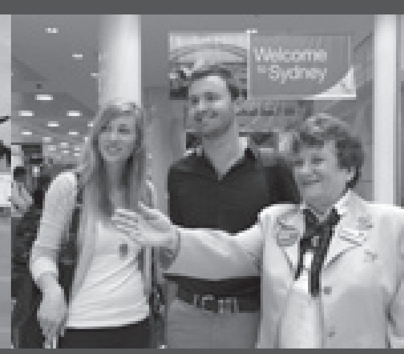
SYDNEY AIRPORT



Sydney Airport
The right future.
Starting now.

Annual Report 2011

Contents

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

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

Corporate Governance Statement

This statement outlines ASX listed Sydney Airport's corporate governance framework and practices in the form of a report against the ASX Corporate Governance Principles and Recommendations (2nd Edition) (ASX Principles).

Sydney Airport's directors and management believe that high standards of corporate governance are an essential part of their objective of sound financial performance and maximising long-term returns to investors.

This statement applies to Sydney Airport Holdings Limited and a reference to 'board' refers to its board.

Principle 1: Lay Solid Foundations for Management and Oversight

The board's roles and responsibilities are formalised in a board charter. The board charter is available on the Sydney Airport website.

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.

Each year the board typically has eight scheduled meetings. Unscheduled meetings are convened throughout the year to consider time-critical transactions or other issues requiring urgent consideration. Details of directors' attendance at board and committee meetings are summarised in the table on page 3.

All non-executive directors have received a letter of appointment addressing the matters recommended by the ASX Principles.

The board reviews the performance of the CEO and this occurred during the year ended 31 December 2011.

The performance of all 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 programme about Sydney Airport and their roles and responsibilities.

Principle 2: Structure the Board to Add Value

It is the board's policy that a majority of directors must be independent and the board has a majority of independent directors.

The board regularly determines whether directors are independent in view of their interests as disclosed to the board. In making this determination, the board has reference to the test for independence contained in the ASX Principles, essentially whether a director has an interest that affects their ability to exercise unfettered and independent judgement.

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 investors.

In 2011, the 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. The performance assessment was designed to assess the effectiveness of each of the directors as well as review the skills, knowledge, experience and diversity of the board as a whole. Directors' profiles setting out their skills, experience, expertise, period of office and other directorships of listed entities are available on the website and page 45 of this report.

The chairman of the board is Max Moore-Wilton. Mr Moore-Wilton is not independent as defined by the ASX Principles given that he is a consultant (and was previously a senior employee) of Macquarie, which is the largest investor in ASX-listed Sydney Airport. The board charter requires that all future chairmen must be independent.

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.

The board appointed Trevor Gerber as lead independent director in December 2009.

The chief executive officer is responsible to the board for implementation of strategies, policies and decisions determined by the board.

The board has established a Nomination & Remuneration Committee and an Audit & Risk Committee. The Compliance Committee role is undertaken by the full board. 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. Committee meeting minutes are tabled at the following board meeting. 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.

Corporate Governance Statement

Directors’ attendance at board and committee meetings in 2011

	Board scheduled		Board short notice		Audit & Risk Committee		Nomination & Remuneration Committee	
	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]	A[1]	B[2]
Sydney Airport Holdings Limited								
Max Moore-Wilton[3] (Non-executive)	7	7	11	11	n/a	n/a	4	4
Trevor Gerber[4] (Independent)	7	7	11	11	4	4	n/a	n/a
Bob Morris (Independent)	7	7	11	11	4	4	n/a	n/a
Michael Lee (Independent)	7	7	10	11	3	4	4	4
John Roberts (Non-executive)	7	7	11	11	n/a	n/a	n/a	n/a
John Mullen[5] (Independent)	1	1	3	3	n/a	n/a	1	1
Stephen Ward[6] (Independent)	6	6	8	8	n/a	n/a	3	3
Kerrie Mather (Executive)	7	7	11	11	n/a	n/a	n/a	n/a

1 Actual attendance.
2 Number of meetings to which director was invited to attend.
3 Chairman of the board.
4 Chairman Audit & Risk Committee.
5 John Mullen resigned on 21 February 2011. He was a member of the Nomination & Remuneration Committee.
6 Stephen Ward was appointed to the board on 21 February 2011. He became chairman of the Nomination & Remuneration Committee in May 2011, in place of Max Moore-Wilton.

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 staff. These documents set out Sydney Airport’s vision, mission, values and practices that govern the way that Sydney Airport and its people carry out 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 and confidentiality policy;
- occupational health and safety (OHS) policy;
- risk management policy;
- continuous disclosure and communications policy; and
- privacy policy.

Sydney Airport’s securities dealing policy applies to directors and employees 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 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 activities. Directors and staff are required to obtain prior approval for any trade from the company secretary. The securities dealing policy is available on Sydney Airport’s 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.

Sydney Airport adopted a diversity policy with effect from 2012 and a copy of the policy is on the website. Measurable objectives to promote diversity will be set in the first quarter of 2012 and will be reported on at year end. The Nomination & 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 the organisation is set out in the following table:

SAHL board	SCACH/SACL board	Senior Executives	All Sydney Airport employees
14%	10%	44%	24%

Corporate Governance Statement

Principle 4: Safeguard Integrity in Financial Reporting

The Audit & Risk Committee comprises only independent directors and complies with the requirements of the ASX Principles. The chairman of the board cannot chair the Audit & Risk Committee. A list of the members of the Audit & Risk Committee and their attendance at committee meetings is contained in the table on page 3.

The Audit & Risk Committee charter is available on the website and it sets out the committee's role, responsibilities, and composition. The Audit & 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 Audit & 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.

Principle 5: Make Timely and Balanced Disclosure

Sydney Airport has adopted a continuous disclosure and communications policy which is available on the 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 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 board approves announcements that relate to matters within the reserved powers of the board and which have not been delegated to management or which are of particular significance to Sydney Airport. The ASX liaison person is the company secretary.

Principle 6: Respect the Rights of Shareholders

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 and half-yearly update, 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 April/May each year. Investors who are unable to attend in person can lodge proxy forms by post, fax or the Internet.

Principle 7: Recognise and Manage Risk

The 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 website.

As the majority owner and investor in Sydney Airport, ASX-listed Sydney Airport's risk management policy 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; OHS 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 Holdings Limited and its business and operations. Management reports to the board on whether those risks are being managed effectively. For example, the CEO's report which is provided to the board at scheduled meetings identifies material incidents as well as controls and risk mitigation plans.

Corporate Governance Statement

The Audit & Risk Committee assists the board to monitor Sydney Airport's risk management framework as set out in the Audit & Risk Committee Charter.

During the year, management has reported to the Audit & Risk Committee regarding the effectiveness of management of the material risks. In addition, the board has received assurance from the CEO and CFO that their declaration under s295A 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 board has also appointed a Compliance Committee and from March 2011 this role has been undertaken by the full board. The Compliance Committee monitors the compliance plans of Sydney Airport Trust 1 and Sydney Airport Trust 2, in particular whether policies and procedures have been followed to ensure that the trusts are operated in accordance with their constitutions, the law and ASX Listing Rules.

Principle 8: Remunerate Fairly and Responsibly

The Remuneration Report sets out Sydney Airport's policy and practices for remunerating directors and staff.

The remuneration of staff is determined by the 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.

