SYDNEY AIRPORT

Sydney Airport
The right future.
Starting now.

Annual Report 2012

Contents

ASX-listed Sydney Airport (the Group) comprises Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1) and Sydney Airport Trust 2 (ARSN 099 597 896) (SAT2).

Sydney Airport Holdings Limited (ACN 075 295 760) (AFSL 236875) (SAHL) is the responsible entity of SAT1 and SAT2. 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 (www.sydneyairport.com.au).

Directors receive timely, regular and appropriate information to enable them to fulfil their duties. This information is provided as part of directors' board papers and regular reporting on airport performance.

Each year the board typically has at least eight scheduled meetings. Unscheduled meetings may be 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 (NEDs) have received a letter of appointment addressing the matters recommended by the ASX Principles.

The board reviews the performance of the Chief Executive Officer (CEO) and this occurred during year ended 31 December 2012.

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 program 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 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 Sydney Airport.

During 2012 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. Directors' profiles setting out their skills, experience, expertise, period of office and other directorships of listed entities are disclosed on pages 45 - 46 of this report and on the Sydney Airport website.

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 Group Limited, 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 CEO 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.

Directors' attendance at board and committee meetings in 2012

	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)	10	10	2	2	N/A	N/A	2	2
Trevor Gerber[4] (Independent)	10	10	2	2	3	3	N/A	N/A
Bob Morris (Independent)	9	10	2	2	3	3	N/A	N/A
Michael Lee (Independent)	10	10	2	2	3	3	2	2
John Roberts (Non-Executive)	9	10	1	2	N/A	N/A	N/A	N/A
Stephen Ward[5] (Independent)	9	10	2	2	N/A	N/A	2	2
Kerrie Mather (Executive)	10	10	2	2	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 Chairman Nomination & Remuneration Committee

Principle 3: Promote Ethical and Responsible Decision Making

What Sydney Airport Stands For and Sydney Airport's Guide to Business Conduct apply to all directors and employees and certain contractors and consultants. These documents set out Sydney Airport's vision, mission, values and practices that govern the way that Sydney Airport and its people carry out business and engages with stakeholders.

The Guide to Business Conduct includes Sydney Airport's policies regarding management of conflicts of interest, whistle-blowing, anti-corruption and dealing with governments. It is underpinned by a range of additional policies reflecting Sydney Airport's values including:

- securities dealing policy;
- 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 the ASX, and from 1 July until the day after half-year financial results are released to ASX. A blackout period also operates during the four weeks prior to the Annual General Meeting (AGM) until the day after the AGM. Additional blackout periods may also operate when Sydney Airport is considering market-sensitive transactions. Directors and staff are required to obtain prior approval for any trade from the company secretary in accordance with the securities dealing policy which is available on the Sydney Airport website. The securities dealing policy is an example of a policy to manage conflicts of interest. Sydney Airport's conflicts of interest policy is that directors and staff do not participate in activities that involve a conflict between their duties and responsibilities or which are prejudicial to Sydney Airport's business. Directors and staff must not put themselves in a position of conflict with the best interests of investors or a position which unfairly puts the interests of one investor above another's.

Sydney Airport adopted a diversity policy with effect from 2012 and a copy of the policy is on the Sydney Airport website. Measurable objectives to promote diversity will be set in the first quarter of 2013 and will be reported 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
14.29%	11.11%	44.44%	28.26%

Corporate Governance Statement (continued)

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 Sydney Airport 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 Sydney Airport website. It is Sydney Airport's policy to provide timely, open and accurate information to its investors, regulators and other stakeholders. This ensures that all investors have equal and timely access to material information concerning Sydney Airport and facilitates trading on an informed basis.

The 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 May each year. Investors who are unable to attend in person can lodge proxy forms by post, fax or via 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 Sydney Airport 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. All directors are also members of the board of Sydney Airport Corporation Limited, the company which operates Sydney Kingsford Smith Airport.

This provides directors with direct visibility of matters considered and reported on by management.

The Audit & 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 the management of material risks. In addition, the board has received assurance from the CEO and Chief Financial Officer (CFO) that their declaration under Section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The 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.

The remuneration of NEDs has been approved by investors and is described in the Remuneration Report. NEDs' remuneration is determined with reference to external benchmarking undertaken by consultants engaged by the board. None of the NEDs are entitled to options, securities, bonuses or retirement benefits as part of their remuneration package from Sydney Airport.

The board has established a Nomination & Remuneration Committee and a copy of its charter is on the Sydney Airport 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 assists and advises 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.

The Nomination & Remuneration Committee develops and reviews the process for selection, appointment and re-election of NEDs as well as developing and implementing a process for evaluating the performance of the board, board committees and directors individually.

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.

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 Nomination & Remuneration Committee comprises a majority of independent directors.

The members of the Nomination & Remuneration Committee are Stephen Ward (appointed in February 2011 and as independent chairman in May 2011), Michael Lee and Max Moore-Wilton.

Sydney Airport

Concise Financial Report for Year Ended 31 December 2012

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

Directors' Report

For year ended 31 December 2012, the directors of Sydney Airport Holdings Limited (SAHL or the Responsible Entity) submit the following report on the consolidated concise financial report of ASX-listed Sydney Airport. SAT1 has been identified as the parent of the consolidated group comprising Sydney Airport Trust 1 (SAT1) and its controlled entities and Sydney Airport Trust 2 (SAT2) and its controlled entities, together acting as Sydney Airport (or the Group).

Overview of Sydney Airport

The Group holds an 84.8% economic interest in Sydney Airport at 31 December 2012 (2011: 84.8%). 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.

Principal Activities

The principal activity of the Group is the ownership of Sydney Airport. The Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Group.

There were no significant changes in the nature of the Group's activities during the period.

Directors

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

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
Stephen Ward	Non-Executive Director	Since February 2011
Kerrie Mather	Executive Director	Since July 2010

Distributions

The total distribution by the Group for year ended 31 December 2012 was 21.0 cents per stapled security (2011: 21.0 cents). An interim distribution of 11.0 cents per stapled security (2011: 11.0 cents) was paid by SAT1 on 16 August 2012. A final distribution of 10.0 cents per stapled security (2011: 10.0 cents) was announced on 6 December 2012 and paid by SAT1 on 14 February 2013. No distributions were announced or paid by SAT2 for year ended 31 December 2012 (2011: Nil).

Directors' Report (continued)

Review and Results of Operations

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

	31 Dec 2012 $m	31 Dec 2011 $m
Revenue	1,055.3	1,042.0
Revaluation gains from investments	-	0.2
Other income	(6.8)	(16.3)
Revenue from continuing operations	1,048.5	1,025.9
Profit from continuing operations after income tax benefit	158.1	82.1
Loss from discontinued operations net of income tax	-	(361.5)
Profit / (loss) after income tax benefit	158.1	(279.4)
Total comprehensive income	115.2	(390.7)
Profit / (loss) after income tax benefit attributable to security holders	179.2	(239.9)
Earnings per stapled security from continuing operations attributable to security holders		
Basic and diluted earnings per stapled security	9.63c	6.53c
Earnings per stapled security from discontinued operations attributable to security holders		
Basic and diluted earnings per stapled security	-	(19.42c)
Earnings per stapled security from profit / (loss) after income tax benefit attributable to security holders		
Basic and diluted earnings per stapled security	9.63c	(12.89c)

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:

	2012 'm	2011 'm
On issue at beginning of the year	1,861.2	1,861.2
Issued pursuant to the Scheme (refer Note 3)	-	-
On issue at end of year	1,861.2	1,861.2

Value of Assets

The book value of Group assets represents their carrying amounts as determined using Australian Accounting Standards as described in Note 1 to the concise financial report.

	31 Dec 2012 $m	31 Dec 2011 $m
Book value of assets	10,971.8	12,134.5

Financial Performance and Position

Net Operating Receipts provides a proxy for cash flow available to pay ASX-listed Sydney Airport distributions. The first table reconciles the Southern Cross Airports Corporation Holdings Limited (SCACH) (a subsidiary of SAT1 and SAT2) statutory result to its distributions declared. The second table incorporates ASX-listed Sydney Airport cash flows to determine total cash available to investors. Non-IFRS financial information below has not been audited by the external auditor, but has been sourced from the financial reports.

