Sydney Airport

Appendix 4E
ASX Listing Rule 4.3A

Preliminary Financial Report 31 December 2013

Sydney Airport
The right future. Starting now.

Results for Announcement to the Market

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m	Movement $m	Movement %
Revenue	**102.2**	**1,056.8**	1,055.3	**N/A**	**N/A**
Other income	**-**	**0.4**	(6.8)	**N/A**	**N/A**
Total revenue	**102.2**	**1,057.2**	1,048.5		
Profit / (loss) after income tax benefit / (expense)	**(28.8)**	**75.9**	158.1	**N/A**	**N/A**
Profit / (loss) after income tax benefit / (expense) attributable to security holders	**(26.9)**	**88.4**	179.2	**N/A**	**N/A**

Movements are not comparable due to the change in parent entity of ASX-listed Sydney Airport from 3 December 2013.

For the period ended 31 December 2013, the Results for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days).

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

Distributions

Distributions	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Final distribution for year ended 31 December (100% unfranked)	**252.3**	**208.5**	186.1
Interim distribution for period ended 30 June (100% unfranked)	**-**	**204.7**	204.7
	252.3	**413.2**	390.8

Distributions	SAL Group 31 Dec 2013 cents per stapled security	SAT1 Group 31 Dec 2013 cents per stapled security	SAT1 Group 31 Dec 2012 cents per stapled security
Final distribution for year ended 31 December (100% unfranked)	**11.5**	**9.5**	10.0
Interim distribution for period ended 30 June (100% unfranked)	**-**	**11.0**	11.0
	11.5	**20.5**	21.0

The total distribution by ASX-listed Sydney Airport for year ended 31 December 2013 was $457.0 million or 22.5 cents per stapled security (2012: $390.8 million or 21.0 cents).

An interim distribution of $204.7 million or 11.0 cents per stapled security (2012: $204.7 million or 11.0 cents) was paid by SAT1 on 16 August 2013.

The final distribution for ASX-listed Sydney Airport for year ended 31 December 2013 was $252.3 million or 11.5 cents per stapled security (2012: $186.1 million or 10.0 cents). $43.8 million or 2.0 cents per stapled security and $208.5 million or 9.5 cents per stapled security (2012: SAT1 $186.1 million or 10.0 cents) were paid by SAL and SAT1 respectively on 14 February 2014.

Additional Appendix 4E disclosures can be found in the Notes to the Sydney Airport Financial Report for Year Ended 31 December 2013, Results for Year Ended 31 December 2013 and the Pro Forma Financial Statements for Year Ended 31 December 2013 lodged with ASX on 26 February 2014.

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

SYDNEY AIRPORT

FINANCIAL REPORT FOR YEAR ENDED
31 DECEMBER 2013

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

Financial Report
for year ended 31 December 2013

Contents

Directors' Report
for year ended 31 December 2013

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100.0% economic interest in Sydney Airport at 31 December 2013 (2012: SAT1 Group 84.8%).

Directors' Report

For year ended 31 December 2013, the directors of SAL submit the following report on the consolidated financial report of ASX-listed Sydney Airport. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together acting as ASX-listed Sydney Airport (or the Group).

For year ended 31 December 2013, the directors of The Trust Company (Sydney Airport) Limited (TCSAL or the Responsible Entity) also submit the following report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal Activities

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

The principal activity of the SAT1 Group is to hold financial loan assets. Prior to 3 December 2013, the principal activity of the SAT1 Group was the ownership of Sydney Airport.

Directors

The following persons were directors of SAL from the date noted and up to the date of this report including when SAL was identified as parent of ASX-listed Sydney Airport from 3 December 2013.

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	Appointed 18 October 2013
Trevor Gerber	Non-Executive Director	Appointed 18 October 2013
Michael Lee	Non-Executive Director	Appointed 18 October 2013
Robert Morris	Non-Executive Director	Appointed 18 October 2013
John Roberts	Non-Executive Director	Appointed 18 October 2013
Stephen Ward	Non-Executive Director	Appointed 18 October 2013
Kerrie Mather	Executive Director	Appointed 18 October 2013
John Kite	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Jamie Motum	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Stephen Mentzines	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013

The following persons were directors of TCSAL from the date noted and up to the date of this report including when:

- TCSAL was appointed Responsible Entity of SAT1 on 22 November 2013; and
- SAT1 continued as parent of ASX-listed Sydney Airport from 23 November 2013 to 2 December 2013.

Name	Role	Period of directorship
David Grbin	Executive Director	Appointed 1 March 2010
Russell Balding	Non-Executive Director	Appointed 23 October 2013
Patrick Gourley	Non-Executive Director	Appointed 23 October 2013

Rupert Smoker is an alternate director for David Grbin, appointed 20 February 2012.

Directors' Report
for year ended 31 December 2013

The following persons were directors of Sydney Airport Holdings Limited (SAHL), the Responsible Entity of SAT1 and Sydney Airport Trust 2 (SAT2), for the period noted including when:

- SAT1 continued as parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013;
- SAHL ceased to be Responsible Entity of SAT1 on 22 November 2013; and
- SAHL ceased to be Responsible Entity of SAT2 on 3 December 2013.

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	From April 2006, resigned 3 December 2013
Trevor Gerber	Non-Executive Director	From May 2002, resigned 3 December 2013
Michael Lee	Non-Executive Director	From June 2003, resigned 3 December 2013
Robert Morris	Non-Executive Director	From September 2002, resigned 3 December 2013
John Roberts	Non-Executive Director	From October 2009, resigned 3 December 2013
Stephen Ward	Non-Executive Director	From February 2011, resigned 3 December 2013
Kerrie Mather	Executive Director	From July 2010, resigned 3 December 2013

Director Profiles of SAL

Max Moore-Wilton, B Ec, AC

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

Trevor Gerber, B Acc, CA

Mr Gerber was appointed as a Sydney Airport director in May 2002. He is the Chairman of the SAL Audit and Risk Committee. He is an independent non-executive director of ASX listed Tassal Group Limited. Mr Gerber 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.

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

Mr Lee was appointed as a Sydney Airport director in June 2003. He is the chairman of the SACL Safety, Security, Environment and Health Committee. He is the chairman of Communications Alliance and a director of ASX-listed DUET Finance Limited and Superpartners. Previously, Mr Lee served in the Australian Parliament for 17 years and held a number of senior positions in both government and opposition, including serving as Minister for Tourism, Communications and the Arts.

Robert Morris, B Sc, BE, M Eng Sci

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

John Roberts, LLB

Mr Roberts was appointed as a Sydney Airport director in October 2009. He is Chairman of Macquarie Infrastructure and Real Assets (MIRA) and has served on a number of boards and investment committees within MIRA, a division that has around $100.0 billion of assets under management. He is also a director of ASX-listed Macquarie Infrastructure Company, ASX-listed DUET Group and ASX-listed Macquarie Atlas Roads Limited. Mr Roberts joined Macquarie Group in 1991 and previously held roles within Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA) and executive Chairman of Macquarie Funds Group.

Directors' Report
for year ended 31 December 2013

Stephen Ward, LLB

Mr Ward was appointed as a Sydney Airport director in February 2011. He is the chairman of the SAL Nomination and Remuneration Committee. He is a partner of Simpson Grierson, one of New Zealand's largest law firms and a member of the firm's board. He is also Head of Simpson Grierson's Corporate / Commercial Department. 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

Ms Mather was appointed as a Sydney Airport director in July 2010. She commenced as Managing Director and Chief Executive Officer of SACL in July 2011 and has been the CEO of the Group since the privatisation of Sydney Airport in 2002. She is a member of the Tourism and Transport Forum's advisory board and is on the World Governing Board of Airports Council International. As CEO of ASX-listed Sydney Airport, Ms Mather has 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. Ms Mather has steered ASX-listed Sydney Airport through several major acquisitions and investments 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. Ms Mather 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.

Director Profiles of TCSAL

David Grbin, B Ec (Hons), CA

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

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

Mr Balding was appointed as a TCSAL director on 23 October 2013. He is Deputy Chairman of Destination NSW, a Board Member of Racing NSW, a director of ThoroughVision Pty Ltd, a director of ASX-listed Cabcharge Australia Limited and a director of NSW Business Chamber Limited. He was formerly the Chief Executive Officer of SCACH and the Managing Director of the Australian Broadcasting Corporation.