Non-executive director remuneration is determined with reference to external benchmarking undertaken by consultants engaged by the board. None of the non-executive directors is entitled to options, securities, bonuses or retirement benefits as part of their remuneration package from Sydney Airport.

The board has established a Nomination & Remuneration Committee and a copy of its charter is on the website. The role of the Nomination & 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 & Remuneration Committee comprises a majority of independent directors and is chaired by Stephen Ward who is an independent director.

The members of the Nomination & Remuneration Committee are Stephen Ward, who was appointed in February 2011 and as independent chairman in May 2011, Michael Lee and Max Moore-Wilton. John Mullen was a member until February 2011 when he resigned from the board. Attendance of directors appointed to the Nomination & Remuneration Committee is set out above.

Sydney Airport

Concise Financial Report for Year Ended 31 December 2011

ASX-listed Sydney Airport comprises Sydney Airport Trust 1 and Sydney Airport Trust 2

Introduction to the Concise Financial Report

Overview of ASX-Listed Sydney Airport (formerly MAp)

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

ASX-listed Sydney Airport (the Group) formerly invested in airports worldwide. During the year, the Group sold its interests in Brussels Airport and Copenhagen Airports through an asset swap with Ontario Teachers' Pension Plan Board (OTPP) which was announced on 19 July 2011 and settled on 18 November 2011. The Group now focuses on the ownership of Sydney Airport as its main airport investment.

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 unit in SAT1 and one unit in SAT2.

Group Investments

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

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

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

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

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

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

Directors' Report

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

Principal Activities

The principal activity of SAHL is the ownership of Sydney Airport. This represents a change which occurred during the year when the Group sold its interests in Brussels Airport and Copenhagen Airports through an asset swap with OTPP announced on 19 July 2011 and settled on 18 November 2011.

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.

Directors

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

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

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

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

Interests in the Group held by the directors of the Responsible Entity during the year and MAIL up to 19 December 2011 are disclosed in Note 7 to the Audited Remuneration report.

Distributions

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

Cash Consideration as part of Scheme Consideration

As a result of the completion of the Simplification (refer Significant Changes in State of Affairs) on 19 December 2011, a Cash Consideration as part of the Scheme Consideration of 80.0 cents per stapled security was paid on 19 December 2011 by SAT2.

Review and Results of Operations

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

	Group Consolidated 2011 $'000	Group Consolidated 2010 $'000
Revenue	1,041,968	1,006,331
Revaluation gains/(losses) from investments	185	(19,697)
Other income	(16,298)	16,610
Total revenue from continuing operations	1,025,855	1,003,244
Profit from continuing operations after income tax (expense)/benefit	82,120	58,379
Loss from discontinued operations net of income tax	(361,554)	(6,628)
Profit/(loss) for the year after income tax (expense)/benefit	(279,434)	51,751
Profit/(loss) attributable to security holders	(239,893)	100,830
Earnings per stapled security from continuing operations attributable to security holders		
Basic earnings per stapled security	6.54c	5.78c
Diluted earnings per stapled security	6.54c	5.78c
Earnings per stapled security from discontinued operations attributable to security holders		
Basic earnings per stapled security	(19.43)c	(0.03)c
Diluted earnings per stapled security	(19.43)c	(0.03)c

Significant Changes in State of Affairs

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

On 19 July 2011, the Group advised that it had entered into a binding Asset Swap Proposal (ASP) with Ontario Teachers' Pension Plan Board (OTPP). The ASP involved the sale of the Group's non-controlling interests in Brussels Airport and Copenhagen Airports in exchange for OTPP's 10.86% interest in Sydney Airport and a net cash payment of $801.0 million.

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

The ASP was effected as follows:

- On 7 October 2011, MAIL's investments in Brussels Airport and Copenhagen Airports were transferred to OTPP and OTPP transferred its direct 4.96% investment in Sydney Airport to SAT2 subsidiaries; and
- On 18 November 2011, subsidiaries of MAIL completed the acquisition of a further investment of 6.06% in Sydney Airport through the purchase of OTPP's 9.72% investment in Southern Cross Australian Airports Trust (SCAAT).

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

Directors' Report (continued)

Simplification and Scheme

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

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

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

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

Senior Debt Raised at Sydney Airport and Redemption of SKIES

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

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

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

Events Occurring After Balance Sheet Date

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

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

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

Likely Developments and Expected Results of Operations

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

Audited Remuneration Report

Contents

1. Introduction

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

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

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

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

2. Nomination and Remuneration Committee

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

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

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

3. Remuneration Principles

The guiding principles applied in managing remuneration include:

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

4. Remuneration Policy and Structure

The objectives of the remuneration framework are to:

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

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

4.1. Remuneration is divided into:

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

4.2. Fixed Annual Remuneration

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

4.3. At Risk Remuneration

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

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

- Successful execution of the Asset Swap transaction through which interests in Brussels Airport and Copenhagen Airports were sold for an additional 10.86% of Sydney Airport and $801 million cash;
- The subsequent simplification resulting in an 80.0 cents per stapled security cash payment; and
- Underlying airport growth continued to display business strength and resilience;

Directors' Report (continued)

Audited Remuneration Report (continued)

- The foreign ownership level reduced by almost 5%. This was the result of active marketing to major domestic investors and the new sole investment focus on Sydney Airport; and
- At an airport level, Sydney Airport was able to attract three new international airlines, appoint a new CEO and senior management team, and announce a new vision for the airport to be implemented by 2019.

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

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

All KMPs have KPIs related to the delivery of corporate financial performance and security holder value creation. Corporate performance is typically measured in terms of:

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

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

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

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

5.1. Service contracts

SAHL	Contract type & any special terms	FAR A$	STI % of FAR	Termination
Kerrie Mather Chief Executive Officer	Permanent	1,700,000	100%[3]	12 months
Keith Irving Chief Financial Officer[4]	Permanent	440,000	60%	3 months
Sally Webb Company Secretary[5]	Permanent	212,500	40%	3 months

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

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

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

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

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

5.2. Total remuneration and benefits for the year

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

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

6 2011 STI includes $A57,526 relating to prior year deferred STI payments and an early termination payment (ETP) of $242,207 paid to Mr Keith Irving when he ceased employment.
7 Ms Sally Webb also acts as General Counsel but the above disclosure is made solely due to her position as Company Secretary.

SACL	Year	Salary A$	STI A$	STI retained A$	Superannuation A$	Total A$
Tim Finlayson	2011	89,140	50,738	11,597	8,023	159,498
	2010	Nil	Nil	Nil	Nil	Nil
Shelley Roberts	2011	75,917	8,230	1,411	6,833	92,391
	2010	Nil	Nil	Nil	Nil	Nil
Peter Wych	2011	67,985	36,854	5,528	6,119	116,486
	2010	Nil	Nil	Nil	Nil	Nil
Craig Norton	2011	60,143	21,579	3,730	6,942	92,574
	2010	Nil	Nil	Nil	Nil	Nil
Andrew Gardiner	2011	53,062	Nil	Nil	4,776	57,838
	2010	Nil	Nil	Nil	Nil	Nil

All amounts disclosed above for SACL KMPs were for the period from 7 October 2011 to 31 December 2011, when they were deemed to be KMPs of the Group.

