Airbus A350, together with the existing Airbus A380 and Boeing 787, herald a major shift in the aviation industry towards quieter, greener, more fuel-efficient aircraft. The Boeing 787 Dreamliner is 60 per cent quieter than the Boeing 767 it is replacing, and uses

20 per cent less fuel per passenger. The A350 family features a fuselage comprising more than 50 per cent composite materials which means it is lighter, requires less fuel to operate and is more efficient to maintain.

Sydney Airport is already one of the world's largest A380 airports; the A380 being 50 per cent quieter than previous aircraft and significantly larger means that more passengers can travel through Sydney Airport on fewer aircraft, thereby minimising noise for surrounding residents.

Sydney Airport has invested heavily to accommodate new generation aircraft, including runway and taxiway upgrades, Runway End Safety Areas, new navigational systems and upgrades of facilities at T1.



SYDNEY AIRPORT PARTNERS TO IMPROVE KAMAY BOTANY BAY NATIONAL PARK

In December 2014, we announced a major three-year partnership with Conservation Volunteers Australia to deliver environmentally beneficial outcomes across our local community.

The partnership was launched at Cape Solander in Kurnell, an iconic location in Sydney which is part of Kamay Botany Bay National Park, where volunteers commenced bush regeneration in the area. Key environmental outcomes will be achieved by removing invasive weeds and planting native species, to re-establish native habitat in the sandstone and dune forest communities including the threatened Bangalay Sand Forest.



Volunteers commencing bush regeneration of Cape Solander in Kurnell in December 2014.

OTHER INITIATIVES

Continued to make substantial potable water savings through the Recycled Water Treatment Plant

Implemented enhancement program for the Sydney Airport Wetlands, considered nationally significant

SAFETY AND SECURITY

Delivering the highest levels of safety and security is a core value of our airport. We aim to provide a safe, healthy and secure environment for staff, stakeholders and passengers.

WORK HEALTH AND SAFETY

During 2014, we continued with the implementation of our integrated Safety Management System.

The Corporate Safety Improvement Plan (CSIP) was rolled out in 2014 and is a proactive safety plan. The CSIP focussed on airport-wide initiatives that are essential in building our strong approach to health and safety as well as addressing very specific aspects of health and safety improvements throughout all areas of the business.

Our safety training continued throughout the year across the organisation. Some 85 per cent of managers completed the new Safety Essentials program. Other targeted training programs such as Incident Cause Analysis Method (ICAM) were delivered to staff to enhance overall safety management capabilities.

Sydney Airport plays an important role as a safety leader and facilitator across the airport precinct. Working in close consultation with our stakeholders, a variety of important safety initiatives were rolled out. One such initiative was recognised by the Australian Airports Association Airport Safety Awards.

There were 34 Sydney Airport staff incidents reported during the last financial year and four Lost Time Injuries (LTIs). There has been no discernible upward trend in the number of reported incidents or LTIs, although the ultimate target each year is nil.



EMERGENCY PLANNING AND PREPAREDNESS

Working with the airport-wide emergency committee, Sydney Airport has completed a full review of the Emergency Management Plan which now includes a comprehensive risk context statement based on the “all hazards-all agencies” approach. The new plan also highlights the critical nature of effective incident management, ensuring that Sydney Airport’s response to incidents and emergencies is closely aligned to our local response agencies.

The emergency committee, in collaboration with the broader airport community, continues to practise and revise various components of the airport emergency plan through discussion, drill and deployment exercises. Exercise Night Bird was a multi-agency response to a plane crash scenario impacting not just the airport but the adjoining roads at night. More than 200 Sydney Airport, airline and emergency response staff participated, practising the agreed command, control and coordination procedures to support the effective response and recovery from an emergency.

Participation by the airport community in emergency management discussion exercises, training and workshops has been well attended this year and positive feedback received on all of the activities conducted.

A new Mobile Command Vehicle was commissioned, fitted out and trialled extensively throughout the Guest of Government visits that coincided with the G20 leaders’ summit in October. The vehicle is designed to support our staff in managing major incidents, events and emergencies across the airport precinct.

Sydney Airport continues to enhance our fire safety and evacuation procedures by engaging with airport stakeholders across all sites. More than 160 building fire safety reviews have been conducted with 286 new building evacuation diagrams installed. Some 429 airport staff participated in 69 warden training courses and another 1,177 staff and contractors undertook the new online fire extinguisher training.

Throughout the year, the Sydney Airport emergency management team provided leadership, support and advice regarding a number of incidents and events including a potential outbreak of an exotic species of ant; the G20 Guest of Government visit program, the US Secretary of State and royal visits; multiple adverse weather events; business continuity disruptions; the increased security threat level and supporting Australian Government agencies in preparing for a potential communicable disease such as Ebola.

In 2015, we will continue to enhance our emergency response procedures and capabilities based on the lessons learnt from our training and exercise program and through our incident debrief process.



Fourteen new airfield vehicles and safety cars were commissioned in 2014.



Foreign Object Debris (FOD) at airports can damage aircraft and equipment or cause injuries. Airport staff conduct a FOD walk during Airport Safety Week in October to raise awareness of good practices.

FINANCIAL REPORT

**FOR YEAR ENDED
31 DECEMBER 2014**

ASX-listed Sydney Airport comprises Sydney Airport Limited (ACN 165 056 360)
and Sydney Airport Trust 1 (ARSN 099 597 921)



ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TTCSAL) is the responsible entity of SAT1.

This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

FINANCIAL REPORT

For year ended 31 December 2014

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DIRECTORS' REPORT

For year ended 31 December 2014

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 31 December 2014 (2013: 100%).

Directors' Report

For year ended 31 December 2014, the directors of SAL submit the following report on the consolidated financial report of ASX-listed Sydney Airport. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together acting as ASX-listed Sydney Airport (or the Group).

For year ended 31 December 2014, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit the following report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal Activities

The principal activity of the Group is the ownership of Sydney Airport. The Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Group. There were no significant changes in the nature of the Group's activities during the period.

The principal activity of the SAT1 Group is to hold financial loan assets. There were no significant changes in the nature of the SAT1 Group's activities during the period.

Directors

The following persons were directors of SAL from the date noted and up to the date of this report.

Name	Role	Period of directorship	ASX-listed Sydney Airport directorship
Max Moore-Wilton	Chairman, Non-executive director	From October 2013	From April 2006
Trevor Gerber	Non-executive director	From October 2013	From May 2002
Michael Lee	Non-executive director	From October 2013	From June 2003
John Roberts	Non-executive director	From October 2013	From October 2009
Ann Sherry	Non-executive director	Appointed 1 May 2014	From May 2014
Stephen Ward	Non-executive director	From October 2013	From February 2011
Robert Morris	Non-executive director	From October 2013, resigned 15 May 2014	From September 2002
Kerrie Mather	Executive director	From October 2013	From July 2010

Max Moore-Wilton has informed the Board that he will retire as director at the Annual General Meeting in May 2015.

The following persons were directors of TTCSAL from the date noted and up to the date of this report.

Name	Role	Period of directorship
Russell Balding	Non-executive director	From October 2013
Patrick Gourley	Non-executive director	From October 2013
Christopher Green	Executive director	Appointed 17 March 2014
David Grbin	Executive director	From March 2010, resigned 17 March 2014

Rupert Smoker ceased to be an alternate director for David Grbin and was appointed an alternate director for Christopher Green on 17 March 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Director Profiles of SAL

Max Moore-Wilton, B Ec, AC

Mr Moore-Wilton has been Chairman of Sydney Airport since April 2006. Prior to this appointment he was Chief Executive Officer of Sydney Airport Corporation Limited (SACL) from January 2003 to April 2006 and Chairman of Southern Cross Airports Corporation Holdings Limited (SCACH) from January 2003. He is the Chairman of ASX-listed Southern Cross Austereo Media Group. Previously, he was Secretary to the Department of the Prime Minister and Cabinet, a position he held from 1996 to 2003 and the former Chairman of the Airports Council International. Mr Moore-Wilton has held a number of key executive roles within the public and private sectors, and has extensive experience in the transport sector. He was appointed a Companion in the General Division of the Order of Australia in the Australia Day Honours List in 2001.

Trevor Gerber, B Acc, CA

Mr Gerber was appointed as a Sydney Airport director in May 2002. He is the Chairman of the SAL Audit and Risk Committee. He is an independent non-executive director of the following ASX listed entities – Tassal Group Limited, Novion Property Group, Leighton Holdings Limited and Regis Healthcare Limited. Mr Gerber is a professional director since 2000. He previously worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust.

Hon. Michael Lee, B Sc, BE, FIE Aust

Mr Lee was appointed as a Sydney Airport director in June 2003. He is the Chairman of the SACL Safety, Security, Environment and Health Committee and a member of the Audit Committee and Nominations and Remuneration Committee. He is the chairman of Communications Alliance. He is a former director of DUET, Superpartners and former Chair of the NSW TAFE Commission Board. Mr Lee served in the Australian Parliament for 17 years and held a number of senior positions in both government and opposition, including serving as Minister for Tourism, Communications and the Arts.

John Roberts, LLB

Mr Roberts was appointed as a Sydney Airport director in October 2009. He is non-executive Chairman of Macquarie Infrastructure and Real Assets (MIRA) and has served on a number of boards and investment committees within MIRA, a division that has around \$100 billion of assets under management. He is also a director of ASX-listed DUET Group and ASX-listed Macquarie Atlas Roads Limited. Mr Roberts joined Macquarie Group in 1991 and previously held roles within Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA), Chairman of Macquarie Infrastructure Company and executive Chairman of Macquarie Funds Group.

Ann Sherry AO, BA, Grad Dip IR, FAICD, FIPAA, HonDLitt Macq

Ms Sherry was appointed as a Sydney Airport director in May 2014. She is the Chief Executive Officer of Carnival Australia, a division of Carnival Corporation, the world's largest cruise ship operator which owns P&O Cruises, Princess Cruises, Cunard, Holland America, Seabourn and others which make up more than 70 per cent of the Australian and New Zealand cruise market. Ms Sherry is also a non-executive director of ING Direct (Australia), The Myer Family Company Holdings Pty Limited and Australian Rugby Union, as well as Chair of Safe Work Australia and Deputy Chair of the Cruise Line Industry Association (CLIA) Australasia. She previously served as First Assistant Secretary, Office of the Status of Women in the Department of Prime Minister and Cabinet, and was formerly the Chief Executive Officer of Bank of Melbourne and Westpac New Zealand and was formerly a non-executive director of Jawun-Indigenous Corporate Partnerships.

Stephen Ward, LLB

Mr Ward was appointed as a Sydney Airport director in February 2011. He is the chairman of the SAL Nomination and Remuneration Committee. He was on the board of MAp Airports International Limited from 2006 until 2012. He is a professional director and lawyer. He is an independent director of Sovereign Assurance Company Ltd, a subsidiary of the Commonwealth Bank of Australia, and a commercial partner of Simpson Grierson, one of New Zealand's largest law firms. He is Deputy Chair of the Life Flight Trust which operates a rescue helicopter in the Wellington region and an air ambulance service throughout New Zealand. He is a member of the Governance Board of Wellington Free Ambulance, and a member of the New Zealand Rugby Union Appeal Council.

Robert Morris, B Sc, BE, M Eng Sci

Mr Morris was appointed as a Sydney Airport director in September 2002 and resigned on 15 May 2014. Previously, Mr Morris was a transport consultant and a director of Aspire Schools Financing Services (Qld) and SA Health Partnership Securitisation. He was also an Executive Director of Leighton Contractors until 2003 and led the successful Leighton proposals for the Eastern Distributor and the Westlink M7 toll roads. Prior to Leighton, he was the Director of the Sydney region of the Roads and Traffic Authority, where he was closely involved with the M2, M4 and M5 motorways, as well as the Sydney Harbour Tunnel.

DIRECTORS' REPORT

For year ended 31 December 2014

Kerrie Mather, BA, MComm

Ms Mather was appointed as Sydney Airport's Managing Director and Chief Executive Officer in July 2011, and has over 18 years of international aviation and transport experience and expertise. She is Deputy Chair of the Tourism and Transport Forum's advisory board and is on the World Governing Board of Airports Council International. Ms Mather has worked with airports in multiple international jurisdictions, including as a Director on the boards of a number of UK and European airports. She has been CEO of the Sydney Airport Group since it was privatised in 2002. In 2011 she led the sale of Brussels and Copenhagen Airports through an asset swap with the Ontario Teachers' Pension Plan Board, and the acquisition of a further interest in Sydney Airport. In 2013 she led the corporate restructure and simplification of the ASX-listed Sydney Airport. Sydney Airport Limited now owns 100% of Sydney (Kingsford Smith) Airport.

Director Profiles of TTCSAL

Russell Balding, AO, Dip. Tech(Com), B Bus, FCPA, MAICD

Mr Balding was appointed as a TTCSAL director on 23 October 2013. He is Chairman of ASX-listed Cabcharge Australia Limited, Deputy Chairman of Destination NSW, a Board Member of Racing NSW, a Board Director of ComfortDelgro Cabcharge Pty Ltd and a Board Director of CityFleet Networks Pty Ltd (UK). He was formerly the Chief Executive Officer of SCACH and the Managing Director of the Australian Broadcasting Corporation.

Patrick Gourley, B Econ (Hons), M Econ

Mr Gourley was appointed as a TTCSAL director in October 2013. Previously, he was a director of SCACH. Prior to that, he was a senior officer of the Australian Department of Industrial Relations from 1989 to 1992, a senior officer of the Department of Defence from 1992 to 2000 and a member of the Military Superannuation Board of Trustees from 1992 to 2000. Mr Gourley is a former director of the Great Energy Alliance Corporation and the Loy Yang Marketing Management Company.

Christopher Green, B Comm, LLB, MBA

Mr Green was appointed as a TTCSAL director on 17 March 2014. He joined Perpetual (which acquired the Trust Company in December 2013) from JP Morgan where he spent ten years with the Institutional Trust Services business first in Europe covering the European, Middle Eastern and African markets then as head of its Australian business. His career began as a solicitor for Corrs Chambers Westgarth. Mr Green is a Deputy Chairman of Australian Securitisation Forum and a member of the Australian Institute of Company Directors. He is currently completing a BA in Philosophy through the University of London.

David Grbin, B Ec (Hons), CA

Mr Grbin was appointed as a TTCSAL director on 1 March 2010 and resigned on 17 March 2014. He joined The Trust Company group in 2008 and prior to the takeover of The Trust Company by Perpetual Limited in December 2013, was Group Executive General Manager, Corporate Client Services and was responsible for The Trust Company group's corporate trust business across Australia, New Zealand and Singapore. He has more than 15 years experience in ASX-listed companies and a background in Chief Financial Officer roles.

Rupert Smoker, B Comm, LLB, F Fin

Mr Smoker was appointed as a TTCSAL alternate director in February 2012 for David Grbin. Mr Smoker ceased to be an alternate director for Mr Grbin and was appointed an alternate director for Christopher Green on 17 March 2014.

He was appointed the Head of Responsible Entity Services, a group within Perpetual Limited (following Perpetual's acquisition of The Trust Company in December 2013). He is responsible for providing independent responsible entity services to a domestic and international client base. Prior to his current role Mr Smoker was the Head of Corporate and Debt Capital Markets Trustee Services, a group within The Trust Company. Mr Smoker was appointed as co-Company Secretary of TTCSAL on 23 October 2013.

Company Secretary Profile

Jamie Motum, B Ec, LLB

Mr Motum was appointed as Company Secretary of ASX-listed Sydney Airport in January 2012, and as Company Secretary of SAL from its incorporation on 30 July 2013. He is a qualified solicitor with over 15 years experience. Prior to becoming General Counsel and Company Secretary of SACL in February 2010, Mr Motum was a partner in the Corporate Group of DLA Phillips Fox specialising in mergers and acquisitions and corporate advisory work where he began his legal career in 1996. Mr Motum was appointed as co-Company Secretary of TTCSAL on 23 October 2013.

DIRECTORS' REPORT

For year ended 31 December 2014

Distributions

The total distribution by ASX-listed Sydney Airport for year ended 31 December 2014 was \$520.9 million or 23.5 cents per stapled security (2013: \$457.0 million or 22.5 cents).

The interim distribution of \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents) was paid on 15 August 2014 by:

- SAL \$133.0 million or 6.0 cents; and
- SAT1 \$121.9 million or 5.5 cents (2013: \$204.7 million or 11.0 cents).

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

There are \$Nil imputation credits (2013: \$Nil) available to pay franked distributions.

Significant Changes in State of Affairs

Finance Facilities and Bonds

In April 2014, the Group successfully issued \$1.0 billion (EUR 700.0 million) of senior secured notes in the Euro bond market maturing in April 2024.

In May 2014, the Group successfully completed a \$1.5 billion senior bank debt raising with tenor ranging from three to five years. Proceeds were used to refinance senior bank debt maturing in 2014, 2015, 2016 and 2017.

By November 2014, the Group finalised a US Private Placement bond of \$574.0 million of 14 and 15 year senior secured notes, maturing in 2028 and 2029. The receipt of proceeds helped to repay the \$700.0 million domestic bond that matured in November 2014.

In December 2014, SAL entered into an unsecured \$15.0 million term facility maturing in February 2018 with Westpac Banking Corporation (WBC). Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2014, \$15.0 million on the term facility was undrawn.

By November 2014, SAL cancelled its \$100.0 million term facility and \$15.0 million working capital facility both with Commonwealth Bank of Australia and WBC. The \$80.0 million drawn under the \$100.0 million term facility was repaid in February 2014.

Distribution Reinvestment Plan

The distribution reinvestment plan (DRP) operated in respect of the half year ended 30 June 2014 distribution. In July 2014, to satisfy the DRP take up, 9.9 million securities were acquired on market for transfer for a total of \$43.1 million. No new securities were issued. Securities were transferred to DRP participants at \$4.33 with no discount applied.

The DRP also operated in respect of the year ended 31 December 2013 distribution. In February 2014, to satisfy the DRP take up, 5.8 million securities were acquired on market for transfer for a total of \$22.8 million and 21.9 million new securities were issued. Securities were transferred to DRP participants at \$3.66 after a 2.5% discount was applied.

Events Occurring After Balance Sheet Date

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

The DRP operated in respect of the year ended 31 December 2014 distribution. In January 2015, to satisfy the DRP take up, 8.2 million stapled securities were acquired on market for transfer for a total of \$40.6 million. No new securities were issued. Securities were transferred to DRP participants at \$4.96 per stapled security with no discount applied.

Since the end of the year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to year ended 31 December 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review

About Sydney Airport

Sydney Airport is Australia's busiest airport. In 2014 the airport was used by 38.5 million passengers and connected Sydney to 44 international, 22 domestic interstate and 22 regional destinations.

Sydney Airport is a major employer in NSW and facilitates \$27.6 billion in economic activity a year. This contribution is equivalent to six per cent of the NSW economy, which translates into more than 283,700 direct and indirect jobs equivalent to eight percent of NSW employment. 28,000 of these jobs are on the airport itself.

There are three passenger terminals at Sydney Airport:

- T1 International Terminal: this terminal is Australia's gateway, handling more than 13.1 million passengers a year
- T2 Domestic Common User Terminal: this terminal is used by domestic and regional airlines
- T3 Qantas Domestic Terminal: this terminal is operated by Qantas and used for domestic and regional flights

Sydney Airport's vision is to deliver a world class airport experience and foster the growth of Sydney Airport for the benefit of Sydney, NSW and Australia.

Sydney Airport's Strategies

Sydney Airport's strategic priorities & opportunities

Increase passenger numbers and aircraft movements	<ul style="list-style-type: none"> • Focused on attracting airlines from the Asian region, which Sydney Airport believe is an area of growth due to the increasing affluence of large emerging markets, particularly China and India • Maintaining relationships with airlines and working with them to encourage increased aircraft size, increased flight frequency on existing routes and to add new routes • Working with tourism authorities and industry groups to develop marketing initiatives to increase the profile of Sydney as an international tourist destination • Working with the federal government to increase air rights to priority market ahead of demand
Improving the customer experience	<ul style="list-style-type: none"> • Focused on listening to customers and improving the experience at every stage of the journey through superior customer service, operational efficiency and technological innovation • Working collaboratively with airlines, government, on-airport businesses, staff and the community to invest in services and infrastructure that improves the safety, efficiency and amenity for those visiting or travelling through Sydney Airport
Leverage the retail business by enhancing our understanding of customer behaviour and meeting customer needs	<ul style="list-style-type: none"> • Focus on providing high quality retail space, maximising passenger "dwell time" in shopping areas and creating an exciting and vibrant retail environment • Continuing to develop a product and merchandise mix to meet the retail expectations of passengers and to identify appropriate retailers who can meet Sydney Airport's service, operational and financial objectives
Growing the property business, targeting high yields	<ul style="list-style-type: none"> • 32.8 hectares of land is allocated for business activities. We seek to optimise the development of available land for commercial activities through the master planning and land use management process
Tailor the car parking business to align with customer needs	<ul style="list-style-type: none"> • Enhancing the car parking business by adding capacity in line with demand • Tailoring the range of car parking products to ensure competitive pricing, customer choice and alignment with customer needs
Effectively utilise assets	<ul style="list-style-type: none"> • Maximising the utilisation and efficiency of Sydney Airport assets • Balancing activity throughout the airfield, terminals and roads to reduce congestion and improve infrastructure utilisation
Effectively manage the capital structure	<ul style="list-style-type: none"> • Maintaining an efficient capital structure with financial flexibility • Maintaining a credit rating of Baa2 / BBB

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Significant risks

Sydney Airport is exposed to a range of risks associated with operating Australia's busiest airport. The strategies developed by the Board and Management to address these risks are reflected on the previous page and in the following pages that describe the four main revenue streams.

Failure to maintain passenger and aircraft movement volumes	<ul style="list-style-type: none"> The business operations and revenues are dependent on the number of passengers that use Sydney Airport, particularly international passengers, which may decline or experience growth constraints due to factors beyond the Airport's control Airline customers may experience adverse financial and operating conditions, which could have a materially adverse impact on aeronautical revenues Aeronautical activities may be limited by the regulations imposed on Sydney Airport's operations The business depends on Sydney Airport's ability to maintain the aerodrome certificate and lease over the Sydney Airport site
Third-party dependencies	<ul style="list-style-type: none"> The operation of Sydney Airport depends upon third parties, whose performance we have limited control over The business operations may be adversely affected if restrictions are imposed on the sale of tax and duty free consumer goods in airports
Asset maintenance	<ul style="list-style-type: none"> The airport asset infrastructure requires significant expenditure to maintain its operational effectiveness. There is a risk that greater than anticipated capital expenditure may be required. This could have a materially adverse impact on Sydney Airport's financial results
Capital management	<ul style="list-style-type: none"> Sydney Airport has significant indebtedness and there is a requirement to refinance portions of this debt on a regular basis
Other	<ul style="list-style-type: none"> Business operations could be materially adversely affected by terrorist attacks and the threat of war Sydney Airport faces risks and liabilities associated with aircraft accidents The airport faces competition for new business from other airports and may face increased competition if the Australian government develops an additional commercial airport, or expands other modes of transport in the Sydney region

Delivering the business model

	Passenger growth	EBITDA growth	Cash flow outcomes	Debt service coverage	Security holder returns
2014	38.5 million passengers	\$948.3 million EBITDA	\$525.1 million net operating receipts	2.3x Cashflow cover ratio ²	\$10.4 billion equity value
2014 Growth	+1.7%	+6.1%	+9.2% ¹	0.1x	+30.5% total return

¹ On a like for like basis adjusting for minority interests in 2013.

² Cashflow cover ratio (CFCR) is calculated using defined terms in the Southern Cross Airports Corporation Holdings Limited (SCACH) group debt documents, summarised by cashflow divided by senior debt interest expense for a rolling 12 month period.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Key performance measures

Measures used to measure the financial performance of Sydney Airport are shown in the table below.