	SCACH [1] 31 Dec 2012 $m [2]	SCACH [1] 31 Dec 2011 $m [2]	ASX-listed Sydney Airport interest (84.8%) 31 Dec 2012 $m [2]	ASX-listed Sydney Airport interest (79.4%) [3] 31 Dec 2011 $m [2]
Loss before income tax benefit [4]	(98)	(152)	(83)	(121)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders [4]	284	282	241	224
Add back: depreciation and amortisation [4]	228	231	193	183
Profit before tax, shareholder interest, depreciation and amortisation	414	361	351	286
Add back: non-cash financial expenses				
- Fair value adjustment to interest swaps not qualifying as hedges [5]	5	(4)	4	(3)
- Amortisation of debt establishment costs [5]	21	9	18	7
- Capital Indexed Bonds capitalised less interest expense [5]	27	25	23	20
- Borrowing costs capitalised [5]	(8)	(6)	(7)	(5)
- SKIES amortisation of establishment costs [5]	-	2	-	2
- SKIES write off of unamortised establishment costs [5]	-	11	-	9
Total non-cash financial expenses	45	37	38	30
Add / (subtract) other cash movements:				
Movement in cash reserved for specific purposes [6]	28	(26)	24	(21)
Other	(13)	(6)	(11)	(5)
Total other cash movements	15	(32)	13	(26)
Cash flow available to SCACH equity holders	474	366	402	290

	Note	Corporate 31 Dec 12 $m	Corporate 31 Dec 11 $m
ASX-listed Sydney Airport share of SCACH cash flow		402	290
Corporate receipts [7]		7	80
Corporate costs [7]		(9)	(25)
Corporate transaction costs [7]		(8)	(30)
Net Operating Receipts		392	315
Stapled securities on issue ('m)		1,861	1,861
Cash flow per stapled security		$0.21	$0.17
Distibutions declared per stapled security	3	$0.21	$0.21

1 Southern Cross Airports Corporation Holdings Limited.

2 Disclosure rounded to the nearest million and may not exactly match disclosure elsewhere in the consolidated financial statements which, are rounded to the nearest hundred thousand.

3 Ownership percentage reflects SAHL's weighted average entitlement to distributions declared by SCACH in 2011. SAHL increased its ownership in SCACH from 74.0% to 84.8% during the second half of 2011.

4 These numbers are taken from the Consolidated Income Statements in the SCACH Audited General Purpose Financial Report for year ended 31 December 2012.

5 These numbers are taken from Note 2(f) in the SCACH Audited General Purpose Financial Report for year ended 31 December 2012.

6 These numbers are taken from Note 25 in the SCACH Audited General Purpose Financial Report for year ended 31 December 2012.

7 These numbers are calculated from Corporate items shown separately in the Consolidated Statement of Cash Flows for year ended 31 December 2012.

Directors' Report (continued)

Significant Changes in State of Affairs

Sydney Airport Finance Company Pty Limited, a wholly owned subsidiary of SCACH, issued US$600.0 million on 16 October 2012 and US$225.0 million on 25 October 2012 in Guaranteed Senior Secured Notes, each maturing in 2023 at a fixed interest rate of 3.9% per annum (payable semi-annually) into the US 144A/Reg S bond market. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the Notes.

SAT1 entered into a 24-month $165.0 million term facility with the Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (WBC) on 6 December 2012. Interest is charged at Bank Bill Swap Bid Rate (BBSY) plus a predetermined margin. SAT1 had an undrawn balance on this facility of $165.0 million at 31 December 2012.

SAT1 entered into a 12-month $150.0 million working capital facility with CBA, WBC and Royal Bank of Scotland (Australia Branch) (RBS) on 23 December 2011. Interest is charged at BBSY plus a predetermined margin. SAT1 reduced the working capital facility to $100.0 million and RBS ceased to be a working capital lender on 6 December 2012. SAT1 had an undrawn balance on this facility of $100.0 million at 31 December 2012 (2011: $150.0 million).

SCACH redeemed $650.0 million Sydney Kingsford Smith Interest Earning Securities (SKIES) on 3 January 2012.

SCACH repaid $278.0 million Medium Term Notes (MTN) on 11 October 2012.

Events Occurring after Balance Sheet Date

The final distribution for ASX-listed Sydney Airport for year ended 31 December 2012 was 10.0 cents per stapled security (2011: 10.0 cents). This distribution was paid by SAT1 on 14 February 2013.

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 concise financial report that has significantly affected or may significantly affect the operations of the Group, the results of its operations or its state of affairs in periods subsequent to year ended 31 December 2012.

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 concise financial 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).

SAHL is not required to prepare a remuneration report that complies with the *Corporations Act 2001* (the Act). However, in the interests of maintaining the high standards of corporate governance to which the directors of SAHL have committed, the following remuneration report has been prepared voluntarily, in accordance with the requirements of the Act and its regulations. The information in this report has been audited in accordance with Section 308(3C) of the Act.

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

Non-Executive Directors

Non-Executive Director	Title	2012	2011
Max Moore-Wilton	Chairman	✓	✓
Trevor Gerber	Director	✓	✓
Michael Lee	Director	✓	✓
Robert Morris	Director	✓	✓
John Roberts	Director	✓	✓
Stephen Ward	Director	✓	✓
Sharon Beesley[1]	Former Director	×	✓
Jeffrey Conyers[1]	Former Director	×	✓
John Mullen	Former Director	×	✓

1 Ms Beesley and Mr Conyers were directors of MAp Airports International Limited from 1 January 2011 to 24 November 2011.

During the year there were no changes to NEDs.

Key Executives

Key Executive	Title	2012	2011
Kerrie Mather	Chief Executive Officer and Executive Director	✓	✓
Stephen Mentzines	Chief Financial Officer	✓	×
Shelley Roberts	Executive Director Aviation Services	✓	✓
Andrew Gardiner	General Manager Retail	×	✓
Craig Norton	General Manager Parking and Ground Transport	×	✓
Peter Wych	General Manager Development and Construction	×	✓
Tim Finlayson	Former Executive - Chief Financial Officer	×	✓
Keith Irving	Former Executive - Chief Financial Officer	×	✓
Sally Webb	Former Executive - Company Secretary	×	✓

Shown in the table above are the individuals determined to be KMP by the directors for years ended 31 December 2011 and 31 December 2012.

Directors' Report (continued)

Audited Remuneration Report (continued)

During the year the following executive changes occurred:

- Ms Sally Webb resigned effective 31 March 2012. Ms Webb also acted as General Counsel of SAHL but the disclosures in this report are made solely due to her position as Company Secretary;
- Mr Tim Finlayson resigned 27 June 2012, giving six months notice as required by his contract. Mr Finlayson ceased employment on 10 October 2012 and was paid out the remainder of his contractual notice period;
- Mr Stephen Mentzines was appointed Chief Financial Officer effective 2 October 2012; and
- It was determined that Messrs. Gardiner, Norton and Wych were not KMP for 2012.

2. Nomination & Remuneration Committee

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

In 2012 the NRC comprised of three NEDs, two of whom were independent:

- Stephen Ward (Chair – independent)
- Max Moore-Wilton
- Michael Lee (independent)

SACL has a separate Human Resources Committee that is responsible for making remuneration recommendations regarding policy and structure for the SACL executives to the SACL board. In the interest of aligning remuneration policies and practices going forward, Stephen Ward has been appointed Chair of the Human Resources Committee for SACL.

In July 2012 the NRC appointed Egan Associates as its independent Remuneration Consultant. During 2012 Egan Associates provided the NRC with market data and advice in relation to NED fees, executive remuneration and executive incentive structure. Such services were provided to the NRC free from any undue influence by management. The fees paid to Egan Associates for remuneration advisory services were $71,190 (excluding GST).

3. Remuneration Principles, Policy and Structure

Sydney Airport has adopted a remuneration strategy that aims to attract, retain and motivate high performing individuals and align the interests of executives and security holders, tailored to the unique characteristics of the organisation.

3.1. Background

ASX-listed Sydney Airport is an ASX50 entity with an enterprise value of approximately $12.7 billion. KMP have oversight and accountability for the smooth operation and security of its facilities, supporting a diverse range of aeronautical, retail, car parking and property businesses.

Across the airport, some 800 companies employ 28,000 full-time employees onsite who service its 36.9 million passengers a year and enable the import and export of a wide variety of goods from perishable foodstuffs to high value manufactured items. A further 256,000 jobs are generated or facilitated by the airport to meet its needs, expanding its impact to an estimated 6.0% of the New South Wales economy.

Management have oversight of significant ongoing capital expenditure and the development of a forward looking strategic plan, incorporating runway upgrades, taxiway upgrades, apron development, car park development, electrical upgrades and other significant initiatives. Since privatisation in 2002, Sydney Airport has invested more than $2.2 billion in capital works. Management is also accountable for facilitation of government relationships and ensuring compliance with Commonwealth and State Government regulatory requirements.

When setting Executive remuneration the board takes into consideration the complexity of the business, the responsibility of each Executive, along with other factors, including the Executive's experience, tenure and performance against key objectives. Additionally, Executives' salaries are benchmarked against comparable market participants based on advice from remuneration consultants.