Directors’ Report (continued)

Audited Remuneration Report (continued)

5.3. Security holdings in ASX-listed Sydney Airport

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

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

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

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

6. Non-executive Directors’ Remuneration

6.1. Non-executive Directors’ remuneration policy

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

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

Role	Annual Fee
SAHL Board	A$
Chairman	320,000
NED	150,000
SAHL Audit & Risk Committee	A$
Chairman	25,000
Member	12,500
SAHL Nomination & Remuneration Committee	A$
Chairman	20,000
Member	10,000
MAIL Board	A$[8,9]
Chairman	60,000
NED	50,000
MAIL Audit & Risk Committee	A$[8,9]
Chairman	10,000
Member	10,000

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

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

6.2. Non-executive Directors’ appointment letters

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

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

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

6.3. Non-executive Directors' remuneration for the year

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

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

		Short-term employee benefits		Post-employment benefits	
Name	**Year**	**Directors' fees A$**	**Other A$**	**Superannuation A$**	**Total A$**
Max Moore-Wilton	2011	352,287[10]	150,000[11]	15,487	517,774
Chairman SAHL	2010	378,608	38,818[11]	14,830	432,256
Trevor Gerber[12]	2011	164,043[12]	Nil	14,450	178,493
	2010	169,408	13,914	13,092	196,414
Michael Lee	2011	158,257	Nil	14,243	172,500
	2010	159,699	11,320	12,801	183,820
Robert Morris	2011	152,375	Nil	10,125	162,500
	2010	139,321	11,320	30,680	181,321
John Mullen[13]	2011	19,706	Nil	1,774	21,480
	2010	71,101	Nil	6,399	77,500
John Roberts[12, 14]	2011	141,107[12]	Nil	12,385	153,492
	2010	140,192	31,130	9,808	181,130
Stephen Ward[15]	2011	190,300[15]	Nil	11,320[15]	201,620
	2010	65,512	6,104	Nil	71,616
Jeffrey Conyers[16]	2011	63,240[16]	Nil	Nil	63,240
Chairman MAIL	2010	76,526	8,546	Nil	85,072
Sharon Beesley[16]	2011	54,205[16]	Nil	Nil	54,205
	2010	65,512	6,104	Nil	71,616

10 Includes A$320,000 (2010: A$320,000) as Chairman of SAHL and US$50,000 (2010: US$50,000) as NED of MAIL.
11 Includes additional reimbursement to Mr Moore-Wilton in respect of his appointments to the boards of Sydney Airport and Copenhagen Airports.
12 Mr Gerber and Mr Roberts were appointed to the MAIL board on 24 November 2011. Accordingly, 2011 fees include A$3,493 for the period 24 November to 19 December 2011 (MAIL fees only paid to date when MAIL became a subsidiary of SAT2).
13 Mr Mullen resigned on 21 February 2011.
14 Mr Roberts earns A$75,000 (2010: A$Nil) as a director of SCACH, however, it is paid directly to ASX-listed Sydney Airport and is not included in the above table because he holds this office as a nominee.
15 Mr Ward was appointed to the SAHL board on 21 February 2011. Includes A$137,096 (2010: A$Nil) as a director of SAHL and US$58,315 (2010: US$53,750) as a director of MAIL.
16 Mr Conyers and Ms Beesley resigned 24 November 2011. Amount disclosed in US$.

Directors' Report (continued)

Audited Remuneration Report (continued)

7. Security holdings in ASX-listed Sydney Airport

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

None of these securities are held as a direct result of equity-based compensation relating to the period of prior employment by Macquarie. As an executive director, Ms Mather's security holdings are detailed in Section 5.

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

Indemnification and Insurance of Officers and Auditors

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

- Of any restriction imposed by law or the SAHL constitution; and
- Payment is made by SAHL as trustee of SAT1, SAT2 or SCAAT (each a relevant trust), subject to any restriction imposed by law or the constitution of the relevant trust.

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

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

Interests in the Group Issued During the Financial Year

The movement in securities on issue in the Group during the year is set out below.

	2011 '000	2010 '000
Securities on issue at the beginning of the year	1,861,211	1,861,211
Securities on issue at the end of the year	1,861,211	1,861,211

Value of Assets

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

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

Environmental Regulation

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

Sydney Airport

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

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

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

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

Auditor's Independence Declaration

A copy of the auditors' independence declaration, as required under section 307C of the Corporations Act 2001 is set out on page 18.

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

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

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

Max Moore-Wilton

Trevor Gerber

Sydney
22 February 2012

Auditor's Independence Declaration

As lead auditor for the audit of Sydney Airport (formerly MAp) for the year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

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

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

KPMG

Andrew Yates
Partner

Sydney
22 February 2012

Consolidated Statement of Comprehensive Income

	Note	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
Continuing operations			
Revenue	2	1,041,968	1,006,331
Revaluation gains/(losses) from investments	2	185	(19,697)
Other income	2	(16,298)	16,610
Revenue from continuing operations		1,025,855	1,003,244
Finance costs	2	489,919	472,332
Other expenses	2	550,562	526,365
Operating expenses from continuing operations		1,040,481	998,697
Profit/(loss) from continuing operations before income tax benefit		(14,626)	4,547
Income tax benefit		96,746	53,832
Profit from continuing operations after income tax benefit		82,120	58,379
Loss from discontinued operations net of income tax		(361,554)	(6,628)
Profit/(loss) for the year after income tax benefit		(279,434)	51,751
Other comprehensive income			
Exchange differences on translation of foreign operations		–	(52,714)
Cash flow hedges – interest rate swaps		(158,887)	4,991
Cash flow hedges – deferred tax arising on hedges		47,556	(1,497)
Other comprehensive income for the year, net of tax		(111,331)	(49,220)
Total comprehensive income for the year		(390,765)	2,531
Profit/(loss) attributable to:			
Security holders		(239,893)	100,830
Non-controlling interest		(39,541)	(49,079)
		(279,434)	51,751
Profit/(loss) attributable to continuing operations:			
Security holders		121,661	107,458
Non-controlling interest		(39,541)	(49,079)
		82,120	58,379
Total comprehensive income attributable to:			
Security holders		(351,224)	51,610
Non-controlling interest		(39,541)	(49,079)
		(390,765)	2,531

Consolidated Statement of Comprehensive Income (continued)

	Note	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
Earnings per stapled security from continuing operations attributable to security holders			
Basic earnings per stapled security	7	6.54c	5.78c
Diluted earnings per stapled security	7	6.54c	5.78c
Earnings per stapled security from discontinued operations attributable to security holders			
Basic earnings per stapled security	7	(19.43)c	(0.03)c
Diluted earnings per stapled security	7	(19.43)c	(0.03)c