			Growth over 2013
Passengers	38.5 million	1.7%	↑
Revenue	\$1,163.5 million	4.3%	↑
Operating expenditure	\$215.1 ¹ million	-7.1%	↓
EBITDA	\$948.3 million	6.1%	↑
Net operating receipts (NOR)	\$525.1 million	9.2% ²	↑
Distribution to investors	23.5 cents	4.4%	↑

¹ Total expense excludes restructuring and redundancy

² On a like for like basis adjusting for minority interests in 2013

Financial performance analysis

In 2014 Sydney Airport revenues grew 4.3% year on year to \$1,163.5 million, total expenses decreased 7.1% to \$215.1 million and EBITDA grew 6.1% to \$948.3 million. ASX-listed Sydney Airport declared distributions totalling 23.5 cents per stapled security for the full year.

Sydney Airport has four main revenue streams, all of which grew in 2014. The table below displays the main revenue streams and their contributions to total revenue.

Revenue streams

	Revenue \$m	Revenue contribution	Revenue growth
Aeronautical (excl security recovery)	486.8	42%	4.9%
Retail	255.2	22%	5.6%
Property and car rental	194.0	17%	3.6%
Car parking and ground transport	139.9	12%	5.7%

Distributions and Net Operating Receipts (NOR)

NOR provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the infrastructure and, when appropriate, continuing to deleverage the business. The measure is a proxy for free cash flow that is derived from both income statement performance and the cash position of SAL and SAT1.

A reconciliation of profit to NOR is shown on page 62.

Reconciliation of statutory profit to pro-forma profit after income tax expense

The ASX-listed Sydney Airport financial results for 31 December 2014 are represented by the statutory result of the SAL Group for the period 1 January 2014 to 31 December 2014 as disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report.

The ASX-listed Sydney Airport financial results for 31 December 2013 are an aggregation of the results for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report after eliminating the results for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Statutory profit¹ of \$47.1 million was adjusted for the following to determine the ASX-listed Sydney Airport Profit after income tax expense of \$29.2 million:

- interest income from related parties of (\$20.0 million); and
- other expenses of \$2.1 million.

	ASX-listed Sydney Airport 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2013 \$m	Adjustments ² 31 Dec 2013 \$m	ASX-listed Sydney Airport 31 Dec 2013 \$m
Revenue					
Aeronautical revenue	486.8	42.8	421.4	-	464.2
Aeronautical security revenue	81.5	7.3	76.4	-	83.7
Retail revenue	255.2	22.8	218.8	-	241.6
Property and car rental revenue	194.0	16.0	171.2	-	187.2
Car parking and ground transport revenue	139.9	11.2	121.1	-	132.3
Other	6.1	0.8	5.4	-	6.2
Total revenue	1,163.5	100.9	1,014.3	-	1,115.2
Profit on disposal of non-current assets	0.1	-	0.2	-	0.2
Profit on disposal of interest in Newcastle Airport	-	-	9.7	-	9.7
Total other income	0.1	-	9.9	-	9.9
Total revenue and other income	1,163.6	100.9	1,024.2	-	1,125.1
Expenses					
Employee benefits expense	(46.9)	(4.8)	(43.3)	-	(48.1)
Services and utilities	(52.4)	(4.5)	(47.3)	-	(51.8)
Property and maintenance	(19.7)	(2.0)	(16.8)	-	(18.8)
Security recoverable expenses	(71.5)	(6.4)	(66.7)	-	(73.1)
Investment transaction expenses	(1.2)	(5.1)	(16.1)	1.9	(19.3)
Other operational costs	(23.4)	(1.7)	(18.9)	0.2	(20.4)
Restructuring and redundancy	(0.2)	-	-	-	-
Total expenses before depreciation, amortisation and finance costs	(215.3)	(24.5)	(209.1)	2.1	(231.5)
Profit before depreciation, amortisation, finance costs and income tax (EBITDA)	948.3	76.4	815.1	2.1	893.6
Depreciation	(225.0)	(16.4)	(181.8)	-	(198.2)
Amortisation	(101.4)	(8.5)	(93.4)	-	(101.9)
Profit before finance costs and income tax (EBIT)	621.9	51.5	539.9	2.1	593.5
Finance (costs) / income					
Interest income	12.5	1.3	32.9	(20.0)	14.2
Finance costs	(464.1)	(37.7)	(432.4)	-	(470.1)
Change in fair value of swaps	(54.6)	1.0	(12.6)	-	(11.6)
Net finance costs	(506.2)	(35.4)	(412.1)	(20.0)	(467.5)
Profit before income tax expense	115.7	16.1	127.8	(17.9)	126.0
Income tax expense	(58.5)	(44.9)	(51.9)	-	(96.8)
Profit after income tax expense	57.2	(28.8)	75.9	(17.9)	29.2

¹ Statutory Profit is defined as an aggregation of the Profit After Income Tax Benefit / (Expense) for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2013.

² Adjustments are the elimination of the results for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Reconciliation of Net Operating Receipts

NOR provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. The table reconciles the statutory result of ASX-listed Sydney Airport for the period ended 31 December 2014 to its distributions declared.

Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial reports. No comparative data is presented for the previous corresponding period due to the material change in the ownership of Sydney Airport and corporate structure in the second half of 2013. It is expected that comparative data will be presented in the Financial Report for year ending 31 December 2015 onwards.

	ASX-listed Sydney Airport 31 Dec 2014 \$m
Profit before income tax expense ¹	115.7
Add back: depreciation and amortisation ¹	326.4
Profit before tax, depreciation and amortisation	442.1
Add back non-cash financial expenses	
- Capital Indexed Bonds Capitalised ²	29.7
- amortisation of debt establishment costs ²	24.6
- borrowing costs capitalised ²	(8.0)
- change in fair value of swaps ²	54.6
Total non-cash financial expenses	100.9
Subtract other cash movements	
Movement in cash balances with restricted use	(8.7)
Other	(9.2)
Total other cash movements	(17.9)
Net Operating Receipts (NOR)	525.1
Stapled securities on issue ('m) ³	2,216.2
NOR per stapled security	23.7 cents
Distributions declared per stapled security⁴	23.5 cents

¹ These numbers are taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2014.

² These numbers are taken from Note 3 in the Sydney Airport Financial Report for Year Ended 31 December 2014.

³ These numbers are taken from Note 16 in the Sydney Airport Financial Report for Year Ended 31 December 2014.

⁴ These numbers are taken from Note 6 in the Sydney Airport Financial Report for Year Ended 31 December 2014.

Revenue growth at Sydney Airport

Sydney Airport revenue growth is driven by four key inputs:

Passenger growth: Passengers travelling through the airport are the major consumer of the services provided by Sydney Airport. A large majority of aeronautical revenues are directly linked to passenger numbers. Charges are levied per passenger to the airlines for use of the terminal and airfield infrastructure providing a direct linkage. Charges levied on maximum take-off weight provide an indirect linkage as larger or more aircraft are required to transport more passengers. The commercial revenues (retail, property and car rental, car parking and ground transport) are directly and indirectly linked to passenger volumes.

Capital investment: Sydney Airport earns a return on capital investments made in aeronautical and commercial infrastructure. Investment is made to allow more passengers to use the airport, improving the efficiency of the airport and improving the experience of airport customers.

Management initiatives: Management continually review the airport's assets, contracts and operations for opportunities to better utilise assets, increase the value of available space, reduce costs and improve efficiency. These initiatives contribute significantly to increasing real revenues per passenger.

Inflation: Sydney Airport includes inflation linkages in many of its commercial contracts and revenues are thereby directly linked to inflation.

A more detailed analysis of specific growth drivers is provided in the following revenue streams and operating expense sections.

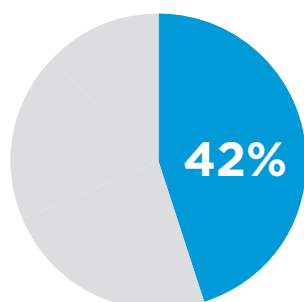
DIRECTORS' REPORT

For year ended 31 December 2014

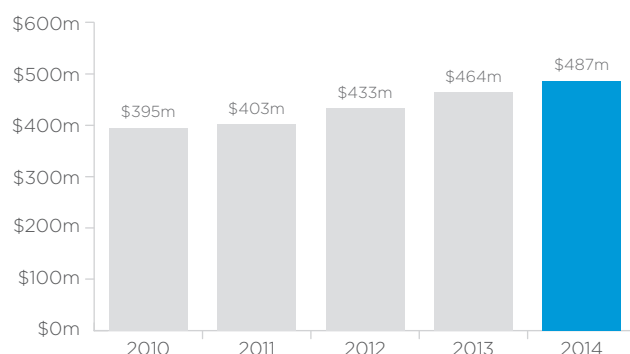
Operating and Financial Review (continued)

Aeronautical Services

Revenue contribution to the Group



Aeronautical revenue (excl security recovery)



**+4.9%
in 2014**

Key Statistics

Traffic	Infrastructure	Network
38.5 million passengers	3 Runways	39 Airlines
25.4 million domestic passengers	103 Aircraft Parking Bays	88 Destinations
13.1 million international passengers	3 Passenger Terminals	26 Countries with direct services from Sydney
327,190 aircraft movements	48 Contact gates	40% of all international passengers to Australia
16.7 million tonnes transported	6 A380 Gates	

About Aeronautical

Aeronautical revenues are derived through charges to airline customers for the use of terminal and airfield infrastructure. Aeronautical charges are charged mainly on a per passenger basis. Revenues derived through aeronautical services grow from both increased passengers and infrastructure investment based charge increases. Sydney Airport's costs of providing security services are recovered from the airlines.

Sydney Airport has three runways – the main north-south runway (4.0 km), parallel north-south runway (2.4 km) and the east-west runway (2.5 km). Terminals include the T1 International with 25 contact gates including six A380 capable gates, T2 Domestic with 23 gates and five international and two domestic freight terminals. Qantas owns and operates the T3 Qantas Domestic terminal and Sydney Airport receives a ground lease recognised in Property and car rental revenue.

2014 Review

Aeronautical revenues (excluding security recovery) grew 4.9% to \$487 million which accounts for 42% of Group revenues. This was driven primarily by international passenger growth of 2.8% (excluding domestic on carriage) and investment in aviation capacity and aeronautical facilities. Recoverable security revenue declined 2.6% in 2014, reflecting the introduction of the new reduced-cost security contract. Aeronautical investments which have had the largest impact on revenue growth during the period, include an additional A380 gate, new apron works, terminal improvements and baggage system enhancements.

('000s)	Total passengers Jan - Dec 2014	Total passengers Jan - Dec 2013	Growth
Domestic	25,351	25,040	+1.2%
International	13,103	12,753	+2.8%
Domestic-on-carriage	42	70	-40.5%
Total	38,496	37,863	+1.7%

Rank	Nationality	2014 passenger growth	Rank	Nationality	2014 passenger growth
1	Australia	+1.4%	6	Korea	+2.7%
2	New Zealand	+0.9%	7	Japan	+0.8%
3	China	+16.4%	8	India	+11.9%
4	UK	-2.1%	9	Malaysia	+11.6%
5	USA	+5.0%	10	Germany	+0.4%

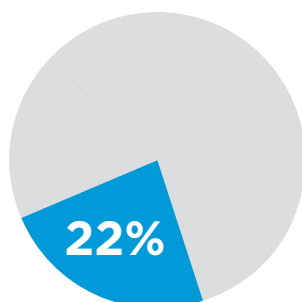
DIRECTORS' REPORT

For year ended 31 December 2014

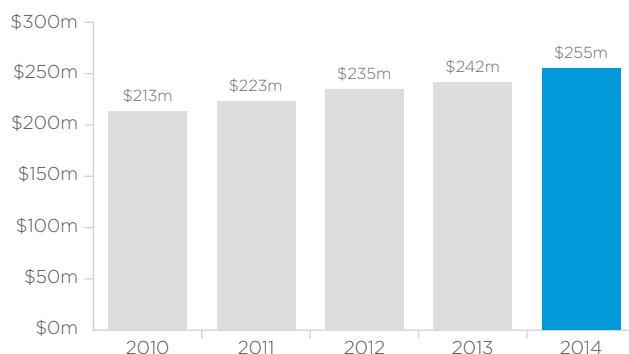
Operating and Financial Review (continued)


Retail

Revenue contribution to the Group



Retail revenue




**+5.6%
in 2014**

Key Statistics

- T1 International terminal - 20,765 m², with 127 stores
- T2 Domestic terminal - 4,637 m² with 57 stores
- 596 digital and static advertising sites
- Approximately 100 minutes average dwell time in the international terminal post security

About Retail

Retail revenues comprise rental leases of 184 retail outlets and licensing of advertising rights in and around T1 International and T2 Domestic terminals. Retail tenant activities include the sale of duty free, food and beverage, news and books, fashion, gifts and currency exchange services. Sydney Airport has an extensive network of digital and static advertising sites in terminals, beside access roads and on car parks, leased to advertising agencies under two major contracts. Retail income is supported by a high level of minimum guaranteed rent, which accounted for above 90% of revenue from retail activities in 2014.

2014 Review

Retail revenue increased 5.6% to \$255 million which accounts for 22% of Group revenues. During the year, Sydney Airport completed the duty free retender with the selection of Gebr. Heinemann. The new contract formally commenced on 17 February 2015 and will run for seven and a half years until 31 August 2022. The year also saw the start of the staged re-development of the T1 International landside foodcourt which will allow for 15 new tenancy fit-outs and will be complete in the second quarter of 2015. T2 Domestic retail revenues grew strongly, driven by increased passenger numbers and also the full year effect of the increased retail offering (completed in late 2013) following the expansion of T2 Domestic Pier A. Advertising revenues grew by 13% through an increased level of demand, the addition of new sites and the refurbishment and upgrade of existing sites.

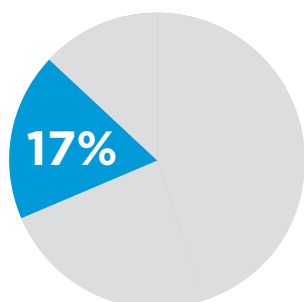
DIRECTORS' REPORT

For year ended 31 December 2014

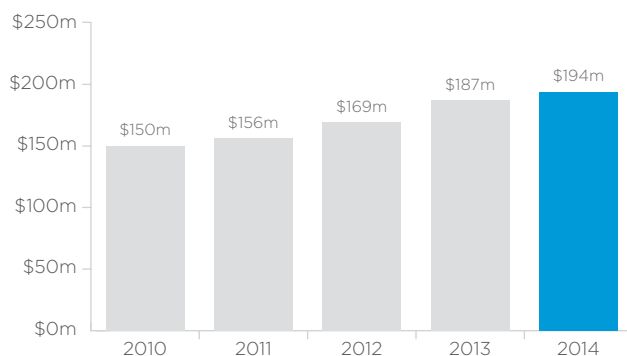
Operating and Financial Review (continued)


Property and Car Rental

Revenue contribution to the Group



Property and Car Rental revenue




**+3.6%
in 2014**

Key Statistics

- Gross lettable area of 937,800 m²
- 534 sites
- 162 tenants
- 313 property licences and lease agreements
- Six car rental operators
- Lounges – Eight in T1 International and two in T2 Domestic

About Property and Car Rental

Property and car rental revenues comprise of rents from leases for sites, buildings and other facilities around the airport. Leases include airline lounges, airline offices, freight facilities, hotel sites, the T3 Qantas Domestic terminal, aircraft hangars, sites on the airport perimeter, buildings such as Customs House and car rental areas. Property tenants require proximity to Sydney Airport terminal, airfield and key infrastructure assets to conduct their businesses which provides a unique market to support the property portfolio.

2014 Review

Property and car rental revenue increased 3.6% to \$194 million which accounts for 17% of Group revenues. Growth was driven by new tenancies and rent reviews with occupancy remaining at 98%. Four additional airline lounge areas opened in late 2013 and 2014 and include the Virgin expansion at T2 Domestic terminal and in T1 International, Etihad, Skyteam and American Express (both operated by Plaza Premium), contributed to the growth in revenue. The Rydges hotel opposite T1 International performed strongly in 2014. Sydney Airport received approval to develop a minimum service two / three star 126 room hotel next to the existing Ibis Budget hotel, adjacent to the T2/T3 precinct.

New car rental contracts were negotiated in 2014 with all six existing on-airport car rental operators. Additional operational parking spaces at Domestic and International precincts are being made available to facilitate demand from the car rental industry. The Northern Airport Precinct Landside Bridge project commenced in 2014 which will initially provide access to 3 hectares of vehicle storage area.

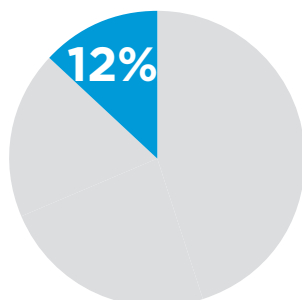
DIRECTORS' REPORT

For year ended 31 December 2014

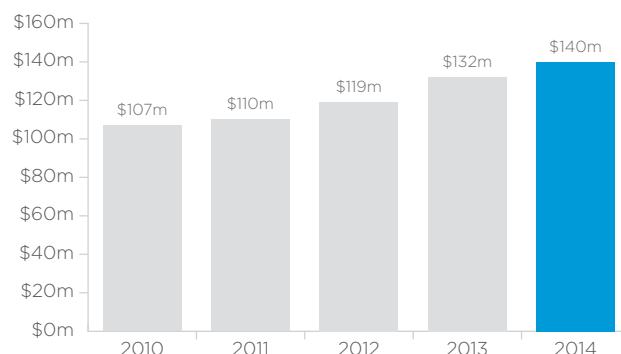
Operating and Financial Review (continued)

Car Parking and Ground Transport

Revenue contribution to the Group



Car Parking and Ground Transport revenue



**+5.7%
in 2014**

Key Statistics

- 16,864 spaces of which:
 - T1 International – 6,162 spaces
 - T2/T3 Domestic – 3,678 spaces
 - Blu Emu – 6,117 spaces
 - Valet – 907 spaces
- 400,000 registered online users
- 39% growth in online bookings

About Car Parking and Ground Transport

Car parking and ground transport revenue comprises time-based charges from car parking services from 16,864 car parking spaces as well as charges from taxis, buses and limousines collecting passengers from the airport. 29% of revenues from car parking services are derived from online bookings. Sydney Airport operates three major car parks, the T1 International car park opposite the terminal, the Domestic car parks located in between T2 Domestic and T3 Qantas Domestic terminals and the Blu Emu car park located on the south eastern side of the airport with a shuttle bus service to the domestic terminals. Domestic passengers account for the majority of car parking service revenues.

2014 Review

Car parking and ground transport revenue increased 5.7% to \$140 million which accounts for 12% of Group revenues. Growth of 5.7% is relative to 1.2% growth in domestic passengers reflecting the growth of online products and the improved utilisation of car parking infrastructure. Online bookings now contribute approximately 29% of car parking revenues and online offers continue to be refined to ensure that they target off-peak periods and long-stay customer segments. Sydney Airport's online products provide customers with more choice and a clear value proposition which in turn has resulted in higher occupancy of all car parks. In addition to the online product expansion, car parking revenues benefited from a capacity expansion of 964 spaces in the domestic precinct.

Sydney Airport commenced implementation of its new comprehensive Five Year Ground Transport Plan in 2014 in consultation with the NSW Government. The plan will improve traffic flow at the airport with new and reconfigured roads, a ground transport interchange with facilities to encourage greater use of public transport and improved pedestrian and cycle paths.

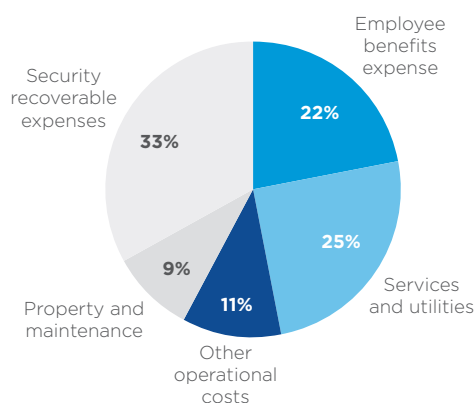
DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Operating Expense

Underlying operating expense by category



Operating expense by category	2014 \$m	2013 \$m	Change %
Employee benefits expense	46.9	48.1	-2.5%
Services and utilities	52.4	51.8	1.2%
Property and maintenance	19.7	18.8	4.8%
Security recoverable expense	71.5	73.1	-2.2%
Investment transaction expense	1.2	19.3	-93.8%
Other operational costs	23.4	20.4	14.7%
Total expense ¹	215.1	231.5	-7.1%

¹ Total expense above excludes restructuring and redundancy

2014 Review

Sydney Airport operating expenses fell 7.1% compared to 2013. The main driver of this was the fall in investment transaction expenses which were one-off costs relating to the minority acquisition and restructure of the ASX-listed Sydney Airport group (Simplification). Underlying operating costs (excluding investment transaction expenses and security recoverable expenses) rose by 2.2% approximately in-line with CPI and demonstrating tight control over the operating cost base.

Employee benefits expense

Employee benefits includes the salaries and benefits of 348 permanent employees and contractors engaged by Sydney Airport. Costs decreased 2.5% year on year as a result of insourcing work through permanent staff previously conducted by contractors and higher vacancy rates compared to 2013.

Services and utilities

Service and utilities includes the cost of electricity, water and gas used by the airport as well as cleaning, car park and kerbside management and bussing. Costs have been contained at 1.2% growth year on year, well below the CPI rate. This is primarily due to lower utility costs following the repeal of the carbon tax from 1 July 2014 and the renegotiation of utility supply contracts at lower rates taking advantage of market conditions.

Property and maintenance

Property and maintenance covers the cost of maintaining airfield and airport infrastructure which is contracted through five major service contracts. Costs have increased 4.8% year on year driven by an increase in the asset base to be maintained. This has helped deliver capacity increases and overall revenue growth.

Security recoverable expenses

This relates to the cost of the provision of Government mandated security measures such as passenger and baggage screening. Security costs are recovered from the airlines through per passenger charges at no margin. Security recoverable costs have fallen 2.2% year on year following the retendering of the provision of the main security contract at the end of 2013 and working with airlines to drive efficiencies in security processing.

Investment transaction expense

Investment expenses relate to the costs associated with transactions and corporate structuring. The 2014 expenses relate to asset valuation and advisory costs resulting from the simplification transaction. The 2013 expense related to the implementation of the simplification completed at the end of 2013.

Other operational costs

Other operational costs includes corporate costs. These costs have increased 14.7% year on year. This is a result of increased corporate costs following the finalisation of the simplification of the group in 2013 and the Macquarie Group in-specie distribution of its entire holdings of ASX-listed Sydney Airport securities. This has led to a significant increase in the breadth of the investor base driving an increase in corporate management, registry and compliance costs. In addition, more funds have been allocated to marketing expenses which has helped to drive the revenue growth in online car parking.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Equity

2014 Distribution

The total distribution by ASX-listed Sydney Airport for the year ended 31 December 2014 was \$520.9 million or 23.5 cents per stapled security (2013: \$457.0 million or 22.5 cents).

An interim distribution of \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents) was paid on 15 August 2014 by:

- SAL \$133.0 million or 6.0 cents; and
- SAT1 \$121.9 million or 5.5 cents (2013: \$204.7 million or 11.0 cents).

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

There are \$Nil imputation credits (2013: \$Nil) available to pay franked distributions.

Distribution reinvestment plan

The distribution reinvestment plan (DRP) operated in respect of the distribution for the half year ended 30 June 2014. In July 2014, to satisfy the DRP take up, 9.9 million stapled securities were acquired on market for transfer for a total of \$43.1 million. No new securities were issued. Securities were transferred to DRP participants at \$4.33 per stapled security with no discount applied.

The DRP operated in respect of the distribution for the year ended 31 December 2014. In January 2015, to satisfy the DRP take up, 8.2 million stapled securities were acquired on market for transfer for a total of \$40.6 million. No new securities were issued. Securities were transferred to DRP participants at \$4.96 per stapled security with no discount applied.

The DRP also operated in respect of the distribution for the year ended 31 December 2013. In February 2014, to satisfy the DRP take up, 5.8 million stapled securities were acquired on market for transfer for a total of \$22.8 million and 21.9 million new securities were issued. Securities were transferred to DRP participants at \$3.66 per stapled security after a 2.5% discount was applied.