Patrick Gourley, B Econ (Hons), M Econ

Mr Gourley was appointed as a TCSAL director on 23 October 2013. Previously, he was a director of SCACH. Prior to that, he was a senior officer of the Australian Department of Industrial Relations from 1989 to 1992, a senior officer of the Department of Defence from 1992 to 2000 and a member of the Military Superannuation Board of Trustees from 1992 to 2000. Mr Gourley is a former director of the Great Energy Alliance Corporation and the Loy Yang Marketing Management Company.

Rupert Smoker, B Comm, LLB, F Fin

Mr Smoker was appointed as a TCSAL alternate director for Mr Grbin on 20 February 2012. He joined The Trust Company group in 2010. He is currently the Head of Corporate and Debt Capital Markets Trustee Services, a group within The Trust Company which provides independent responsible entity and wholesale trustee services to a domestic and international client base. Mr Smoker was appointed as co-Company Secretary of TCSAL on 23 October 2013.

Company Secretary Profile

Jamie Motum, B Ec, LLB

Mr Motum was appointed as Company Secretary of ASX-listed Sydney Airport on 4 January 2012. He is a qualified solicitor with over 15 years experience. Prior to becoming General Counsel and Company Secretary of SACL in February 2010, Mr Motum was a partner in the Corporate Group of DLA Phillips Fox specialising in mergers and acquisitions and corporate advisory work where he began his legal career in 1996. Mr Motum was appointed as co-Company Secretary of TCSAL on 23 October 2013.

Directors' Report
for year ended 31 December 2013

Distributions

The total distribution by ASX-listed Sydney Airport for year ended 31 December 2013 was $457.0 million or 22.5 cents per stapled security (2012: $390.8 million or 21.0 cents). An interim distribution of $204.7 million or 11.0 cents per stapled security (2012: $204.7 million or 11.0 cents) was paid by SAT1 on 16 August 2013. The final distribution for ASX-listed Sydney Airport for year ended 31 December 2013 was $252.3 million or 11.5 cents per stapled security (2012: $186.1 million or 10.0 cents). $43.8 million or 2.0 cents and $208.5 million or 9.5 cents (2012: SAT1 $186.1 million or 10.0 cents) were paid by SAL and SAT1 respectively on 14 February 2014.

Review and Results of Operations

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

	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
Revenue	102.2	1,056.8	1,055.3
Other income	-	0.4	(6.8)
Total revenue	102.2	1,057.2	1,048.5
Profit / (loss) after income tax benefit / (expense)	(28.8)	75.9	158.1
Total comprehensive income	(36.6)	121.7	124.5

For the period ended 31 December 2013, the performance of the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days).

For year ended 31 December 2013, the performance of the SAT1 Group includes the period when SAT1 was identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) (refer to Note 1.3.1 to the Financial Report).

Interests in the Groups Issued During the Financial Year

The movement in listed stapled securities on issue in the SAL Group and SAT1 Group during the year is set out below:

	SAL Group 2013 'm	SAT1 Group 2013 'm	SAT1 Group 2012 'm
On issue at beginning of the year	-	1,861.2	1,861.2
Issued pursuant to the Minority Acquisitions	-	333.1	-
Issued pursuant to the Restructure (refer to Note 16)	2,194.3	-	-
On issue at end of year	2,194.3	2,194.3	1,861.2

Value of Assets

	SAL 31 Dec 2013 $m	SAT1 31 Dec 2013 $m	SAT1 31 Dec 2012 $m
Book value of assets	10,940.6	1,958.2	10,971.8

The book value of the SAL Group and SAT1 Group assets represents their carrying amounts as determined using Australian Accounting Standards as described in Note 1 to the financial report.

Directors' Report

for year ended 31 December 2013

Financial Performance and Position

Net Operating Receipts provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. The first table reconciles the statutory result of SCACH (a subsidiary of the SAL Group from 3 December 2013 and of SAT1 Group to 2 December 2013) 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 2013 $m[2]	SCACH[1] 31 Dec 2012 $m[2]	ASX-listed Sydney Airport interest[3] 31 Dec 2013 $m[2]	ASX-listed Sydney Airport interest 31 Dec 2012 $m[2]
Loss before income tax expense[4]	(55)	(98)	(51)	(83)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders[4]	288	284	267	241
Add back: depreciation and amortisation[4]	229	228	212	193
Profit before tax, shareholder interest, depreciation and amortisation	462	414	428	351
Add back non-cash financial expenses				
- Fair value adjustment to derivatives[5]	12	5	11	4
- Amortisation of debt establishment costs[5]	18	21	17	18
- Capital Indexed Bonds capitalised[5]	24	27	22	23
- Borrowing costs capitalised[5]	(10)	(8)	(9)	(7)
Total non-cash financial expenses	44	45	41	38
Add / (subtract) other cash movements				
Movement in cash reserved for specific purposes[6]	(13)	28	(12)	24
Other	(5)	(13)	(5)	(11)
Total other cash movements	(18)	15	(17)	13
Cash flow available to SCACH shareholders	488	474	452	402

	Note	Corporate 31 Dec 13 $m	Corporate 31 Dec 12 $m
ASX-listed Sydney Airport share of SCACH cash flow		452	402
Corporate receipts[7]		5	7
Corporate costs[7]		(14)	(9)
Corporate transaction costs[7]		1	(8)
Net Operating Receipts		444	392
Stapled securities on issue ('m)[8]		1,977	1,861
Cash flow per stapled security		22.5 cents	21.1 cents
Distributions declared per stapled security	6	22.5 cents	21.0 cents

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 SAL's incremental increase in ownership of SCACH from 84.8% to 100.0% at 31 December 2013 (refer to Note 2.1).
4 These numbers are taken from the Consolidated Income Statements in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.
5 These numbers are taken from Note 2(f) in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.
6 These numbers are taken from Note 25 in the SCACH Audited General Purpose Financial Report for year ended 31 December 2013.
7 These numbers are calculated from Corporate items shown separately in the Consolidated Statements of Cash Flows for year ended 31 December 2013.
8 Stapled securities on issue reflects the weighted average number of ASX-listed Sydney Airport securities on issue during the year ended 31 December 2013.

Directors' Report
for year ended 31 December 2013

Significant Changes in State of Affairs
Minority Acquisitions, Restructure and ATO Resolution
Minority Acquisitions
On 14 August 2013, it was announced to the ASX that ASX-listed Sydney Airport had agreed to purchase all remaining unlisted direct and indirect minority interests in Sydney Airport. Following completion, ASX-listed Sydney Airport increased its holding from 84.8% to 100.0% ownership of Sydney Airport. The minority acquisitions were structured to ensure there was no ownership dilution for ASX-listed Sydney Airport's existing security holders. The successful completion of the minority acquisitions in August and September 2013 means that ASX-listed Sydney Airport now owns 100.0% of Sydney Airport.

HTA, Future Fund, CDPQ, UTA and KfW Minority Acquisitions
On 14 August 2013, a Share Acquisition Agreement (SAA) was entered into providing for ASX-listed Sydney Airport to purchase the unlisted Sydney Airport minorities' 12.1% ownership interest held through SCACH.

- an institutional placement was successfully completed, issuing 85.6 million ASX-listed Sydney Airport stapled securities to institutional investors raising $308.2 million. Of the total proceeds from the institutional placement, $297.6 million net of agreed transaction costs was paid to Caisse de dépôt et placement du Québec (CDPQ), KfW IPEX-Bank GmbH (KFW) and Utilities Trust of Australia (UTA) as consideration for their unlisted indirect 3.9% ownership in Sydney Airport; and
- 180.2 million ASX-listed Sydney Airport stapled securities were issued to HOCHTIEF AirPort (HTA) and The Future Fund Board of Guardians (Future Fund) as consideration for their remaining unlisted indirect 8.2% ownership in Sydney Airport.