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

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

Consolidated Balance Sheet

	Note	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000 (restated)	Group 1 Jan 10 $'000 (restated)
Current assets				
Cash and cash equivalents		1,124,320	1,248,410	1,459,641
Receivables		506,544	498,097	514,151
Current tax receivable		–	–	1,871
Derivative financial instruments		–	2,076	751
Other assets		6,135	4,025	15,466
Total current assets		1,636,999	1,752,608	1,991,880
Non-current assets				
Receivables		41,224	44,396	41,695
Investments in financial assets	4	5,135	1,943,829	2,065,328
Property, plant and equipment	5	2,488,480	2,508,515	2,582,734
Intangible assets	6	7,953,766	8,057,147	8,166,607
Derivative financial instruments		–	3,355	–
Other assets		8,931	15,785	46,669
Total non-current assets		10,497,536	12,573,027	12,903,033
Total assets		12,134,535	14,325,635	14,894,913
Current liabilities				
Distribution payable		186,143	186,143	148,923
Payables		577,595	552,710	548,066
Interest bearing liabilities		947,092	–	–
Deferred income		24,363	26,113	22,277
Derivative financial instruments		91,921	58,621	61,732
Provisions		7,746	6,527	4,052
Current tax liabilities		50	232	1,241
Total current liabilities		1,834,910	830,346	786,291
Non-current liabilities				
Payables		2,570	4,552	5,756
Interest bearing liabilities		5,963,892	6,181,469	6,106,686
Derivative financial instruments		158,710	29,417	11,359
Provisions		1,296	1,449	2,753
Deferred tax liabilities		1,740,405	1,884,831	1,937,545
Total non-current liabilities		7,866,873	8,101,718	8,064,099
Total liabilities		9,701,783	8,932,064	8,850,390
Net assets		2,432,752	5,393,571	6,044,523

Consolidated Balance Sheet (continued)

	Note	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000 (restated)	Group 1 Jan 10 $'000 (restated)
Equity				
Security holders' interests				
Contributed equity		3,948,486	3,948,493	3,948,660
Retained profits		710,751	1,341,499	1,864,180
Reserves		(2,365,309)	(355,602)	(329,250)
Total security holders' interests		2,293,928	4,934,390	5,483,590
Non-controlling interest in controlled entities		138,824	459,181	560,933
Total equity		2,432,752	5,393,571	6,044,523

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

Consolidated Statement of Changes in Equity

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

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

Consolidated Statement of Cash Flows

	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
Cash flows from operating activities		
Investment income received on convertible loans – Brussels Airport	9,995	17,625
Distribution and dividend income received – Copenhagen Airports	8,932	5,124
Other interest received	75,566	59,398
Other distribution and dividend income received	–	11,733
Airport revenue received (inclusive of goods and services tax)	1,074,461	1,058,083
Operating expenses paid (inclusive of goods and services tax)	(300,928)	(300,592)
Income taxes (paid)/refunds received	(165)	696
Indirect taxes received/(paid)	(12,166)	9,036
Other income received	1,714	2,555
Net cash flows from operating activities	857,409	863,658
Cash flows from investing activities		
Payments for purchase of subsidiaries, net of cash acquired	(83)	–
Proceeds from sale of subsidiaries, net of cash disposed	(681)	–
Payments for purchase of investments	–	(215,453)
Proceeds from sale of investments	800,680	230,375
Transaction costs paid	(30,399)	(2,548)
Net proceeds from settlement of total return swap relating to ASUR investment	–	33,900
Purchase of short term financial assets	–	(80,500)
Proceeds from sale of short term financial assets	–	81,919
Payments for purchase of fixed assets	(171,696)	(136,577)
Rental deposit paid	–	(182)
Proceeds from disposal of fixed assets	–	97
Net cash flows from investing activities	597,821	(88,969)
Cash flows from financing activities		
Net payments for settlement of derivatives	(74,085)	–
Proceeds received from borrowings	1,112,391	1,243,272
Repayment of borrowings	(298,000)	(1,150,705)
Borrowing costs paid	(344,345)	(391,400)
Distributions paid to the Group's security holders	(390,854)	(586,289)
Distributions and dividends paid to non-controlling interest	(95,244)	(104,207)
Scheme Cash Consideration paid	(1,488,969)	–
Net cash flows from financing activities	(1,579,106)	(989,329)
Net decrease in cash and cash equivalents held	(123,876)	(214,640)
Cash and cash equivalents at the beginning of the year	1,248,410	1,459,641
Exchange rate movements on cash denominated in foreign currency	(214)	11,540
Cash and cash equivalents at the end of the year	1,124,320	1,256,541
Reclass of cash and cash equivalents to other financial assets in previous year	–	(8,131)
Cash and cash equivalents at the end of the year (restated)	1,124,320	1,248,410

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

Discussion and Analysis

In addition to the discussion below, an outline of the major transactions and events is provided in the significant changes in state of affairs in the Directors' Report.

Operating Performance

The profit from continuing operations after income tax benefit of $82.1 million (2010: $58.4 million profit) primarily reflects the impact of the following:

- Airport operating revenue of $967.6 million (2010: $928.5 million) due to passenger and revenue growth at Sydney Airport;
- Interest revenue of $68.7 million (2010: $61.1 million); up on 2010 due to higher average cash balances and deposit rates;
- Finance costs of $489.9 million (2010: $472.3 million); increased as a result of increased debt at Sydney Airport to fund capital expenditure; and
- Other losses for the year of $16.3 million (2010: $16.6 million income); incurred primarily due to the transfer of the foreign currency translation reserve to the Comprehensive Income Statement which was recognised on disposal of Group's interest in Brussels Airport and Copenhagen Airports.

Other expenses of $550.6 million, 4.6% higher than prior year (2010: $526.4 million), was primarily due to transaction costs for the sale of interests in Brussels Airport and Copenhagen Airports, the acquisition of additional interest in Sydney Airport and the Scheme for the simplification of the Group structure; and a full year of the incremental costs of internalisation.

The loss from discontinued operations of $361.6 million (2010: $6.6 million loss) reflects the impact of the sale of interests in Brussels Airport and Copenhagen Airports in consideration for an increased interest in Sydney Airport of 10.86% and net cash payment of $801.0 million, as follows:

- Revaluation decrement of Group's interest in Brussels Airport of $188.5 million (2010: $11.9 million increment);
- Revaluation decrement of Group's interest in Copenhagen Airports of $173.1 million (2010: $18.6 million decrement).

Income Tax

Under the Income Tax Assessment Acts, SAT1 is not liable for income tax provided that the taxable income of SAT1 is fully distributed to stapled security holders each year.

The income tax benefit of $96.7 million (2010: $53.8 million) primarily represents reductions in the deferred tax liabilities recognised on fair value uplifts in relation to the assets and liabilities of Sydney Airport.

Non-Controlling Interests

Non-controlling interests (NCI) in the loss from continuing activities of $39.5 million (2010: $49.1 million) represents the net loss of Southern Cross Australian Airports Trust (SCAAT) and Southern Cross Airports Corporations Holdings Limited (SCACH) attributable to NCI for the year ended 31 December 2011.

Discussion and Analysis of Financial Position

Total assets have decreased from $14,325.6 million in the prior year to $12,134.5 million at 31 December 2011. This decrease relates to the sale of the Group's interests in Brussels Airport and Copenhagen Airports and the payment to shareholders as part consideration for the Simplification, offset partially by the acquisition of additional interest in Sydney Airport and the drawdown of cash at year end for the repayment of SKIES on 3 January 2012.

Total liabilities have increased from $8,932.1 million in the prior year to $9,701.8 million at 31 December 2011. This increase primarily relates to the additional senior debt raised at Sydney Airport for the repayment of SKIES and funding of capital expenditure.

At 31 December 2011, total consolidated equity of the Group was $2,432.8 million (2010: $5,393.6 million), of which $138.8 million represents NCI in SCAAT and SCACH (2010: $459.2 million). This decrease primarily reflects the payment of the cash component of the Scheme Consideration, the removal of 10.86% interest in Sydney Airport from NCI, ordinary distributions declared and the 2011 statutory result.