The 2013 DRP proceeds were utilised to fully repay the SAL debt facility. This was drawn to partially fund the ATO settlement, stamp duty and costs associated with the 2013 simplification.

Capital Management

Sydney Airport maintains a strong focus on prudent capital management by proactively diversifying the debt portfolio and addressing the refinancing of debt well in advance of its maturity. This strategy further strengthens the capital structure and creates a strong platform for future raisings.

2014 refinance summary

During the year, Sydney Airport successfully completed a landmark refinancing, issuing into two new debt capital markets and restructuring its bank debt portfolio. The \$3.1 billion refinancing comprised the European bond (EMTN) of A\$1.0 billion, bank debt facilities of \$1.5 billion, and US Private Placement (USPP) bonds of A\$0.6 billion.

Outcomes of this refinancing contributing to the key debt metrics below as at 31 December 2014 were:

- \$1.0 billion of undrawn facilities available to cover current liabilities, fund growth capital expenditure into 2018 and cover any working capital requirements
- Weighted average debt maturity lengthened by over two years to mid-2022
- Next debt maturity is in the second half of 2015 which represents only 6% of total debt outstanding

Category	31 December 2014	31 December 2013
Net debt	\$ 6.6 billion	\$ 6.3 billion
Net debt / EBITDA	6.9x	7.0x
Cash flow cover ratio	2.3x	2.2x
Credit rating (S&P / Moody's / Fitch)	BBB / Baa2	BBB / Baa2 / BBB
Average maturity	Mid-2022	Mid-2020

DIRECTORS' REPORT

For year ended 31 December 2014

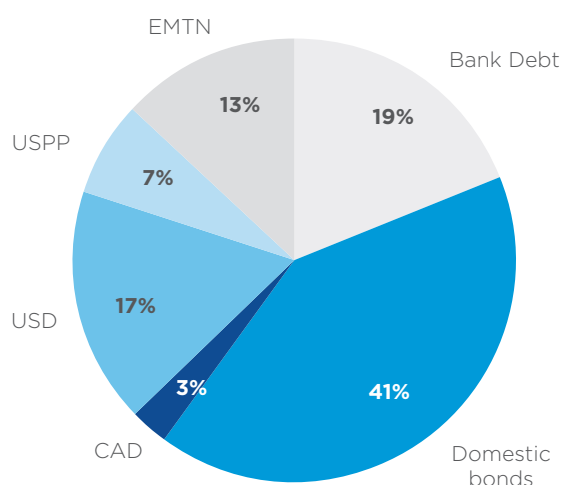
Operating and Financial Review (continued)

Capital Management (continued)

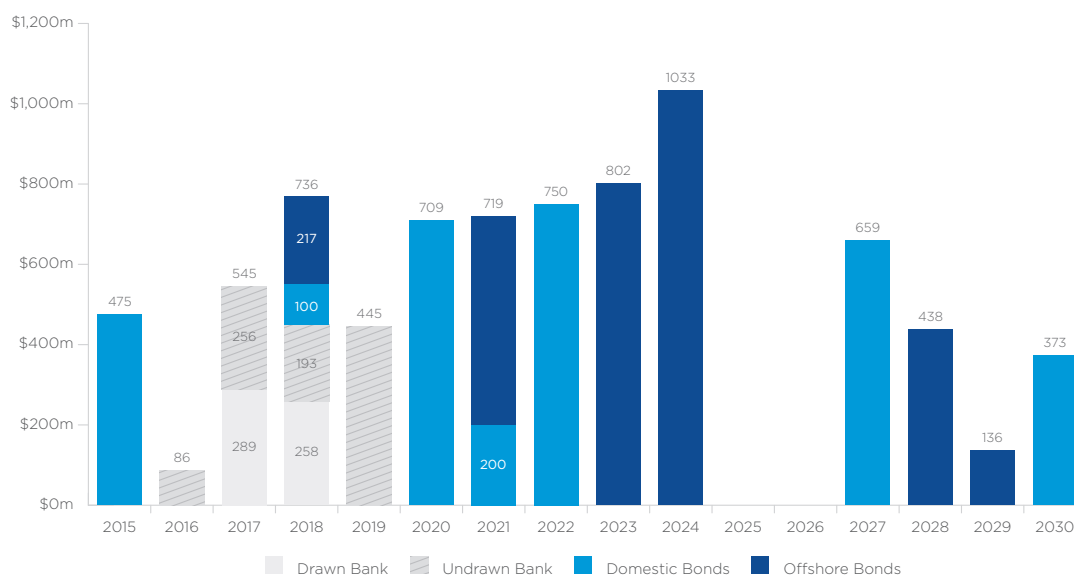
Sydney Airport executed interest rate and cross currency hedges over 2014 with tenors ranging between five and 10 years. All foreign currency debt is 100% hedged. Interest cost is stable with 83% of interest rate exposure hedged as at 31 December 2014 and 70% of interest rate exposure hedged for the next five years.

The SAL Group is in a net current liability position of \$487.3 million at 31 December 2014. This is primarily attributable to \$474.0 million of domestic bonds classified as current borrowings (previously non-current borrowings), which are fully covered by undrawn committed bank facilities.

Funding portfolio by category



Debt maturity profile - drawn and undrawn debt



DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Capital expenditure

Capital expenditure for 2014 of \$241.5 million was invested in capacity and service improvements.

Major projects undertaken during the year:

Category	Project description	Benefits	Completion
Airfield	Resheet and improvements of taxiways B and C to the south of T2	• Asset life extension	Mid 2015
	Runway lighting	• Upgrade of centre lighting on third runway for enhanced safety and increased operational usage during low visibility	February 2015
	Aprons	• Commenced work to create two new layover aprons in the South East Sector to accommodate Code F (A380) aircraft	December 2015
Terminals works	Baggage	• Two additional A380 capable baggage carousel belts, facilitating additional capacity	Staged completion from October 2014
		• New early bag store and additional sorting and make-up facilities	Staged completion from October 2014
	Gates	• Upgauge of Bay 50 to accommodate Code E (B787, A350) aircraft	Mid 2015
		• Expanding the Northern Concourse gate lounges 8, 9 and 10 to accommodate A380s	Mid 2015
	Terminals	• Major restructuring of the International Terminal space to improve passenger experience, seating and retail offerings in Departures and Arrivals	Late 2016
Car parking and ground transport	T1 road and car park improvement	• Improvements to International Terminal Pier C with expanded seating capacity and improved natural light	Completed December 2014
		• New centre road to streamline traffic flow through the precinct	First stage completed December 2014
		• New dedicated express pick-up zone	
		• Expansion of pre-book taxi area and limousine facility	
		• 45% increase in the number of entry and exit boom gates	

Cashflow

Category (\$m)	ASX-listed Sydney Airport 31 December 2014	ASX listed Sydney Airport 31 December 2013 ¹
Net cash flows from operating activities	985.3	896.3
Net cash flows used in investing activities	(296.4)	(350.6)
Net cash flows used in financing activities	(685.4)	(536.1)
Net increase in cash and cash equivalents held	3.5	9.6

¹ These numbers are taken from the Sydney Airport Pro Forma Financial Statements for Year Ended 31 December 2014

Net cash inflows from operating activities have increased during the year due mainly to increased airport revenues received offset by airport operating expenses paid.

The prior year's outflows in investing activities included \$69 million paid to the ATO on settlement of the specific issue tax audit as described in Section 2.3 of the Sydney Airport Financial Report for Year Ended 31 December 2014 and \$63 million paid to the NSW Office of State Revenue for stamp duty relating to the minority acquisitions as described in Section 2.3 of the Sydney Airport Financial Report for Year Ended 31 December 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Operating and Financial Review (continued)

Cashflow (continued)

Cash flows from financing activities in 2014 reflects \$1.6 billion received mainly from the European bond issuance and the US private placement as described in the Capital Management section of the Operating and Financial Review, with repayments of bank debt and bonds amounting to \$1.7 billion. Distributions were paid to ASX-listed Sydney Airport security holders during the year amounting to \$485 million. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for Year Ended 31 December 2014.

Likely developments

Western Sydney Airport

Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, Sydney Airport has a Right of First Refusal, which gives Sydney Airport the opportunity to develop and operate a second major airport within 100 kilometres of Sydney's CBD. In April 2014, the Australian Government announced that Badgerys Creek would be the site for the Western Sydney airport.

On 18 August 2014, the Commonwealth issued, and Sydney Airport accepted, the Notice to Consult on the development and operation of a Western Sydney airport. The nine-month consultation period commenced on 30 September 2014. Sydney Airport established a team of internal and external experts to examine the business case and evaluate the opportunity:

- The work streams include but are not limited to passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, funding and financial modelling
- Work streams mirror the program established by the Commonwealth's Western Sydney Unit

Following the end of the formal consultation and after a period of consideration, the Commonwealth may enter a contractual phase which would involve issuing Sydney Airport a Notice of Intention setting out the material terms for the development and operation of the Western Sydney airport. The Commonwealth would then allow Sydney Airport four or nine months to consider the exercise of its option.

Sydney Airport anticipates that its business case analysis and evaluation of the opportunity would continue through both the consultative and subsequent contractual phase; these are expected to take up to a further 18 months to complete.

New duty free partner

In September 2014, Sydney Airport announced the appointment of Gebr. Heinemann as the new duty free partner. The new contract formally commenced on 17 February 2015 and will run for seven-and-a-half years until 31 August 2022. Following a review of the retail tenancy mix, duty free has been allocated additional space, although the total retail footprint has not increased. Revenue will be further enhanced from 2016 once new initiatives have been completed.

Reversion of Terminal 3

Terminal 3 is currently operated by Qantas. There are various lease arrangements currently in place between Sydney Airport Corporation Limited (SACL), a subsidiary of ASX-listed Sydney Airport, and Qantas in relation to Terminal 3. As part of these lease arrangements, SACL is required to acquire Terminal 3 buildings and fixtures on expiry of the lease in 2019.

International aeronautical pricing agreement

The international aeronautical pricing agreement for the use of Terminal 1 and associated airfield infrastructure expires on 30 June 2015. Sydney Airport is currently working towards a new comprehensive agreement with the airlines and the Board of Airline Representatives of Australia (BARA) – as representative of 29 international airline partners flying from Sydney Airport. This agreement may include elements relating to future prices, investments and service levels.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report

Contents

1. Introduction
2. Nomination and Remuneration Committee
3. Remuneration Principles, Policy and Structure
4. KMP Remuneration Arrangements for Year Ended 31 December 2014
5. Non-Executive Directors' Remuneration

1. Introduction

The directors present the Remuneration Report for Sydney Airport Limited (SAL) for the period 1 January 2014 to 31 December 2014. The information in this report has been audited in accordance with section 308(3C) of the Act.

This report details remuneration arrangements for key management personnel (KMP) who are defined as those persons having the authority and responsibility for planning, directing and controlling the major activities of SAL, directly or indirectly. They include the Non-Executive Directors (NEDs) of SAL, the Chief Executive Officer (CEO) and other key Executives who are employed by Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of SAL.

1.1. Directors

The following persons were directors of SAL (identified as the parent of ASX-listed Sydney Airport) for the period from 1 January 2014 to 31 December 2014 and up to the date of this report:

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	Appointed 18 October 2013
Trevor Gerber	Non-Executive Director	Appointed 18 October 2013
Michael Lee	Non-Executive Director	Appointed 18 October 2013
Robert Morris	Non-Executive Director	Appointed 18 October 2013, resigned 15 May 2014
John Roberts	Non-Executive Director	Appointed 18 October 2013
Stephen Ward	Non-Executive Director	Appointed 18 October 2013
Ann Sherry	Non-Executive Director	Appointed 1 May 2014
Kerrie Mather	Executive Director	Appointed 18 October 2013

1.2. Key Management Personnel

The following individuals were determined to be KMP by the directors for year ended 31 December 2014. During the year, there was one change to key management personnel following the resignation of Mr Mentzines who ceased to be KMP on 24 October 2014. Mr Wehby commenced as CFO on 27 October 2014.

Key Executive	Title	2014	2013
Kerrie Mather	Managing Director and Chief Executive Officer	✓	✓
Stephen Mentzines	Chief Financial Officer	✓	✓
Hugh Wehby	Chief Financial Officer	✓	x
Shelley Roberts	Executive Director Aviation Services	✓	✓

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

2. Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) of SAL is responsible for making recommendations to the Board on director and executive remuneration policy and structure.

In 2014 the Nomination and Remuneration Committee comprised of three Non-Executive Directors:

- Stephen Ward (Chairman)
- Max Moore-Wilton
- Michael Lee

2.1. Remuneration Consultant

The NRC retained Ernst & Young as an independent Remuneration Consultant to provide advice to the NRC in relation to executive remuneration and executive incentive structures, as required.

Instructions in relation to the work required of Ernst & Young came directly from Mr Ward on behalf of the NRC. Ernst & Young did not undertake any work for management. All reports provided by Ernst & Young are addressed to and directed to Mr Ward, unless otherwise instructed.

In providing its advice, Ernst & Young fully complied with the provisions of Part 2D.8 of the Act. No "remuneration recommendation" (as defined) was provided by Ernst & Young in the course of its work during the year ended 31 December 2014. The fees paid to Ernst & Young throughout 2014 for remuneration advisory services were \$71,070.00.

3. Remuneration Principles, Policy and Structure

Sydney Airport's remuneration strategy aims to attract, retain and motivate high performing individuals and align the interests of executives and security holders, and is tailored to the unique characteristics of the business.

3.1. Background

Sydney Airport is an ASX50 entity with an enterprise value of approximately \$17.2 billion at 31 December 2014. Sydney Airport is one of the most significant transport infrastructure facilities in Australia. It is a highly complex asset and facilitates the movement of people and goods to allow the economy and transport network to function effectively.

The CEO and direct reports (Executives) have oversight and accountability for the development, operation and security of the airport facilities, supporting a diverse range of aeronautical, retail, car parking and property businesses. The Executives have oversight of significant ongoing capital expenditure and the development of a forward-looking strategic plan, incorporating runway upgrades, taxiway upgrades, apron development, car park development, terminal expansions, retail and commercial developments, and other significant initiatives. Since privatisation in 2002, Sydney Airport has invested more than \$2.6 billion in capital works. Executives are also accountable for a wide range of stakeholder relationships including airlines, passengers, concessionaires, tenants, service providers, government, regulatory bodies and the community.

Executives' remuneration and performance awards are determined by the Board and NRC. In determining awards, the Board and NRC take into consideration:

- the complexity of the business;
- the responsibility of each Executive;
- the Executive's experience and tenure; and
- the Executive's performance against key objectives.

Additionally, Executive's salaries are benchmarked against comparable market participants based on advice from remuneration consultants.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

3.2. Remuneration structure for Executives (including KMP) at 31 December 2014

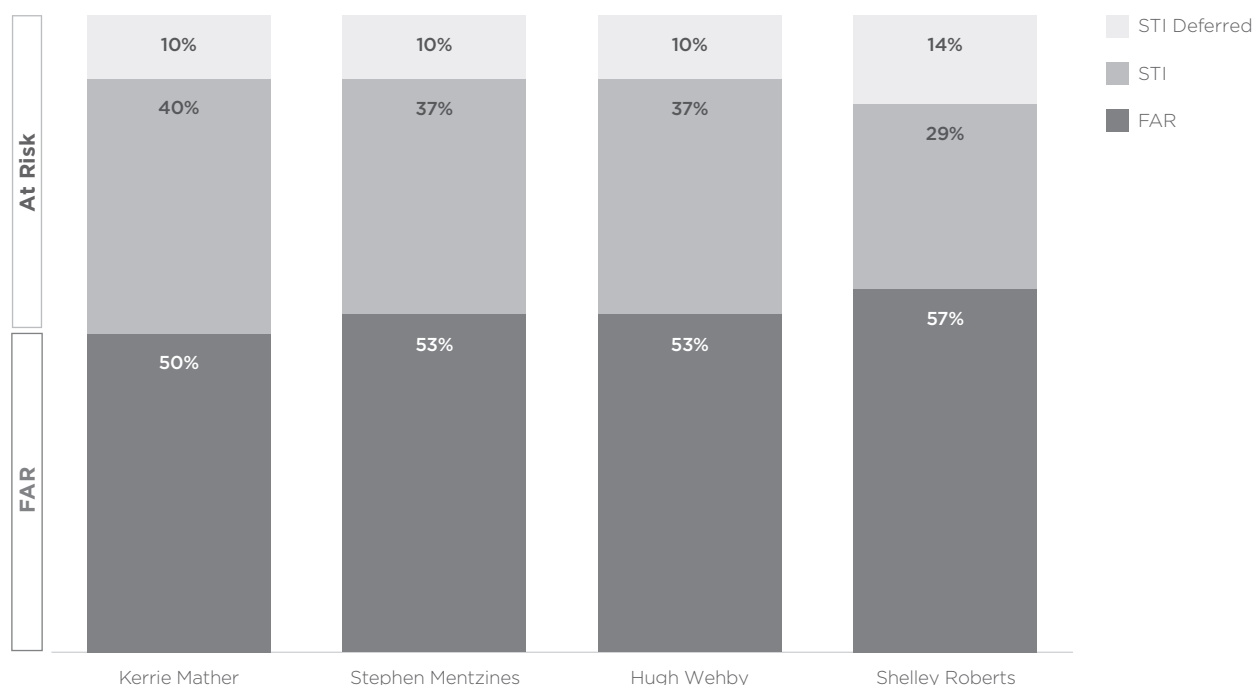
The remuneration structure of the Executives (including KMP) comprises of:

- fixed annual remuneration (FAR), consisting of base salary and benefits inclusive of the minimum regulatory superannuation contribution; and
- at risk remuneration (ARR), being the components which are variable and directly linked to the delivery of individual key performance targets and Sydney Airport's key financial and business objectives.

From 2015, SAL will implement an equity-based long-term incentive (LTI) plan for the CEO and other Executives.

Full details of the terms of the LTI, and the proposed initial grant to the CEO, will be provided to security holders in the Notice of Meeting for the 2015 AGM.

The remuneration mix for the CEO and KMP for 2014 is expressed as a percentage of total remuneration, in the below table:



3.2.1. At Risk Remuneration

The Board is focused on maximising security holder value by linking business performance with Executives' remuneration outcomes. A significant element of their potential remuneration is at risk and linked to corporate performance.

ARR is currently provided to Executives through a Short Term Incentive Plan (STI), including a deferral element.

A number of performance measures are used in determining an Executive's STI. They are underlying financial performance, underlying business performance, implementation of key strategic initiatives, stakeholder engagement and people & safety.

3.2.2. Performance setting

Individual key performance targets are approved by the NRC at the beginning of each performance year. Key performance targets are selected for their relevance to the short and long term objectives and priorities for the business.

An Executive's performance outcome is used as the basis to determine their STI award. The STI award is determined after the preparation of the financial results each year and the completion of the annual performance review process. The STI award is generally granted to Executives in March, with the cash component paid at the time. Maximum potential STI awards for year ended 31 December 2014 range from 37.5% up to 100.0% of FAR and the maximum awarded ranged from 0% to 100.0%.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

3.2.3. CEO STI deferral

To promote CEO retention, 20.0% of any STI award up to 100.0% of FAR, and 1/3 of any amount in excess of 100.0% of FAR is deferred for two years from the date of the award. The deferred cash amount earns market rate interest over the two year period and is payable to the CEO upon vesting, subject to continuous service throughout the period.

3.2.4. Other Executives' STI deferral

To promote retention, other Executives have a predetermined element of their at risk remuneration opportunity delivered in the form of a deferred cash award. Any cash award subject to deferral made under this plan is subject to a two year deferral from the date of the award. The deferred cash amount earns market rate interest over the two-year period and is payable to the Executive upon vesting, subject to continuous service throughout the period.

3.3. Link between remuneration and performance

History of corporate performance

Measure	2014	2013	2012	2011	2010
Security price at year end	\$4.71	\$3.80	\$3.38	\$2.66	\$2.99
Ordinary distribution paid per security	\$0.235	\$0.225	\$0.21	\$0.21	\$0.21
Other cash payments to security holders	-	-	-	\$0.80	\$0.125
Earnings before interest, tax, depreciation and amortisation ¹ (EBITDA) (\$ million)	\$953.1	\$910.3	\$848.0	\$789.8	\$773.0

¹ These numbers are taken from the Consolidated Income Statements in the Southern Cross Airports Corporation Holdings Limited (SCACH) Audited General Purpose Financial Report

2014 Corporate performance

Sydney Airport's security price performed strongly in 2014, with a total shareholder return of 30.5%. This compares to the ASX200 Accumulation Index return of 5.6%. A 23.5 cents per security annual distribution was declared, 100% covered by Net Operating Receipts. This represents a 5.5% cash yield to investors (based on the average security price over the 1 January to 31 December 2014 period).

The graph below presents Sydney Airport's five-year total shareholder return relative to the ASX200 Accumulation Index performance over the same period.



DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

Drivers of the strong performance include:

- Record passenger numbers travelling through Sydney Airport: 38.5 million in 2014 up from 37.9 million in 2013 representing 1.7% total growth, 2.5% international growth and 1.2% domestic growth;
- SCACH EBITDA growth of 4.7% to \$953 million, driven by management growth initiatives across the business and prudent operating expense control;
- Completion of the duty free contract retender (Sydney Airport's largest commercial contract) resulting in the selection of Gebr. Heinemann. The new contract formally commenced from February 2015;
- Successful refinancing of \$3.1 billion of debt on improved terms and extending the average maturity of the debt portfolio into 2022. The new debt includes funds sourced from the European bond, US private placement and Australian bank debt markets and is sufficient to fully cover the capital expenditure program into 2018;
- Delivery of significant capacity expansions and passenger experience improvements through investing \$241 million on facilities and infrastructure; and
- Active engagement in formal consultation with the Commonwealth Government in relation to a Western Sydney airport, under Sydney Airport's right of first refusal.

Performance of Executives

Group objectives are used to determine 50.0% of an Executive's STI and Individual targets that are unique to the Executive's area of accountability and expertise are used to determine the remaining 50.0% of the Executive's STI outcome for 2014. The objectives are both qualitative and quantitative in nature and measurement. They have been assessed as being central to business performance, efficiency, and sustainability.