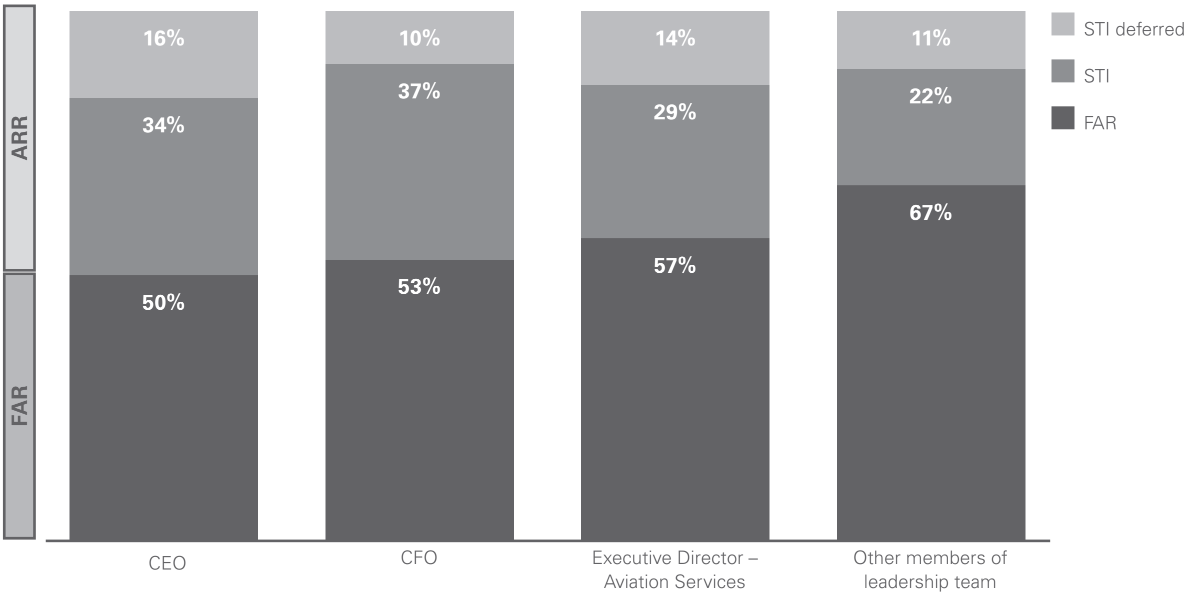
Audited Remuneration Report (continued)

3.2. Remuneration structure for Key Executives as at 31 December 2012

The remuneration structure of Key Executives comprises of:

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

The remuneration mix for the CEO, other Key Executives and members of the leadership team are (with ARR shown at maximum) expressed as a percentage of total remuneration, shown in the graph below:



3.3. At risk remuneration

The board is focused on maximising security holder value by linking business performance with Key Executive remuneration outcomes. A significant element of a Key Executive's maximum potential remuneration is at risk and linked to corporate performance.

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

There are two categories of STI performance measures used for Key Executives, Group performance targets (refer to Section 3.4.) which makes up 50-60% of an executive's STI outcome and individual key performance targets which makes up 40-50% of an executive's STI outcome.

Performance setting

Individual key performance targets for executives are developed by the CEO and put forward to the NRC for approval at the commencement of each performance year.

Key performance targets are selected for their relevance to the short and long-term objectives of the business.

The STI award is determined after the preparation of the annual financial statements and the completion of the performance review process. The STI award is generally granted to executives in March, with the cash award paid immediately. Maximum potential STI awards for year ended 31 December 2012 range from 37.5% to 100.0% of FAR.

CEO STI deferral

To promote CEO retention, one third of any STI award in excess of $50,000 is deferred in cash for three years from the date of the award. The deferred cash amount earns market rate interest over the three year period and is payable to the CEO upon vesting, subject to continuous service throughout the period.

Directors' Report (continued)

Audited Remuneration Report (continued)

Other Executives STI deferral

An Executive's performance outcome is used as the basis to determine their STI deferral. To promote Executive retention, Executives have a predetermined element of their ARR opportunity delivered in the form of a deferred cash award. Any cash award made under this plan is subject to a two-year deferral from the date of the award. The deferred cash amount earns market rate interest over the two-year period and is payable to the Executive upon vesting, subject to continuous service throughout the period.

3.4. Link between remuneration and performance

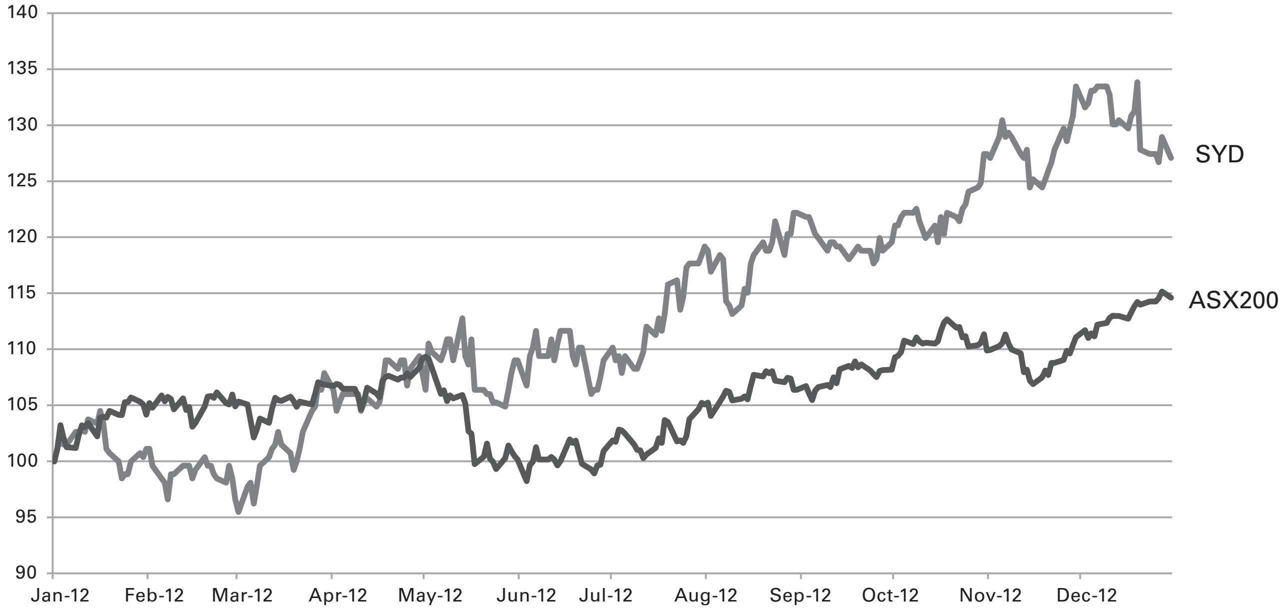
History of corporate performance

Measure	2012	2011	2010	2009	2008
Security price at year-end	$3.38	$2.66	$2.99	$3.03	$2.40
Ordinary distribution paid per security	$0.21	$0.21	$0.21	$0.21	$0.27
Other cash payments to security holders	-	$0.80	$0.125	-	-
Sydney Airport EBITDA (100%) - $m	$848.0	$789.8	$773.0	$689.3	$649.4

Corporate performance 2012

ASX-listed Sydney Airport's security price performed strongly in 2012, with a total shareholder return of 35.7%. This compares to the ASX 200 Accumulation Index return of 20.3% and the All Ords Accumulation Index return of 18.8%.

SYD Security price growth compared to ASX200



Source: Iress

Drivers of the strong performance were:

- Record passenger numbers, serving a total of 36.9 million passengers. 5.3% growth on the prior comparative period for international passengers and 2.7% for domestic passengers, driving strong EBITDA growth of 7.4%;
- 21 cents per security annual dividend, 100% covered by Net Operating Receipts. This represents a 7.0% cash yield to investors (based on average security price), in a low interest rate environment;
- Prudent capital management with oversubscribed senior debt issuances of $1.1 billion, used to refinance 2012 maturities more than 12 months in advance and provide an additional $300.0 million of undrawn capex financing. The issuances lengthened average debt maturities beyond 2020 and lowered average overall borrowing costs;
- Delivered two new low cost carriers driving significant growth in the inbound and outbound leisure markets;
- Successful integration of the former MAp Airports and Sydney Airport teams, with significant overall cost savings;

Audited Remuneration Report (continued)

- Implemented new products and offers and technologies across the car parking and retail businesses aimed at improving customer value and increasing market penetration;
- Maintained a disciplined approach to capital investment focused on meeting our airline and customer needs and earning appropriate financial returns; and
- Development of the New Vision from a concept to detailed plan involving extensive stakeholder consultation and testing by third parties to ensure the new development concept will deliver the capacity, efficiency, productivity and passenger experience benefits initially envisaged. This included work on preparation of what will become the 2013 master plan.