In total, 265.8 million ASX-listed Sydney Airport stapled securities were issued to HTA and Future Fund and via the institutional placement.

MTAA and UniSuper Minority Acquisitions
On 14 August 2013, Unit Acquisition Agreements (UAA) were entered into providing for ASX-listed Sydney Airport to purchase the unlisted indirect 3.1% ownership in Sydney Airport held by MTAA Superannuation Fund (MTAA) and UniSuper Superannuation Fund (UniSuper). The terms of the UAA provided that the acquisition of the unlisted indirect ownership in Sydney Airport was conditional on the receipt of approval by ASX-listed Sydney Airport security holders under ASX Listing Rule 7.1 (among other matters) for two resolutions passed at an Extraordinary General Meeting held on 19 September 2013. As a result of these resolutions passing, on 23 September 2013:

- 52.4 million ASX-listed Sydney Airport stapled securities were issued to MTAA as consideration for its unlisted indirect 2.4% ownership in Sydney Airport; and
- 14.9 million ASX-listed Sydney Airport stapled securities were issued to UniSuper as consideration for its unlisted indirect 0.7% ownership in Sydney Airport.

In total, 67.3 million ASX-listed Sydney Airport stapled securities were issued to MTAA and UniSuper.

Simplification
The successful completion of the minority acquisitions by ASX-listed Sydney Airport leading to 100.0% ownership of ASX-listed Sydney Airport provided the opportunity for further simplification of the Sydney Airport Group structure pursuant to a trust scheme (the Scheme) and restructure of the ASX-listed Sydney Airport Group (the Restructure) (together the SImplification). Following successful implementation of the Simplification:

- ASX-listed Sydney Airport is a stapled vehicle comprised of SAT1 and SAL. ASX-listed Sydney Airport security holders own stapled securities each comprising one SAT1 unit and one SAL share;
- TCSAL is the Responsible Entity of SAT1;
- SAL owns the Sydney Airport operating entities including SACL, which continues as lessee and operator of Sydney (Kingsford Smith) Airport; and
- various Australian and foreign non-operating entities of the ASX-listed Sydney Airport are owned by SAT1 and the majority of those entities are expected to be wound up in an orderly fashion.

Directors' Report
for year ended 31 December 2013

Significant Changes in State of Affairs (continued)

Scheme

Following the successful implementation of the Scheme on 3 December 2013, ASX-listed Sydney Airport became a stapled vehicle comprising SAT1 and SAL and security holders owned stapled securities comprising one SAT1 unit and one SAL share. The Scheme (and related matters) was implemented as follows:

- on 30 July 2013, SAL was incorporated as a company registered in Victoria;
- following approval at the General Meeting held on 22 November 2013, Sydney Airport Holdings Limited retired as Responsible Entity of SAT1 and The Trust Company (Sydney Airport) Limited (TCSAL) was appointed in its place. TCSAL is a public company registered in Victoria. Its ultimate holding company was The Trust Company Limited until its recent takeover by Perpetual Limited, an ASX-listed entity described as one of Australia's foremost trustee companies offering trustee services for individuals, companies and charitable trusts. TCSAL is a single purpose entity, engaged only in managing SAT1 and certain non-operating members of the ASX-listed Sydney Airport Group. The directors of TCSAL are Russell Balding, Patrick Gourley and David Grbin (Rupert Smoker is an alternate director of David Grbin);
- following approval at the Scheme Meeting and General Meetings held on 22 November 2013, the provisions that related to the stapling of the SAT1 units and SAT2 units ceased to apply from 3 December 2013. A Sydney Airport Stapling Deed was executed between SAT1 and SAL on 3 December 2013, allowing the stapling of SAT1 units to SAL shares from 3 December 2013; and
- following approval at the Scheme Meeting held on 22 November 2013, on 3 December 2013 SAL acquired all SAT2 units held by ASX-listed Sydney Airport security holders. As consideration security holders were issued one SAL share for every Sydney Airport Trust 2 (SAT2) unit they held at the record date of 2 December 2013. Scheme participants were not required to pay any cash consideration for their SAL shares, nor did they receive any cash consideration for their SAT2 units.

Restructure

The ASX-listed Sydney Airport Group structure after the Scheme implementation contained various entities and arrangements that relate to the interests in foreign airports formerly held by the ASX-listed Sydney Airport Group. Following the approval of the Scheme on 22 November 2013, a Restructure was proposed in order to simplify those arrangements and allow an increase in the permitted foreign ownership of ASX-listed Sydney Airport from 40.0% to 49.0% under the Airports Act 1996 (Cth), providing the opportunity to broaden the ASX-listed Sydney Airport investor base. The Restructure was implemented on and around 3 December 2013 and included the following steps:

- an internal restructure of the SCACH subsidiaries was successfully undertaken on 2 December 2013 resulting in SCACH holding 100.0% of SACL and SACL holding 100.0% of SCAC (along with SACL's other existing subsidiaries);
- following implementation of the Scheme, SAL indirectly acquired all of the redeemable preference shares issued by various subdiaries of SAT2 (Subsidiary RPS Interests) from SAT1 and directly acquired all of the interests in SCACH from various entities in the ASX-listed Sydney Airport Group. Following acquisition, the Subsidiary RPS Interests were eliminated by conversion to ordinary shares;
- SAT1 then acquired all of the SAT2 units (and indirectly various non-operational entities currently within the ASX-listed Sydney Airport Group that were subsidiaries of SAT2) from SAL; and
- a new loan was entered into between SAT1 as lender and SAL as borrower on 3 December 2013. The loan is an interest bearing, unsecured and subordinated loan. The terms of the loan were negotiated by the boards of SAL and TCSAL. The arrangement was consistent with ASX-listed Sydney Airport's intention to structure SAL as the holder of all Sydney Airport's operating interests and SAT1 as a financing entity.

Directors' Report
for year ended 31 December 2013

Significant Changes in State of Affairs (continued)

ATO Resolution

On 21 December 2012, ASX-listed Sydney Airport announced that the Australian Taxation Office had delivered to the SAT2 Tax Consolidated Group (SAT2 TCG) a position paper related to tax years ended 31 December 2010 and 31 December 2011. The position paper was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the SAT2 TCG to SAT1. Although the ATO did not quantify a tax payable amount in the position paper, if the conclusions in the position paper carried forward to an adverse determination by the ATO, and that determination was ultimately sustained, the Responsible Entity of SAT2 estimated that it may have resulted in additional primary income tax payable of $79.0 million by the SAT2 TCG for tax years ended 31 December 2010 and 31 December 2011 excluding interest or penalties.

During the year, following extensive engagement with the ATO, a settlement was reached whereby the Commissioner of Taxation of the Commonwealth of Australia agreed the following key terms:

- an amount payable by SAT2 to the ATO including tax of $65.0 million and shortfall interest charge of $4.0 million; and
- no further audit activity in relation to any of the RPS issued by members of the SAT2 TCG.

Facilities and Medium Term Notes

SAL entered into an unsecured 24 month $100.0 million term facility and an unsecured 12 month $15.0 million working capital facility, both with Commonwealth Bank of Australia (CBA) and Westpac Banking Corporation (WBC) on 5 December 2013. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. The term facility was drawn to $80.0 million at 31 December 2013.

SAT1 cancelled a $165.0 million term facility and a $100.0 million working capital facility, both with CBA and WBC on 25 November 2013.

SCACH repaid $217.0 million Medium Term Notes on their maturity date of 20 November 2013.

Events Occurring after Balance Sheet Date

The final distribution for ASX-listed Sydney Airport for year ended 31 December 2013 was $252.3 million or 11.5 cents per stapled security (2012: $186.1 million or 10.0 cents). $43.8 million or 2.0 cents per stapled security and $208.5 million or 9.5 cents per stapled security (2012: SAT1 $186.1 million or 10.0 cents) were paid by SAL and SAT1 respectively on 14 February 2014.

The distribution reinvestment plan (DRP) operated in respect of the 31 December 2013 distribution. A 2.5% discount was applied when determining the price at which the stapled securities were issued under the DRP distribution. To satisfy the DRP take up, Sydney Airport acquired 5.8 million securities on market for transfer, totalling $22.8 million, to DRP participants and issued nearly 21.9 million new securities.