In 2014, these objectives included:

- Operational performance
- Safety management
- Customer and stakeholder engagement
- Project execution and delivery
- Financial and risk management
- Strategy delivery and implementation
- Continuous improvement, leadership and people management

The following table sets out the group performance objectives used in determining the Executives' STI outcomes for 2014:

Objective	Performance Outcome
Financial Performance:	SCACH EBITDA growth of 4.7% from 2013 Average SCACH EBITDA growth of 6.7% p.a. since 2009 Security holder distribution growth of 4.4% in 2014 Total security holder return of 30.5% in 2014
Business/Operational Performance	Traffic growth of 1.7% Aeronautical revenue growth of 4.9% Retail revenue growth of 5.6% Property and car rental revenue growth of 3.6% Car parking and ground transport revenue growth of 5.7%
Customer and Stakeholder Engagement	A continued focus on working collaboratively with the many airport stakeholder groups has resulted in a number of key business achievements during the performance period: <ol style="list-style-type: none"> Development Approval for Ground Transport works and the NSW Government's financial commitment of \$282m will underpin a significant investment in ground access to and from Sydney Airport. Extensive stakeholder engagement resulted in unanimous support for the jointly developed strategy from airlines, councils and local communities.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

Objective	Performance Outcome
Customer and Stakeholder Engagement (continued)	<p>b. On time and unconditional approval of the 2033 Master Plan, following a comprehensive stakeholder engagement campaign which attracted an unprecedented level of public interest and support.</p> <p>c. In 2014 Sydney Airport achieved Level 1 ACI Carbon Accreditation, and in the latter half of the year commenced a comprehensive mapping process which will influence the development of a strategy to achieve Level 2 accreditation. This work forms a part of our commitment to be carbon neutral by 2020.</p> <p>d. Sydney Airport strengthened its already strong community engagement with a multi-faceted approach in 2014, encompassing sponsorship of local and major events, charitable donations and partnering with numerous charities, sporting organisations and local schools. In 2014, Sydney Airport ran its third annual Sydney Airport Community Christmas Giving Appeal in partnership with Variety – the Children's Charity. The six week campaign, held in the lead up to Christmas, comprises a number of fundraising events and activities involving the broader airport community. This year's appeal was a great success raising over \$263,000 for the children and families supported by Variety. Sydney Airport were proud sponsors of a number of Sydney based cultural celebrations throughout the year which included sponsorship of the NSW Tourism Awards. Through our School Grants Program, contributions have been made to 13 schools in the local community.</p> <p>e. During 2014, there was an unprecedented level of investor engagement through formal meetings and roadshows. Both foreign ownership and retail ownership have increased, and Sydney Airport was a finalist in the Australasian Investor Relations Association Awards for ASX50 companies.</p>
Organisational Development, People and Safety	<p>Diversity</p> <p>In 2014, the total number of women employed by Sydney Airport has increased from 104 to 107, and the proportion of women across the broader workforce has remained constant at 30.9%. At the Board level, the ratio of women to men has improved from 1:6 to 2:5 with the appointment of Ann Sherry in May 2014.</p> <p>Safety Management System</p> <p>In 2014, Sydney Airport developed and implemented a contemporary Safety Management System. The implementation of this updated framework for managing safety, as well as a bespoke enterprise wide training program for all staff has coincided with a reduction in both the number of Lost Time Injuries and the Lost Time Injury Frequency Rate (LTIFR) during the year.</p> <p>Organisation Development</p> <p>In 2014, Sydney Airport introduced a behavioural competency assessment component to performance measurement, which will underpin the continued development of organisational capability and culture. In the 2014 year, Sydney Airport conducted 6,013 hours of training; this was comprised of face to face, online and workshop based programs. Key areas of focus were: Safety, Management Training, Communications, Presenting with Confidence and a variety of other programs to enhance staff capability and confidence.</p>

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

Performance pay outcomes for 2014

The Board and NRC review the overall performance outcome for an individual based on the agreed performance objectives (as outlined in the table above) but retains overriding discretion when determining the value of any STI award to a KMP. The following table shows the 2014 STI outcomes for KMP based on the performance criteria and measurement outlined above.

KMP	STI outcome % of maximum	Actual STI awarded Cash award \$	STI deferred \$	STI forfeited %
Kerrie Mather	100%	1,363,119	340,780	0%
Stephen Mentzines	0%	0	0	100%
Hugh Wehby	100%	63,288	0	0%
Shelley Roberts	100%	202,937	101,468	0%

STI deferrals from previous period

Key Executives	Award date	Deferred \$	Vesting date
Kerrie Mather	15 Mar 2014	340,780	15 Mar 2016
	15 Mar 2013	550,000	15 Mar 2015
Stephen Mentzines ¹	15 Mar 2014	158,375	15 Mar 2016
	15 Mar 2013	-	N/A
Hugh Wehby	15 Mar 2014	-	15 Mar 2016
	15 Mar 2013	-	N/A
Shelley Roberts	15 Mar 2014	126,398	15 Mar 2016
	15 Mar 2013	68,250	15 Mar 2015

¹ Mr Mentzines will not be eligible to receive any prior year STI deferrals following his resignation in 2014.

4. KMP Remuneration Arrangements for Year Ended 31 December 2014

4.1. Service agreements

KMP	Length of contract	Notice period	Max STI opportunity (as a % of FAR)	Termination period	Termination payment
Kerrie Mather	Permanent	6 months	100.0%	12 months	12 months
Stephen Mentzines	Permanent	6 months	90.0%	6 months	6 months
Hugh Wehby	Permanent	6 months	90.0%	6 months	6 months
Shelley Roberts	Permanent	6 months	75.0%	6 months	6 months

In the event of termination with cause there is no termination payment payable to the KMP except for their statutory entitlements.

CEO

The CEO receives fixed remuneration of \$1,703,899 per annum. In the event that the CEO was to be terminated without cause, Ms Mather's contract allows for the payment of 12 months FAR and the discretionary bonus for the whole of the current year.

Treatment of STI Deferral: Termination without cause results in outstanding deferral elements being payable. Resignation or termination with cause results in this element being forfeited. The Board has the overriding discretion in relation to treatment upon termination.

KMP

Treatment of STI Deferral: Resignation or termination with cause prior to the payment of any deferred element of STI results in this element being forfeited.

Mr Wehby was not eligible to participate in 20% of his contracted ARR opportunity in 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

4.2. Statutory remuneration table

The following table discloses total remuneration of KMP in accordance with the Act and Australian Accounting Standards:

Name	Short-term benefits		STI	Post employment benefits	Long-term benefits	Termination benefits	Total	At Risk
	Salary	STI	Retained	Superannuation	Long service leave			
	\$	\$	\$	\$	\$	\$	\$	%
Kerrie Mather								
2014	1,685,620	1,363,119	340,780	18,279	42,128	-	3,449,926	50%
2013	1,684,480	1,363,119	340,780	17,122	28,250	-	3,433,751	50%
1 Jan to 2 Dec	1,553,035	1,256,854	314,214	15,787	26,005	-	3,165,895	
3 Dec to 31 Dec	131,445	106,265	26,566	1,335	2,245	-	267,856	
Stephen Mentzines ¹								
2014	776,835	-	-	25,000	19,421	502,632	1,323,888	47%
2013	762,451	554,315	158,375	27,301	19,461	-	1,521,903	40%
1 Jan to 2 Dec	701,891	510,559	145,874	25,352	17,915	-	1,401,591	
3 Dec to 31 Dec	60,560	43,756	12,501	1,949	1,546	-	120,312	
Hugh Wehby ²								
2014	86,703	63,288	-	5,689	2,088	-	157,768	47%
2013	-	-	-	-	-	-	-	-
1 Jan to 2 Dec	-	-	-	-	-	-	-	-
3 Dec to 31 Dec	-	-	-	-	-	-	-	-
Shelley Roberts ³								
2014	491,181	202,937	101,468	25,000	12,280	-	832,866	43%
2013	484,311	252,795	126,398	21,280	11,925	-	896,709	43%
1 Jan to 2 Dec	446,020	232,675	116,338	19,331	10,978	-	825,342	
3 Dec to 31 Dec	38,291	20,120	10,060	1,949	947	-	71,367	
Total Executives								
2014	3,040,339	1,629,344	442,248	73,968	75,917	502,632	5,764,448	
2013	2,931,242	2,170,229	625,553	65,703	59,636	-	5,852,363	
1 Jan to 2 Dec	2,700,946	2,000,088	576,426	60,470	54,898	-	5,392,828	
3 Dec to 31 Dec	230,296	170,141	49,127	5,233	4,738	-	459,535	

¹ Mr Mentzines ceased to be a KMP on 24 October 2014 and received a payment of \$502,632 for past services. This payment was approved by the NRC. Mr Mentzines was not eligible to receive any prior year STI deferrals following his resignation in 2014 of \$158,375.

² Mr Wehby was appointed Chief Financial Officer on 27 October 2014.

³ Ms Roberts was on parental leave for the period 15 October to 31 December 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

5. Non-Executive Directors' Remuneration

5.1. Non-Executive Directors' remuneration policy

The Board sets NEDs' fees. Director's remuneration is set with reference to external benchmarking undertaken by consultants engaged by the Board. NEDs do not participate in nor receive at risk remuneration in line with ASX Corporate Governance principles. The maximum directors' fee pool for SAL of A\$2,000,000 incorporates fees paid at the operating company level.

The Chair of SAL only receives chair fees and is not entitled to receive any additional committee fees.

Role	Annual fee \$
SAL Board	
Chair	470,000
Member	175,000
SAL Audit and Risk Committee	
Chair	25,000
Member	12,500
SAL Nomination & Remuneration Committee	
Chair	20,000
Member	10,000
SACL Safety, Security, Environment and Health Committee	
Chair	20,000
Member	10,000

5.2. Non-Executive Directors' Remuneration for the Year

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

Ms Kerrie Mather, CEO, is an executive director and receives no additional remuneration in her role as a director over and above her executive remuneration detailed in Section 4.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

SAL	Short term employee benefits		Post employment benefits	Total
	Directors' fees	Superannuation		
Name	\$	\$		\$
Max Moore-Wilton (Chairman)				
2014	451,721	18,279		470,000
2013	452,877	17,123 ¹		470,000
1 Jan to 2 Dec	412,409	15,834		428,243
3 Dec to 31 Dec	40,468	1,289		41,757
Trevor Gerber				
2014	182,857	17,143		200,000
2013	183,298	16,702		200,000
1 Jan to 2 Dec	169,188	15,445		184,633
3 Dec to 31 Dec	14,110	1,257		15,367
Michael Lee				
2014	199,221	18,279		217,500
2013	183,374	16,515		199,889
1 Jan to 2 Dec	167,849	15,272		183,121
3 Dec to 31 Dec	15,525	1,243		16,768
Robert Morris²				
2014	64,128	5,932		70,060
2013	171,822	15,678		187,500
1 Jan to 2 Dec	158,575	14,498		173,073
3 Dec to 31 Dec	13,247	1,180		14,427
John Roberts				
2014	182,860	-		182,860
2013	160,367	14,633		175,000
1 Jan to 2 Dec	147,983	13,532		161,515
3 Dec to 31 Dec	12,384	1,101		13,485
Stephen Ward				
2014	178,286	16,714		195,000
2013	178,694	16,306		195,000
1 Jan to 2 Dec	164,930	15,079		180,009
3 Dec to 31 Dec	13,764	1,227		14,991
Ann Sherry³				
2014	112,353	10,604		122,957
2013	-	-		-
1 Jan to 2 Dec	-	-		-
3 Dec to 31 Dec	-	-		-
Total NEDs				
2014	1,371,426	86,951		1,458,377
2013	1,330,432	96,957		1,427,389
1 Jan to 2 Dec	1,220,934	89,660		1,310,594
3 Dec to 31 Dec	109,498	7,297		116,795

¹ In the 2013 report, this amount was incorrectly reported as \$23,373.

² Mr Morris ceased to be a Director on 15 May 2014.

³ Ms Sherry was appointed as Director on 1 May 2014.

DIRECTORS' REPORT

For year ended 31 December 2014

Audited Remuneration Report (continued)

Security Holdings in ASX-listed Sydney Airport

The table below details the relevant interests in ASX-listed Sydney Airport securities by each director and KMP held at the date of this report.

Name	Balance at 1 Jan 2014	Movement	Balance at 31 Dec 2014	Changes prior to signing	Balance at signing date
SAL					
Max Moore-Wilton	650,000	2,563	652,563	-	652,563
Trevor Gerber	225,000	3,063	228,063	-	228,063
Michael Lee	7,060	812	7,872	191	8,063
Robert Morris ¹	40,908	-	N/A	N/A	N/A
John Roberts	67,507	105,318	172,825	-	172,825
Stephen Ward	21,818	-	21,818	-	21,818
Kerrie Mather	3,555,021	13,730	3,568,751	-	3,568,751
Ann Sherry	N/A	-	-	-	-
Stephen Mentzines ²	-	25,683	N/A	N/A	N/A
Hugh Wehby ³	N/A	-	4,801	-	4,801
Shelley Roberts	677	-	677	-	677

¹ Mr Morris ceased to be a Director on 15 May 2014.

² Mr Mentzines ceased to be a KMP on 24 October 2014. There was no movement to his security holdings when he ceased being a KMP.

³ Mr Wehby was appointed Chief Financial Officer on 27 October 2014.

The TTCSAL directors Christopher Green, Russell Balding, Patrick Gourley, and Rupert Smoker did not hold any interest in ASX-listed Sydney Airport securities.

Indemnification and Insurance of Officers and Auditors

All directors have executed a deed of access, insurance and indemnity under which SAL or the Responsible Entity of SAT1 indemnifies them against any liability incurred by them, including all legal costs in defending any proceeding (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, authority or other body because of their respective capacities. The indemnity does not apply to the extent of any restriction imposed by law or the SAL and SAT1 constitutions.

Additionally during the period, a directors' and officers' insurance policy applied to the directors and secretaries of SAL and the Responsible Entity of SAT1. SAL and the Responsible Entity of SAT1 are contractually bound by arrangements with insurers to not disclose terms and limits, or premiums paid.

The auditors of the SAL and SAT1 Groups are in no way indemnified out of the assets of the Groups.

Environmental Regulation

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

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

Sydney Airport's Environment Strategy 2013 - 2018 (the Strategy) now forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 17 February 2014. The Strategy was developed following an extensive community and stakeholder consultation process and outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2013 to 2018. Sydney Airport's aims, reflected in the Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport's operations on the environment. The strategy supports initiatives in environmental management beyond regulatory requirements. The strategy is available for download from Sydney Airport's website www.sydneyairport.com.au.

Sydney Airport is not aware of any material breaches of the above regulations.

DIRECTORS' REPORT

For year ended 31 December 2014

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

Non-Audit Services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 5 to the financial statements.

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

The directors of SAL and TTCSAL are of the opinion that the services as disclosed in Note 5 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

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

Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the *Corporations Act 2001* is set out on pages 84 and 85 and forms part of the Directors' Report for year ended 31 December 2014.

Rounding of amounts in the Directors' Report and the Consolidated Financial Statements

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

Application of Class Order

The financial reports for the SAL Group and the SAT1 Group are jointly presented in one report as permitted by ASIC Class Order 05/642.

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

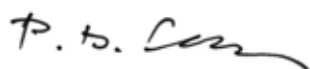


Max Moore-Wilton
Sydney
25 February 2015



Trevor Gerber
Sydney
25 February 2015

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



Patrick Gourley
Sydney
25 February 2015



Christopher Green
Sydney
25 February 2015



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

To: the directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in dark ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in dark ink, appearing to be 'Andrew Yates'.

Andrew Yates
Partner

Sydney

25 February 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



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

To: the directors of The Trust Company (Sydney Airport) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in grey ink, appearing to be 'KPMG'.

KPMG

A handwritten signature in grey ink, appearing to be 'A. Yates'.

Andrew Yates
Partner

Sydney

25 February 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

FINANCIAL REPORT

For year ended 31 December 2014

Consolidated Statements of Comprehensive Income

	Note	SAL Group Year ended 31 Dec 2014 \$m	SAL Group Period ended 31 Dec 2013 \$m	SAT1 Group Year ended 31 Dec 2014 \$m	SAT1 Group Year ended 31 Dec 2013 \$m
Revenue					
Aeronautical revenue		486.8	42.8	-	421.4
Aeronautical security recovery		81.5	7.3	-	76.4
Retail revenue		255.2	22.8	-	218.8
Property and car rental revenue		194.0	16.0	-	171.2
Car parking and ground transport revenue		139.9	11.2	-	121.1
Other		6.1	0.8	-	5.4
Total revenue		1,163.5	100.9	-	1,014.3
Other income					
Gain on disposal of non-current assets		0.1	-	-	0.2
Gain on disposal of interest in Newcastle Airport		-	-	-	9.7
Total other income		0.1	-	-	9.9
Total revenue and other income		1,163.6	100.9	-	1,024.2
Expenses					
Employee benefits expense		(46.9)	(4.8)	-	(43.3)
Services and utilities		(52.4)	(4.5)	-	(47.3)
Property and maintenance		(19.7)	(2.0)	-	(16.8)
Security recoverable expenses		(71.5)	(6.4)	-	(66.7)
Investment transaction expenses		(1.2)	(5.1)	(0.1)	(16.1)
Other operational costs		(23.4)	(1.7)	(2.2)	(18.9)
Restructuring and redundancy		(0.2)	-	-	-
Total expenses before depreciation, amortisation and net finance (costs) / income		(215.3)	(24.5)	(2.3)	(209.1)
Profit / (loss) before depreciation, amortisation, net finance (costs) / income and income tax (EBITDA)		948.3	76.4	(2.3)	815.1
Depreciation	9	(225.0)	(16.4)	-	(181.8)
Amortisation	10	(101.4)	(8.5)	-	(93.4)
Profit / (loss) before net finance (costs) / income and income tax (EBIT)		621.9	51.5	(2.3)	539.9
Finance (costs) / income					
Interest income		12.5	1.3	0.1	12.9
Interest income from related parties	22.2.3	-	-	246.0	20.0
Finance costs		(464.1)	(37.7)	-	(432.4)
Change in fair value of swaps		(54.6)	1.0	-	(12.6)
Net finance (costs) / income	3	(506.2)	(35.4)	246.1	(412.1)
Profit before income tax expense		115.7	16.1	243.8	127.8
Income tax expense	4	(58.5)	(44.9)	-	(51.9)
Profit / (loss) after income tax expense		57.2	(28.8)	243.8	75.9

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

For the period ended 31 December 2013, the Consolidated Statement of Comprehensive Income for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days). For year ended 31 December 2013, the Consolidated Statement of Comprehensive Income for the SAT1 Group represents the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1 to the Financial Report), and the period from 3 December 2013 to 31 December 2013 (29 days) for the post-Restructure SAT1 Group on a stand alone basis.

FINANCIAL REPORT

For year ended 31 December 2014

Consolidated Statements of Comprehensive Income (continued)

	Note	SAL Group Year ended 31 Dec 2014 \$m	SAL Group Period ended 31 Dec 2013 \$m	SAT1 Group Year ended 31 Dec 2014 \$m	SAT1 Group Year ended 31 Dec 2013 \$m
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of cash flow hedges		(13.1)	(15.6)	-	65.4
Tax on items that may subsequently be reclassified to profit or loss		3.9	4.7	-	(19.6)
Total items that may subsequently be reclassified to profit or loss		(9.2)	(10.9)	-	45.8
Items that will never be reclassified to profit or loss					
Remeasurement gain / (loss) on defined benefit plans		(1.4)	4.4	-	-
Tax on items that will never be reclassified to profit or loss		0.4	(1.3)	-	-
Total items that will never be reclassified to profit or loss		(1.0)	3.1	-	-
Other comprehensive income, net of tax		(10.2)	(7.8)	-	45.8
Total comprehensive income		47.0	(36.6)	243.8	121.7
Profit after income tax expense attributable to:					
Security holders		59.1	(26.9)	243.8	88.4
Non-controlling interest		(1.9)	(1.9)	-	(12.5)
		57.2	(28.8)	243.8	75.9
Total comprehensive income attributable to:					
Security holders		48.9	(34.7)	243.8	132.7
Non-controlling interest		(1.9)	(1.9)	-	(11.0)
		47.0	(36.6)	243.8	121.7
Earnings / (losses) per share / unit from profit / (loss) after income tax	20	2.67c	(1.23c)	11.01c	4.47c

FINANCIAL REPORT

As at 31 December 2014

Consolidated Statements of Financial Position

	Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Current assets					
Cash and cash equivalents	7	446.8	443.3	1.5	1.5
Receivables	8	128.4	126.1	3.3	23.0
Other financial assets	7.1	35.0	-	-	-
Other assets		0.7	5.0	-	-
Total current assets		610.9	574.4	4.8	24.5
Non-current assets					
Receivables	8	35.4	41.8	1,887.3	1,933.7
Property, plant and equipment	9	2,584.7	2,556.6	-	-
Intangible assets	10	7,647.5	7,748.9	-	-
Derivative financial instruments	14	442.8	9.9	-	-
Other assets		7.5	9.0	-	-
Total non-current assets		10,717.9	10,366.2	1,887.3	1,933.7
Total assets		11,328.8	10,940.6	1,892.1	1,958.2
Current liabilities					
Distribution payable	6	266.0	252.3	120.8	208.5
Payables	12	182.0	170.1	6.0	0.3
Interest bearing liabilities	13	474.0	733.6	-	-
Derivative financial instruments	14	134.3	125.9	-	-
Deferred income		31.6	30.9	-	-
Provisions		10.3	9.9	-	2.8
Total current liabilities		1,098.2	1,322.7	126.8	211.6
Non-current liabilities					
Interest bearing liabilities	13	6,760.2	6,006.8	-	-
Derivative financial instruments	14	200.7	-	-	-
Deferred tax liabilities	15	1,753.2	1,699.1	-	-
Provisions		1.6	1.4	-	-
Total non-current liabilities		8,715.7	7,707.3	-	-
Total liabilities		9,813.9	9,030.0	126.8	211.6
Net assets		1,514.9	1,910.6	1,765.3	1,746.6
Equity					
Security holders' interests					
Contributed equity	16	5,256.2	5,178.0	2,416.0	2,398.4
Retained earnings	17	(400.1)	62.7	404.0	402.9
Reserves	18	(3,338.7)	(3,329.5)	(1,054.7)	(1,054.7)
Total security holders' interests		1,517.4	1,911.2	1,765.3	1,746.6
Non-controlling interest in controlled entities	19	(2.5)	(0.6)	-	-
Total equity		1,514.9	1,910.6	1,765.3	1,746.6

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

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For year ended 31 December 2014

Consolidated Statements of Changes in Equity

SAL Group	Note	SAL Group Security Holders			Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Retained earnings \$m	Reserves \$m		
Total equity at 1 January 2014		5,178.0	62.7	(3,329.5)	(0.6)	1,910.6
Comprehensive income						
Profit / (loss) after tax		-	59.1	-	(1.9)	57.2
Cash flow hedges, net of tax		-	-	(9.2)	-	(9.2)
Remeasurement loss, net of tax		-	(1.0)	-	-	(1.0)
Total comprehensive income		-	58.1	(9.2)	(1.9)	47.0
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		78.4	-	-	-	78.4
Security issuance costs		(0.2)	-	-	-	(0.2)
Distributions provided for or paid	6	-	(520.9)	-	-	(520.9)
Total transactions with owners of the company		78.2	(520.9)	-	-	(442.7)
Total equity at 31 December 2014		5,256.2	(400.1)	(3,338.7)	(2.5)	1,514.9
Total equity at 1 January 2013		-	-	-	-	-
Comprehensive income						
Loss after tax		-	(26.9)	-	(1.9)	(28.8)
Cash flow hedges, net of tax		-	-	(10.9)	-	(10.9)
Remeasurement gains, net of tax		-	3.1	-	-	3.1
Total comprehensive income		-	(23.8)	(10.9)	(1.9)	(36.6)
Transactions with owners of the company						
Contributed equity recognised due to Restructure		5,178.0	-	-	-	5,178.0
Adjustment due to Restructure		-	338.8	(3,318.6)	1.3	(2,978.5)
Distributions provided for or paid	6	-	(252.3)	-	-	(252.3)
Total transactions with owners of the company		5,178.0	86.5	(3,318.6)	1.3	1,947.2
Total equity at 31 December 2013		5,178.0	62.7	(3,329.5)	(0.6)	1,910.6

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For year ended 31 December 2014

Consolidated Statements of Changes in Equity (continued)

SAT1 Group	Note	SAT1 Group Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Retained earnings \$m	Reserves \$m	Total \$m		
Total equity at 1 January 2014		2,398.4	402.9	(1,054.7)	1,746.6	-	1,746.6
Comprehensive income							
Profit after tax		-	243.8	-	243.8	-	243.8
Total comprehensive income		-	243.8	-	243.8	-	243.8
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan		17.8	-	-	17.8	-	17.8
Security issuance costs		(0.2)	-	-	(0.2)	-	(0.2)
Distributions provided for or paid	6	-	(242.7)	-	(242.7)	-	(242.7)
Total transactions with owners of the company		17.6	(242.7)	-	(225.1)	-	(225.1)
Total equity at 31 December 2014		2,416.0	404.0	(1,054.7)	1,765.3	-	1,765.3
Total equity at 1 January 2013		3,948.5	501.0	(2,400.8)	2,048.7	76.1	2,124.8
Comprehensive income							
Profit / (loss) after tax		-	88.4	-	88.4	(12.5)	75.9
Cash flow hedges, net of tax		-	-	44.3	44.3	1.5	45.8
Total comprehensive income		-	88.4	44.3	132.7	(11.0)	121.7
Transactions with owners of the company							
Issued pursuant to the Restructure		1,230.2	-	-	1,230.2	-	1,230.2
Security issuance costs		(0.6)	-	-	(0.6)	-	(0.6)
Contributed equity derecognised due to Restructure		(2,779.7)	-	-	(2,779.7)	-	(2,779.7)
Reclassification of other reserve to Consolidated Statement of Comprehensive Income		-	(27.7)	27.7	-	-	-
Transfer from reserves		-	254.4	(254.4)	-	-	-
Adjustment due to Restructure		-	-	1,528.5	1,528.5	(65.1)	1,463.4
Distributions provided for or paid	6	-	(413.2)	-	(413.2)	-	(413.2)
Total transactions with owners of the company		(1,550.1)	(186.5)	1,301.8	(434.8)	(65.1)	(499.9)
Total equity at 31 December 2013		2,398.4	402.9	(1,054.7)	1,746.6	-	1,746.6

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

FINANCIAL REPORT

For year ended 31 December 2014

Consolidated Statements of Cash Flows

	Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Cash flows from operating activities					
Airport interest received		8.9	1.3	-	8.6
Corporate interest received		2.8	0.2	0.1	4.9
Related party loan interest received	22.2.3	-	-	268.3	-
Airport revenue received		1,303.5	105.8	-	1,117.8
Airport operating expenses paid		(327.1)	(35.0)	-	(295.9)
Corporate operating expenses paid		(3.3)	(1.2)	(1.9)	(9.3)
Corporate income taxes received / (paid)		0.5	-	-	(0.5)
Corporate other income received		-	-	-	0.1
Net cash flows from operating activities	21	985.3	71.1	266.5	825.7
Cash flows from investing activities					
Corporate net transaction items		(0.1)	(12.1)	(0.2)	12.9
(Payment) / receipt of short term financial assets		(35.0)	-	-	15.4
Payments for purchase of fixed assets		(261.7)	(26.7)	-	(209.4)
Proceeds from disposal of fixed assets		0.1	-	-	0.3
Payment for ATO settlement	2.3	-	(69.0)	-	-
Payment for stamp duty	2.1	-	-	-	(63.0)
Receipt / (payment) for escrow deposit	22.2.1	0.3	-	-	(0.8)
Recognition of cash due to Restructure		-	385.9	-	-
Derecognition of cash due to Restructure		-	-	-	(372.9)
Net cash flows from investing activities		(296.4)	278.1	(0.2)	(617.5)
Cash flows from financing activities					
Airport borrowing costs paid		(258.4)	(7.5)	-	(262.5)
Corporate borrowing costs paid		(23.2)	(0.6)	-	(2.5)
Repayment of borrowings		(2,102.0)	-	-	(329.3)
Proceeds received from borrowings		2,266.7	117.0	-	517.3
Proceeds received from related party loan	22.2.3	-	-	46.4	-
Settlement of derivatives		(161.8)	(14.8)	-	(127.1)
Proceeds received from dividend reinvestment plan		78.2	-	17.7	-
Distributions paid to SYD security holders		(484.9)	-	(330.4)	(390.9)
Distributions and dividends paid to non-controlling interest		-	-	-	(45.4)
Net cash flows from financing activities		(685.4)	94.1	(266.3)	(640.4)
Net increase/ (decrease) in cash and cash equivalents held		3.5	443.3	-	(432.2)
Cash and cash equivalents at beginning of the period		443.3	-	1.5	433.7
Cash and cash equivalents at end of the period	7	446.8	443.3	1.5	1.5

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

For the period ended 31 December 2013, the Consolidated Statement of Cash Flows for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days). For year ended 31 December 2013, the Consolidated Statement of Cash Flows for the SAT1 Group represents the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1 to the Financial Report), and the period from 3 December 2013 to 31 December 2013 (29 days) for the post-Restructure SAT1 Group on a stand alone basis.