Group performance

The following table sets out the Group performance objectives used in determining an Executive's STI outcome in 2012:

Objective	Weighting	Performance measure	Performance
Financial	CEO 55% Other KMP 30%	EBITDA	• Growth in EBITDA • Improved shareholder value
		Distribution paid	• Shareholder distribution growth
		Capital expenditure	• Capital investment managed to maximise shareholder return
Stakeholder engagement	CEO 20% Other KMP 20%	Stakeholder engagement	• Improved customer satisfaction • Improved stakeholder engagement
People	CEO 15% Other KMP 10%	Employee engagement, talent, development and diversity	• Improved employee engagement • Relevant diversity measures
Individual	CEO 10% Other KMP 40%	Specific measures tailored to each area of responsibility including operational performance, cost containment, risk management, strategy development and implementation and project management	• Assessed on an individual basis

Individual performance

Individual objectives and targets are unique to the Executive's area of accountability and expertise and are used to determine up to 40.0% of an Executive's STI outcome for 2012. The objectives are both qualitative and quantitative in nature and measurement. They have been assessed as being central to business performance, efficiency and sustainability. In 2012 these objectives included operational performance, cost containment, risk management, strategy development and implementation, project management, leadership and people, customer and stakeholder engagement.

Performance pay outcomes for 2012

The NRC reviews the overall performance outcome for an individual based on the agreed performance objectives but retains overriding discretion when determining the value of any STI award to an Executive.

Key Executive	STI outcome % of maximum	Actual STI awarded Cash award $	STI deferred $	STI forfeited %
Kerrie Mather	100%	1,150,000	550,000	-%
Stephen Mentzines	95%	130,820	Nil	5%
Shelley Roberts	100%	227,500	68,250	-%
Tim Finlayson	-%	Nil	Nil	100%
Sally Webb	100%	21,250	Nil	-%

The cash STI payment made to Ms Webb was on a pro-rated basis until her date of resignation.

Directors' Report (continued)

Audited Remuneration Report (continued)

Key Executives	Award date	Deferred $	Vesting date
Kerrie Mather	15 Mar 2012	550,000	15 Mar 2015
	15 Mar 2011	550,000	15 Mar 2014
Stephen Mentzines	15 Mar 2012	Nil	N/A
	15 Mar 2011	Nil	N/A
Shelley Roberts	15 Mar 2012	6,059	15 Mar 2014
	15 Mar 2011	Nil	N/A

4. KMP Remuneration Arrangements for Year Ended 31 December 2012

4.1. Service agreements

	CEO	Other KMP
Employing entity	SAHL	SACL
Length of contract	Permanent	Permanent
Notice period	6 months	6 months
Maximum STI opportunity	100%	75-90%
Termination period	12 months	6 months
Termination payment	Based on termination period	Based on termination period

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

CEO

The CEO receives fixed remuneration of $1,700,000 per annum.

In the event that the CEO was to be terminated without cause, Ms Mathers' contract allows for the payment of the discretionary bonus for the whole of the current year.

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

Other Executives

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

Mr Mentzines was not eligible to participate in 20.0% of his contracted ARR opportunity for 2012.

Audited Remuneration Report (continued)

4.2. Total Remuneration and Benefits for Year Ended 31 December 2012

Actual remuneration received 2012

The following table sets out actual remuneration received by Executives during 2012. The figures in this table are different to those shown in the statutory remuneration table which includes the total value of STI cash and STI deferral awarded in relation to year ended 2012.

The STI cash amount disclosed in the below table relates to the 2011 award paid in March 2012. The STI deferral amount relates to awards from prior years payable in 2012.

				Earned in prior financial years		
Key Executive	**Cash salary $**	**Superannuation $**	**Term benefits $**	**STI cash $**	**STI deferral $**	**Total $**
Kerrie Mather						
2012	1,683,877	16,123	-	1,150,000	-	**2,850,000**
Stephen Mentzines						
2012	186,903	10,199	-	-	-	**197,102**
Shelley Roberts						
2012	426,728	38,161	-	35,340	-	**500,229**
Former Executives						
Tim Finlayson						
2012	296,586	46,301	80,736	217,875	-	**641,498**
Sally Webb						
2012	51,153	1,972	117,062	74,375	19,722	**264,284**

Directors' Report (continued)

Audited Remuneration Report (continued)

Statutory remuneration table

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

	Short-term benefits		STI	Post employment benefits	Termination benefits	Long-term benefits		
Name	Salary $	STI $	Retained $	Superannuation $	$	Long service leave $	Total $	At Risk %
Executive								
Kerrie Mather								
2012	1,683,877	1,150,000	550,000	16,123	-	117,357	3,517,357	50%
2011	1,684,513	1,150,000	550,000	15,487	-	89,286	3,489,286	50%
Stephen Mentzines								
2012	186,903	130,820	-	10,199	-	-	327,922	40%
2011	-	-	-	-	-	-	-	N/A
Shelley Roberts								
2012	426,728	227,500	68,250	38,161	-	-	760,639	39%
2011	75,917	8,230	1,411	6,833	-	-	92,391	10%
Peter Wych								
2011	67,985	36,854	5,528	6,119	-	26,651	143,137	36%
Craig Norton								
2011	60,143	21,579	3,730	6,942	-	-	92,394	27%
Andrew Gardiner								
2011	53,062	-	-	4,776	-	-	57,838	-%
Total - Executives								
2012	2,297,508	1,508,320	618,250	64,483	-	117,357	4,605,918	
2011	1,941,620	1,216,663	560,669	40,157	-	115,937	3,875,046	
Former Executives								
Tim Finlayson								
2012	296,586	-	-	46,301	80,736	-	423,623	-%
2011	89,140	50,738	11,597	8,023	-	-	159,498	39%
Keith Irving								
2012	-	-	-	-	-	-	-	N/A
2011	407,846	321,526	-	15,487	242,207	-	987,066	33%
Sally Webb								
2012	51,153	170,253	-	1,972	117,062	-	340,440	50%
2011	199,548	64,445	19,722	7,743	-	48,911	340,369	29%
Total - Former Exectives								
2012	347,739	170,253	-	48,273	197,798	-	764,063	
2011	696,534	436,709	31,319	31,253	242,207	48,911	1,486,933	
Grand Total								
2012	2,645,247	1,678,573	618,250	112,756	197,798	117,357	5,369,981	
2011	2,638,154	1,653,372	591,988	71,410	242,207	164,848	5,361,979	

Audited Remuneration Report (continued)

5. Non-Executive Directors' Remuneration

5.1. Non-executive Directors' remuneration policy

The board sets NEDs' fees. Directors' remuneration is set with reference to external benchmarking undertaken by consultants engaged by the board. NEDs do not participate nor receive ARR in line with ASX Corporate Governance principles. At the Annual General Meeting (AGM) in May 2010 security holders approved the maximum directors' fee pool for SAHL of $1,500,000. Current fee arrangements are detailed below and are inclusive of required superannuation contributions.

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

Role	Annual fee $
SAHL Board	
Chair	320,000
NED	150,000
SAHL Audit & Risk Committee	
Chair	25,000
Member	12,500
SAHL Nomination & Remuneration Committee	
Chair	20,000
Member	10,000

Directors' Report (continued)

Audited Remuneration Report (continued)

5.2.Non-Executive Directors' Remuneration for the Year

Fees and other benefits provided to the NEDs during the current and prior years 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, CEO, is an executive director and receives no additional remuneration in her role as a director over and above her executive remuneration detailed in Section 4.

	Short term employee benefits		Post employment benefits	
Name	**Directors' fees $**	**Other $**	**Superannuation $**	**Total $**
Max Moore-Wilton (Chairman SAHL)				
2012	303,877	150,000[2]	16,123	470,000
2011	352,287[1]	150,000[2]	15,487	517,774
Trevor Gerber[3]				
2012	110,045	75,000[2]	14,955	200,000
2011	164,043	-	14,450	178,493
Michael Lee				
2012	107,700	75,000[2]	14,800	197,500
2011	158,257	-	14,243	172,500
Robert Morris				
2012	99,965	75,000[2]	12,535	187,500
2011	152,375	-	10,125	162,500
John Roberts[3,5]				
2012	86,594	75,000[2]	13,406	175,000
2011	141,107	-	12,385	153,492
Stephen Ward[6]				
2012	111,129	75,000[2]	15,080	201,209
2011	190,300	-	11,320	201,620
John Mullen[4]				
2011	19,706	-	1,774	21,480
Jeffrey Conyers[7]				
2011	63,240	-	-	63,240
Sharon Beesley[7]				
2011	54,205	-	-	54,205

1 Includes US$50,000 for acting as director of MAIL in 2011.

2 Includes additional reimbursement in respect of the directors' appointment to the Board of SCACH.

3 Mr Gerber and Mr Roberts were appointed as MAIL directors on 24 November 2011. Accordingly 2011 fees include A$3,493 for the period 24 November 2011 to 19 December 2011.

4 Mr Mullen resigned as director of SAHL on 21 February 2011.

5 Mr Roberts earned A$75,000 in 2011 as a director of SCACH however it was paid directly to ASX-listed Sydney Airport and is not included in the above table because he held that office as a nominee.