The $80.0 million drawn under the SAL term facility was repaid on 19 February 2014. $20.0 million remains available to be drawn under the term facility.

Since the end of the year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to year ended 31 December 2013.

Likely Developments and Expected Results of Operations

Likely developments relating to the operations of the SAL Group in future periods include those outlined in Sydney Airport's Master Plan 2033 that was approved by the Australian Federal Government on 17 February 2014. The SAT1 Group will continue to operate as a financing entity in future periods. Further information on likely developments relating to the operations of the SAL and SAT1 Groups in future periods and the expected results of those operations have not been included in this financial report because the directors of SAL and the Responsible Entity of SAT1 believe it would be likely to result in unreasonable prejudice to the SAL and SAT1 Groups.

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report

Contents

1. Introduction

The directors present the Remuneration Report for Sydney Airport Limited (SAL) for the period 3 December 2013 to 31 December 2013.

SAL is not required to prepare a Remuneration Report for the period 1 January 2013 to 2 December 2013. However in the interest of maintaining the high standards of corporate governance to which the directors of SAL have committed, the remuneration report for the period 1 January 2013 to 2 December 2013 has been prepared voluntarily, in accordance with the requirements of the Corporations Act 2001 (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 SAL, directly or indirectly. They include the Non-Executive Directors (NEDs) of SAL, the Chief Executive Officer (CEO) and other key Executives who are employed by Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of SAL.

1.1. Directors

The following persons were directors of SAL (identified as the parent of ASX-listed Sydney Airport from 3 December 2013) from the period noted and up to the date of this report:

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	Appointed 18 October 2013
Trevor Gerber	Non-Executive Director	Appointed 18 October 2013
Michael Lee	Non-Executive Director	Appointed 18 October 2013
Robert Morris	Non-Executive Director	Appointed 18 October 2013
John Roberts	Non-Executive Director	Appointed 18 October 2013
Stephen Ward	Non-Executive Director	Appointed 18 October 2013
Kerrie Mather	Executive Director	Appointed 18 October 2013
John Kite	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Jamie Motum	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Stephen Mentzines	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013

Directors' Report

for year ended 31 December 2013

Audited Remuneration Report (continued)

1.2. Key Executives

The following individuals were determined to be KMP by the directors for year ended 31 December 2013. During the year there were no changes to key executives.

Key Executive	Title	2013	2012
Kerrie Mather	Chief Executive Officer and Executive Director	✓	✓
Stephen Mentzines	Chief Financial Officer	✓	✓
Shelley Roberts	Executive Director Aviation Services	✓	✓

2. Nomination and Remuneration Committee

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

In 2013 the Nomination and Remuneration Committee comprised of three Non-Executive Directors:

- Stephen Ward
- Max Moore-Wilton
- Michael Lee

SACL previously had a separate Human Resources Committee (HRC) that was responsible for making remuneration recommendations regarding policy and structure for the SACL executives to the SACL board. During 2013, the SACL HRC and the SAL NRC were combined to ensure the ongoing alignment of remuneration policies and practices within the Group.

2.1. Remuneration Consultant

The NRC retained Egan Associates as an independent Remuneration Consultant to provide advice to the NRC in relation to non-executive director fees, executive remuneration and executive incentive structures, as required.

Instructions in relation to the work required of Egan Associates on behalf of the Committee come directly from Mr Ward, Chairman of the NRC. Egan Associates does not undertake work for management unless requested to do so by the Chairman of the Committee. All reports on matters requested are addressed to and forwarded in the first instance (unless otherwise instructed) to Mr Ward, Chairman of the Committee.

In providing its advice, Egan Associates fully complies with the provisions of Part 2D.8 of the Act. Specifically, any "remuneration recommendation" (as defined) is provided directly to a non-executive director and/or the Committee.

The Board accepts Egan Associates' assurances that it conducts the necessary interviews and the collection of information so as to minimise opportunities for undue influence. The fees paid to Egan Associates throughout 2013 for remuneration advisory services were $42,420 (excluding GST).

3. Remuneration Principles, Policy and Structure

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

3.1. Background

Sydney Airport is an ASX50 entity with an enterprise value of approximately $15.0 billion. Sydney Airport is one of the most significant transport infrastructure facilities in Australia. It is a highly complex asset and facilitates the movement of people and goods to allow the economy and transport network to function effectively.

KMP have oversight and accountability for the development, operation and security of the airport facilities, supporting a diverse range of aeronautical, retail, car parking and property businesses. 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, terminal expansions, retail and commercial developments, 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 a wide range of stakeholder relationships including airlines, passengers, concessionaires, tenants, service providers, government, regulatory bodies and the community.

KMP remuneration and performance awards are determined by the Board / NRC. The Board / NRC takes into consideration:

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

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

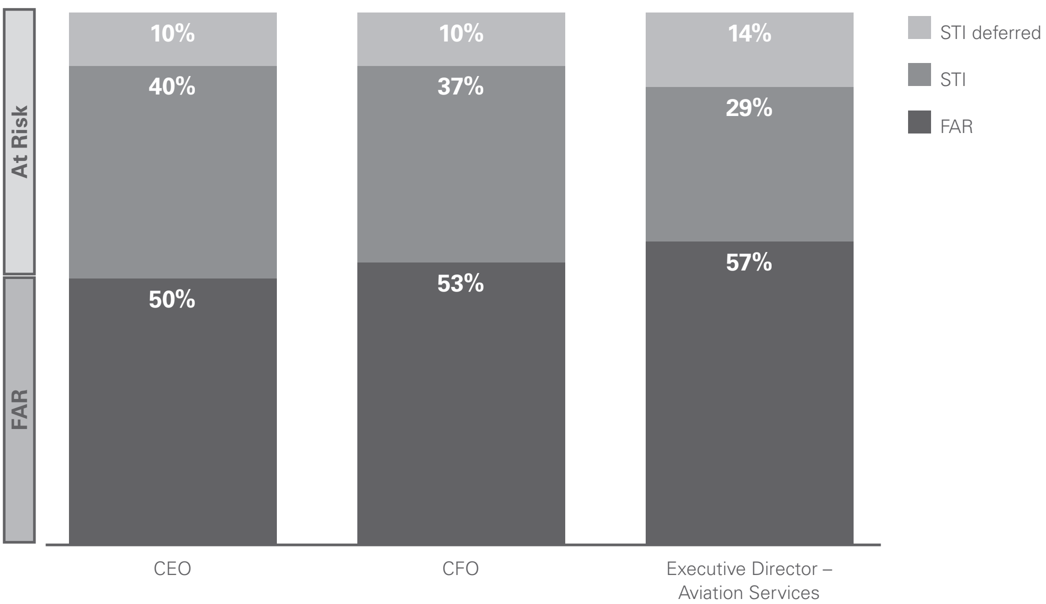
Additionally, KMP and other Executive's salaries are benchmarked against comparable market participants based on advice from remuneration consultants.

3.2. Remuneration structure for Key Executives at 31 December 2013

The remuneration structure of KMP and other 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 and KMP is expressed as a percentage of total remuneration, in the below table:



3.2.1. At risk remuneration

The Board is focused on maximising security holder value by linking business performance with key Executive remuneration outcomes. A significant element of a key Executive's 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 the key Executives, each of which make up 50.0%. The two categories are group performance targets (as set out in section 3.3.), and individual key performance targets.

Directors' Report

for year ended 31 December 2013

Audited Remuneration Report (continued)

3.2.2. Performance setting

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

The STI award is determined after the preparation of the financial statements each year and the completion of the performance review process. The STI award is generally granted to executives in March, with the cash component paid at the time. Maximum potential STI awards for year ended 31 December 2013 range from 37.5% up to 100.0% of FAR.

3.2.3. CEO STI deferral

To promote CEO retention, 20.0% of any STI award up to 100.0% of FAR, and 1/3 of any amount in excess of 100.0% of FAR is deferred for two years from the date of the award. The deferred cash amount earns market rate interest over the two year period and is payable to the CEO upon vesting, subject to continuous service throughout the period. In April 2013, the Board amended the deferral period for Ms Mather's STI to 2 years, to align it to the deferral period of other KMP.