FINANCIAL REPORT

For year ended 31 December 2014

Summary of Significant Accounting Policies

1. Reporting entity

The shares of Sydney Airport Limited (SAL) and units of Sydney Airport Trust 1 (SAT1) are issued and traded as stapled securities in ASX-listed Sydney Airport. The shares of SAL and units of SAT1, collectively the securities, cannot be traded separately.

As permitted by Australian Securities & Investments Commission (ASIC) Class Order 05/642, this financial report consists of the consolidated financial statements of SAL and its controlled entities (collectively referred to as the SAL Group), and the consolidated financial statements of SAT1 and its controlled entities (collectively referred to as the SAT1 Group).

SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the financial statements.

The registered office and principal place of business of SAL is: 10 Arrivals Court, Sydney International Airport, Mascot NSW 2020.

The registered office and principal place of business of TTCSAL as Responsible Entity of SAT1 is: Level 12, 123 Pitt Street, Sydney NSW 2000.

1.1. Basis of preparation

1.1.1. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors of SAL and TTCSAL on 25 February 2015. The directors of SAL and TTCSAL have the power to amend and reissue the financial report.

1.1.2. Basis of measurement

The consolidated 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.

1.1.3. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the functional currency of SAL and SAT1.

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

1.1.4. SAL Group net current liability position

The SAL Group is in a net current liability position of \$487.3 million at 31 December 2014 (2013: \$748.3 million). This is primarily attributable to \$474.0 million of domestic bonds classified as current borrowings (previously non-current borrowings), which are fully covered by undrawn committed bank facilities.

1.1.5. SAT1 Group net current liability position

SAT1 is in a net current liability position of \$122.0 million (2013: \$187.1 million) at 31 December 2014. This is primarily attributable to the distribution payable to SAT1 unit holders, which was paid on 12 February 2015 totalling \$120.8 million.

This shortfall will predominantly be funded by a payment of interest of \$119.3 million and principal of \$0.9 million on the inter-entity loan to SAL. On 12 February 2015, SAT1 and SAL entered into a Payment Direction Deed to implement this transaction.

Due to its funding structure, SAT1 receives interest on the inter-entity loan semi-annually in advance, whilst its semi-annual distributions are declared before each balance date. Therefore SAT1 is expected to be in a net current liability position on future balance dates. However, it is expected it will be able to meet its key obligation being the payment of distributions funded by interest and principal repayments from SAL.

1.1.6. Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -\$2.77 at 31 December 2014 (2013: -\$2.66). This represents a decrease of \$0.11 or 4.0%.

1.2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements of the Groups, and have been applied consistently by Group entities.

Certain comparative amounts in the Consolidated Financial Statements and associated notes have been reclassified to conform to the current year's presentation.

1.3. Principles of consolidation

1.3.1. Business combinations

AASB 3: *Business Combinations* requires one of the stapled structures to be identified as the acquirer and therefore the parent entity, for the purpose of consolidated financial reports. In accordance with this requirement:

- SAL is identified as the parent of the consolidated group (including ASX-listed Sydney Airport) comprising SAL and its controlled entities and SAT1 and its controlled entities for year ended 31 December 2014; and
- SAT1 was identified as the parent of the consolidated group comprising SAT1 and its controlled entities for year ended 31 December 2014.

FINANCIAL REPORT

For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

- SAL was identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities for the period 3 December 2013 to 31 December 2013 (29 days) from when the Simplification was completed (refer to Note 2.2); and
- SAT1 was identified as the parent of the consolidated group comprising SAT1 and its controlled entities and Sydney Airport Trust 2 and its controlled entities for the period 1 January 2013 to 2 December 2013 (336 days).

1.3.2. Controlled entities

The consolidated financial statements of the SAL Group incorporate the assets and liabilities of the entities controlled by SAL at 31 December 2014 and during the period, including those deemed to be controlled by SAL by identifying it as the parent of the SAL Group, and the results of those controlled entities for the year then ended.

The consolidated financial statements of SAT1 Group incorporate the assets and liabilities of the entities controlled by SAT1 at 31 December 2014 and during the period, including those deemed to be controlled by SAT1 by identifying it as the parent of the SAT1 Group, 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.

Where applicable, non-controlling interests in the results and equity are shown separately in the Consolidated Statements of Comprehensive Income and Consolidated Statements of Financial Position respectively. As such, SAT1 Group's net result after tax for year ended 31 December 2014 and its contributed equity, reserves and retained earnings at 31 December 2014 are attributed to non-controlling interests in the SAL Group consolidated financial report.

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

1.3.3. Business combinations

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

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

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the entity's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1.9.1). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statements of Comprehensive Income, but only after a reassessment of the identification and measurement of the net assets acquired. Any subsequent changes in beneficial interest in subsidiaries are accounted for using the economic entity approach.

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

1.3.4. Acquisitions of entities under common control

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

1.3.5. Loss of control

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

1.3.6. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

FINANCIAL REPORT

For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.4. Foreign currency

1.4.1. Functional and presentation currency

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

1.4.2. Foreign currency transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the exchange rate at the dates of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

1.5. Cash and cash equivalents

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

Deposits held at call with an original term to maturity of greater than three months at balance date are classified separately as other financial assets.

1.6. Loans and receivables

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method, less any impairment losses.

Receivables are non-derivative financial assets initially recorded at their net fair values and are generally received within 30 days of invoice date. A provision is raised for any doubtful debts based on an ongoing review of all

outstanding amounts. Bad debts are written off in the period in which they are identified.

1.7. Investment in financial assets

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 have been recognised and subsequently eliminated in the Consolidated Statements of Comprehensive Income for the year.

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

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

The valuation derived from the discounted cash flow analysis is benchmarked to other sources such as recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning an annual independent valuation for Sydney Airport.

Interest, dividends and other distributions received from investments brought to account at fair value are credited and subsequently eliminated in the Consolidated Statements of Comprehensive Income when received.

1.8. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use and;
- capitalised borrowing costs.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

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For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.8.1. Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets are completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Asset category	Useful lives
Freehold land	99 years
Buildings	5-60 years
Runways, taxiways and aprons	6-99 years
Other infrastructure	9-40 years
Operational plant and equipment	14-20 years
Other plant and equipment	3-60 years

1.9. Intangible assets

1.9.1. Goodwill

Goodwill that arises upon acquisition of a business combination is included in intangible assets. For the measurement of goodwill at initial recognition, refer to Note 1.3.3.

Goodwill is measured at cost less accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) for the purpose of impairment testing. Each of those CGUs represents the Groups' investment in the airport to which the goodwill relates.

1.9.2. Concession and customer contracts

Concession and customer contracts have finite useful lives and are measured at cost less accumulated amortisation and accumulated impairment losses.

1.9.3. Airport operator licence

The airport operator licence at Sydney Airport represents the right to use and operate Sydney Airport. It has a finite useful life and is measured at cost less accumulated amortisation and accumulated impairment losses.

1.9.4. Leasehold land

Leasehold land at Sydney Airport represents the right to use the land at Sydney Airport. It has a finite useful life and is measured at cost less accumulated amortisation and accumulated impairment losses.

1.9.5. Amortisation

Except for goodwill, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The inception date and estimated useful lives are as follows:

Asset category	Inception date	Useful lives
Concession and customer contracts	2007	7-16 years
Airport operator licence	2002	95 years
Leasehold land	2002	95 years

1.10. Impairment of assets

1.10.1. Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be reliably estimated.

The Groups consider evidence of impairment for financial assets measured at amortised cost (such as loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the Groups use historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

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For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.10.2. Non-financial assets

The carrying amounts of the Groups non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and other indefinite life intangible assets are tested annually for impairment (refer to Note 1.9.1). An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11. Distributions and dividends

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

1.12. Payables

Payables are non-derivative financial liabilities recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

1.13. Interest bearing liabilities

The Groups initially recognise interest bearing liabilities on the date that they become a party to the contractual provisions of the instrument. The Group derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

Interest bearing liabilities are non-derivative financial liabilities recognised initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

1.14. Deferred income

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

1.15. Derivative financial instruments

The SAL Group holds derivative financial instruments to hedge interest rate and foreign currency risk exposures.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and this combined instrument is not measured at fair value through profit or loss.

On the initial designation of the derivative as the hedging instrument, the SAL Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedged risk, together with the methods used to assess the effectiveness of the hedging relationship. The SAL Group makes an assessment at inception of the hedge relationship and on an ongoing basis, whether the hedging instrument is expected to be highly effective in offsetting changes in fair value or cash flows of the hedged items attributable to hedged risk, and whether the actual results of each hedge are in a range of 80 to 125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

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

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For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.15.1. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount recognised in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

1.16. Employee provisions

1.16.1. Employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis at the amount expected to be paid and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonuses if the Groups have a present legal or constructive obligation to pay this amount as a result of past service by the employee, and the obligation can be estimated reliably.

Long-term employee benefit obligations which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Groups in respect of services provided by employees up to reporting date.

1.16.2. Defined contribution plans

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

1.16.3. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The SAL Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the SAL Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the SAL Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the SAL Group. An economic benefit is available to the SAL Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The SAL Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The SAL Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payment made directly by the SAL Group in connection with the settlement.

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For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.17. Revenue and other income recognition

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Groups. Revenue in the course of ordinary activities is measured at the fair value of the consideration received or receivable.

1.17.1. Aeronautical revenue

Aeronautical revenue comprises passenger, take-off, parking charges and exclusive first right use of gates. Revenue is recognised when the related services are provided.

1.17.2. Aeronautical security recovery

Aeronautical security recovery comprises passenger and checked bag screening, counter terrorist first response and other additional security measures. Revenue is recognised when the related services are provided.

1.17.3. Retail revenue

Retail revenue comprises rental from tenants whose sale activities include duty free, food and beverage, financial and advertising services. Revenue is recognised on a straight-line basis over the lease term. Contingent revenue is recognised in the period in which the contingent event occurs.

1.17.4. Property and car rental revenue

Property revenue comprises rental for airport property including terminals, buildings and other leased areas. Revenue is recognised on a straight-line basis over the lease term. Contingent revenue is recognised in the period in which the contingent event occurs.

Car rental revenue comprises concession charges from car rental companies. Revenue is recognised when the related services are provided.

1.17.5. Car parking and ground transport revenue

Car parking and ground transport revenue comprises time-based charges from the operation of car parking services. Revenue is recognised when the related services are provided.

1.17.6. Interest income

Interest income on cash and loan balances are brought to account using the effective interest method.

1.18. Lease costs

1.18.1. Finance leases

Leases of property, plant and equipment where the SAL Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is

allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.18.2. Operating leases

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

1.19. Finance costs

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

Finance costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss using the effective interest method.

1.20. Income tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on taxable income or loss for the year, using tax rates enacted or substantively enacted based on the national income tax rate for each applicable jurisdiction at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised in relation to 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 is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same

FINANCIAL REPORT

For year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1.20.1. SAT1

Income tax has not been brought to account in respect of SAT1 as pursuant to Australian income tax law, SAT1 is not liable for income tax provided that its taxable income (including any assessable realised capital gains) is fully distributed to unit holders each relevant tax year.

1.20.2. SAL

SAL and its wholly owned Australian subsidiaries have formed a tax-consolidated group (SAL TCG) under Australian income tax law on 3 December 2013. The head entity, SAL and entities in the SAL TCG continue to account for their own current and deferred tax accounts. Tax expense and deferred tax assets and liabilities arising from temporary differences of members of the SAL TCG are recognised in their separate financial statements using the 'standalone tax payer' approach.

Under the tax sharing agreement (SAL TSA) between SAL TCG entities, amounts are recognised as payable to or receivable by each member of the SAL TCG in relation to the tax contribution amounts paid or payable between SAL and members of the SAL TCG.

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 of SAL (representing the Group) for year ended 31 December 2014 has been identified as the Chief Executive Officer (CEO) of SAL.

1.22. 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 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 in Notes 10.1 and 25.6.1.

1.23. New standards and interpretations not yet adopted

The Groups have adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Groups for year ended 31 December 2014.

A number of new standards, amendments to Standards and Interpretations are effective for annual reporting periods commencing after 1 January 2015 and have not been applied in preparing the consolidated financial statements of the Groups.

AASB 9: *Financial Instruments* becomes mandatory for the 2018 consolidated financial statements of the Groups and could change the classification and measurement of financial assets and liabilities and change the impact of hedge accounting. The Groups do not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 15: *Revenue from Contracts with Customers* becomes mandatory for the 2017 consolidated financial statements of the SAL Group. The SAL Group does not plan to adopt this standard early and it is not expected to have a material impact on the SAL Group.

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For year ended 31 December 2014

2. Minority Acquisitions, Restructure and ATO Resolution

2.1. Minority acquisitions

The successful completion of the minority acquisitions in August and September 2013 meant that ASX-listed Sydney Airport purchased all remaining unlisted direct and indirect minority interests in Sydney Airport moving from a holding of 84.8% to 100.0% ownership.

The consideration payable for the minority acquisitions was structured to ensure there was no airport ownership dilution for ASX-listed Sydney Airport's existing security holders. As a result:

- 85.6 million ASX-listed Sydney Airport stapled securities were issued via an institutional placement. Of the total proceeds, \$297.6 million net of agreed transaction costs was paid to Caisse de dépôt et placement du Québec (CDPQ), KfW IPEX-Bank GmbH (KfW) and Utilities Trust of Australia (UTA) as consideration for their unlisted indirect 3.9% ownership in Sydney Airport;
- 180.2 million ASX-listed Sydney Airport stapled securities were issued to HOCHTIEF AirPort (HTA) and The Future Fund Board of Guardians (Future Fund) as consideration for their unlisted indirect 8.2% ownership in Sydney Airport;
- 52.4 million ASX-listed Sydney Airport stapled securities were issued to MTAA Superannuation Fund (MTAA) as consideration for its unlisted indirect 2.4% ownership in Sydney Airport; and
- 14.9 million ASX-listed Sydney Airport stapled securities were issued to UniSuper Superannuation Fund (UniSuper) as consideration for its unlisted indirect 0.7% ownership in Sydney Airport.

The NSW Office of State Revenue issued Duties Notice of Assessments for \$63.0 million for stamp duty payable relating to the minority acquisitions. The Assessments were paid out of non-operational cash balances.

2.2. Simplification

The successful completion of the minority acquisitions by ASX-listed Sydney Airport provided the opportunity for further simplification of the Sydney Airport Group structure pursuant to a trust scheme (the Scheme) and restructure of the ASX-listed Sydney Airport Group (the Restructure) (together the Simplification). Following the successful implementation of the Scheme on 3 December 2013:

- ASX-listed Sydney Airport became a stapled vehicle comprising SAT1 and SAL and security holders owned stapled securities comprising one SAT1 unit and one SAL share;
- SAL owned the Sydney Airport operating entities including SACL, which continues as lessee and operator of Sydney (Kingsford Smith) Airport;
- TTCSAL became the Responsible Entity of SAT1;
- Various Australian and foreign non-operating entities of the ASX-listed Sydney Airport Group were acquired by the SAT1 Group. The majority of these entities are in the process of being wound up in an orderly fashion; and
- The successful implementation of the Simplification resulted in the permitted foreign ownership of ASX-listed Sydney Airport increasing from 40.0% to 49.0% under the Airports Act 1996 (Cth). This provided the opportunity to broaden the ASX-listed Sydney Airport investor base.

2.3. ATO resolution

On 21 December 2012, the Australian Taxation Office (ATO) delivered to the SAT2 Tax Consolidated Group (SAT2 TCG) a position paper that was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the SAT2 TCG to SAT1 related to tax years ended 31 December 2010 and 31 December 2011. Following extensive engagement with the Commissioner of Taxation of the Commonwealth of Australia, a settlement was reached during 2013.

On 10 December 2013 the ATO issued three Notices of Amended Assessment for tax years ended 31 December 2010, 31 December 2011 and 31 December 2012 to SAT2 for tax payable of \$65.0 million and shortfall interest charge of \$4.0 million. \$69.0 million was paid to the ATO on 20 December 2013 using funds drawn down from the SAL term facility, and there would be no further audit activity in relation to any of the RPS issued by members of the SAT2 TCG.

FINANCIAL REPORT

For year ended 31 December 2014

3. Finance (Costs) / Income

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Interest income				
Interest income from other corporations	12.5	1.3	0.1	12.9
Interest income from related parties	-	-	246.0	20.0
Total Interest income	12.5	1.3	246.1	32.9
Finance costs				
Senior debt interest paid or accrued	(263.7)	(23.1)	-	(242.7)
Net swap interest expense	(144.6)	(12.0)	-	(128.3)
Capital Indexed Bonds capitalised	(29.7)	(2.8)	-	(21.6)
Amortisation of debt establishment costs	(24.6)	0.4	-	(17.8)
Recurring borrowing cost paid	(8.3)	(1.1)	-	(10.9)
Borrowing costs capitalised	8.0	1.1	-	8.5
SCACH Redeemable Preference Shares	-	-	-	(17.0)
Total borrowing costs - senior debt	(462.9)	(37.5)	-	(429.8)
Borrowing costs - corporate debt	(1.2)	(0.2)	-	(2.6)
Total finance costs	(464.1)	(37.7)	-	(432.4)
Change in fair value of swaps	(54.6)	1.0	-	(12.6)
Net finance (costs) / income	(506.2)	(35.4)	246.1	(412.1)

FINANCIAL REPORT

For year ended 31 December 2014

4. Income Tax Expense

Income tax benefit / (expense) differs from the amount calculated on profit. The differences are reconciled as follows:

	Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
(a) Profit before income tax expense		115.7	16.1	243.8	127.8
Income tax expense calculated @ 30%		(34.7)	(4.8)	(73.1)	(38.3)
Tax effect of permanent differences:					
— Non-deductible expenditure		(0.2)	-	-	(15.1)
— Non-assessable income		-	-	-	0.2
— Deferred expenses		0.7	-	-	9.4
— Adjustments recognised in the current year in relation to the prior year		-	-	-	(59.3)
— ATO settlement payment	2.3	-	-	-	(69.0)
— Tax cost adjustments on joining SAL TCG	1.20.2	(118.5)	(42.9)	-	157.5
Recognition of previously unrecognised tax losses		21.4	-	-	-
Tax effect of operating results of Australian trusts		72.8	2.8	73.1	(37.3)
Income tax expense		(58.5)	(44.9)	-	(51.9)
(b) Income tax expense					
Income tax expense comprises:					
— ATO settlement payment	2.3	-	-	-	(69.0)
— Deferred income tax benefit / (expense)		(58.5)	(44.9)	-	17.1
		(58.5)	(44.9)	-	(51.9)
Income tax expense is attributable to:					
— Current year		(79.9)	(44.9)	-	(51.9)
— Previous years		21.4	-	-	-
		(58.5)	(44.9)	-	(51.9)
Deferred income tax benefit / (expense) included in income tax expense comprises:					
— Decrease / (increase) in deferred tax assets / liabilities	15	(58.5)	(44.9)	-	17.1
(c) Amounts recognised directly in equity					
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but credited / (debited) directly to equity:					
— Cash flow hedges		3.9	4.7	-	19.6
— Remeasurement loss / (gain) on defined benefit plans		0.4	(1.3)	-	-
	15	4.3	3.4	-	19.6

FINANCIAL REPORT

For year ended 31 December 2014

5. Remuneration of Auditors

	SAL Group 31 Dec 2014 \$	SAL Group 31 Dec 2013 \$	SAT1 Group 31 Dec 2014 \$	SAT1 Group 31 Dec 2013 \$
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements	477,500	251,500	50,000	262,500
Other services				
— Trust compliance services	9,000	11,000	9,000	-
— Advisory services	225,000	-	-	-
— Other assurance services	196,582	132,354	-	283,629
Total amount paid or payable to auditors	908,082	394,854	59,000	546,129

Advisory services in 2014 relate to advice provided in relation to Western Sydney Airport during the Notice to Consult phase.

Other assurance services in 2014 included amounts charged for work relating to the refinancing of senior debt and the provision of accounting assistance.

Other assurance services in 2013 included amounts charged for limited assurance engagements relating to the Investigating Accountant's Report in the Explanatory Memorandum and the Restructure.

6. Distributions Paid and Proposed

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Distributions were paid / payable as follows:				
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	266.0	252.3	120.8	208.5
Interim distribution paid for period ended 30 June (100% unfranked)	254.9	-	121.9	204.7
	520.9	252.3	242.7	413.2

	Cents per stapled security	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions were paid / payable as follows:				
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	12.00	11.50	5.45	9.50
Interim distribution paid for period ended 30 June (100% unfranked)	11.50	-	5.50	11.00
	23.50	11.50	10.95	20.50

The total distribution by ASX-listed Sydney Airport for year ended 31 December 2014 was \$520.9 million or 23.5 cents per stapled security (2013: \$457.0 million or 22.5 cents).