6 Mr Ward was appointed to the SAHL board on 21 February 2011. His 2012 fees included A$6,209 relating to his appointment to the SAHL NRC during 2011. His 2011 fees included A$137,096 as a director of SAHL and US$58,315 as a director of MAIL.

7 Mr Conyers and Ms Beesley resigned as directors of MAIL on 24 November 2011. The amounts disclosed are in US$.

Security Holdings in ASX-Listed Sydney Airport

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

Name	Balance at 1 Jan 12	Changes during the year	Balance at 31 Dec 12	Value at 31 Dec 12 $
Max Moore-Wilton	650,000	-	650,000	2,197,000
Trevor Gerber	225,000	-	225,000	760,500
Michael Lee	7,060	-	7,060	23,863
Robert Morris	40,908	-	40,908	138,269
John Roberts	67,507	-	67,507	228,174
Stephen Ward	21,818	-	21,818	73,745

Indemnification and Insurance of Officers and Auditors

All 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 Southern Cross Australian Airports Trust (SCAAT), (each a relevant trust) subject to any restriction imposed by law or the constitution of the relevant trust.

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

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

Environmental Regulation

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

Sydney Airport

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

- the development and implementation of an environment strategy;
- the monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Airports Act and Regulations); and
- the enforcement of the provisions of the Airports Act 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.

Directors' Report (continued)

Non-Audit Services

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

The directors are of the opinion that the non-audit services do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

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

Lead Auditor's Independence Declaration

A copy of the lead auditors independence declaration, as required under Section 307C of the *Corporations Act 2001* is set out on page 23 and forms part of the Directors' Report for year ended 31 December 2012.

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

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 hundred 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

Sydney

26 February 2013

Trevor Gerber

Sydney

26 February 2013

KPMG

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

To: the directors of Sydney Airport Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Sydney Airport for the financial year ended 31 December 2012 there have been:

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

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

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

KPMG

KPMG

Andrew Yates
Partner

Sydney

26 February 2013

Consolidated Statement of Comprehensive Income

	Note	31 Dec 2012 $m	31 Dec 2011 $m
Continuing operations			
Revenue	2	1,055.3	1,042.0
Revaluation gains from investments	2	-	0.2
Other income	2	(6.8)	(16.3)
Revenue from continuing operations		1,048.5	1,025.9
Finance costs	2	459.6	490.0
Other expenses	2	498.0	550.5
Operating expenses from continuing operations		957.6	1,040.5
Profit / (loss) from continuing operations before income tax benefit		90.9	(14.6)
Income tax benefit		67.2	96.7
Profit from continuing operations after income tax benefit		158.1	82.1
Loss from discontinued operations net of income tax		-	(361.5)
Profit / (loss) after income tax benefit		158.1	(279.4)
Other comprehensive income			
Cash flow hedges		(64.1)	(158.9)
Cash flow hedges – deferred tax		19.3	47.6
Actuarial gain on defined benefit plans		2.8	-
Actuarial gain on defined benefit plans – deferred tax		(0.9)	-
Other comprehensive income for year, net of tax		(42.9)	(111.3)
Total comprehensive income		115.2	(390.7)
Profit / (loss) from continuing operations after income tax benefit attributable to:			
Security holders		179.2	121.6
Non-controlling interest		(21.1)	(39.5)
		158.1	82.1
Loss from discontinued operations net of income tax attributable to:			
Security holders		-	(361.5)
		-	(361.5)
Profit / (loss) after income tax benefit attributable to:			
Security holders		179.2	121.6
Non-controlling interest		(21.1)	(39.5)
		158.1	82.1
Total comprehensive income attributable to:			
Security holders		121.7	(351.2)
Non-controlling interest		(6.5)	(39.5)
		115.2	(390.7)
Earnings per stapled security from continuing operations attributable to security holders			
Basic and diluted earnings per stapled security [1]	6	9.63c	6.53c
Earnings per stapled security from discontinued operations attributable to security holders			
Basic and diluted earnings per stapled security [1]	6	-	(19.42c)
Earnings per stapled security from profit / (loss) after income tax benefit attributable to security holders			
Basic and diluted earnings per stapled security [1]	6	9.63c	(12.89c)

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

[1] Earnings used in the calculation of earnings per 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.

Consolidated Balance Sheet

	Note	31 Dec 2012 $m	31 Dec 2011 $m
Current assets			
Cash and cash equivalents		433.7	1,124.3
Receivables		103.7	506.6
Other financial assets		20.4	-
Other assets		8.1	6.1
Total current assets		565.9	1,637.0
Non-current assets			
Receivables		39.3	41.2
Investments in financial assets		-	5.1
Property, plant and equipment	4	2,509.5	2,488.5
Intangible assets	5	7,850.8	7,953.7
Other assets		6.3	9.0
Total non-current assets		10,405.9	10,497.5
Total assets		10,971.8	12,134.5
Current liabilities			
Distribution payable		186.1	186.1
Payables		180.8	577.6
Interest bearing liabilities		216.5	947.1
Deferred income		25.3	24.4
Derivative financial instruments		146.9	91.9
Provisions		8.3	7.7
Current tax liabilities		-	0.1
Total current liabilities		763.9	1,834.9
Non-current liabilities			
Payables		0.4	2.6
Interest bearing liabilities		6,222.2	5,963.9
Derivative financial instruments		204.3	158.7
Provisions		1.2	1.3
Deferred tax liabilities		1,655.0	1,740.4
Total non-current liabilities		8,083.1	7,866.9
Total liabilities		8,847.0	9,701.8
Net assets		2,124.8	2,432.7
Equity			
Security holders' interests			
Contributed equity		3,948.5	3,948.5
Retained earnings		501.0	710.7
Reserves		(2,400.8)	(2,365.3)
Total security holders' interests		2,048.7	2,293.9
Non-controlling interest in controlled entities		76.1	138.8
Total equity		2,124.8	2,432.7

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

Consolidated Statement of Changes in Equity

	Note	Attributable to Security Holders					
		Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Total equity at 1 January 2012		3,948.5	(2,365.3)	710.7	2,293.9	138.8	2,432.7
Profit / (loss) attributable to security holders		-	-	179.2	179.2	(21.1)	158.1
Cash flow hedges, net of tax		-	(38.0)	-	(38.0)	(6.8)	(44.8)
Reclassification of FCTR to net profit on wind up of subsidiaries		-	2.5	-	2.5	-	2.5
Actuarial gains, net of tax		-	-	1.9	1.9	0.3	2.2
Distributions provided for or paid	3	-	-	(390.8)	(390.8)	(35.1)	(425.9)
Total equity at 31 December 2012		3,948.5	(2,400.8)	501.0	2,048.7	76.1	2,124.8
Total equity at 1 January 2011		3,948.5	(355.7)	1,341.4	4,934.2	459.2	5,393.4
Loss attributable to security holders		-	-	(239.9)	(239.9)	(39.5)	(279.4)
Cash flow hedges, net of tax		-	(84.1)	-	(84.1)	(27.2)	(111.3)
Exchange differences on translation of foreign operations		-	4.2	-	4.2	-	4.2
Reclassification of FCTR to net profit on wind up of subsidiaries		-	16.0	-	16.0	-	16.0
Adjustment due to acquisition of additional interest in subsidiary		-	(1,945.7)	-	(1,945.7)	(202.1)	(2,147.8)
Distributions provided for or paid	3	-	-	(390.8)	(390.8)	(51.6)	(442.4)
Total equity at 31 December 2011		3,948.5	(2,365.3)	710.7	2,293.9	138.8	2,432.7

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

Consolidated Statement of Cash Flows

	31 Dec 2012 $m	31 Dec 2011 $m
Cash flows from operating activities		
Investment income received on convertible loans – Brussels Airport	-	10.0
Distribution and dividend income received – Copenhagen Airports	-	8.9
Airport interest received	11.7	16.0
Corporate interest received	6.4	59.6
Airport revenue received (inclusive of goods and services tax)	1,164.6	1,074.5
Airport operating expenses paid (inclusive of goods and services tax)	(305.9)	(288.1)
Corporate operating expenses paid (inclusive of goods and services tax)	(9.6)	(12.8)
Corporate income taxes paid	(0.1)	(0.2)
Corporate indirect taxes received / (paid)	2.5	(12.2)
Corporate other income received	0.2	1.7
Net cash flows from operating activities	869.8	857.4
Cash flows from investing activities		
Corporate transaction costs paid	(8.4)	(30.4)
Payments for purchase of short term financial assets	(15.4)	-
Payments for purchase of subsidiaries	-	(0.1)
Proceeds from sale of subsidiaries, net of cash disposed	-	(0.7)
Proceeds from sale of investments	-	800.7
Payments for purchase of fixed assets	(210.6)	(171.7)
Proceeds from disposal of fixed assets	0.3	-
Net cash flows from investing activities	(234.1)	597.8
Cash flows from financing activities		
Airport borrowing costs paid	(324.2)	(344.3)
Corporate borrowing costs paid	(2.2)	-
Repayment of borrowings	(1,725.6)	(298.0)
Proceeds received from borrowings	1,287.4	1,112.4
Net payments for settlement of derivatives	(102.5)	(74.1)
Distributions paid to SYD security holders	(390.8)	(390.8)
Distributions and dividends paid to non-controlling interest	(68.4)	(95.3)
Scheme consideration paid	-	(1,489.0)
Net cash flows from financing activities	(1,326.3)	(1,579.1)
Net decrease in cash and cash equivalents held	(690.6)	(123.9)
Cash and cash equivalents at beginning of the year	1,124.3	1,248.4
Exchange rate movements on cash denominated in foreign currency	-	(0.2)
Cash and cash equivalents at end of the year	433.7	1,124.3

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 major transactions and events is provided in significant changes in state of affairs in the Directors' Report.