3.2.4. Other Executives' STI deferral

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

3.3. Link between remuneration and performance.

History of corporate performance

Measure	2013	2012	2011	2010	2009
Security price at year end	$3.80	$3.38	$2.66	$2.99	$3.03
Ordinary distribution paid per security	$0.225	$0.21	$0.21	$0.21	$0.21
Other cash payments to security holders	-	-	$0.80	$0.125	-
Sydney Airport earnings before interest, tax, depreciation and amortisation (EBITDA) (100.0%) - $m	$910.3	$848.0	$789.8	$773.0	$689.3

2013 Corporate performance

Sydney Airport's security price performed strongly in 2013, with a total shareholder return of 19.1%. This compares to the ASX200 Accumulation Index return of 20.2% and the All Ords Accumulation Index return of 19.7%. A 22.5 cent per security annual dividend was declared, 100.0% covered by Net Operating Receipts. This represents a 6.0% cash yield to investors (based on 31 December 2013 security price).

The graph below presents Sydney Airport's five-year listed performance relative to the ASX200 performance over the same period. In the period from December 2010 to December 2013, ASX-listed Sydney Airport undertook a sequence of transactions which resulted in a substantial simplification of the ownership and corporate structure. This was achieved through the sale of international airports, the acquisition of all minority interests in Sydney Airport, and a restructure enabling the foreign ownership cap to increase from 40.0% to 49.0%.

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

SYD Security price growth compared to ASX200

Drivers of the strong performance were:

- Completion in August of a transformational corporate restructure and resulting simplification, including acquisition of minorities resulting in 100% ownership of Sydney Airport, resolution of some ATO matters announced in December 2012, and an increase in the foreign ownership cap from 40% to 49%;
- By working in close collaboration with airlines and tourism agencies to achieve a number of successful outcomes in 2013 including:
  i. over half of the existing 35 airlines who fly to Sydney Airport delivered capacity increases;
  ii. Sydney Airport securing two new airlines, Air India and Sichuan Airlines, delivering new routes which will drive growth in the inbound and outbound leisure markets; and
  iii. successfully capitalising on positive demand and increasing supply in Asian and emerging markets.
- Record passenger numbers travelling through Sydney Airport; 37.9 million in 2013 up from 36.9 million in 2012 representing 2.6% total growth, 4.1% international growth and contributing to 7.3% EBITDA growth;
- Significant management initiatives resulting in the development of new infrastructure, operational efficiencies, and improved customer choice, quality and convenience;
- Increasing commercial revenues including:
  i. underlying retail revenue growth in excess of 5.0% driven by the optimisation of retail space and the development of new retail concepts in response to customer feedback;
  ii. car parking revenue growth of 10.9% driven by investment in new infrastructure resulting in a significant increase in the number of car parking spaces across the airport and increased patronage following the development of new products which provide choice and value for customers; and
  iii. property revenue growth of 10.8% driven by new tenancies and new developments in the property portfolio.

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

Performance of KMP

Group objectives are used to determine 50.0% of an Executive's STI and Individual targets that are unique to the Executives's area of accountability and expertise are used to determine the remaining 50.0% of the Executive's STI outcome for 2013. 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 2013, these objectives included operational performance, cost containment, risk management, strategy development and implementation, project management, leadership and people, customer and stakeholder engagement.

The following table sets out the group performance objectives used in determining the CEO and KMP STI outcomes for 2013:

Objective	Weighting	Performance measure	Performance
Financial	30-50%	All executives have objectives relating to improved business performance and growth in EBITDA and cashflow.	All financial measures met or exceeded corporate targets. EBITDA growth of 7.3% in 2013; Average EBITDA growth of 7.3% since 2008; Shareholder distribution growth of 7.1% in 2013; and Shareholder value appreciation of 19.0% in 2013.
Stakeholder engagement	10-20%	All executives have objectives relating to Customer and Stakeholder engagement, and the key area of focus in 2013 was in relation to the Master Plan.	Significant management effort in engaging a range of stakeholders, including a concerted effort on building strong community engagement, has resulted in public support and advocacy for Sydney Airport's Master Plan.
People	10%	All executives have objectives relating to employee engagement, leadership capability, safety performance, diversity and organisational development.	Diversity: In 2013, the number of women employed at Sydney Airport has increased from 95 to 105 and the proportion of women in management roles has increased from 26.3% to 28.6%. Staff Engagement: Increased by 6.5% in the last survey and a number of staff driven initiatives will be implemented in 2014 to further enhance staff engagement. Organisational Development: In 2013 a comprehensive Learning & Development program was launched to ensure continued focus on organisational development. Key areas of focus were: Leadership Capability, Management Training, and Safety Leadership. Management programs were supplemented with an organisation wide Safety Culture program.

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

Objective	Weighting	Performance measure	Performance
Specific individual objectives	20-50%	Key areas of focus in 2013 were the: • corporate simplification and restructure, resolution of ATO matters and an increase in the foreign ownership cap; • Master Plan Development; • Gound Transport Plan; • customer service improvements; and • other initiatives as appropriate for the KMP	A significant corporate restructure, the acquisition of minorities resulting in 100% ownership, and the resolution of a number of ATO matters, was successfully completed in 2013 with no dilution in the number of securities held by existing shareholders. This has resulted in a material improvement in the enterprise value and delivered certainty for shareholders going forward. A new draft Master Plan for Sydney Airport was successfully developed and released for public consultation in 2013; the implementation of the plan will allow the airport to be developed to generate greater efficiency and productivity, as well as increased capacity. Extensive engagement with the many different stakeholder groups has resulted in unprecedented interest in and support for Sydney Airport's position. Through close collaboration with NSW agencies, a coherent Ground Transport Plan for Sydney Airport has been developed, along with alignment on priorities for Westconnex enabling works outside the airport boundary. In response to customer feedback throughout 2013, a number of initiatives which will significantly improve the customer experience at Sydney Airport have been successfully implemented.

Performance pay outcomes for 2013

The NRC reviews the overall performance outcome for an individual based on the agreed performance objectives (as outlined in the table above) but retains overriding discretion when determining the value of any STI award to an Executive. The following table shows the STI outcomes for the 2013 year based on the performance criteria and measurement outlined above.

Key Executive	STI outcome % of maximum	Actual STI awarded Cash award $	STI deferred $	STI forfeited %
Kerrie Mather	100.0%	1,363,119	340,780	-%
Stephen Mentzines	100.0%	554,315	158,376	-%
Shelley Roberts	100.0%	252,795	126,398	-%

STI deferrals from previous period

Key Executives	Award date	Deferred $	Vesting date
Kerrie Mather	15 Mar 2013	550,000	15 Mar 2015
	15 Mar 2012	550,000	15 Mar 2014
Stephen Mentzines	15 Mar 2013	-	N/A
	15 Mar 2012	-	N/A
Shelley Roberts	15 Mar 2013	68,250	15 Mar 2015
	15 Mar 2012	6,059	15 Mar 2014

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

4. KMP Remuneration Arrangements for Year Ended 31 December 2013
4.1. Service agreements

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

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

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

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

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

Directors' Report

for year ended 31 December 2013

Audited Remuneration Report (continued)

4.2. 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	Long-term benefits		% at Risk
Name	Salary $	STI $	retained $	Superannuation $	Long service leave $	Total $	
Executive							
Kerrie Mather							
2013	1,684,480	1,363,119	340,780	17,122	28,250	3,433,751	50%
1 Jan to 2 Dec	1,553,035	1,256,854	314,214	15,787	26,005	3,165,895	
3 Dec to 31 Dec	131,445	106,265	26,566	1,335	2,245	267,856	
2012	1,683,877	1,150,000	550,000	16,123	28,071	3,428,071	50%
Stephen Mentzines							
2013	762,451	554,315	158,375	27,301	19,461	1,521,903	40%
1 Jan to 2 Dec	701,891	510,559	145,874	25,352	17,915	1,401,591	
3 Dec to 31 Dec	60,560	43,756	12,501	1,949	1,546	120,312	
2012	186,903	130,820	-	10,199	4,802	332,724	40%
Shelley Roberts							
2013	484,311	252,795	126,398	21,280	11,925	896,709	43%
1 Jan to 2 Dec	446,020	232,675	116,338	19,331	10,978	825,342	
3 Dec to 31 Dec	38,291	20,120	10,060	1,949	947	71,367	
2012	426,728	227,500	68,250	38,161	12,611	773,250	39%
Total Executives							
2013	2,931,242	2,170,229	625,553	65,703	59,636	5,852,363	
1 Jan to 2 Dec	2,700,946	2,000,088	576,426	60,470	54,898	5,392,828	
3 Dec to 31 Dec	230,296	170,141	49,127	5,233	4,738	459,535	
2012	2,297,508	1,508,320	618,250	64,483	45,484	4,534,045	

The 2012 Long Service Leave amounts have been adjusted to reflect long service leave expensed during the period rather than the year end balances.