The interim distribution of \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents) was paid on 15 August 2014 by:

- SAL \$133.0 million or 6.0 cents; and
- SAT1 \$121.9 million or 5.5 cents (2013: 204.7 million or 11.0 cents).

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

There are \$Nil imputation credits (2013: \$Nil) available to pay franked distributions.

FINANCIAL REPORT

For year ended 31 December 2014

7. Cash and Cash Equivalents

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Cash at bank	36.1	119.8	1.5	1.5
Deposits	410.7	323.5	-	-
	446.8	443.3	1.5	1.5

The maturity profile of cash and cash equivalents is as follows:

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Deposits original term to maturity				
Less than three months	239.5	303.5	-	-
Three to six months	171.2	20.0	-	-
Greater than six months	-	-	-	-
	410.7	323.5	-	-
Cash on hand	36.1	119.8	1.5	1.5
Total cash and cash equivalents	446.8	443.3	1.5	1.5

7.1. Deposits

Outstanding term deposits held by SAL Group at 31 December 2014 received interest at an average rate of 3.51% (2013: 3.56%) per annum. \$35.0 million of outstanding term deposits with a remaining term to maturity of over three months were transferred to other financial assets at 31 December 2014 (2013: \$Nil). There were no outstanding term deposits held by SAT1 Group at year end.

7.2. Cash with restricted use

Included in the SAL Group's consolidated cash balance is \$136.2 million (2013: \$106.0 million) held by Sydney Airport Corporation Limited (SACL) and Southern Cross Airports Corporation Pty Limited (SCAC) of which \$30.0 million (2013: \$21.5 million) is reserved for maintenance and the remainder can be used for other purposes including capital expenditure and debt repayments.

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For year ended 31 December 2014

8. Receivables

	Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Current					
GST receivable		2.1	2.4	-	0.1
Withholding tax receivable		3.2	2.8	-	2.8
Receivables from related parties	22.2.3	-	-	-	20.0
Accrued revenue		39.1	34.9	-	-
Other receivables		13.0	9.2	3.3	0.1
		57.4	49.3	3.3	23.0
Trade receivables		71.1	76.9	-	-
Provision for doubtful receivables		(0.1)	(0.1)	-	-
Total current receivables		128.4	126.1	3.3	23.0
Non-current					
Lease receivable		20.9	25.8	-	-
Accrued revenue		12.0	12.6	-	-
Other receivables		2.5	3.4	-	-
Loans to related parties	22.2.3	-	-	1,887.3	1,933.7
Total non-current receivables		35.4	41.8	1,887.3	1,933.7

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

Trade receivables are generally non-interest bearing and are on 30 day terms.

Discussion of the Groups' policies concerning the management of credit risk can be found in Note 25.4.

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For year ended 31 December 2014

9. Property, Plant and Equipment

31 Dec 2014								
SAL Group \$m	Freehold land	Buildings	Runways, taxis and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Cost								
Opening balance	11.4	1,654.3	821.7	799.5	355.1	220.1	162.6	4,024.7
Additions	-	-	-	-	-	-	253.1	253.1
Transfers	-	122.5	44.2	48.7	7.6	15.8	(238.8)	-
Disposals	-	-	-	-	-	(1.0)	-	(1.0)
Closing balance	11.4	1,776.8	865.9	848.2	362.7	234.9	176.9	4,276.8
Accumulated depreciation								
Opening balance	(0.8)	(601.0)	(207.9)	(241.2)	(238.2)	(179.0)	-	(1,468.1)
Depreciation	(0.2)	(107.3)	(34.7)	(44.5)	(19.5)	(18.8)	-	(225.0)
Disposals	-	-	-	-	-	1.0	-	1.0
Closing balance	(1.0)	(708.3)	(242.6)	(285.7)	(257.7)	(196.8)	-	(1,692.1)
Total carrying amount	10.4	1,068.5	623.3	562.5	105.0	38.1	176.9	2,584.7

31 Dec 2013								
SAL Group \$m	Freehold land	Buildings	Runways, taxis and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Cost								
Opening balance	-	-	-	-	-	-	-	-
Adjustment due to Restructure	11.4	1,649.4	818.4	793.2	354.6	215.2	149.5	3,991.7
Additions	-	-	-	-	-	-	33.0	33.0
Transfers	-	4.9	3.3	6.3	0.5	4.9	(19.9)	-
Closing balance	11.4	1,654.3	821.7	799.5	355.1	220.1	162.6	4,024.7
Accumulated depreciation								
Opening balance	-	-	-	-	-	-	-	-
Adjustment due to Restructure	(0.8)	(592.9)	(206.4)	(238.3)	(236.3)	(177.2)	-	(1,451.9)
Depreciation	-	(8.1)	(1.5)	(2.9)	(1.9)	(2.0)	-	(16.4)
Disposals	-	-	-	-	-	0.2	-	0.2
Closing balance	(0.8)	(601.0)	(207.9)	(241.2)	(238.2)	(179.0)	-	(1,468.1)
Total carrying amount	10.6	1,053.3	613.8	558.3	116.9	41.1	162.6	2,556.6

Included in the additions of property, plant and equipment in the tables above are capitalised borrowing costs of \$8.0 million (2013: \$1.1 million).

Depreciation expense of \$181.8 million was recorded in the Consolidated Statement of Comprehensive Income for the SAT1 Group for year ended 31 December 2013 for the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1).

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For year ended 31 December 2014

10. Intangible Assets

SAL Group \$m	31 Dec 2014				Total
	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	
Cost					
Opening balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Closing balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Accumulated amortisation					
Opening balance	-	(145.1)	(433.8)	(157.6)	(736.5)
Amortisation	-	(17.0)	(61.9)	(22.5)	(101.4)
Closing balance	-	(162.1)	(495.7)	(180.1)	(837.9)
Total carrying amount	669.7	7.7	5,112.1	1,858.0	7,647.5

SAL Group \$m	31 Dec 2013				Total
	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	
Cost					
Opening balance	-	-	-	-	-
Adjustment due to Restructure	669.7	169.8	5,607.8	2,038.1	8,485.4
Closing balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Accumulated amortisation					
Opening balance	-	-	-	-	-
Adjustment due to Restructure	-	(143.7)	(428.6)	(155.7)	(728.0)
Amortisation	-	(1.4)	(5.2)	(1.9)	(8.5)
Closing balance	-	(145.1)	(433.8)	(157.6)	(736.5)
Total carrying amount	669.7	24.7	5,174.0	1,880.5	7,748.9

Amortisation expense of \$93.4 million was recorded in the Consolidated Statement of Comprehensive Income for the SAT1 Group for year ended 31 December 2013 for the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1).

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10. Intangible Assets (continued)

10.1. Impairment test for goodwill

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Sydney Airport	669.7	669.7
Total goodwill	669.7	669.7

Goodwill is allocated to the Group's cash-generating unit (CGU), which has been identified as Sydney Airport. The recoverable amount of the CGU is determined by a 'fair value less cost to sell' calculation using a discounted cash flow analysis.

Discounted cash flow analysis is the methodology adopted to value the Group's investment in Sydney Airport. The valuation derived from this discounted cash flow analysis has been benchmarked to other sources such as the ASX-listed Sydney security price, analyst consensus and recent market transactions to ensure the valuation is providing a reliable measure.

The cash flows used in the discounted cash flow analysis were projected based on a Financial Model covering a twenty-year period. Cash flows for the first five years of this twenty year period were based on a detailed business planning process referencing historical performance and the Group's views on key drivers. Long-term cash flows to equity after year five were extrapolated consistent with an average growth rate that is ahead of forecast Australian Gross Domestic Product (GDP). Terminal value was calculated as a multiple of earnings before interest, taxation, depreciation and amortisation in the twentieth year. Cash flows were discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). In estimating individual components of the CAPM, the Group has taken into account historical and related market data. An increase of approximately twenty percentage points in the risk premium (a component of the discount rate) would not result in an impairment of goodwill.

Other key assumptions used in the fair value less costs to sell calculation include international and domestic passenger numbers and inflation. Total passenger numbers were 38.5 million for year ended 31 December 2014 (2013: 37.9 million) and experienced growth of 1.7% during 2014 (2013: 2.8%). Average long-term inflation rates were assumed to be within the Reserve Bank of Australia (RBA) target range.

11. Subsidiaries

11.1. The Group's significant subsidiaries

Name of entity	Country of incorporation	Beneficial ownership interest	
		SAL Group 31 Dec 2014	SAL Group 31 Dec 2013
Southern Cross Airports Corporation Holdings Limited (SCACH)	Australia	100.0%	100.0%
Sydney Airport Corporation Limited (SACL)	Australia	100.0%	100.0%

12. Payables

Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Current				
Interest payable on external debt	64.9	61.4	-	-
Trade payables	12.3	3.3	-	-
Expense accruals	97.1	96.8	3.6	0.3
GST payable	7.7	8.6	-	-
Interest received in advance	22.2.3	-	2.4	-
Total current payables	182.0	170.1	6.0	0.3

The fair values of payables approximate their carrying values.

Trade payables are non-interest bearing and are generally on 30 day terms.

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13. Interest Bearing Liabilities

		Principal amount drawn		Carrying amount	
	Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Current					
SCACH					
— Bank facilities	13.1.2	-	35.5	-	35.4
— Bonds - domestic	13.1.3	475.0	700.0	474.0	698.2
Total current interest bearing liabilities		475.0	735.5	474.0	733.6
Non-current					
SCACH					
— Bank facilities	13.1.2	514.7	1,140.5	508.4	1,129.3
— Bonds - domestic	13.1.3	1,709.0	2,184.0	1,683.0	2,153.2
— Bonds - USPP	13.1.4	574.0	-	569.7	-
— Bonds - foreign	13.1.5	2,571.8	1,538.4	2,548.7	1,517.9
— Capital Indexed Bonds	13.1.6	1,082.3	1,052.6	1,029.6	997.4
		6,451.8	5,915.5	6,339.4	5,797.8
Fair value hedge adjustments		-	-	420.8	129.3
SAL					
— Bank facilities	13.2.1	-	80.0	-	79.7
Total non-current interest bearing liabilities		6,451.8	5,995.5	6,760.2	6,006.8
Total interest bearing liabilities		6,926.8	6,731.0	7,234.2	6,740.4

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

13.1. SCACH interest bearing liabilities

13.1.1. Assets pledged as security

SCACH Group external borrowings are all subject to the same security arrangements, whereby SCACH has pledged all of its assets (excluding deferred tax and goodwill) as security for all its interest bearing liabilities. The security consists of fixed and floating charges over the assets of the SCACH Group and a mortgage over the Airport lease. All bonds rank pari passu with the senior bank debt and capital indexed bonds.

13.1.2. Bank facilities

SCACH has entered into a series of bank facilities. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2014, SCACH has an undrawn balance on these facilities of \$979.8 million (2013: \$662.5 million).

In May 2014, the SCACH Group successfully completed a \$1.5 billion senior bank debt raising with tenor ranging from three to five years. Proceeds were used to repay senior bank debt maturing in 2014, 2015, 2016 and 2017.

13.1.3. Bonds - domestic

SCACH has issued fixed and floating interest rate domestic bonds. Financial guarantees in respect of \$1,883.1 million (2013: \$2,578.2 million) are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp. \$275.0 million of domestic bonds are not subject to financial guarantees (2013: \$275.0 million),

SCACH repaid \$700.0 million of domestic bonds in November 2014 (2013: \$217.0 million).

13.1.4. Bonds - USPP

By November 2014, SCACH finalised a US Private Placement bond of \$574.0 million of 14 and 15 year senior secured notes, maturing in 2028 and 2029. The receipt of proceeds helped to repay the \$700.0 million domestic bond that matured in November 2014.

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13. Interest Bearing Liabilities (continued)

13.1.5. Bonds - foreign

SCACH has issued fixed interest rate foreign bonds in local currency swapped back to floating interest rate AUD.

In April 2014, the SCACH Group successfully issued \$1.0 billion (EUR 700.0 million) of senior secured notes in the Euro bond market maturing in April 2024.

13.1.6. Capital Indexed Bonds

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

13.2. SAL interest bearing liabilities

13.2.1. Bank facilities

In December 2014, SAL entered into an unsecured \$15.0 million term facility maturing in February 2018 with Westpac Banking Corporation (WBC). Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2014, \$15.0 million on the term facility was undrawn.

By November 2014, SAL cancelled its \$100.0 million term facility and \$15.0 million working capital facility both with Commonwealth Bank of Australia and WBC. The \$80.0 million drawn under the \$100.0 million term facility was repaid in February 2014.

14. Derivative Financial Instruments

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Non-current assets		
Cross currency swaps	442.8	102.2
Total non-current derivative assets	442.8	102.2
Current liabilities		
Cross currency swaps	47.0	24.4
Interest rate swaps	87.3	101.5
Total current derivative liabilities	134.3	125.9
Non-current liabilities		
Interest rate swaps	200.7	92.3
Total non-current derivative liabilities	200.7	92.3

The non-current derivative financial instruments asset of \$9.9 million disclosed in the SAL Group Consolidated Statement of Financial Position for year ended 31 December 2013 is the net of the non-current cross currency swap asset of \$102.2 million and the non-current interest rate swap liability of \$92.3 million in the table above.

14.1. Instruments used by the SAL Group

As at 31 December 2014, the SAL Group is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the SAL Group's financial risk management policies (refer to Notes 25.3.1 and 25.3.2).

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15. Tax Assets and Tax Liabilities

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Non-current liabilities		
Deferred tax liabilities	1,753.2	1,699.1
The balance of deferred tax liabilities comprises temporary differences attributable to:		
Amounts recognised in the Consolidated Statements of Comprehensive Income		
— Property, plant and equipment	249.9	86.1
— Intangibles	2,013.8	2,043.9
— Interest bearing liabilities	4.4	5.0
— Deferred income	(0.2)	0.9
— Deferred costs	(1.2)	(1.9)
— Deferred debt establishment costs	11.4	-
— Accrued revenue and prepayments	8.7	8.2
— TOFA assets	-	(4.9)
— Other payables	(9.7)	(8.6)
— Cash flow hedges	18.5	79.0
— Defined benefits plan	0.5	0.6
— Tax losses	(467.7)	(438.3)
	1,828.4	1,770.0
Amounts recognised directly in equity		
— Cash flow hedges	(75.8)	(71.9)
— Defined benefits plan	0.6	1.0
	(75.2)	(70.9)
Net deferred tax liabilities	1,753.2	1,699.1
Movements in deferred tax liabilities:		
Opening balance at 1 January	1,699.1	-
Debited / (credited) to the Consolidated Statements of Comprehensive Income		
— Deferred tax balances recognised due to Restructure	-	1,659.0
— Property, plant and equipment	163.8	(0.7)
— Intangibles	(30.1)	(1.8)
— Interest bearing liabilities	(0.6)	-
— Deferred income	(1.1)	-
— Deferred costs	0.7	(2.0)
— Deferred debt establishment costs	11.4	-
— Accrued revenue and prepayments	0.5	-
— TOFA assets	4.9	-
— Other payables	(1.0)	(1.3)
— Cash flow hedges	(60.5)	6.5
— Defined benefits plan	(0.1)	-
— Tax losses	(29.4)	42.8
	58.5	1,702.5
Credited to equity	(4.3)	(3.4)
Closing balance at 31 December	1,753.2	1,699.1

Deferred tax expense of \$44.9 million was recorded in the Consolidated Statement of Comprehensive Income for the SAT1 Group for year ended 31 December 2013 for the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1).

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16. Contributed Equity

Note	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Opening balance at 1 January	5,178.0	-	2,398.4	3,948.5
Contributed equity recognised due to Restructure	-	5,178.0	-	-
Issued pursuant to the Restructure 2.1	-	-	-	1,230.2
Issued pursuant to the distribution reinvestment plan 16.1	78.4	-	17.8	-
Security issuance costs	(0.2)	-	(0.2)	(0.6)
Contributed equity derecognised due to Restructure	-	-	-	(2,779.7)
Closing balance at 31 December	5,256.2	5,178.0	2,416.0	2,398.4

	SAL Group 31 Dec 2014 Shares 'm	SAL Group 31 Dec 2013 Shares 'm	SAT1 Group 31 Dec 2014 Units 'm	SAT1 Group 31 Dec 2013 Units 'm
On issue at beginning of year	2,194.3	-	2,194.3	1,861.2
Issued pursuant to the Restructure 2.1	-	-	-	333.1
Issued pursuant to the distribution reinvestment plan 16.1	21.9	-	21.9	-
Adjustment due to Restructure	-	2,194.3	-	-
On issue at end of year	2,216.2	2,194.3	2,216.2	2,194.3

16.1. Distribution reinvestment plan

The distribution reinvestment plan (DRP) operated in respect of the half year ended 30 June 2014 distribution. In July 2014, to satisfy the DRP take up, 9.9 million securities were acquired on market for transfer for a total of \$43.1 million. No new securities were issued. Securities were transferred to DRP participants at \$4.33 with no discount applied.

The DRP also operated in respect of the year ended 31 December 2013 distribution. In February 2014, to satisfy the DRP take up, 5.8 million securities were acquired on market for transfer for a total of \$22.8 million and 21.9 million new securities were issued. Securities were transferred to DRP participants at \$3.66 after a 2.5% discount was applied.

16.2. Ordinary shares in SAL and ordinary units in SAT1

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the *Corporations Act 2001*, ASX Listing Rules and the foreign ownership provisions in the Groups' constitutions. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in SAT1 and one vote for each share they hold in SAL.

Unless the Responsible Entity determines otherwise, a security on issue in SAT1 at the end of an income period entitles its holder to a pro-rata proportion of the net income of SAT1 in respect of that income period.

The Responsible Entity determines the net amount of income and distribution of SAT1 at the end of each income period. The entitlement to income of each fully paid stapled security will be distributed to the investor within two months of the last day of the income period. Upon winding up, the Responsible Entity is required to realise the assets of SAT1 and after meeting liabilities of SAT1, to distribute the net proceeds to the unit holders pro-rated according to the number of units held on the date upon which SAT1 commences to be wound up.

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17. Retained Profits

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Opening balance at 1 January	62.7	-	402.9	501.0
Adjustment due to Restructure	-	338.8	-	-
Profit / (loss) attributable to Groups' security holders	59.1	(26.9)	243.8	88.4
Remeasurement gain / (loss) on defined benefit plans	(1.4)	4.4	-	-
Remeasurement gain / (loss) on defined benefit plans - deferred tax	0.4	(1.3)	-	-
Reclassification of other reserve to Consolidated Statement of Comprehensive Income	-	-	-	(27.7)
Reclassification from capital reserve	-	-	-	254.4
Distributions provided for or paid	(520.9)	(252.3)	(242.7)	(413.2)
Closing balance at 31 December	(400.1)	62.7	404.0	402.9

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18. Reserves

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Balance of reserves				
Capital reserve	-	-	(967.6)	(967.6)
Cash flow hedge reserve	(177.1)	(167.9)	-	-
Other reserve	(3,161.6)	(3,161.6)	(87.1)	(87.1)
	(3,338.7)	(3,329.5)	(1,054.7)	(1,054.7)
Movements of reserves				
Capital reserves				
Opening balance at 1 January	-	-	(967.6)	(713.2)
Transfer to retained earnings	-	-	-	(254.4)
Closing balance at 31 December	-	-	(967.6)	(967.6)
Cash flow hedge reserve				
Opening balance at 1 January	(167.9)	-	-	(171.9)
Adjustment due to Restructure	-	(157.0)	-	127.6
Revaluation – gross	(13.1)	(15.6)	-	63.3
Revaluation – tax effect	3.9	4.7	-	(19.0)
Closing balance at 31 December	(177.1)	(167.9)	-	-
Other reserve				
Opening balance at 1 January	(3,161.6)	-	(87.1)	(1,515.7)
Adjustment due to Restructure	-	(3,161.6)	-	1,400.9
Reclassification of other reserve to Consolidated Statement of Comprehensive Income	-	-	-	27.7
Closing balance at 31 December	(3,161.6)	(3,161.6)	(87.1)	(87.1)

18.1. Nature and purpose of reserves

18.1.1. Capital reserve

The capital reserve represents amounts transferred from retained profits to facilitate distributions from SAT1 in accordance with the SAT1 constitution.

18.1.2. Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in Note 1.15.1. The gain or loss relating to an ineffective portion of a hedge is recognised in net income after tax.

18.1.3. Other reserve

The other reserve represents transactions between equity holders and movements in other reserves resulting from business combinations.

19. Non-Controlling Interest in Controlled Entities

19.1. SAL Group's non-controlling interest in SAT1 Group

SAL is identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities at 31 December 2014. As per the application of AASB3: *Business Combinations* (refer to Note 1.3.1), SAL Group is deemed to control the SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report for year ended 31 December 2014 and recognises a non-controlling interest.

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20. Earnings per Share

	SAL Group Year ended 31 Dec 2014 \$m	SAL Group Period ended 31 Dec 2013 \$m	SAT1 Group Year ended 31 Dec 2014 \$m	SAT1 Group Year ended 31 Dec 2013 \$m
Profit after tax attributable to security holders used in calculating basic / diluted profit per share / unit	59.1	(26.9)	243.8	88.4
	SAL Group 31 Dec 2014 Shares 'm	SAL Group 31 Dec 2013 Shares 'm	SAT1 Group 31 Dec 2014 Units 'm	SAT1 Group 31 Dec 2013 Units 'm
Weighted average number of shares / units used in calculating basic / diluted profit per share / unit	2,213.5	2,194.3	2,213.5	1,976.5

21. Cash Flow Information

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Reconciliation of cash flows from operating activities				
Profit / (loss) for year	57.2	(28.8)	243.8	75.9
Expenses relating to investing activities	1.2	5.1	(0.1)	16.1
Expenses relating to financing activities	464.1	26.3	-	444.1
Loss / (gain) on derivative contracts	54.6	(1.0)	-	12.6
Depreciation and amortisation	326.4	24.9	-	275.2
Net gain on sale of non-current assets	(0.1)	-	-	(0.4)
Net foreign exchange differences	-	-	-	(0.4)
Decrease / (increase) in receivables and other assets	7.3	(6.4)	19.7	(33.8)
Increase / (decrease) in payables	16.1	6.1	3.1	(15.5)
Increase in tax balances	58.5	44.9	-	51.9
Net cash inflow from operating activities	985.3	71.1	266.5	825.7

21.1. Non-cash financing and investing activities

The distribution reinvestment plan (DRP) operated in respect of the half year ended 30 June 2014 distribution. In July 2014, to satisfy the DRP take up, 9.9 million securities were acquired on market for transfer for a total of \$43.1 million. No new securities were issued. Securities were transferred to DRP participants at \$4.33 with no discount applied.

The DRP also operated in respect of the year ended 31 December 2013 distribution. In February 2014, to satisfy the DRP take up, 5.8 million securities were acquired on market for transfer for a total of \$22.8 million and 21.9 million new securities were issued. Securities were transferred to DRP participants at \$3.66 after a 2.5% discount was applied.

In August 2013, 265.8 million ASX-listed Sydney Airport stapled securities were issued as part of the HTA, Future Fund, CDPQ, UTA and KfW minority acquisitions of \$956.9 million (refer to Note 2.1).

In September 2013, 67.3 million ASX-listed Sydney Airport stapled securities were issued as part of the MTAA and UniSuper minority acquisitions of \$273.3 million (refer to Note 2.1).

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21. Cash Flow Information (continued)

21.2. Undrawn balance on loan facilities

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
SCACH undrawn balance on bank facilities		
Bank facilities	893.8	576.5
Working capital facility	86.0	86.0
Total SCACH undrawn balance on bank facilities	979.8	662.5
SAL undrawn balance on bank facilities		
Working capital facility	15.0	15.0
Term facility	-	20.0
Total SAL undrawn balance on bank facilities	15.0	35.0
Total undrawn balance on bank facilities	994.8	697.5

21.2.1. SCACH undrawn bank facilities

SCACH has entered into a series of bank facilities. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2014, SCACH has an undrawn balance on these facilities of \$979.8 million (2013: \$662.5 million).