Operating Performance

The profit from continuing operations after income tax benefit of $158.1 million (2011: $82.1 million profit) primarily reflects the impact of the following:

- Airport operating revenue of $1,034.0 million (2011: $967.6 million) increased due to passenger and revenue growth at Sydney Airport;
- Interest revenue of $17.4 million (2011: $68.7 million) is down on 2011 due to lower average cash balances and deposit rates;
- Finance costs of $459.6 million (2011: $490.0 million) decreased as a result of the redemption of SKIES at Sydney Airport, replaced with cheaper debt facilities used to fund capital expenditure;
- Other losses for the year of $6.8 million (2011: $16.3 million) incurred primarily due to the transfer of the foreign currency translation reserve to the Consolidated Comprehensive Income Statement which was recognised on wind up of foreign subsidiaries and the mark to market valuation of derivative contracts; and
- Other expenses of $498.0 million, 9.5% lower than prior year (2011: $550.5 million) was driven by the reduction in employee costs in the first full year after the Simplification.

Income Tax

Under the Income Tax Assessment Act, 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 $67.2 million (2011: $96.7 million) primarily represents the movement in deferred tax balances relating to timing differences on the assets and liabilities of Sydney Airport.

Non-Controlling Interests

Non-controlling interests (NCI) loss from continuing operations after income tax benefit of $21.1 million (2011: $39.5 million) represents the net loss of Southern Cross Australian Airports Trust (SCAAT) and Southern Cross Airports Corporation Holdings Limited (SCACH) attributable to NCI for year ended 31 December 2012.

Discussion and Analysis of Financial Position

Total assets have decreased from $12,134.5 million in the prior year to $10,971.8 million at 31 December 2012. This decrease relates to the reduction in cash reserves of $650.0 million held at 31 December 2011 in preparation for the redemption of SKIES, the reduction in receivables following the Simplification and reduction in intangible assets due to amortisation.

Total liabilities have decreased from $9,701.8 million in the prior year to $8,847.0 million at 31 December 2012. This decrease primarily relates to net senior debt raised at Sydney Airport following the repayment of SKIES and the reduction in payables following the Simplification.

Total consolidated equity of the Group was $2,124.8 million at 31 December 2012 (2011: $2,432.7 million), of which $76.1 million represents NCI in SCAAT and SCACH (2011: $138.8 million). This decrease primarily reflects current year's profit of $179.2 million attributable to security holders transferred to retained earnings offset by distributions declared of $390.8 milion.

Discussion and Analysis of Cash Flows

Cash flows from operating activities were $869.8 million for year ended 31 December 2012 (2011: $857.4 million). The increase primarily relates to growth in aeronautical and commercial revenues at Sydney Airport. Net cash outflows from investing activities of $234.1 million primarily relates to new capital infrastructure investment made at Sydney Airport.

Net cash outflows from financing activities were $1,326.3 million (2011: $1,579.1 million) for year ended 31 December 2012. The outflows primarily relate to the net repayment of debt facilities at Sydney Airport (predominantly the SKIES redemption) and distributions paid to the Group's security holders of $390.8 million.

Notes to the Financial Report

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

The concise financial report has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 1039: *Concise Financial Reports*. The concise financial report has been derived from the Sydney Airport full financial report for year ended 31 December 2012. 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, position and financing and investing activities of Sydney Airport as the Sydney Airport full financial report.

Further financial information can be obtained from the Sydney Airport full financial report, which is available free of charge by calling Computershare Investor Services Pty Limited on 1800 102 368, or can be downloaded from the Sydney Airport website (www.sydneyairport.com.au).

1.1.1. Compliance with IFRS

Compliance with Australian Accouting Standards ensures that the financial statements and accompanying 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 and complies with IFRS as issued by the IASB.

1.1.2. Functional and presentation currency

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

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 hundred thousand dollars unless otherwise stated.

1.1.3. Group net current liability position

The Group is in a net current liability position of $198.0 million at 31 December 2012. This is due to $216.5 million of MTNs classified as a current interest bearing liability (previously non-current interest bearing liability), which is fully covered by undrawn committed bank debt facilities.

1.1.4. 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 financial instruments) at fair value through profit or loss.

1.2. Principles of consolidation

1.2.1. Business combinations

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

1.2.2. Controlled entities

The consolidated financial statements of the Group incorporate the assets and liabilities of the entities controlled by SAT1 at 31 December 2012 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.

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.

1.2.3. Acquisition of 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.

Notes to the Financial Report (continued)

Summary of Significant Accounting Policies (continued)

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

Identifiable assets and liabilities acquired and contingent liabilities assumed in a business combination are measured initially at their fair values at acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the entity's share of the identifiable net assets acquired is recorded as goodwill (refer Note 5). 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.

1.2.4. Acquisitions of entities under common control

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

1.2.5. Loss of control

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

1.2.6. Transactions eliminated on consolidation

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

1.3. Property, plant and equipment

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

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

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

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

1.3.1. Depreciation

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

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

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

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

Summary of Significant Accounting Policies (continued)

1.4. Intangible assets

1.4.1. Goodwill

Goodwill that arises upon acquisition of a business combination is included in intangible assets. For the measurement of goodwill at initial recognition, refer Note 1.2.3.

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

1.4.2. Concession and customer contracts

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

1.4.3. Airport operator licence

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

1.4.4. Leasehold land

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

1.4.5. Amortisation

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

The inception date and estimated useful lives are as follows:

Asset category	Inception date	Useful lives
Concession and customer contracts	2007	7-16 years
Airport operator licence	2002	99 years
Leasehold land	2002	99 years

1.5. Impairment of assets

1.5.1. Non-derivative financial assets

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

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

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

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

1.5.2. Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment (refer to Note 5.1). An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its recoverable amount.

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

Notes to the Financial Report (continued)

Summary of Significant Accounting Policies (continued)

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

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

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

1.6. Distributions and dividends

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

1.7. 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 has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

Operating segment revenues and expenses from external customers that are reported to the CEO include items directly attributable to an operating segment as well as those that can be allocated on a reasonable basis.

1.8. Comparative figures

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

2. Profit or Loss for the Year

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

	31 Dec 2012 $m	31 Dec 2011 $m
Revenue from continuing operations		
Revenue		
Aeronautical revenue	433.2	402.5
Aeronautical security recovery	77.4	76.2
Retail revenue	235.1	223.3
Property and car rental revenue	169.0	156.0
Car parking and ground transport revenue	119.3	109.5
Interest income from other corporations	17.4	68.7
Other income	3.9	5.8
Total revenue	1,055.3	1,042.0
Revaluation gains from investments		
Revaluation of other investments	-	0.2
Total revaluation gains from investments	-	0.2
Other income		
Foreign exchange gains	0.9	2.4
Foreign exchange losses on recycling of foreign currency translation reserve	(2.5)	(16.0)
Fair value losses on derivative contracts	(5.2)	(2.7)
Total other income	(6.8)	(16.3)
Total revenue from continuing operations	1,048.5	1,025.9
Operating expenses from continuing operations		
Finance costs		
Interest expense – Sydney Airport	456.9	490.0
Loan facility fees – SAT1	2.7	-
Total finance costs	459.6	490.0
Other expenses		
Amortisation and depreciation	300.1	305.8
Channel related initiatives	3.7	4.3
Employee benefits expense	42.4	61.5
Services and utilities	46.6	45.2
Property and maintenance	18.1	17.7
Recoverable aeronautical security expenses	66.2	62.7
Compliance and listing fees	1.4	1.5
Investment transaction expenses	2.2	31.0
Legal, audit and professional fees	2.3	2.6
Other operational costs	15.0	18.2
Total other expenses	498.0	550.5
Total operating expenses from continuing operations	957.6	1,040.5

Notes to the Financial Report (continued)

3. Distributions and Scheme Consideration Paid and Proposed

3.1. Distributions paid and proposed

	31 Dec 2012 $m	31 Dec 2011 $m
Distributions were paid / payable as follows:		
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	186.1	186.1
Interim distribution paid for period ended 30 June (100% unfranked)	204.7	204.7
	390.8	390.8

	Cents per stapled security	Cents per stapled security
Distributions were paid / payable as follows:		
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	10.0	10.0
Interim distribution paid for period ended 30 June (100% unfranked)	11.0	11.0
	21.0	21.0

There are $Nil imputation credits (2011: $Nil) available to pay franked distributions.