Discussion and Analysis of Cash Flows

Cash flows from operating activities were $857.4 million for the year ended 31 December 2011 (2010: $863.7 million). The decrease in the current year is primarily attributable to lower investment income and distributions received from European airports and non-recurring indirect taxes paid during the year.

Net cash inflows from investing activities of $597.8 million primarily relate to the net proceeds received on the sale of interests in Brussels Airport and Copenhagen Airports of $801.0 million offset by purchases of fixed assets $171.7 million.

During the year, the Group had net cash outflows from financing activities of $1,579.1 million (2010: $989.3 million). The outflows primarily reflect the Scheme Cash Consideration paid of $1,489.0 million and distributions paid to the Group's security holders of $390.9 million.

Further Discussion of Results

For a further discussion of results, please refer to the Group's Management Information Report.

Notes to the Financial Report

1. Summary of Significant Accounting Policies

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

1.1. Basis of preparation

This concise financial report has been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standard AASB1039: *Concise Financial Reports*. The concise financial report has been derived from the Sydney Airport full financial report for the year. Other information included in the concise financial report is consistent with the Sydney Airport full financial report.

The concise financial report does not and cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of Sydney Airport as the full financial report. Further financial information can be obtained from the full financial report, which is available free of charge on request. A copy may be requested by calling Computershare Investor Services Pty Limited on 1800 102 368.

1.1.1. Compliance with IFRS

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

1.1.2. Functional and presentation currency

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

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

1.1.3. Historical cost convention

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

1.1.4. Stapled security

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

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

1.1.5. Group net current liability position

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

1.2. Consolidated financial statements

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

1.3. Basis of consolidation

1.3.1. Controlled entities

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

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

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

1.3.2. Business combinations

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

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

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

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

1.3.3. Acquisitions of entities under common control

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

1.3.4. Loss of control

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

1.3.5. Transactions eliminated on consolidation

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

Notes to the Financial Report (continued)

1. Summary of Significant Accounting Policies (continued)

1.4. Investments in financial assets

1.4.1. Investments in airport assets

The Group has designated its non-controlled investments in airport assets as financial assets at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors. Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair value in accordance with AASB 139: *Financial Instruments: Recognition and Measurement*. Changes in the fair value of investments in financial assets, both positive and negative, have been recognised in the Consolidated Statement 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 periodically benchmarked to other sources such as independent valuations and recent market transactions to ensure that the discounted cash flow valuation is providing a reliable measure. The directors have adopted a policy of commissioning independent valuations of each of the airports on a periodic basis, no longer than three years.

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

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

1.4.2. Interests in other financial assets

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

Investment transaction costs are expensed as incurred.

1.5. Intangible assets

1.5.1. Goodwill

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

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

1.5.2. Computer software

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

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

1.5.3. Technical service agreements, concessions and customer contracts

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

1.5.4. Leasehold land

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

1.5.5. Airport operator license

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

1.6. Property, plant and equipment

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

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

Land is not depreciated.

The estimated useful lives of the major asset categories are:

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

1.7. Distributions and dividends

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

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

1.8. Amortisation and depreciation

Amortisation and depreciation comprise the year's charges for this purpose on the Group's intangible assets with a finite life and property, plant and equipment (refer to Notes 5 and 6).

1.9. Earnings per stapled security

1.9.1. Basic earnings per stapled security

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

1.9.2. Diluted earnings per stapled security

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

1.10. 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 the Group for accounting purposes has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

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

1.11. Comparative figures

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

1.12. Rounding of amounts

The Group is of a kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities & Investments Commission relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Notes to the Financial Report (continued)

2. Profit for the Year

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

	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
Revenue from continuing operations		
Revenue		
Aeronautical revenue	478,714	467,997
Retail revenue	223,344	212,890
Property revenue	156,033	131,415
Revenue from rendering of services	109,514	116,204
Interest income from related parties	–	2,847
Interest income from other persons and corporations	68,659	58,256
Fee income	956	2,099
Other	4,748	14,623
Total revenue	1,041,968	1,006,331
Revaluation gains/(losses) from investments		
Revaluation of ASUR	–	(18,667)
Revaluation of other investments	185	(1,030)
Total revaluation gains/(losses) from investments	185	(19,697)
Other income		
Foreign exchange gains	2,420	2,118
Foreign exchange loss on recycling of foreign currency translation reserve	(15,992)	–
Fair value gains on derivative contracts	(2,726)	21,801
Other	–	(7,309)
Total other income	(16,298)	16,610
Total revenue from continuing operations	1,025,855	1,003,244

2. Profit for the Year (continued)

	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
Operating expenses from continuing operations		
Finance costs		
Interest expense – Sydney Airport	489,919	471,908
Interest expense – Other	–	424
Total finance costs	489,919	472,332
Other expenses		
Amortisation and depreciation	305,780	318,757
Operating and maintenance	106,615	100,349
Staff costs	61,484	47,098
Investment transaction expenses	31,032	13,023
Energy and utilities	9,724	8,633
Premises costs	5,612	3,403
Technology	4,044	3,774
Directors' fees	1,376	1,644
Legal fees	741	1,307
Auditors' remuneration	665	602
Registry fees	640	892
Custodians' fees	392	709
Investor communication expenses	57	208
Responsible Entity's and Adviser's fees – Group entities	258	151
Other expenses	22,142	25,815
Total other expenses	550,562	526,365
Total operating expenses from continuing operations	1,040,481	998,697

Notes to the Financial Report (continued)

3. Distributions, Dividends and Scheme Consideration Paid and Proposed

3.1. Distributions and dividends paid and proposed

	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
The distributions were paid/payable as follows:		
• Interim distribution paid for the period ended 30 June (100% unfranked)	204,734	204,734
• Special distribution paid on 21 October (100% unfranked)	–	232,656
• Final dividend proposed and subsequently paid for the year ended 31 December (100% unfranked)	186,121	186,121
	390,855	623,511

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

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

3.2. Scheme Consideration paid

	Group 31 Dec 11 $'000	Group 31 Dec 10 $'000
The cash consideration was paid as follows:		
• Cash Consideration as part of Scheme Consideration paid on 19 December	1,488,969	–
	1,488,969	–

	Cents per stapled security	Cents per stapled security
• Cash Consideration as part of Scheme Consideration paid on 19 December	80.0	–
	80.0	–

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

4. Investments in Financial Assets

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

2011	Brussels Airport $'000 (4.1)	Copenhagen Airports $'000 (4.2)	Bristol Airport $'000 (4.3)	Total $'000
Balance at 1 January 2011	1,013,963	924,580	5,286	1,943,829
Acquisitions	–	402	–	402
Income received from investments	(9,995)	(8,932)	–	(18,927)
Revaluation decrement to disposal	(214,593)	(196,206)	–	(410,799)
Revaluation increment/(decrement) attributable to foreign exchange movements to disposal	35,614	28,271	(151)	63,734
Disposals	(824,989)	(752,173)	–	(1,577,162)
Revaluation increments attributable to foreign exchange movements recognised directly in equity to 31 December 2011	–	4,058	–	4,058
Balance at 31 December 2011	–	–	5,135	5,135