No termination payments were made to KMP during the year.

Directors' Report
for year ended 31 December 2013

Audited Remuneration Report (continued)

5. Non-Executive Directors' Remuneration

5.1. Non-Executive Directors' remuneration policy

The board sets NEDs' fees. Director's remuneration is set with reference to external benchmarking undertaken by consultants engaged by the board. NEDs do not participate nor receive at risk remuneration in line with ASX Corporate Governance principles. The Explanatory Memorandum to shareholders for the Sydney Airport General Meeting held in November 2013 included the maximum directors' fee pool for SAL of A$2,000,000 which incorporates fees paid at the operating company level.

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

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

5.2.Non-Executive Directors' Remuneration for the Year

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

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

Directors' Report

for year ended 31 December 2013

Audited Remuneration Report (continued)

SAL	Short term employee benefits		Post employment benefits	
Name	Directors' fees $	Other[1] $	Superannuation $	Total $
Max Moore-Wilton (Chairman)				
2013	302,877	143,750	23,373	470,000
1 Jan to 2 Dec	280,080	132,329	15,834	428,243
3 Dec to 31 Dec	22,797	17,671	1,289	41,757
2012	303,877	139,660	26,463	470,000
Trevor Gerber				
2013	108,298	75,000	16,702	200,000
1 Jan to 2 Dec	100,147	69,041	15,445	184,633
3 Dec to 31 Dec	8,151	5,959	1,257	15,367
2012	110,045	75,000	14,955	200,000
Michael Lee				
2013	108,374	75,000	16,515	199,889
1 Jan to 2 Dec	98,808	69,041	15,272	183,121
3 Dec to 31 Dec	9,566	5,959	1,243	16,768
2012	107,700	75,000	14,800	197,500
Robert Morris				
2013	96,822	75,000	15,678	187,500
1 Jan to 2 Dec	89,534	69,041	14,498	173,073
3 Dec to 31 Dec	7,288	5,959	1,180	14,427
2012	99,965	75,000	12,535	187,500
John Roberts				
2013	85,367	75,000	14,633	175,000
1 Jan to 2 Dec	78,942	69,041	13,532	161,515
3 Dec to 31 Dec	6,425	5,959	1,101	13,485
2012	86,594	75,000	13,406	175,000
Stephen Ward				
2013	103,694	75,000	16,306	195,000
1 Jan to 2 Dec	95,889	69,041	15,079	180,009
3 Dec to 31 Dec	7,805	5,959	1,227	14,991
2012	111,129	75,000	15,080	201,209
Total NEDs				
2013	805,432	518,750	103,207	1,427,389
1 Jan to 2 Dec	743,400	477,534	89,660	1,310,594
3 Dec to 31 Dec	62,032	47,466	7,297	116,795
2012	819,310	514,660	97,239	1,431,209

[1] Includes additional reimbursement in respect of the Director's appointment to the Board of SCACH.

Fees for Mr Lee include $1,589 in relation to his role as Chair of the Safety, Security, Environment and Health Committee which relate to the period from 3 December to 31 December 2013. These amounts will be paid to Mr Lee in March 2014.

Mr Mentzines, Mr Motum and Mr Kite (who were directors of SAL for the period from 30 July 2013 to 18 October 2013) did not receive any remuneration over and above their remuneration as employees of SACL for the period.

Directors' Report

for year ended 31 December 2013

Security Holdings in ASX-listed Sydney Airport

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

Name	Date appointed director	Balance at 1 Jan 2013	Balance at 31 Dec 2013	Changes prior to signing	Balance at signing date
SAL					
Max Moore-Wilton	18-Oct-13	650,000	650,000	2,563	652,563
Trevor Gerber	18-Oct-13	225,000	225,000	3,063	228,063
Michael Lee	18-Oct-13	7,060	7,060	609	7,669
Robert Morris	18-Oct-13	40,908	40,908	-	40,908
John Roberts	18-Oct-13	67,507	67,507	105,318	172,825
Stephen Ward	18-Oct-13	21,818	21,818	-	21,818
Kerrie Mather	18-Oct-13	3,555,021	3,555,021	13,722	3,568,743
TCSAL					
David Grbin	1-Mar-10	-	-	-	-
Russell Balding	23-Oct-13	-	-	-	-
Patrick Gourley	23-Oct-13	-	-	-	-
Rupert Smoker	20-Feb-12	-	-	-	-

Indemnification and Insurance of Officers and Auditors

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

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

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

Environmental Regulation

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

- The development and implementation of an environment strategy;
- The monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Airports Act and Regulations);
- The enforcement of the provisions of the Airports Act and associated regulations, by statutory office holders of the Commonwealth Department of 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 <http://www.sydneyairport.com.au>).

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

Directors' Report

for year ended 31 December 2013

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

Non-Audit Services

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

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

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

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

Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the *Corporations Act 2001* is set out on pages 23 and 24 and forms part of the Directors' Report for year ended 31 December 2013.

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

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

Application of Class Order

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

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

Max Moore-Wilton
Sydney
25 February 2014

Trevor Gerber
Sydney
25 February 2014

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

Russell Balding
Sydney
25 February 2014

Patrick Gourley
Sydney
25 February 2014

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

To: the directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial period 3 December 2013 to 31 December 2013 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.

KPMG

KPMG

Andrew Yates
Partner

Sydney

25 February 2014

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2013 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.

KPMG

KPMG

Andrew Yates
Partner

Sydney

25 February 2014

Financial Report

for year ended 31 December 2013

Consolidated Statements of Comprehensive Income

	Note	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
Revenue	3	102.2	1,056.8	1,055.3
Other income	3	-	0.4	(6.8)
Total revenue		102.2	1,057.2	1,048.5
Finance costs	3	37.7	432.3	459.6
Other expenses	3	48.4	497.1	498.0
Total operating expenses		86.1	929.4	957.6
Profit before income tax benefit / (expense)		16.1	127.8	90.9
Income tax benefit / (expense)	4	(44.9)	(51.9)	67.2
Profit / (loss) after income tax benefit / (expense)		(28.8)	75.9	158.1
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss:				
Cash flow hedges – interest rate swaps		(15.6)	65.4	(54.3)
Actuarial gain on defined benefit plans		4.4	-	2.8
Reclassification of FCTR to net profit on wind up of subsidiaries		-	-	2.5
Tax on items that may be reclassified to profit or loss		3.4	(19.6)	15.4
Total items that may be reclassified subsequently to profit or loss		(7.8)	45.8	(33.6)
Other comprehensive income, net of tax		(7.8)	45.8	(33.6)
Total comprehensive income		(36.6)	121.7	124.5
Profit / (loss) after income tax benefit / (expense) attributable to:				
Security holders		(26.9)	88.4	179.2
Non-controlling interest		(1.9)	(12.5)	(21.1)
		(28.8)	75.9	158.1
Total comprehensive income attributable to:				
Security holders		(34.7)	132.7	152.1
Non-controlling interest		(1.9)	(11.0)	(27.6)
		(36.6)	121.7	124.5
Earnings per share / unit from profit / (loss) after income tax	20	(1.23c)	4.47c	9.63c

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

For the period ended 31 December 2013, the Consolidated Statement of Comprehensive Income for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days).