3.2. Scheme consideration paid

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 MAp Airports International Limited (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 ($1,489.0 million consideration paid to investors) plus issuance of SAT2 units.

4. Property, Plant and Equipment

	Balance 1 Jan 2012 $m	Additions $m	Transfers $m	Disposals $m	Adjustments $m	Acquisitions through business combinations $m	Balance 31 Dec 2012 $m
Cost							
Freehold land	11.4	-	-	-	-	-	11.4
Buildings	1,505.6	-	67.5	-	-	-	1,573.1
Runways, taxiways and aprons	740.4	-	48.8	-	-	-	789.2
Other infrastructure	710.8	-	63.6	-	-	-	774.4
Operational plant and equipment	336.4	-	9.3	-	-	-	345.7
Other plant and equipment	170.6	0.2	22.2	(0.4)	-	-	192.6
Capital works in progress	86.5	219.4	(211.4)	-	(1.0)	-	93.5
Total cost	3,561.7	219.6	-	(0.4)	(1.0)	-	3,779.9

	Balance 1 Jan 2012 $m	Depreciation $m	Transfers $m	Disposals $m	Adjustments $m	Acquisitions through business combinations $m	Balance 31 Dec 2012 $m
Accumulated depreciation							
Freehold land	(0.6)	(0.1)	-	-	-	-	(0.7)
Buildings	(421.1)	(89.3)	-	-	-	-	(510.4)
Runways, taxiways and aprons	(157.0)	(24.8)	-	-	-	-	(181.8)
Other infrastructure	(178.9)	(30.1)	-	-	-	-	(209.0)
Operational plant and equipment	(187.1)	(26.1)	-	-	-	-	(213.2)
Other plant and equipment	(128.5)	(26.8)	-	-	-	-	(155.3)
Total accumulated depreciation	(1,073.2)	(197.2)	-	-	-	-	(1,270.4)
Total carrying amount	2,488.5						2,509.5

Notes to the Financial Report (continued)

4. Property, Plant and Equipment (continued)

	Balance 1 Jan 2011 $m	Additions $m	Transfers $m	Disposals $m	Adjustments $m	Acquisitions through business combinations $m	Balance 31 Dec 2011 $m
Cost							
Freehold land	11.4	-	-	-	-	-	11.4
Buildings	1,437.0	-	68.6	-	-	-	1,505.6
Runways, taxiways and aprons	712.5	-	27.9	-	-	-	740.4
Other infrastructure	675.7	-	35.1	-	-	-	710.8
Operational plant and equipment	331.5	-	4.9	-	-	-	336.4
Other plant and equipment	148.1	-	22.6	(0.1)	-	-	170.6
Capital works in progress	63.0	182.6	(159.0)	-	(0.1)	-	86.5
Total cost	3,379.2	182.6	0.1	(0.1)	(0.1)	-	3,561.7

	Balance 1 Jan 2011 $m	Depreciation $m	Transfers $m	Disposals $m	Adjustments $m	Acquisitions through business combinations $m	Balance 31 Dec 2011 $m
Accumulated depreciation							
Freehold land	(0.5)	(0.1)	-	-	-	-	(0.6)
Buildings	(331.9)	(89.2)	-	-	-	-	(421.1)
Runways, taxiways and aprons	(130.8)	(26.2)	-	-	-	-	(157.0)
Other infrastructure	(148.9)	(30.0)	-	-	-	-	(178.9)
Operational plant and equipment	(158.7)	(28.4)	-	-	-	-	(187.1)
Other plant and equipment	(100.0)	(28.5)	-	-	-	-	(128.5)
Total accumulated depreciation	(870.8)	(202.4)	-	-	-	-	(1,073.2)
Total carrying amount	2,508.4						2,488.5

5. Intangible Assets

	Balance 1 Jan 2011 $m	Acquisitions through business combinations $m	Balance 31 Dec 2011 $m	Acquisitions through business combinations $m	Balance 31 Dec 2012 $m
Cost					
Goodwill	669.7	-	669.7	-	669.7
Consession and customer contracts	169.8	-	169.8	-	169.8
Airport operator licence	5,607.8	-	5,607.8	-	5,607.8
Leasehold land	2,038.1	-	2,038.1	-	2,038.1
Total cost	8,485.4	-	8,485.4	-	8,485.4

	Balance 1 Jan 2011 $m	Amortisation $m	Balance 31 Dec 2011 $m	Amortisation $m	Balance 31 Dec 2012 $m
Accumulated amortisation					
Consession and customer contracts	(90.4)	(18.9)	(109.3)	(18.4)	(127.7)
Airport operator licence	(247.8)	(62.0)	(309.8)	(62.0)	(371.8)
Leasehold land	(90.1)	(22.5)	(112.6)	(22.5)	(135.1)
Total accumulated amortisation	(428.3)	(103.4)	(531.7)	(102.9)	(634.6)
Total carrying amount	8,057.1		7,953.7		7,850.8

5.1. Impairment test for goodwill

	31 Dec 2012 $m	31 Dec 2011 $m
Sydney Airport	669.7	669.7
Total goodwill	669.7	669.7

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

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

The cash flows used in the discounted cash flow analysis were projected based on a Financial Model covering a 20-year period. Cash flows for the first five years of this 20-year period were based on a detailed business planning process referencing historical performance and the Group's views on key drivers. Long-term cash flows to equity after year five were extrapolated consistent with an average growth rate that is ahead of forecast Australian Gross Domestic Product (GDP). Terminal value was calculated as a multiple of earnings before interest, taxation, depreciation and amortisation in the twentieth year. Cash flows were discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). In estimating individual components of the CAPM, the Group has taken into account historical and related market data. An increase of approximately twenty percentage points in the risk premium (a component of the discount rate) would not result in an impairment of goodwill.

Other key assumptions used in the fair value less costs to sell calculation includes international and domestic passenger numbers and inflation. Total passenger numbers were 36.9 million for year ended 31 December 2012 (2011: 35.6 million) and experienced growth of 3.6% during 2012 (2011: 0.2%). Average long-term inflation rates were assumed to be towards the mid-point of the Reserve Bank of Australia (RBA) target range.

Notes to the Financial Report (continued)

6. Earnings per Stapled Security

	31 Dec 2012			31 Dec 2011		
	Continuing operations $m	Discontinued operations $m	Total $m	Continuing operations $m	Discontinued operations $m	Total $m
Profit / (loss) after income tax benefit for the year attributable to:						
Security holders	179.2	-	179.2	121.6	(361.5)	(239.9)
	179.2	-	179.2	121.6	(361.5)	(239.9)

7. 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.

For years ended 31 December 2012 and 31 December 2011 the CEO considered the business from the aspect of each of the core portfolio airports and identified three operating segments for which it received regular reports. The segments are the investment in Sydney Airport and foreign investments in Brussels Airport and Copenhagen Airports.

Brussels Airport and Copenhagen Airports were disposed of on 7 October 2011, as part of the Asset Swap Proposal (ASP) with Ontario Teachers' Pension Plan Board (OTPP). The ASP became binding on 19 July 2011 and these investments ceased to meet the definition of operating segments under AASB 8: *Operating Segments* from that date. At 31 December 2011, Brussels Airport and Copenhagen Airports represented discontinued operations.

The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 8: *Operating Segments*.

The operating segments note discloses airport performance by individual core portfolio airport in their respective local currencies. Information is presented at 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA). This is consistent with the manner in which information is presented to the CEO to monitor the portfolio asset values. The segments also represent the Group's geographical segments, determined by the country in which they operate.