2010	Brussels Airport $'000 (4.1)	Copenhagen Airports $'000 (4.2)	Bristol Airport $'000 (4.3)	ASUR $'000	Total $'000
Balance at 1 January 2010	947,296	972,340	6,446	138,303	2,064,385
Acquisitions	72,365	360	–	140,039	212,764
Income received from investments	(17,625)	(5,124)	(91)	(10,654)	(33,494)
Revaluation increment/(decrement) to 31 December 2010	197,468	137,455	91	(27,723)	307,291
Revaluation increment/(decrement) attributable to foreign exchange movements to 31 December 2010	(185,541)	(156,010)	(1,160)	9,056	(333,655)
Disposals	–	–	–	(235,601)	(235,601)
Revaluation decrements attributable to foreign exchange movements recognised directly in equity to 31 December 2010	–	(24,441)	–	(13,420)	(37,861)
Balance at 31 December 2010	1,013,963	924,580	5,286	–	1,943,829

Notes to the Financial Report (continued)

4. Investments in Financial Assets (continued)

	Group 31 Dec 2011 $'000	Group 31 Dec 2010 $'000
Brussels Airport (4.1)		
Interests in unlisted securities in companies and trusts		
Investment in Brussels Airport Investments S.á.r.l.	–	1,013,963
Copenhagen Airports (4.2)		
Interests in listed and unlisted securities in companies and trusts		
Investment in Copenhagen Airports S.á r.l.	–	810,423
Investment in KøbenhavnsLufthavne A/S	–	114,157
Bristol Airport (4.3)		
Interests in unlisted securities in companies and trusts		
Investment in Bristol Airport (Bermuda) Limited	5,135	5,286
Total investments	5,135	1,943,829

4.1. Brussels Airport

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

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

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

4.2. Copenhagen Airports

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

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

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

4.3. Bristol Airport

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

5. Property Plant and Equipment

	Land and buildings $'000	Plant and machinery $'000	Other fixtures and fittings, tools and equipment $'000	Property, plant and equipment under construction $'000	Total property, plant and equipment $'000
Net book amount at 1 January 2011	1,116,007	1,281,346	48,055	63,107	2,508,515
Additions	–	–	63	182,520	182,583
Disposals/transfers	68,620	67,880	22,393	(159,118)	(225)
Depreciation	(89,353)	(84,650)	(28,396)	–	(202,399)
Retranslation of foreign operations	–	–	6	–	6
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
At 31 December 2011					
Cost	1,517,000	1,787,586	170,867	86,509	3,561,962
Disposal of Controlled Entity	–	–	(163)	–	(163)
Accumulated depreciation	(421,726)[18]	(523,010)	(128,583)	–	(1,073,319)
Net book amount at 31 December 2011	1,095,274	1,264,576	42,121	86,509	2,488,480
Net book amount at 1 January 2010	1,031,530	1,354,613	59,860	136,731	2,582,734
Additions	–	–	1,170	135,407	136,577
Disposals/transfers	176,212	16,644	14,683	(209,031)	(1,492)
Depreciation	(91,735)	(89,911)	(27,651)	–	(209,297)
Retranslation of foreign operations	–	–	(7)	–	(7)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515
At 31 December 2010					
Cost	1,448,379	1,719,706	148,311	63,107	3,379,503
Accumulated depreciation	(332,372)[18]	(438,360)	(100,256)	–	(870,988)
Net book amount at 31 December 2010	1,116,007	1,281,346	48,055	63,107	2,508,515

18 Includes an $8.2 million cost and depreciation adjustment.

Notes to the Financial Report (continued)

6. Intangible Assets

	Concession and customer contracts $'000	Airport operator licence $'000	Leasehold land[19] $'000	Goodwill $'000	Total $'000
Net book amount at 1 January 2011	79,426	5,359,927	1,948,073	669,721	8,057,147
Amortisation charge for the year	(18,903)	(61,959)	(22,519)	–	(103,381)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766
At 31 December 2011					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(109,290)	(309,793)	(112,594)	–	(531,677)
Net book amount at 31 December 2011	60,523	5,297,968	1,925,554	669,721	7,953,766
Net book amount at 1 January 2010	100,023	5,425,965	1,970,898	669,721	8,166,607
Amortisation charge for the year	(20,597)	(66,038)	(22,825)	–	(109,460)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147
At 31 December 2010					
Cost	169,813	5,607,761	2,038,148	669,721	8,485,443
Accumulated amortisation	(90,387)	(247,834)	(90,075)	–	(428,296)
Net book amount at 31 December 2010	79,426	5,359,927	1,948,073	669,721	8,057,147

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

6.1. Impairment test for goodwill

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

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

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

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

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

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

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

7. Earnings per Stapled Security

	Group 31 Dec 2011	Group 31 Dec 2010
Earnings per stapled security from continuing operations attributable to security holders		
Basic earnings per stapled security	6.54c	5.78c
Diluted earnings per stapled security	6.54c	5.78c
Earnings per stapled security from discontinued operations attributable to security holders		
Basic earnings per stapled security	(19.43)c	(0.03)c
Diluted earnings per stapled security	(19.43)c	(0.03)c
Profit from continuing operations after income tax expense	$82,118,964	$58,406,854
Loss from discontinued operations net of income tax	($361,554,341)	($6,628,000)
Non-controlling interest	($39,540,546)	$49,079,240
Diluted earnings per stapled security		
Earnings used in calculation of basic earnings from continuing operations per stapled security	$121,661,509	$107,459,094
Earnings used in calculation of basic earnings from discontinued operations per stapled security	($361,554,341)	($6,628,000)
Weighted average number of securities on issue		
Weighted average number of ordinary securities used in calculation of basic earnings per stapled security	1,861,210,782	1,861,210,782
Weighted average number of ordinary securities used in calculation of diluted earnings per stapled security	1,861,210,782	1,861,210,782

Notes to the Financial Report (continued)

8. Segment Reporting

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

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

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

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

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

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

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

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

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

	Sydney Airport $'000	Copenhagen Airports DKK'000	Brussels Airport EUR'000	Total '000
Year to 31 December 2011				
EBITDA	789,791	804,400	108,498	
EBITDA of investments carried at fair value	–	(804,400)	(108,498)	
AUD equivalent	789,791	–	–	789,791
Other income and expenses				
Interest income				68,659
Fair value movement on derivative contracts				2,420
Other income				617
Revaluation from investments				185
Finance costs				(489,919)
Amortisation and depreciation				(305,781)
Other expenses				(61,880)
Foreign exchange gains				(18,718)
Loss from continuing activities before income tax benefit				(14,626)
Year to 31 December 2010				
EBITDA	773,043	1,963,700	204,027	
EBITDA of investments carried at fair value	–	(1,963,700)	(204,027)	
AUD equivalent	773,043	–	–	773,043
Other income and expenses				
Interest income				61,103
Fair value movement on derivative contracts				(7,309)
Other income				4,241
Revaluation losses from investments				(26,325)
Finance costs				(472,332)
Amortisation and depreciation				(318,757)
Other expenses				(37,546)
Foreign exchange losses				21,801
Loss before income tax benefit				(2,081)

Notes to the Financial Report (continued)

9. Events Occurring after Balance Sheet Date

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

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

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

10. Restatements

Changes in the accounting for foreign exchange

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

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

- Foreign currency translation reserve has been debited by $59,791,480; and
- Retained earnings have been credited by $59,791,480.