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

Financial Report

for year ended 31 December 2013

Consolidated Balance Sheets

	Note	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Current assets				
Cash and cash equivalents	7	443.3	1.5	433.7
Receivables	8	122.2	23.0	103.7
Other financial assets		-	-	20.4
Other assets		8.9	-	8.1
Total current assets		574.4	24.5	565.9
Non-current assets				
Receivables	8	38.3	1,933.7	39.3
Property, plant and equipment	9	2,556.6	-	2,509.5
Intangible assets	10	7,748.9	-	7,850.8
Derivative financial instruments	14	9.9	-	-
Other assets		12.5	-	6.3
Total non-current assets		10,366.2	1,933.7	10,405.9
Total assets		10,940.6	1,958.2	10,971.8
Current liabilities				
Distribution payable		252.3	208.5	186.1
Payables	12	171.8	0.3	180.8
Interest bearing liabilities	13	733.6	-	216.5
Deferred income		30.9	-	25.3
Derivative financial instruments	14	125.9	-	146.9
Current tax liabilities		(0.5)	-	-
Provisions		8.7	2.8	8.3
Total current liabilities		1,322.7	211.6	763.9
Non-current liabilities				
Payables	12	-	-	0.4
Interest bearing liabilities	13	6,006.8	-	6,222.2
Derivative financial instruments	14	-	-	204.3
Provisions		1.4	-	1.2
Deferred tax liabilities	15	1,699.1	-	1,655.0
Total non-current liabilities		7,707.3	-	8,083.1
Total liabilities		9,030.0	211.6	8,847.0
Net assets		1,910.6	1,746.6	2,124.8
Equity				
Security holders' interests				
Contributed equity	16	5,178.0	2,398.4	3,948.5
Retained earnings	17	62.7	402.9	501.0
Reserves	18	(3,329.5)	(1,054.7)	(2,400.8)
Total security holders' interests		1,911.2	1,746.6	2,048.7
Non-controlling interest in controlled entities	19	(0.6)	-	76.1
Total equity		1,910.6	1,746.6	2,124.8

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

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for year ended 31 December 2013

Consolidated Statements of Changes in Equity

		Attributable to SAL Group Security Holders					
SAL Group	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Total equity at 1 January 2013		-	-	-	-	-	-
Comphensive income							
Profit / (loss) attributable to security holders		-	-	(26.9)	(26.9)	(1.9)	(28.8)
Cash flow hedges, net of tax		-	(10.9)	-	(10.9)	-	(10.9)
Actuarial gains, net of tax		-	-	3.1	3.1	-	3.1
Total comprehensive income		-	(10.9)	(23.8)	(34.7)	(1.9)	(36.6)
Transactions with owners of the company							
Contributed equity recognised due to Restructure		5,178.0	-	-	5,178.0	-	5,178.0
Transfer from reserves to retained earnings		-	-	-	-	-	-
Adjustment due to Restructure		-	(3,318.6)	338.8	(2,979.8)	1.3	(2,978.5)
Distributions provided for or paid	6	-	-	(252.3)	(252.3)	-	(252.3)
Total Transactions with owners of the company		5,178.0	(3,318.6)	86.5	1,945.9	1.3	1,947.2
Total equity at 31 December 2013		5,178.0	(3,329.5)	62.7	1,911.2	(0.6)	1,910.6

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for year ended 31 December 2013

Consolidated Statements of Changes in Equity (continued)

		Attributable to SAT1 Group Security Holders					
SAT1 Group	Note	Contributed equity $m	Reserves $m	Retained earnings $m	Total $m	Non-controlling interest $m	Total equity $m
Total equity at 1 January 2013		3,948.5	(2,400.8)	501.0	2,048.7	76.1	2,124.8
Comphensive income							
Profit / (loss) attributable to security holders		-	-	88.4	88.4	(12.5)	75.9
Cash flow hedges, net of tax		-	44.3	-	44.3	1.5	45.8
Total comprehensive income		-	44.3	88.4	132.7	(11.0)	121.7
Transactions with owners of the company							
Issued pursuant to the Restructure		1,230.2	-	-	1,230.2	-	1,230.2
Issue costs, net of tax		(0.6)	-	-	(0.6)	-	(0.6)
Contributed equity derecognised due to Restructure		(2,779.7)	-	-	(2,779.7)	-	(2,779.7)
Reclassification of other reserve to Consolidated Statement of Comprehensive Income		-	27.7	(27.7)	-	-	-
Transfer from reserves		-	(254.4)	254.4	-	-	-
Adjustment due to Restructure		-	1,528.5	-	1,528.5	(65.1)	1,463.4
Distributions provided for or paid	6	-	-	(413.2)	(413.2)	-	(413.2)
Total transactions with owners of the company		(1,550.1)	1,301.8	(186.5)	(434.8)	(65.1)	(499.9)
Total equity at 31 December 2013		2,398.4	(1,054.7)	402.9	1,746.6	-	1,746.6
Total equity at 1 January 2012		3,948.5	(2,365.3)	710.7	2,293.9	138.8	2,432.7
Total comprehensive income							
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)
Actuarial gains, net of tax		-	-	1.9	1.9	0.3	2.2
Reclassification of FCTR to net profit on wind up of subsidiaries		-	2.5	-	2.5	-	2.5
Total comprehensive income		-	(35.5)	181.1	145.6	(27.6)	118.0
Transactions with owners of the company							
Distributions provided for or paid	6	-	-	(390.8)	(390.8)	(35.1)	(425.9)
Total transactions with owners of the company		-	-	(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

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

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for year ended 31 December 2013

Consolidated Statements of Cash Flows

	Note	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Cash flows from operating activities				
Airport interest received		1.3	8.6	11.7
Corporate interest received		0.2	4.9	6.4
Airport revenue received (inclusive of goods and services tax)		105.8	1,117.8	1,164.6
Airport operating expenses paid (inclusive of goods and services tax)		(35.0)	(295.9)	(305.9)
Corporate operating expenses paid (inclusive of goods and services tax)		(1.2)	(9.3)	(9.6)
Corporate income taxes paid		-	(0.5)	(0.1)
Corporate indirect taxes received		-	-	2.5
Corporate other income received		-	0.1	0.2
Net cash flows from operating activities	21	71.1	825.7	869.8
Cash flows from investing activities				
Corporate transaction items		(12.1)	12.9	(8.4)
Receipt / (payment) for short-term financial assets		-	15.4	(15.4)
Payments for purchase of fixed assets		(26.7)	(209.4)	(210.6)
Proceeds from disposal of fixed assets		-	0.3	0.3
Payment for ATO settlement	2.5	(69.0)	-	-
Payment for stamp duty	2.1	-	(63.0)	-
Payment for escrow deposit		-	(0.8)	-
Recognition of cash due to Restructure		385.9	-	-
Derecognition of cash due to Restructure		-	(372.9)	-
Net cash flows from investing activities		278.1	(617.5)	(234.1)
Cash flows from financing activities				
Airport borrowing costs paid		(7.5)	(262.5)	(324.2)
Corporate borrowing costs paid		(0.6)	(2.5)	(2.2)
Repayment of borrowings		-	(329.3)	(1,725.6)
Proceeds received from borrowings		117.0	517.3	1,287.4
Settlement of derivatives		(14.8)	(127.1)	(102.5)
Distributions paid to SYD security holders		-	(390.9)	(390.8)
Distributions and dividends paid to non-controlling interest		-	(45.4)	(68.4)
Net cash flows from financing activities		94.1	(640.4)	(1,326.3)
Net increase / (decrease) in cash and cash equivalents held		443.3	(432.2)	(690.6)
Cash and cash equivalents at beginning of the period		-	433.7	1,124.3
Cash and cash equivalents at end of the period	7	443.3	1.5	433.7

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

For the period ended 31 December 2013, the Consolidated Statement of Cash Flows for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport from 3 December 2013 to 31 December 2013 (29 days).

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

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for year ended 31 December 2013

Summary of Significant Accounting Policies

1. Reporting entity

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

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

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

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

The registered office and principal place of business of TCSAL as Responsible Entity of SAT1 is: Level 15, 20 Bond Street, Sydney NSW 2000.