Sydney Airport is 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 $m	Copenhagen Airports DKKm	Brussels Airport EURm
Year ended 31 December 2012			
Total segment revenue from external customers	1,039.7	-	-
Total segment expenses from external customers	(191.7)	-	-
EBITDA	848.0	-	-
Year ended 31 December 2011			
Total segment revenue from external customers	972.8	1,586.9	188.4
Total segment expenses from external customers	(183.0)	(782.5)	(79.9)
EBITDA	789.8	804.4	108.5

7. Segment Reporting (continued)

A reconciliation of the segments' EBITDA to profit / (loss) from continuing operations before income tax benefit is shown below:

	Sydney Airport $m	Copenhagen Airports DKKm	Brussels Airport EURm	Total $m
Year ended 31 December 2012				
EBITDA	848.0	-	-	
EBITDA of investments carried at fair value	-	-	-	
AUD equivalent	848.0	-	-	848.0
Finance costs				(459.6)
Amortisation and depreciation				(300.1)
Other income and expenses				2.6
Profit from continuing operations before income tax benefit				90.9
Year ended 31 December 2011				
EBITDA	789.8	804.4	108.5	
EBITDA of investments carried at fair value	-	(804.4)	(108.5)	
AUD equivalent	789.8	-	-	789.8
Finance costs				(490.0)
Amortisation and depreciation				(305.8)
Other income and expenses				(8.6)
Loss from continuing operations before income tax benefit				(14.6)

	Sydney Airport $m	Other $m	Total $m
At 31 December 2012			
Non-current assets	10,405.7	0.2	10,405.9
Total assets	10,812.1	159.7	10,971.8
Total liabilities	(10,580.6)	1,733.6	(8,847.0)
At 31 December 2011			
Non-current assets	10,491.5	6.0	10,497.5
Total assets	11,951.2	183.3	12,134.5
Total liabilities	(11,398.0)	1,696.3	(9,701.8)

Notes to the Financial Report (continued)

8. Contingent Assets and Liabilities

On 20 December 2012, the Australian Tax Office (ATO) delivered to the Sydney Airport Trust 2 (SAT2) Tax Consolidated Group (the TCG) a position paper related to the tax years ended 31 December 2010 and 31 December 2011. The position paper forms part of a continuing specific issue tax audit by the ATO on the tax deductibility of distributions on certain redeemable preference shares (RPS) issued by members of the TCG to Sydney Airport Trust 1 (SAT1).

The quantum of RPS principal in question in the position paper is $872.0 million, or 28% of the total RPS currently issued by members of the TCG to SAT1.

At the date of the financial report, the ATO has not quantified a tax payable amount in the position paper nor issued an amended notice of assessment. Currently there is no present obligation that would require a provision in the financial report. However, if the conclusions of the position paper carry forward to an adverse determination by the ATO, and that determination is ultimately sustained, the Group estimates that it would result in additional primary tax payable by the TCG for the two years to 31 December 2011 of up to $79.0 million plus any interest and penalties.

The Group has debt facilities in place which are available to be utilised to fund the amount which is anticipated could be immediately payable if any potential tax liabilities were to arise. SAHL provided a comprehensive set of representations and warranties in respect of the sale of Cophenhagen Airports and Brussels Airport on 7 October 2011, which were more commensurate with those normally provided by an owner / operator than a minority investor. OTPP was indemnified for OTPP's share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other contingent liabilities.

At 31 December 2012 the Group has no other contingent assets or liabilities which are material either individually or as a class (2011: $Nil).

9. Events Occurring after Balance Sheet Date

A final distribution of 10.0 cents (2011: 10.0 cents) per stapled security was paid by SAT1 on 14 February 2013.

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 year ended 31 December 2012.

10. Full Financial Report

Further financial information can be obtained from the Sydney Airport full financial report, which is available free of charge by calling Computershare Investor Services Pty Limited on 1800 102 368, or can be downloaded from the Sydney Airport website (www.sydneyairport.com.au).

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 year ended 31 December 2012, set out on pages 6 to 40 and the Remuneration Report in the Directors' Report, set out on pages 11 to 22, complies with Autralian Accounting Standard AASB 1039: *Concise Financial Reports*.

The financial statements and specific disclosures included in the concise financial report have been derived from the full financial report for year ended 31 December 2012.

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 10 is available on request.

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

Max Moore-Wilton

Sydney

26 February 2013

Trevor Gerber

Sydney

26 February 2013

Independent auditor's report to the members of Sydney Airport Trust 1

Report on the concise financial report

We have audited the accompanying concise financial report of Sydney Airport (the Group) which comprises the consolidated balance sheet as at 31 December 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and related notes 1 to 10 derived from the audited financial report of the Group for the year ended 31 December 2012. 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 and the entities it controlled during the year, which are deemed to include Sydney Airport Trust 2 and the entities it controlled during the year.

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 2012. We expressed an unmodified audit opinion on the financial report in our report dated 26 February 2013. 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.

KPMG

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 2012 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 2012. The directors of the Responsible Entity are responsible for the preparation and presentation of the Remuneration Report in accordance with the basis of preparation and presentation of the Remuneration Report as described within the Remuneration Report. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Sydney Airport for the year ended 31 December 2012, complies with the basis of preparation of the Remuneration Report as described within the Remuneration Report.

KPMG

KPMG

Andrew Yates
Partner

Sydney

26 February 2013

Security Holder Information at 20 February 2013

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 - 1,000	5,742	2,671,554	0.1
1,001 - 5,000	14,140	40,364,017	2.2
5,001 - 10,000	7,520	55,610,278	3.0
10,001 - 100,000	6,841	152,912,620	8.2
>100,001	266	1,609,952,313	86.5
Total	34,509	1,861,210,782	100.0

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $3.17 per stapled security	158	1,266	57,865

Top 20 holders of stapled securities as at 20 February 2013

Rank	Investor	Number of stapled securities	% of stapled securities
1.	Macquarie LAH Pty Ltd	369,217,384	19.8
2.	HSBC Custody Nominees (Australia) Limited	337,940,987	18.2
3.	J P Morgan Nominees Australia Limited	225,669,031	12.1
4.	J P Morgan Nominees Australia Limited	143,848,766	7.7
5.	National Nominees Limited	142,461,378	7.7
6.	National Nominees Limited	107,777,216	5.8
7.	Citicorp Nominees Pty Limited	44,489,018	2.4
8.	J P Morgan Nominees Australia Limited	42,218,747	2.3
9.	BNP Paribas Noms Pty Limited	15,024,867	0.8
10.	Custodial Services Limited	10,823,918	0.6
11.	Argo Investments Limited	9,528,810	0.5
12.	Citicorp Nominess Pty Limited	9,502,944	0.5
13	RBC Dexia Investor Services Australia Nominees Pty Limited	8,727,265	0.5
14.	HSBC Custody Nominees (Australia) Limited	8,532,606	0.5
15.	AMP Life Limited	7,989,400	0.4
16.	UBS Nominees Pty Ltd	5,181,958	0.3
17.	Australian Foundation Investment Company Limited	3,875,000	0.2
18.	Ms Kerrie Mather	3,554,521	0.2
19.	Macquarie Capital Loans Management Limited	3,098,033	0.2
20.	Buttonwood Nominees Pty Ltd	2,921,330	0.2
		1,502,383,179	80.7

Substantial security holders

Name	Number of stapled securities[1]	% of stapled securities
Macquarie Group	416,044,254	22.4
FMR LLC and FIL	112,095,706	6.0
Abu Dhabi Investment Authority	94,553,945	5.1
Unisuper Ltd	93,929,847	5.1

1. Figures are based on the substantial security holder notice made by Macquarie Group on 8 September 2010, FMR LLC and FIL on 25 January 2013, Abu Dhabi Investment Authority on 30 May 2011 and Unisuper Ltd on 18 January 2013.

Director Profiles

Max Moore-Wilton, BEc, AC

Chairman

Max, a non-executive director, was appointed as Chairman of Sydney Airport Holdings Limited in April 2006. He is also Chairman of Southern Cross Airports Corporation Holdings Limited. Prior to this appointment he was Executive Chairman of Sydney Airport Corporation Limited 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 the lead 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. He is also a Director of Tassal Group Limited.

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 motorways, as well as the Sydney Harbour Tunnel.

Bob is currently a Director of Aspire Schools Financing Services (QLD) (appointed 2009), SA Health Partnership Securitisation (appointed 2011) and was Chairman of 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, LLB

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 & 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, and is a member of the New Zealand Rugby Union Appeal Council.

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 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 ASX-listed Sydney Airport, 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, 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

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 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 ASX-listed Sydney Airport, 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, 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).

Stephen Mentzines, BEc, CA

Chief Financial Officer

Stephen has over 30 years of financial and infrastructure sector experience. Before his current role, Stephen was Head of North American Funds for the Infrastructure and Real Assets business of Macquarie Group and prior to that Global Chief Operating Officer of that business and a Chief Financial Officer of several funds.

Stephen has also held senior roles at Westpac Banking Corporation including Chief Financial Officer roles in a number of operating divisions and was an audit director at KPMG. Stephen is a Chartered Accountant and holds a Bachelor of Economics from the University of Sydney.

Jamie Motum, BEc, LLB

Company Secretary

Jamie was appointed as Company Secretary of Sydney Airport Holdings Limited on 4 January 2012. He is a qualified solicitor with over 15 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.

Special Notice and Disclaimer

Stapling

In accordance with its requirements in respect of 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 ceases to be stapled to the securities in the other entity or an entity issues securities which are not then stapled to the securities in the other entity.

Foreign ownership restrictions

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

Further financial information can be obtained from the Sydney Airport full financial report, which is available free of charge by calling Computershare Investor Services Pty Limited on 1800 102 368, or can be downloaded from the Sydney Airport 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 from the Sydney Airport website (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.