The above adjustments had no impact on profit or loss or cash flow for the year ended 30 December 2011.

11. Full Financial Report

Further financial information can be obtained from the full Financial Report which is available on request free of charge. A copy may be requested by phoning Computershare Investor Services Pty Limited on 1800 102 368.

Statement by the Directors of the Responsible Entity of the Trust

In the opinion of the directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT1, the consolidated financial report of SAT1 for the year ended 31 December 2011, as set out on pages 6 to 40 and the Remuneration report in the Directors' report (set out on pages 11 to 16), complies with Accounting Standard AASB 1039: *Concise Financial Reports*.

The financial statements and specific disclosures included in the concise financial report 2011 have been derived from the full financial report for the year ended 31 December 2011.

The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report which, as indicated in Note 11, is available on request.

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

Max Moore-Wilton

Sydney
22 February 2012

Trevor Gerber

Sydney
22 February 2012

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

Report on the concise financial report

We have audited the accompanying concise financial report of Sydney Airport (formerly MAp), which comprises the consolidated balance sheet as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date. The concise financial report does not contain all the disclosures required by Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report. Sydney Airport comprises Sydney Airport Trust 1 (formerly MAp Airports Trust 1) and the entities it controlled at the year's end or from time to time during the financial year which are deemed to include Sydney Airport Trust 2 and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the concise financial report

The directors of Sydney Airport Holdings Limited (the Responsible Entity) are responsible for the preparation and presentation of the concise financial report in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Standards*. We have conducted an independent audit in accordance with Australian Auditing Standards, of the financial report of Sydney Airport for the year ended 31 December 2011. We expressed an unmodified audit opinion on the financial report in our report dated 22 February 2012. The Australian 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 for the year is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the risk of material misstatement of the concise 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 concise financial report in order to design 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

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, the concise financial report of Sydney Airport for the year ended 31 December 2011 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on the Remuneration Report

The following paragraphs are copied from our Report on the Remuneration Report for the period ended 31 December 2011. The directors of the Responsible Entity are responsible for the preparation and presentation of the Remuneration Report in accordance with the basis of preparation of the Remuneration Report as described within the Remuneration Report. Our responsibility is to express an opinion on the Remuneration Report, based on out audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the Remuneration Report of Sydney Airport for the year ended 31 December 2011, complies with the basis of preparation of the Remuneration Report as described within the Remuneration Report.

KPMG

Andrew Yates
Partner

Sydney

22 February 2012

Security Holder Information at 29 February 2012

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 - 1,000	5,922	2,688,826	0.1
1,001 - 5,000	13,106	36,764,849	2.0
5,001 - 10,000	6,682	48,916,538	2.6
10,001 - 100,000	6,318	139,555,393	7.5
>100,001	282	1,633,285,176	87.8
Total	**32,310**	**1,861,210,782**	**100**

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $2.62 per stapled security	191	1,527	95,185

Top 20 holders of stapled securities as at 29 February 2012

Rank	Investor	Number of stapled securities	% of stapled securities
1.	HSBC Custody Nominees (Australia) Limited	418,791,563	22.5
2.	Macquarie LAH Pty Ltd	369,038,919	19.8
3.	J P Morgan Nominees Australia Limited	262,075,366	14.1
4.	J P Morgan Nominees Australia Limited	135,056,520	7.3
5.	National Nominees Limited	101,852,855	5.5
6.	National Nominees Limited	97,224,408	5.2
7.	Citicorp Nominees Pty Limited	32,220,727	1.7
8.	J P Morgan Nominees Australia Limited	27,444,449	1.5
9.	Citicorp Nominees Pty Limited	26,752,975	1.4
10.	Argo Investments Limited	9,528,810	0.5
11.	RBC Dexia Investor Services Australia Nominees Pty Limited	9,508,235	0.5
12.	Cogent Nominees Pty Limited	9,209,380	0.5
13	AMP Life Limited	8,798,571	0.5
14.	UBS Nominees Pty Ltd	6,930,000	0.4
15.	Australian Reward Investment Alliance	5,823,160	0.3
16.	Custodial Services Limited	4,958,559	0.3
17.	Share Direct Nominees Pty Ltd	4,000,000	0.2
18.	UBS Nominees Pty Ltd	3,975,738	0.2
19.	Ms Kerrie Mather	3,554,521	0.2
20.	Cogent Nominees Pty Limited	3,431,740	0.2
Total		**1,540,176,496**	**82.75**

Substantial security holders

Name	Number of stapled securities[1]	% of stapled securities
Macquarie Group	416,044,254	22.4
FMR LLC and FIL	132,048,718	7.1
RARE Infrastructure Limited	126,714,427	6.8
Capital Group	104,875,548	5.6
Abu Dhabi Investment Authority	94,553,945	5.1
Future Fund Board of Guardians	93,094,027	5.0

1. Figures are based on the substantial security holder notice made by Macquarie Group on 28 February 2011, FMR LLC and FIL on 16 December 2011, RARE Infrastructure Limited on 4 April 2011, Capital Group on 21 September 2011, Abu Dhabi Investment Authority on 30 May 2011 and Future Fund Board of Guardians on 7 December 2011.

Director Profiles

Max Moore-Wilton, BEc AC

Chairman

Max, a non-executive director, was appointed as Chairman of Sydney Airport Holdings Limited, formerly called MAp Airports Limited, in April 2006. He is Chairman of Sydney Airport. Prior to this appointment he was Executive Chairman of Sydney Airport Corporation from 2002.

Max is Chairman of Southern Cross Austereo Media Group (previously Macquarie Media Group) (appointed 2007).

From 1996, Max was Secretary to the Department of Prime Minister and Cabinet where he oversaw fundamental reform to the Commonwealth Public Service. Max has had a distinguished career in both the private and public sectors. He has held positions as either chairman or board member of a number of major Commonwealth and State business enterprises and has extensive experience in the transport sector.

Trevor Gerber, BAcc, CA

Director

Trevor is an independent director and chairman of the Audit & Risk Committee. He is a professional director and 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.

Bob Morris, BSc, BE, M Eng Sci

Director

Bob is an independent director. He is also a transport consultant. Prior to 2003, Bob was an Executive Director of Leighton Contractors. Bob 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 toll roads, as well as the Sydney Harbour Tunnel.

Bob is currently Director, Aspire Schools Financing Services (Qld) (appointed 2009), SA Health Partnership Securitisation (appointed 2011) and was Chairman RiverCity Motorway Group until February 2011.

Hon. Michael Lee, BSc, BE, FIE Aust

Director

Michael is an independent director. He served in the Australian Parliament for 17 years and held a number of senior positions in both government and opposition. He was Minister for Tourism, Communications and the Arts in the Keating Government.

Michael is currently:

- Director, DUET Group (appointed 2004);
- Director, Superpartners (appointed 2009); and
- Chairman, Communications Alliance (appointed 2010).

John Roberts

Director

John is a non-executive director. He is executive chairman of Macquarie Funds Group.

John has a Bachelor of Laws degree from The University of Canterbury in New Zealand.