21.2.2. SAL undrawn bank facilities

In December 2014, SAL entered into an unsecured \$15.0 million term facility maturing in February 2018 with Westpac Banking Corporation (WBC). Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2014, \$15.0 million on the term facility was undrawn.

By November 2014, SAL cancelled its \$100.0 million term facility and \$15.0 million working capital facility both with Commonwealth Bank of Australia and WBC. The \$80.0 million drawn under the \$100.0 million term facility was repaid in February 2014.

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22. Related Party Disclosures

22.1. Key Management Personnel Compensation

Key management personnel (KMP) compensation for the Groups for the period comprised the following:

	31 Dec 2014 \$	31 Dec 2013 \$
SAL Group		
Short term employee benefits - salary and fees	4,473,298	344,532
Short term employee benefits - bonus	2,071,592	219,268
Post employment benefits - superannuation	160,919	12,530
Termination benefits	502,632	-
	7,208,441	576,330
	31 Dec 2014 \$	31 Dec 2013 \$
SAT1 Group		
Short term employee benefits - fees	91,419	1,203,772
Post employment benefits - superannuation	8,581	86,991
	100,000	1,290,763

There were no other KMP related transactions for the Groups for the year.

For the period ended 31 December 2013, the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days). For year ended 31 December 2013 the SAT1 Group represents the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) and the period from 3 December 2013 to 31 December 2013 (29 days) for the post-Restructure SAT1 Group on a stand alone basis.

22.2. SAT1 Group Related Party Disclosures

22.2.1. SAT1 Responsible Entity

TTCSAL was appointed Responsible Entity of SAT1 (SAT1 RE) on 22 November 2013. TTCSAL agreed to act as SAT1 RE on the basis that if TTCSAL was removed within 3 years of its appointment, in the absence of negligence, fraud or breach of trust by TTCSAL, the SAL Group would pay an amount equal to the Responsible Entity fee (RE fee) for 3 years less any RE fees already paid to TTCSAL.

The payment would not be made from the assets of SAT1, but from \$800,000 deposited in escrow by SAL. As per the escrow deed, \$300,000 (plus interest) was returned to SAL on the first anniversary of TTCSAL's appointment as SAT1 RE on 22 November 2014.

Sydney Airport Corporation Limited (SACL) and TTCSAL have entered into a Resources Agreement under which SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated per the relevant provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions. There were \$134,547 fees charged for year ended 31 December 2014 (2013: \$Nil) and \$134,547 remains unpaid at 31 December 2014 (2013: \$Nil).

During the year \$300,000 was charged by TTCSAL to SAT1 for RE fees (2013: \$525,000) and \$75,000 remains unpaid at 31 December 2014 (2013: \$25,000).

Sydney Airport Holdings Limited (SAHL) was the Responsible Entity of SAT1 for the period from 1 January 2013 to 22 November 2013. During this period, SAHL generated RE fees that were eliminated at the SAT1 Group level as SAT1 was deemed to control SAHL for that period.

22.2.2. Put Option Deed

Under the Put Option Deed (the POD) entered into in connection with the Sydney Airport governance arrangements, SAL has granted The Trust Company Limited (TTCL) an option to require SAL (or a SAL nominee) to purchase all of the issued shares in TTCSAL. Before TTCL can exercise the option under the POD, it is required to engage with SAL for a period which is expected to allow a replacement responsible entity or an alternative purchaser of the issued shares in TTCSAL to be identified. This is intended to avoid any potential adverse outcome that would arise on the issued shares in TTCSAL being acquired by SAL (or one of its subsidiaries). No value has been attributed to the option under the POD.

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22. Related Party Disclosures (continued)

22.2.3. SAT1 and SAL Cross Staple Loan

A loan was entered into between SAT1 as lender and SAL as borrower on 3 December 2013. The loan is an interest bearing, unsecured and subordinated loan. Under the terms of the loan, interest is calculated at 13.0% and is payable in advance during the first two months of semi-annual periods beginning on 1 January and 1 July. Interest which is not paid is capitalised. The loan expires on 28 November 2023.

During the year \$46,373,068 (2013: \$Nil) of the loan was repaid and the balance outstanding at 31 December 2014 was \$1,887,317,057 (2013: \$1,933,690,125). During the year interest of \$245,978,842 (2013: \$19,972,635) was accrued on the loan and \$268,313,327 was paid (2013: \$Nil). \$2,361,850 was prepaid by SAL at 31 December 2014 (2013 outstanding: \$19,972,635).

22.2.4. Custodian fees

TTCL was a related entity of SAT1 for year ended 31 December 2014. During this period custodian fees of \$144,763 were charged (2013: \$31,000) and \$30,000 remains unpaid at 31 December 2014 (2013: \$31,000).

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23. Defined Benefit Plan

Employees are entitled to varying levels of benefits on retirement, disability or death. The Sydney Airport Superannuation Plan (the Plan) consists of a defined benefit plan which is fully funded and provides lump sum or pension benefits based on years of service, final average salary and a defined contribution plan. The Plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration. Contributions by the SAL Group of up to 9.5% of employees' remuneration are legally enforceable in Australia.

The following table discloses components of net benefit recognised in the Consolidated Statements of Comprehensive Income and the funded status and amounts recognised in the Consolidated Balance Sheets for the Plan:

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2013 \$m
Amounts recognised in income in respect of defined benefit plans:			
Current service costs	1.7	1.6	-
Interest cost	(0.2)	-	-
Total included in employee benefit expense	1.5	1.6	-
Remeasurement losses / (gains) recognised in the Consolidated Statements of Comprehensive Income	1.0	(3.1)	-
Cumulative remeasurement (gains) / losses recognised in the Consolidated Statements of Comprehensive Income	(1.4)	(2.4)	-
The amounts included in the Consolidated Balance Sheets arising from the Groups' obligations in respect of its defined benefit plans were:			
Present value of defined benefit obligations	(24.0)	(21.2)	-
Fair value plan assets	27.7	26.6	-
Net asset arising from defined benefit obligations	3.7	5.4	-
	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2013 \$m
Included in the Consolidated Balance Sheets			
Non-current assets			
Superannuation plan asset	3.7	5.4	1.3
Adjustment due to restructure	-	-	(1.3)
Net asset arising from defined benefit obligations	3.7	5.4	-
	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2013 \$m
Movements in the present value of defined benefit obligations:			
Opening balance at 1 January	21.2	-	22.4
Adjustment due to restructure	-	22.4	(22.4)
Current service cost	1.7	1.6	-
Interest cost	0.9	0.7	-
Remeasurement gain / (loss)	2.4	(2.3)	-
Benefits paid	(1.8)	(0.9)	-
Taxes, premiums and expenses paid	(0.4)	(0.3)	-
Closing balance at 31 December	24.0	21.2	-

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23. Defined Benefit Plan (continued)

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 31 Dec 2013 \$m
Movements in the present value of the plan assets in the current year were as follows:			
Fair value of plan assets at 1 January	26.6	-	23.7
Interest income	1.0	0.8	-
Return on plan assets, excluding interest income	1.0	2.1	-
Employer contributions	1.3	1.3	-
Benefits paid	(1.8)	(0.9)	-
Taxes, premiums and expenses paid	(0.4)	(0.4)	-
Adjustment due to restructure	-	23.7	(23.7)
Fair value of plan assets at 31 December	27.7	26.6	-

The actual return on plan assets was an increase of \$1.2 million (2013: increase of \$2.9 million), with all participants being active plan participants. The weighted average duration of the defined benefit obligation is 8.0 years (2013: 9.0 years).

The Group expects to contribute at the current recommended rate of 14.1% (including 3.0% productivity contributions of salaries of defined benefit members and 9.5% of salaries of defined contribution members).

The principal actuarial assumptions used in determining the Plan liability and sensitivities were:

	Group 31 Dec 2014	Group 31 Dec 2013
Discount rate	3.0%	4.3%
Future salary increases	3.5%	3.5%
	0.5% increase	0.5% decrease
Discount rate	(1.1)	1.2
Future salary increases	1.0	(1.0)

Plan assets comprise investments in unquoted securities of \$27.8 million (2013: \$26.6 million)

The percentage invested in each asset class at reporting date were:

	31 Dec 2014	31 Dec 2013
Australian equity instruments	21.0%	19.0%
International equity instruments	25.0%	21.0%
Fixed income	25.0%	26.0%
Property	7.0%	10.0%
Alternatives / other	9.0%	2.0%
Cash	13.0%	22.0%

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24. Segment Reporting

Operating segments are determined in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of SAL for year ended 31 December 2014 (representing the Group) and when SAT1 and SAL were identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) and 3 December 2013 to 31 December 2013 (29 days) respectively for accounting purposes, has been identified as the Chief Executive Officer (CEO) of SAL.

For years ended 31 December 2014 and 31 December 2013 the CEO considered the business from the aspect of its core portfolio airport, and identified one operating segment for which it received regular reports. The segment is the investment in Sydney Airport.

The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 8: *Operating Segments*. The segment result represents 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA) (2013: 100.0%).

This is consistent with the manner in which information is presented to the CEO to monitor the performance of Sydney Airport. The segment also represents the Groups' geographical segment, determined by the country in which Sydney Airport operates.

Sydney Airport's revenues and expenses are consolidated in the Consolidated Statements of Comprehensive Income and are accounted for in accordance with Note 1.17.

	SAL Group Year ended 31 Dec 2014 \$m	SAL Group Period ended 31 Dec 2013 \$m	SAT1 Group Year ended 31 Dec 2013 \$m
Sydney Airport			
Total segment revenue from external customers	1,163.6	100.9	1,024.2
Total segment expenses from external customers	(215.3)	(24.5)	(209.1)
EBITDA	948.3	76.4	815.1

A reconciliation of the segment's EBITDA to profit before income tax expense is shown below:

	SAL Group Year ended 31 Dec 2014 \$m	SAL Group Period ended 31 Dec 2013 \$m	SAT1 Group Year ended 31 Dec 2013 \$m
Sydney Airport			
EBITDA	948.3	76.4	815.1
Other			
Depreciation and amortisation	(326.4)	(24.9)	(275.2)
Net finance (costs) / income	(506.2)	(35.4)	(412.1)
Profit before income tax expense	115.7	16.1	127.8

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Non-current assets	10,717.9	10,366.2
Total assets	11,328.8	10,940.6
Total liabilities	(9,813.9)	(9,030.0)

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25. Financial Risk Management

25.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while considering the optimisation of the debt and equity balance, managing the cost of capital and increasing returns to shareholders.

The capital structure of the Group consists of:

- debt (including bank facilities, bonds (domestic and foreign) and Capital Indexed Bonds);
- cash and cash equivalents;
- issued capital;
- reserves; and
- retained earnings.

The Group monitors its capital structure on a regular basis. As part of the review process, management considers the risks and costs of each class of capital. The Group balances its overall capital structure through the:

- issuing of new debt;
- retiring of existing debt; and
- shareholder distributions.

During year ended 31 December 2014, the Group's strategy remained unchanged.

25.2. Risk management framework

The Group has exposure to the following risks arising from financial instruments:

- market risk (including currency risk, inflation risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the SAL Board covering specific areas, such as:

- foreign exchange risk;
- interest rate risk;
- use of derivative financial instruments;
- use of non-derivative financial instruments; and
- investing excess liquidity.

Speculative trading is specifically prohibited by SAL Board policy. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

25.3. Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate and interest rate movements (refer to Notes 25.3.1 and 25.3.2).

The Group enters into interest rate and cross currency swap contracts to mitigate interest rate and foreign exchange risks. Market risk exposures are measured using a sensitivity analysis.

During year ended 31 December 2014, there was no change to the manner in which the Group manages or measures market risk.

25.3.1. Currency risk

The Group operates domestically and is currently a party to borrowings in three foreign currencies (Euro, USD and CAD). Foreign exchange risk also arises from future commercial transactions. To manage foreign exchange risk arising from future commercial transactions, Group entities may use forward contracts, transacted by Group Treasury. The Group's risk management policy is to fully hedge foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds. At 31 December 2014 there were no unhedged foreign currency exposures over the set threshold (31 December 2013: \$Nil).

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25. Financial Risk Management (continued)

Sydney Airport Finance Company Pty Limited (a subsidiary of SAL) has issued the following guaranteed senior secured foreign currency bonds. The total foreign currency proceeds were exchanged into Australian dollars and the borrowings are fully hedged through cross currency swaps until maturity of the bonds.

	Bond market	Maturity date	Currency	31 Dec 2014 \$m	31 Dec 2013 \$m
CAD bond	Canadian Maple	July 2018	CAD	225.0	225.0
USD bond	US 144A/RegS	February 2021	USD	500.0	500.0
USD bond	US 144A/RegS	March 2023	USD	825.0	825.0
EUR bond	Euro Bond	April 2024	EUR	700.0	-

The Group's exposures to foreign currency risk based on notional amounts were:

	31 Dec 2014 \$USDm	31 Dec 2014 \$CADm	31 Dec 2014 EURm	31 Dec 2014 equivalent total \$AUDm	31 Dec 2013 \$USDm	31 Dec 2013 \$CADm	31 Dec 2013 EURm	31 Dec 2013 equivalent total \$AUDm
Senior secured bonds	(1,325.0)	(225.0)	(700.0)	(2,571.8)	(1,325.0)	(225.0)	-	(1,538.4)
Cross currency swaps	1,325.0	225.0	700.0	2,571.8	1,325.0	225.0	-	1,538.4
	-	-	-	-	-	-	-	-

As the foreign currency borrowing exposures are fully hedged, a strengthening or weakening of the AUD will have no impact on profit or loss or equity. At 31 December 2014 the Group had no exposure to foreign exchange risk on the above senior secured bonds (2013: \$Nil).

25.3.2. Interest rate risk

The Group's interest rate risk arises from borrowings and cash balances held. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to ensure that, in the medium term a minimum of 55.0% of its senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps on a five year average look forward basis. This is achieved by targeting a range of forecast average debt exposures in each year of:

- Year 1: 70.0% - 95.0%;
- Years 2 - 3: 50.0% - 75.0%; and
- Years 4 - 5: 40.0% - 65.0%.

At 31 December 2014, 83.4% (31 December 2013: 91.5%) of senior drawn borrowings were either fixed rate or hedged through interest rate swaps.

The Group's sensitivity to future interest rates has decreased due to the level of interest rate hedging executed during year ended 31 December 2014.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under interest rate swaps, the Group agrees with other parties to exchange at periodic intervals the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional principal amounts.

25.3.3. Interest rate sensitivity

The following table summarises the impact of an increase / (decrease) of interest rates by 150 basis points (2013: 150 basis points) while all other variables were held constant. 150 basis points is used when reviewing interest rates internally by key finance management and represents their assessment of a possible change in interest rates over a 12 month period.

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25. Financial Risk Management (continued)

	Impact on profit after tax		Impact on equity net of tax	
	SAL Group +/- \$m	SAT1 Group +/- \$m	SAL Group +/- \$m	SAT1 Group +/- \$m
31 December 2014				
Interest rates - 150 basis point increase	(12.1)	-	124.7	-
Interest rates - 150 basis point decrease	12.1	-	(135.7)	-
31 December 2013				
Interest rates - 150 basis point increase	6.6	-	17.6	17.6
Interest rates - 150 basis point decrease	(6.6)	-	(11.4)	(11.4)

25.3.4. Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the cash and swap curves at reporting date and the credit risk inherent in the contract. In the table below the average interest rate is based on the outstanding balances at the end of the financial year.

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

	Average contracted fixed interest rates		Notional principal amount		Fair value	
	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2014 \$m	31 Dec 2013 \$m	31 Dec 2014 \$m	31 Dec 2013 \$m
1 year or less	6.26%	4.53%	955.0	391.0	(19.4)	(5.3)
1 to 2 years	5.50%	6.30%	1,829.3	1,453.0	(88.7)	(63.0)
2 to 5 years	4.65%	5.42%	200.0	2,029.3	(13.6)	(118.7)
5 years or more	3.76%	4.12%	3,154.1	844.1	(166.4)	(6.8)
			6,138.4	4,717.4	(288.1)	(193.8)

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

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges. This reduces the Group's profit and loss volatility. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The table below reflects the weighted average interest rates of senior debt instruments and the carrying value of senior debt instruments (including impact of cross currency swaps):

	Weighted average interest rate		Carrying value	
	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2014 \$m	31 Dec 2013 \$m
Senior debt (including swaps)	6.11%	6.38%	7,234.2	6,677.4

25.4. Credit risk

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

Derivative counterparties and cash balances are limited to high credit quality financial institutions. It is Group policy that all financial institution derivative counterparties must have a minimum Standard & Poor's / Moody's long-term rating of A- / A3 and for cash deposit counterparties a minimum rating of A / A2. The Group has policies limiting the amount of credit exposure to any financial institution by both volume and term.

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25. Financial Risk Management (continued)

SAL and its subsidiaries have significant concentrations of credit risk in trade receivables, of which approximately 40.0% to 50.0% relate to the aeronautical industry. At 31 December 2014, less than 5.0% (2013: less than 5.0%) of trade receivables were overdue.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Groups' maximum exposure to credit risk without taking into account the value of any collateral obtained. The credit quality of all financial assets that are neither past due nor impaired is considered appropriate and is regularly monitored by management in order to identify any potential adverse changes in credit quality.

There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

SAL Group	Financial institutions \$m	Corporates \$m	Total \$m
31 December 2014			
Cash and cash equivalents	446.8	-	446.8
Receivables	1.8	162.0	163.8
Other financial assets	35.0	-	35.0
	483.6	162.0	645.6
31 December 2013			
Cash and cash equivalents	443.3	-	443.3
Receivables	1.0	166.9	167.9
	444.3	166.9	611.2

SAT1 Group	Financial institutions \$m	Corporates \$m	Total \$m
31 December 2014			
Cash and cash equivalents	1.5	-	1.5
Receivables	-	1,890.6	1,890.6
	1.5	1,890.6	1,892.1
31 December 2013			
Cash and cash equivalents	1.5	-	1.5
Receivables	-	1,956.7	1,956.7
	1.5	1,956.7	1,958.2

25.4.1. Financial institutions

The credit risk against financial institutions for the SAL Group and SAT1 Group relates to cash held by, receivables due from and deposits that have been placed with Australian and other foreign banks. Refer to Note 25.4 for the credit risk policies of the SAL Group.

25.4.2. Corporates

The credit risk against corporates for SAL and its subsidiaries relates to aeronautical, retail and property trade receivables at the airport asset level. These counterparties have a range of credit ratings. Credit risk against corporates could be materially affected by the performance of key aeronautical customers including the Qantas and Virgin Groups that accounted for between 40.0% and 50.0% of aeronautical revenue for year ended 31 December 2014 (2013: between 40.0% and 50.0%).

The credit risk against corporates for the SAT1 Group primarily relates to interest income receivable and an interest bearing loan to SAL, a related party (refer to Note 22.2.3).

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25. Financial Risk Management (continued)

25.5. Liquidity risk

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

- levels of undrawn committed bank facilities available for working capital and capital investment; and
- maintenance capital expenditure reserve.

25.5.1. Maturity of financial liabilities

The table below details the SAL Group's remaining contractual maturity for its financial liabilities and derivative financial liabilities. The contractual cash flows reflect the undiscounted cash flows of financial liabilities and derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The adjustment column represents the contractual future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

	Total contractual cashflows			Adjustment \$m	Carrying value \$m
	1 year or less \$m	1 to 5 years \$m	5 years or more \$m		
31 December 2014					
Bank facilities	20.5	551.1	-	(63.2)	508.4
Bonds - domestic	547.2	313.9	1,838.7	(542.8)	2,157.0
Bonds - USPP	31.0	124.2	857.9	(443.4)	569.7
Bonds - foreign	156.6	820.6	2,757.0	(764.7)	2,969.5
Capital Indexed Bonds	37.7	160.6	1,576.1	(744.8)	1,029.6
Derivatives	134.3	200.7	-	-	335.0
Distribution payable	266.0	-	-	-	266.0
Trade and other payables	182.0	-	-	-	182.0
	1,375.3	2,171.1	7,029.7	(2,558.9)	8,017.2
31 December 2013					
Bank facilities	35.5	1,220.5	-	(11.6)	1,244.4
Bonds - domestic	796.7	700.3	1,980.5	(626.1)	2,851.4
Bonds - foreign	111.2	345.6	1,717.5	(527.1)	1,647.2
Capital Indexed Bonds	36.8	157.0	1,619.0	(815.4)	997.4
Derivatives	125.9	92.3	-	-	218.2
Distribution payable	252.3	-	-	-	252.3
Trade and other payables	170.1	-	-	-	170.1
	1,528.5	2,515.7	5,317.0	(1,980.2)	7,381.0

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25. Financial Risk Management (continued)

25.6. Fair value of financial instruments

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

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

The directors consider the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their fair values, except as detailed below:

	Carrying amount		Fair value	
	31 Dec 2014 \$m	31 Dec 2013 \$m	31 Dec 2014 ¹ \$m	31 Dec 2013 ¹ \$m
Financial liabilities				
Bonds - domestic	273.9	273.2	297.6	304.5
Bonds - USPP	371.2	-	483.9	-
Bonds - foreign	2,969.7	1,647.2	3,360.5	1,917.6
	3,614.8	1,920.4	4,142.0	2,222.1

¹ Level 2 fair value measurement hierarchy.

25.6.1. Fair value measurements

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

The table below analyses financial instruments measured and recognised at fair value, which is determined by:

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

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
31 December 2014				
Assets / (liabilities)				
Non-current asset derivatives used for hedging	-	442.8	-	442.8
Current liability derivatives used for hedging	-	(134.3)	-	(134.3)
Non-current liability derivatives used for hedging	-	(200.7)	-	(200.7)
31 December 2013				
Assets / (liabilities)				
Non-current asset derivatives used for hedging	-	102.2	-	102.2
Current liability derivatives used for hedging	-	(125.9)	-	(125.9)
Non-current liability derivatives used for hedging	-	(92.3)	-	(92.3)

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26. Commitments

The Group has commitments of \$61.6 million (2013: \$21.2 million) in relation to capital expenditure.

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

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	0.1	0.1
Later than one year but not later than five years	0.5	0.5
Later than five years	1.4	1.6
	2.0	2.2

The Group's common user terminal equipment lease expired in February 2014.

Lease receivables as lessor

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

	SAL Group 31 Dec 2014 \$m	SAL Group 31 Dec 2013 \$m
Receivable within one year	240.0	242.1
Receivable later than one year but not later than five years	745.0	468.0
Receivable after five years	365.8	116.4
	1,350.8	826.5

27. Parent Entity Disclosures

At and throughout year ended 31 December 2014, SAL was deemed to be the parent entity of the SAL Group and SAT1 was deemed to be the parent entity of the SAT1 Group. The SAL parent has designated its investment in airport assets as financial assets at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors of SAL. Investment income from these investments constitute changes in the fair value of investments in unlisted securities. Income relating to these investments is brought to account as described in Note 1.7.

	SAL 31 Dec 2014 \$m	SAL 31 Dec 2013 \$m	SAT1 31 Dec 2014 \$m	SAT1 31 Dec 2013 \$m
Result of the parent entity				
Profit / (loss) after income tax expense	2,129.0	898.1	243.9	(70.6)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period / year	2,129.0	898.1	243.9	(70.6)
Financial position of parent entity at year end				
Current assets	150.4	137.2	1.6	21.5
Total assets	10,348.1	8,480.2	1,892.7	1,959.0
Current liabilities	146.0	145.0	127.2	212.4
Total liabilities	2,033.3	2,076.8	127.2	212.4
Total equity of the parent entity comprising of:				
Contributed equity	5,609.7	5,549.2	2,731.8	2,714.2
Retained profits	2,705.1	854.2	1.3	-
Reserves	-	-	(967.6)	(967.6)
Total equity	8,314.8	6,403.4	1,765.5	1,746.6

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27.1. Parent entity contingencies

At 31 December 2014 the parent entities have no contingent assets or liabilities which are material either individually or as a class (2013: \$Nil).