John joined Macquarie in 1991 and is currently Executive Chairman of the Macquarie Funds Group, which has in excess of $300 billion of funds under management. John serves on the boards and/or investment committees of a number of Macquarie-managed international unlisted infrastructure entities. John is also a director of the following listed entities:

- Macquarie Infrastructure Company (appointed 2004);
- DUET Group (appointed 2004); and
- Macquarie Atlas Roads Limited (Appointed 2010).

Director Profiles (continued)

Stephen Ward, LLB

Director

Stephen is an independent director and is chairman of the Nomination and Remuneration Committee.

Stephen is Head of Simpson Grierson's Corporate/ Commercial Department and is a Simpson Grierson Board member. Simpson Grierson is one of New Zealand's largest commercial law firms.

Stephen advises New Zealand and international corporates on all aspects of business law and overseas investment in New Zealand. He works with many of Simpson Grierson's clients on strategic issues, corporate governance and statutory compliance.

Mr Ward is a member of the New Zealand Law Society Commercial and Business Law Committee and is trustee of the Life Flight Trust which operates the Westpac rescue helicopter service in the Wellington region and a national air ambulance service.

Kerrie Mather BA, MComm

Director

Kerrie has more than 15 years of aviation sector experience. She commenced as Managing Director (MD) and Chief Executive Officer (CEO) of Sydney Airport on 1 July 2011 and has been MD and CEO of Sydney Airport's ASX-listed owner Sydney Airport Holdings Limited (SAHL) – formerly known as MAp – since 2002. She has a broad international perspective and a demonstrated ability to develop strategic alliances with airlines, commercial partners and tourism industries in Australia and around the world.

As CEO of MAp, Kerrie worked in a number of international jurisdictions, delivering major airport initiatives including long-term commercial agreements with airlines, significant capital investment programs resulting in upgraded and expanded facilities for all airport users, commercial projects and financing programs. Kerrie also steered the listed company through several major acquisitions including the asset swap with the Ontario Teachers' Pension Plan Board (OTPP), which involved the sale of Brussels and Copenhagen Airports, and acquisition of a further interest in Sydney Airport.

Kerrie was previously appointed to the boards of a number of UK and European airports and was an Executive Director at Macquarie Capital, where she worked for 18 years specialising in the airports and transport sectors. She is a member of the Tourism and Transport Forum's advisory board and is on the board of Airports Council International (Asia Pacific).

Management Profiles

Kerrie Mather BA, MComm

Managing Director and Chief Executive Officer

Kerrie has more than 15 years of aviation sector experience. She commenced as Managing Director (MD) and Chief Executive Officer (CEO) of Sydney Airport on 1 July 2011 and has been MD and CEO of Sydney Airport's ASX-listed owner Sydney Airport Holdings Limited (SAHL) – formerly known as MAp – since 2002. She has a broad international perspective and a demonstrated ability to develop strategic alliances with airlines, commercial partners and tourism industries in Australia and around the world.

As CEO of MAp, Kerrie worked in a number of international jurisdictions, delivering major airport initiatives including long-term commercial agreements with airlines, significant capital investment programs resulting in upgraded and expanded facilities for all airport users, commercial projects and financing programs. Kerrie also steered the listed company through several major acquisitions including the asset swap with the Ontario Teachers' Pension Plan Board (OTPP), which involved the sale of Brussels and Copenhagen Airports, and acquisition of a further interest in Sydney Airport.

Kerrie was previously appointed to the boards of a number of UK and European airports and was an Executive Director at Macquarie Capital, where she worked for 18 years specialising in the airports and transport sectors. She is a member of the Tourism and Transport Forum's Advisory Board and is on the board of Airports Council International (Asia Pacific).

Russell Balding retired as CEO of Sydney Airport on 30 June 2011.

Tim Finlayson BEc, LLB, ACA

Chief Financial Officer

Tim Finlayson joined Sydney Airport as Chief Financial Officer (CFO) in October 2010 and commenced as CFO of SAHL on 1 January 2012.

Tim was previously CFO at Hutchison Telecommunications (Australia) Limited, overseeing Hutchinson's growth to 2 million customers and leading the 50:50 merger negotiations with Vodafone Australia.

Prior to being appointed Hutchinson Telecommunication's CFO in 2006, Tim was responsible for the key areas of treasury, banking, credit and collections, risk management, revenue assurance, tax and procurement.

Tim was also with PricewaterhouseCoopers (PwC) for 12 years, where he held senior roles in Sydney, Singapore and Vietnam. Immediately prior to joining Hutchison, Tim's role was tax partner and leader of PWC's Tax and Legal Services Practice in Indochina.

Keith Irving retired as SAHL CFO in December 2011.

Jamie Motum BEc, LLB

Company Secretary

Jamie was appointed as Co-company Secretary of Sydney Airport Holdings Limited on 4 January 2012. He is a qualified solicitor with over 14 years' experience.

Prior to becoming General Counsel and Company Secretary of Sydney Airport Corporation Limited in February 2010, Jamie was a partner of DLA Phillips Fox, the firm where he began his legal career in 1996. Jamie was a partner in the Corporate Group of DLA Phillips Fox, specialising in mergers and acquisitions and corporate advisory work.

Sally Webb BA (As), LLB (Hons), FFIN

General Counsel and Company Secretary

Sally is a qualified solicitor with more than 16 years' experience. Sally joined the Sydney Airport team, formerly MAp, in 2003 where she has been responsible for the legal and company secretarial function.

In this position, and previously in respect of other Macquarie funds, Sally has been responsible for the legal role for a large number of capital raisings, restructures and airport acquisitions and divestments including the asset swap with OTPP. This involved the sale of Brussels Airport and Copenhagen Airports and the acquisition of a further interest in Sydney Airport as well as the subsequent simplication of the corporate structure.

Prior to joining SAHL, Sally worked for leading law firms in Sydney and Tokyo. In private practice, she specialised in mergers and acquisitions and capital markets.

Special Notice and Disclaimer

Stapling

In accordance with its requirements for stapled securities, ASX reserves the right to remove SAT1 and/or SAT2 from the official list of ASX if, while the stapling arrangements apply, the securities in one entity cease 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

So that SAT1 and SAT2 can invest in Australian airports, Sydney Airport Holdings Limited has obtained declarations under the Airports Regulations that SAT1 and SAT2 are each a substantially Australian investment fund. For each of SAT1 and SAT2 to remain declared a substantially Australian investment fund, they must not at any time become a trust in which a beneficial interest in at least 40% of the income or capital is held by persons who are foreign persons (Foreign Persons) as defined in the Airports Act 1996.

The trust 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, ASX-listed Sydney Airport can require a foreign security holder (on a last in first out basis) to dispose of Sydney Airport securities. ASX-listed Sydney Airport has the power to commence procedures to divest foreign security holders once the foreign ownership of ASX-listed Sydney Airport reaches 39.5% under the Foreign Ownership Divestment Rules that it has adopted. If the foreign security holder fails to dispose of its Sydney Airport securities, Sydney Airport Holdings Limited 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.

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 Holdings Limited or its 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.

Annual financial report

A copy of the full annual financial report for ASX-listed Sydney Airport for the 12-month period ended 31 December 2011 is available on the website www.sydneyairport.com.au

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 at www.sydneyairport.com.au.

Sydney Airport Holdings Limited is a member of the Financial Ombudsman Service approved by ASIC. Investor complaints should, in the first instance, be directed to Sydney Airport Holdings Limited.

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