SAL is the head entity of the SAL Tax Consolidated Group (SAL TCG) (refer to Note 1.20.2). At 31 December 2014 no tax liabilities exist within the SAL TCG (2013: \$Nil).

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

At 31 December 2014 the parent entities have not made any capital commitments for acquisition of property, plant and equipment (2013: \$Nil).

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

At 31 December 2014 the parent entities have not made any guarantees in respect of the debts of their subsidiaries (2013: \$Nil).

28. Contingent Assets and Liabilities

MMap Airports International Pty Limited (MAIL), a subsidiary of SAT1 Group provided a comprehensive set of representations and warranties in respect of the sale of Copenhagen Airports and Brussels Airport on 7 October 2011, which are more commensurate with those normally provided by an owner / operator than a minority investor.

Ontario Teachers' Pension Plan Board (OTPP) is indemnified for its share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other certain contingent liabilities. On 3 December 2013, SAT1 replaced MAIL as the party liable for these representations and warranties.

At 31 December 2014 the Groups have no other contingent assets or liabilities which are material either individually or as a class (2013: \$Nil).

29. Events Occurring after Balance Sheet Date

The final distribution of \$266.0 million or 12.0 cents per stapled security (2013: \$252.3 million or 11.5 cents) was paid on 12 February 2015 by:

- SAL \$145.2 million or 6.55 cents (2013: \$43.8 million or 2.0 cents); and
- SAT1 \$120.8 million or 5.45 cents (2013: \$208.5 million or 9.5 cents).

The DRP operated in respect of the year ended 31 December 2014 distribution. In January 2015, to satisfy the DRP take up, 8.2 million stapled securities were acquired on market for transfer for a total of \$40.6 million. No new securities were issued. Securities were transferred to DRP participants at \$4.96 per stapled security with no discount applied.

Since the end of the year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to year ended 31 December 2014.

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Statement by the Directors of Sydney Airport Limited

In the opinion of the Directors of Sydney Airport Limited (SAL):

- a. the consolidated financial statements and notes for SAL set out on pages 86 to 129 and the Remuneration report in the Directors' report (set out on pages 72 to 82), are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
 - ii. giving a true and fair view of the SAL Group's financial position at 31 December 2014 and of its performance for the financial period ended on that date; and
- b. There are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2014.

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

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



Max Moore-Wilton AC

Sydney

25 February 2015



Trevor Gerber

Sydney

25 February 2015

FINANCIAL REPORT

For year ended 31 December 2014

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

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

- a. the consolidated financial statements and notes for SAT1 set out on pages 86 to 129, are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
 - ii. giving a true and fair view of the SAT1 Group's financial position at 31 December 2014 and of its performance for the financial year ended on that date; and
- b. there are reasonable grounds to believe that SAT1 will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2014.

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

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



Patrick Gourley

Sydney

25 February 2015



Christopher Green

Sydney

25 February 2015



Independent auditor's report to the Shareholders of Sydney Airport Limited

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, 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, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 72 to 82 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Sydney Airport Limited for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Andrew Yates
Partner

Sydney

25 February 2015

KPMG

Eileen Hoggett
Partner

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.



Independent auditor's report to the Unitholders of Sydney Airport Trust 1

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Trust 1 (the Trust), which comprises the consolidated statement of financial position as at 31 December 2014, 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, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

A handwritten signature in dark ink, appearing to be 'AY', written over a faint KPMG logo.

KPMG

A handwritten signature in dark ink, appearing to be 'AY', written over a faint KPMG logo.

Andrew Yates
Partner

Sydney

25 February 2015

A handwritten signature in dark ink, appearing to be 'Eileen Hoggett', written over a faint KPMG logo.

KPMG

A handwritten signature in dark ink, appearing to be 'Eileen Hoggett', written over a faint KPMG logo.

Eileen Hoggett
Partner

CORPORATE GOVERNANCE STATEMENT

This statement outlines the corporate governance framework and practices of ASX-listed Sydney Airport (SYD) in the form of a report against the ASX Corporate Governance Principles and Recommendations (2nd Edition) (ASX Principles).

SYD is comprised of Sydney Airport Limited (SAL), which is the parent company of the operator of Sydney (Kingsford Smith) Airport, and Sydney Airport Trust 1 (SAT1), whose responsible entity is The Trust Company (Sydney Airport) Limited (RE), a wholly owned subsidiary of The Trust Company Limited (TTCL) and its listed parent, Perpetual Limited (Perpetual). Each SAL share is stapled to a SAT1 unit, and the stapled securities are quoted on ASX under the ticker "SYD".

SAL and the RE have distinct boards, each of which functions independently of the other. Each has a commitment to high standards of corporate governance, and operates in accordance with their own policies and procedures.

This statement applies to both SAL and the RE. It is current as at 20 February 2015, and has been approved by the boards of SAL and the RE.

Principle 1: Lay Solid Foundations for Management and Oversight

The SAL board's roles and responsibilities are formalised in a board charter available on the Sydney Airport website (www.sydneyairport.com.au).

Directors receive timely, regular and appropriate information to enable them to fulfil their duties. This information is provided as part of directors' board papers and regular reporting on airport performance.

The SAL board typically has at least six scheduled meetings each year, and unscheduled meetings as required. Details of directors' attendance at board and committee meetings are summarised in the table on page 137.

All Non-Executive Directors (NEDs) of SAL have received a letter of appointment addressing the matters recommended by the ASX Principles.

The SAL board reviews the performance of the Sydney Airport Chief Executive Officer (CEO) and this occurred during year ended 31 December 2014.

The performance of all Sydney Airport senior executives is reviewed at least annually. This involves executives being evaluated by their immediate supervisors and against personal, financial and corporate goals.

All new directors and executives are required to participate in an induction and training program about Sydney Airport and their roles and responsibilities.

The role of the RE board is generally to set objectives and goals for the operation of the RE and SAT1, to oversee the RE's management, to regularly review performance and to monitor the RE's affairs acting in the best interests of the unitholders of SAT1.

The RE board delegates to TTCL management of all matters not reserved to the RE board, including the day-to-day management of the RE and the operation of SAT1. Directors, management and staff are guided by the Ethical Framework developed by TTCL in the performance of their roles.

Principle 2: Structure the Board to Add Value

It is the SAL board's policy that a majority of directors must be independent. All NEDs are independent.

Directors with a range of qualifications, expertise, experience, diversity and personal attributes are appointed to the board to enable it to effectively discharge its duties and to add value to the board's deliberations. Director selection and appointment practices ensure the board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Sydney Airport.

During 2014 the SAL board conducted a review of the performance of the board, the directors and the committees to which they were appointed in accordance with the process set out in the board charter. Directors' profiles setting out their skills, experience, expertise, period of office and other directorships of listed entities are disclosed on pages 55 – 56 of the Sydney Airport Financial Report for Year Ended 31 December 2014 and on the Sydney Airport website.

The chairman of the SAL board is Max Moore-Wilton. The chairman is responsible for leading the board, facilitating the proper briefing of directors, facilitating effective discussion of matters considered by the board and managing the board's relationship with management. Mr Moore-Wilton has informed the Board of his decision to retire as chairman and director of SAL and its subsidiaries at the 2015 Annual General Meeting (AGM).

The CEO is responsible to the board for implementation of strategies, policies and decisions determined by the board.

The SAL board has established a Nomination and Remuneration Committee and an Audit and Risk Committee, and the group also has a Safety, Security, Environment and Health Committee. Additional committees are formed as required. Each committee has a board-approved charter setting out its roles and responsibilities, composition, structure, membership requirements and operation. The charters contain specific board reporting requirements.

There is an agreed procedure for directors on the board and committees to obtain independent professional advice at Sydney Airport's expense.

The RE board consists of one executive (who is a nominee of TTCL) and two NEDs. The RE board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the RE's business and to discharge their duties. The RE board

CORPORATE GOVERNANCE STATEMENT

(continued)

also ensures that it maintains independent judgement in board decisions. The RE board meets at least quarterly and more frequently as required to consider matters in relation to SAT1.

The RE adds value in terms of the best interests of SAT1's unitholders through being independent of SAL. This independent structure avoids any conflicts of interest between the RE and SAL whenever discretionary decisions are required of either entity in their respective capacities.

Each member of the board is subject to re-election at the Sydney Airport AGM on a rolling three yearly basis.

Additionally, the RE board has appointed a Compliance Committee for SAT1 that does not contain any board members.

The RE board is provided with regular detailed reports on the financial position, financial performance and business of SAT1 to allow the board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the RE and TTCL as necessary if they require additional information.

Directors' attendance at SYD board and committee meetings in 2014

	Board scheduled		Audit and Risk Committee		Nomination and Remuneration Committee		Safety, Security, Environment and Health Committee	
	H ¹	A ²	H ¹	A ²	H ¹	A ²	H ¹	A ²
Max Moore-Wilton ³	10	10	N/A	N/A	5	5	4	4
Trevor Gerber ⁴	10	10	5	5	N/A	N/A	N/A	N/A
Michael Lee ⁶	10	10	5	5	5	5	4	4
John Robert	10	9	4	3	N/A	N/A	N/A	N/A
Stephen Ward ⁵	10	10	N/A	N/A	5	5	N/A	N/A
Ann Sherry	7	5	N/A	N/A	N/A	N/A	3	2
Bob Morris	4	4	1	1	N/A	N/A	N/A	N/A
Kerrie Mather	10	10	N/A	N/A	N/A	N/A	4	3

The RE board met 3 times in 2014 in respect of SAT1, and all directors attended each meeting.

¹ Number of meetings to which director was invited to attend

² Actual attendance

³ Chairman of the SAL board

⁴ Chairman Audit and Risk Committee

⁵ Chairman Nomination and Remuneration Committee

⁶ Chairman Safety, Security, Environment and Health Committee

CORPORATE GOVERNANCE STATEMENT

(continued)

Principle 3: Promote Ethical and Responsible Decision Making

'What Sydney Airport Stands For' and 'Sydney Airport's Guide to Business Conduct' apply to all directors and employees and certain contractors and consultants. These documents set out Sydney Airport's vision, mission, values and practices that govern the way that Sydney Airport and its people carry on business and engage with stakeholders.

The Guide to Business Conduct includes Sydney Airport's policies regarding management of conflicts of interest, whistle-blowing, anti-corruption and dealing with governments. It is underpinned by a range of additional policies reflecting Sydney Airport's values including:

- securities dealing policy;
- work health and safety (WHS) policy;
- risk management policy;
- continuous disclosure and communications policy; and
- privacy policy.

Sydney Airport's securities dealing policy applies to directors as well as employees of both SAL and the RE and it restricts their ability to deal in Sydney Airport securities. Trading in Sydney Airport securities is not permitted during

blackout periods. The blackout periods operate from 1 January until the day after full-year financial results are released to the ASX, and from 1 July until the day after half-year financial results are released to ASX. A blackout period also operates during the four weeks prior to the AGM until the day after the AGM. Additional blackout periods may also operate when Sydney Airport is considering market-sensitive transactions. Directors and staff are required to obtain prior approval for any trade from the company secretary in accordance with the securities dealing policy which is available on the Sydney Airport website. The securities dealing policy is an example of a policy to manage conflicts of interest. Sydney Airport's conflicts of interest policy is that directors and staff do not participate in activities that involve a conflict between their duties and responsibilities or which are prejudicial to Sydney Airport's business. Directors and staff must not put themselves in a position of conflict with the best interests of investors or a position which unfairly puts the interests of one investor above another's.

Sydney Airport adopted a diversity policy with effect from 2013 and a copy of the policy is on the Sydney Airport website. The Nomination and Remuneration Committee assists and advises the board to establish and monitor strategies to promote workplace diversity at Sydney Airport.

The proportion of women employed in Sydney Airport as at 31 December 2014 is set out in the following table:

SAL board	Senior Executives	All Sydney Airport employees
28.57%	44.44%	30.90%

The RE has an Ethical Framework and a Code of Conduct within which it carries on its business and deals with its stakeholders, as well as a Diversity Policy pursuant to which measurable objectives are being developed. These apply to all directors and employees of TTCL and the RE.

CORPORATE GOVERNANCE STATEMENT

(continued)

Principle 4: Safeguard Integrity in Financial Reporting

The SAL Audit and Risk Committee comprises only independent directors and complies with the requirements of the ASX Principles. The chairman of the SAL board cannot chair the Audit and Risk Committee. A list of the members of the SAL Audit and Risk Committee and their attendance at committee meetings is contained in the table on page 137.

The SAL Audit and Risk Committee charter is available on the Sydney Airport website and it sets out the committee's role, responsibilities, and composition. The Audit and Risk Committee is responsible for overseeing the structure and management systems that ensure the integrity of financial reporting. Specifically the committee:

- reviews and reports to the board on the financial reports and on the external auditor's audit of the financial statements;
- recommends to the board the appointment and removal of the external auditor, reviews the auditor's terms of engagement including arrangements for the rotation of the external audit partner, and the scope and quality of the audit; and
- monitors auditor independence including the level of non-audit services provided, and reports its findings to the board.

The SAL Audit and Risk Committee meets with the external auditors without management or executive directors present at least once a year and more frequently if required.

The auditor attends the AGM and is available to answer investor questions on the conduct of the audit, and the preparation and content of the auditor's report.

The SAT1 Compliance Committee is comprised of John Richardson, Michelene Collopy and Virginia Malley and meets at least quarterly. The Compliance Committee Charter sets out its role and responsibilities.

Declarations under Section 295A of the *Corporations Act 2001* ('CEO and CFO declarations') provide formal statements to the RE board in relation to SAT1 (refer to Principle 7). The declarations confirm the matters required by the *Corporations Act 2001* in connection with financial reporting. The RE receives confirmations from the service providers involved in financial reporting and management of SAT1, including relevant Sydney Airport staff.

The RE manages the engagement and monitoring of independent external auditors for SAT1. The RE board receives periodic reports from the external auditor in relation to financial reporting and the compliance plan for SAT1.

Principle 5: Make Timely and Balanced Disclosure

Sydney Airport has adopted a continuous disclosure and communications policy which is available on the Sydney Airport website. It is Sydney Airport's policy to provide timely, open and accurate information to its investors, regulators and other stakeholders. This ensures that all investors have equal and timely access to material information concerning Sydney Airport and facilitates trading on an informed basis. The policy applies to both SAL and SAT1.

The continuous disclosure and communications policy facilitates compliance with ASX Listing Rules because it includes procedures for identifying potentially price-sensitive information, a process for escalation to the CEO and general counsel for determination as to disclosure required, and a management sign-off process to ensure that ASX releases are accurate and complete. The SAL and RE boards approve announcements that relate to matters within the reserved powers of the boards and which have not been delegated to management or which are of particular significance to Sydney Airport. The ASX liaison person is the SAL company secretary.

Principle 6: Respect the Rights of Investors

Sydney Airport's continuous disclosure and communications policy promotes a high standard of effective and accessible communication with investors, which facilitates informed investor dialogue at investor briefing sessions and general meetings.

Communication with investors occurs via ASX announcements, the annual report, domestic and international roadshows and webcast investor briefings held on the same day that annual and half-yearly results are released. One-on-one briefings with investors and analysts are held throughout the year and a summary of the meeting and attendees is recorded.

All information disclosed to the ASX is promptly posted on the Sydney Airport website and investors can register on the website to receive email updates of Sydney Airport's releases. The website also contains historic information.

Investors are encouraged to attend the AGM, which is generally held in May each year. Investors who are unable to attend in person can lodge proxy forms by post, fax or via the internet.

The RE is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to investors in the event that any complaints cannot be satisfactorily resolved by the RE.

CORPORATE GOVERNANCE STATEMENT

(continued)

Principle 7: Recognise and Manage Risk

The SAL board has established a policy governing Sydney Airport's approach to risk and internal control systems to minimise different categories of risks. Our risk management policy is available on the Sydney Airport website, and it addresses a wide range of risks including:

- financial risks (e.g. liquidity, interest rate and credit);
- legal risks (e.g. the enforceability of important contracts, covenants and litigation);
- compliance risk;
- operational risks (e.g. processes, information technology, outsourcing of services);
- environmental and social risks;
- WHS risks;
- strategic risks; and
- reputation risks.

The board requires management to design and implement the risk management and internal control systems, including undertaking a risk assessment of Sydney Airport Limited and its business and operations. Management reports to the board on whether those risks are being managed effectively. All SAL directors are also members of the board of Sydney Airport Corporation Limited, the company which operates Sydney (Kingsford Smith) Airport. This provides directors with direct visibility of matters considered and reported on by management.

The Audit and Risk Committee assists the board to monitor Sydney Airport's risk management framework as set out in the Audit and Risk Committee Charter.

During the year, management has reported to the Audit and Risk Committee regarding the effectiveness of the management of material risks. In addition, the board has received assurance from the CEO and Chief Financial Officer that their declaration under Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The Compliance Committee and Risk Group is responsible for the oversight of risk management, internal control systems and compliance matters for SAT1. It has regard to the TTCL Events Management and Reporting Policy & Procedures, and the TTCL Complaints Handling Policy. TTCL has a Breach Committee which is convened to assess breaches and incidents.

Principle 8: Remunerate Fairly and Responsibly

The Remuneration Report sets out Sydney Airport's policy and practices for remunerating SAL directors and Sydney Airport staff.

The remuneration of staff is determined by the SAL board in respect of the CEO and by the CEO in respect of other staff. Salaries are benchmarked against comparable market participants based on advice from remuneration consultants. An incentive policy has been developed to align staff performance with Sydney Airport's objectives. Policies are in place to ensure that no senior executive is directly involved in deciding their own remuneration.

The remuneration of SAL NEDs has been disclosed to investors and is described in the Remuneration Report on pages 80 – 81 of the Sydney Airport Financial Report for Year Ended 31 December 2014. NEDs' remuneration is determined with reference to external benchmarking undertaken by consultants engaged by the board. None of the NEDs are entitled to options, securities, bonuses or retirement benefits as part of their remuneration package from Sydney Airport.

The SAL board has established a Nomination and Remuneration Committee and a copy of its charter is on the Sydney Airport website. The role of the Nomination and Remuneration Committee is to assist and advise the board on director selection and appointment practices, director performance evaluation processes and criteria, board composition and succession planning for the board and senior executives, diversity within the organisation, the executive remuneration framework and remuneration reporting (including by gender).

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

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

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

The members of the Nomination and Remuneration Committee are Stephen Ward (chairman), Michael Lee and Max Moore-Wilton, each of whom are independent.

The fees and expenses which the RE is permitted to pay out of the assets of SAT1 are set out in the Constitution. Staff involved in the day to day operations of the RE are remunerated by TTCL and not by SAT1.

SECURITY HOLDER INFORMATION

At 20 February 2015

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 – 1,000	43,109	18,233,743	0.8
1,001 – 5,000	30,285	76,777,945	3.5
5,001 – 10,000	10,997	79,772,935	3.6
10,001 – 100,000	9,706	214,776,112	9.7
>100,001	345	1,826,655,306	82.4
Total	94,442	2,216,216,041	100.0

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$4.99 per stapled security	101	2,720	126,692

Top 20 holders of stapled securities

Rank	Investor	Number of stapled securities	% of stapled securities
1.	HSBC Custody Nominees (Australia) Limited	421,144,451	19.00
2.	National Nominees Limited	406,233,860	18.33
3.	J P Morgan Nominees Australia Limited	389,241,410	17.56
4.	National Nominees Limited	222,072,833	10.02
5.	Citicorp Nominees Pty Limited	107,242,389	4.84
6.	MTAA Super Fund (Air-Serv Intl Hold) Utilities Pty Ltd	39,727,846	1.79
7.	BNP Paribas Noms Pty Limited	24,931,895	1.12
8.	Custodial Services Limited	22,322,842	1.01
9.	Argo Investments Limited	14,458,175	0.65
10.	HSBC Custody Nominees (Australia) Limited	11,323,569	0.51
11.	Citicorp Nominees Pty Limited	8,037,086	0.36
12.	AMP Life Limited	7,698,228	0.35
13.	RBC Investor Services Australia Nominees Pty Limited	6,859,571	0.31
14.	Australian Foundation Investment Company Limited	6,781,925	0.31
15.	UBS Wealth Management Australia Nominees Pty Ltd	5,702,615	0.26
16.	UBS Nominees Pty Ltd	3,990,000	0.18
17.	RBC Investor Services Australia Nominees Pty Limited	3,622,410	0.16
18.	Ms Kerrie Mather	3,568,243	0.16
19.	Netwealth Investments Limited	3,151,859	0.14
20.	HSBC Custody Nominees (Australia) Limited	3,006,218	0.14
		1,711,117,425	77.21

Substantial security holders

Name	Number of stapled securities ¹	% of stapled securities
Unisuper Ltd	279,375,041	12.6
Public Sector Pension Investment Board	121,386,647	5.5

¹ Figures are based on the substantial security holder notices made by Unisuper Ltd on 19 August 2014 and Public Sector Pension Investment Board on 23 December 2014.

SPECIAL NOTICE AND DISCLAIMER

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove SAL and/or SAT1 from the official list of ASX if, while the stapling arrangements apply, the securities in one entity ceases to be stapled to the securities in the other entity or an entity issues securities which are not then stapled to the securities in the other entity.

Foreign ownership restrictions

The SAL and SAT1 constitutions set out a process for disposal of securities to prevent ASX-listed Sydney Airport from becoming a Foreign Person or to cure the situation where ASX-listed Sydney Airport becomes a Foreign Person (Foreign Ownership Situation). Where a Foreign Ownership Situation occurs or is likely to occur, SAL and the RE can require a foreign security holder (on a last-in, first-out basis) to dispose of Sydney Airport securities. SAL and the RE have the power to commence procedures to divest foreign security holders once the foreign ownership of ASX-listed Sydney Airport reaches 48.5% under the Foreign Ownership Divestment Rules that apply. If the foreign security holder fails to dispose of its Sydney Airport securities, SAL and the RE may sell those securities at the best price reasonably obtainable at the time.

Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. Sydney Airport's privacy policy is available on its website.

Voting Rights

Each fully paid stapled security confers the right to vote at meetings of security holders, subject to any voting restrictions imposed on a security holder under the *Corporations Act 2001*, ASX Listing Rules and the foreign ownership provisions in the SAL and RE constitutions. On a show of hands, every security holder present in person or by proxy has one vote. On a poll, every security holder who is present in person or by proxy has one vote for each dollar of the value of the total interests they have in SAT1 and one vote for each share they hold in SAL.

Disclaimer

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by Sydney Airport Limited, The Trust Company (Sydney Airport) Limited or their respective officers.

This annual report is general advice and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Forecasts

Information, including forecast financial information, in this report should not be considered as a recommendation in relation to holding, purchasing or selling Sydney Airport securities. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Sydney Airport. Past performance is not a reliable indication of future performance.

Buy-back

There is no current on-market buy-back in operation for Sydney Airport securities.

Complaints resolution

A formal complaints handling procedure is in place for ASX-listed Sydney Airport and is explained in section 6 of the continuous disclosure and communications policy, available from the Sydney Airport website (www.sydneyairport.com.au).

The RE is a member of the Financial Ombudsman Service approved by ASIC. Investor complaints should, in the first instance, be directed to Sydney Airport Limited.

CORPORATE DIRECTORY

SYDNEY AIRPORT LIMITED

ACN 165 056 360

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Sydney International Airport NSW 2020

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Toll free: 1800 181 895
www.sydneyairport.com.au/investors/

Directors of Sydney Airport Limited:

- Max Moore-Wilton (Chairman)
- Trevor Gerber
- Michael Lee
- John Roberts
- Stephen Ward
- Kerrie Mather
- Ann Sherry

Company secretary: Jamie Motum

THE TRUST COMPANY (SYDNEY AIRPORT) LIMITED

ACN 115 967 087/AFSL 301162

Level 12
123 Pitt Street
Sydney NSW 2000

Directors of The Trust Company
(Sydney Airport) Limited:

- Russell Balding
- Patrick Gourley
- Christopher Green

Company secretaries: Rupert Smoker and Jamie Motum

The Trust Company (Sydney Airport) Limited is the
responsible entity of Sydney Airport Trust 1

REGISTRY

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