1.1. Basis of preparation

1.1.1. Statement of compliance

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

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

The financial report was authorised for issue by the directors of SAL and TCSAL on 25 February 2014. The directors of SAL and TCSAL have the power to amend and reissue the financial report.

1.1.2. Basis of measurement

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

1.1.3. Functional and presentation currency

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

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

1.1.4. SAL Group net current liability position

The SAL Group is in a net current liability position of $748.3 million as at 31 December 2013. This is predominantly due to bank facilities of $35.4 million and Medium Term Notes of $698.2 million classified as current liabilities. These facilities mature in October and November 2014 respectively.

The net current liability position is largely covered by undrawn committed bank debt facilities of $697.5 million, leaving an unfunded short fall of $50.8 million as at 31 December 2013.

The SAL Group has plans in place to conduct a refinance during 2014, prior to the maturity dates, to cover the remaining shortfall. The directors are confident of the Group's ability to obtain the committed facilities, subject to no material change in market conditions. This is based on the Group's strong investment grade debt ratings and significant untapped demand for credit across global capital markets and international banks. Current debt market conditions and outlook are relatively strong from a borrower's perspective and the facilities do not mature until the fourth quarter of 2014. The directors therefore consider that the going concern assumption remains appropriate.

1.1.5. SAT1 Group net current liability position

SAT1 is in a net current liability position of $187.1 million as at 31 December 2013. This is primarily attributable to the distribution payable to SAT1 unit holders due on 14 February 2014 totalling $208.5 million.

This shortfall will be funded by receipts from SAL of $191.8 million, being the advance payment of interest ($145.3 million) and a repayment of principal ($46.5 million) on intercompany loans. On 12 February 2014, SAT1 and SAL entered into a Payment Direction Deed to implement this transaction.

Due to its funding structure, SAT1 is expected to be in a net current liability position on future balance dates. However, it is expected it will be able to meet its key obligation being the payment of distributions funded by interest and principal repayments from SAL.

1.1.6 Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to security holders. The NTA backing per security was -$2.66 at 31 December 2013 (2012: -$2.40). This represents a decrease of $0.26 or 10.8%.

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Summary of Significant Accounting Policies (continued)

1.2. Significant accounting policies

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

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

1.3. Principles of consolidation

1.3.1. Business combinations

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

- SAL is identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities for the period 3 December 2013 to 31 December 2013 (29 days) from when the Simplification was completed (refer to Note 2.2.); and
- SAT1 was identified as the parent of the consolidated group comprising SAT1 and its controlled entities and SAT2 and its controlled entities for the period 1 January 2013 to 2 December 2013 (336 days).

1.3.2. Controlled entities

The consolidated financial statements of the Group incorporate the assets and liabilities of the entities controlled by SAL at 31 December 2013 and during the period, including those deemed to be controlled by SAL by identifying it as the parent of the SAL Group, and the results of those controlled entities for the period then ended.

The effects of all transactions between entities in the consolidated entity are eliminated in full. Non-controlling interests in the results and equity are shown separately in the Statements of Comprehensive Income and Consolidated Balance Sheets respectively. As such, SAT1 Group's net result after tax from 3 December to 31 December and it's contributed equity, reserves and retained earnings at 31 December 2013 is attributed to non-controlling interests in the SAL Group Consolidated Financial Report to 31 December 2013. Refer to Note 19 for other non-controlling interests which are attributable to parties other than the stapled security holders.

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

1.3.3. Business combinations

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

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

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

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

1.3.4. Acquisitions of entities under common control

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

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Summary of Significant Accounting Policies (continued)

for those assets and liabilities on the date of transfer is held in a common control reserve.

1.3.5. Loss of control

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

1.3.6. Transactions eliminated on consolidation

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

1.4. Foreign currency

1.4.1. Functional and presentation currency

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

1.4.2. Foreign currency transactions and balances

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

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

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

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

1.4.3. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to presentation currency at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

Upon disposal / wind up of a foreign operation, the foreign currency translation reserve is recycled to net profit or loss in the Consolidated Statements of Comprehensive Income.

1.5. Cash and cash equivalents

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

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

1.6. Loans and receivables

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

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

1.7. Investment in financial assets

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

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Summary of Significant Accounting Policies (continued)

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

Discounted cash flow is the process of estimating future cash flows that are expected to be generated by an asset and discounting these cash flows to their present value by applying an appropriate discount rate. The discount rate applied to the cash flows of a particular airport comprises the risk free interest rate appropriate to the country in which the airport is located and a risk premium, reflecting the uncertainty associated with the cash flows. The risk premium represents a critical accounting estimate (refer to Note 10.1).

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

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

1.8. Property, plant and equipment

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

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

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

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

1.8.1. Depreciation

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

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

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

Asset category	Useful lives
Freehold land	99 years
Buildings	5-60 years
Runways, 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

1.9. Intangible assets

1.9.1. Goodwill

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

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

1.9.2. Concession and customer contracts

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

1.9.3. Airport operator licence

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

1.9.4. Leasehold land

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

1.9.5. Amortisation

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

The inception date and estimated useful lives are as follows:

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Summary of Significant Accounting Policies (continued)

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

1.10. Impairment of assets

1.10.1. Non-derivative financial assets

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

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

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

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

1.10.2. Non-financial assets

The carrying amounts of the Groups non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite life intangible assets are tested annually for impairment (refer to Note1.9.1). An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its recoverable amount.

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

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

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

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

1.11. Distributions and dividends

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

1.12. Payables

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

1.13. Interest bearing liabilities

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

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for year ended 31 December 2013

Summary of Significant Accounting Policies (continued)

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

Any difference between proceeds (net of transaction costs) and redemption amount is recognised in finance costs in the Consolidated Statements of Comprehensive Income over the borrowing period using the effective interest method.

1.14. Deferred income

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

1.15. Derivative financial instruments

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

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

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

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

1.15.1. Cash flow hedges

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

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

1.16. Employee provisions

1.16.1. Employee benefits

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

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

1.16.2. Defined contribution plans

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

1.16.3. Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit

Financial Report
for year ended 31 December 2013

Summary of Significant Accounting Policies (continued)

that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The SAL Group determines the net interest expense or income on the net defined benefit liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

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

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

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

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

1.17. Revenue and other income recognition

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

1.17.1. Aeronautical revenue

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

1.17.2. Aeronautical security recovery

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

1.17.3. Retail revenue

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

1.17.4. Property and car rental revenue

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

Car rental revenue comprises concession charges from car rental companies. Revenue is recognised in the period in which it is earned.

1.17.5. Car parking and ground transport revenue

Car parking and ground transport revenue comprises time-based charges from the operation of car parking services. Revenue is recognised in the period in which it is earned.

1.17.6. Interest income

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

1.17.7. Revaluation income

Investment income from investments recognised at fair value through profit or loss constitutes changes in the fair value of investments in unlisted securities. Income relating to these investments is brought to account as described in Note 1.7.

1.18. Lease costs

1.18.1. Finance leases

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

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for year ended 31 December 2013

Summary of Significant Accounting Policies (continued)

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

1.18.2. Operating leases

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

1.19. Finance costs

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

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

1.20. Income tax

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised in relation to temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income tax levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

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

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

1.20.2. SAL

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

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

1.21. Goods and Services Tax

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

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

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for year ended 31 December 2013

Summary of Significant Accounting Policies (continued)

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

1.22. 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 both SAL (representing the Group) for the period 3 December 2013 to 31 December 2013 and SAT1 for the period 1 January 2013 to 2 December 2013 has been identified as the Chief Executive Officer (CEO) of Sydney Airport 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.

1.23. Critical accounting estimates and judgements

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

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Note 25.8.

1.24. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing the financial reports. None of these are expected to have a significant effect on the financial reports of the Groups, except for IFRS 9: *Financial Instruments*, which becomes mandatory for the Groups' 2017 financial reports and could change the classification and measurement of financial assets and change the impact of applying hedge accounting. The Groups do not plan to adopt this standard early and the extent of the impact has not been determined.

1.25. Group formation

SAL was incorporated and SAT1 was established in Australia on 30 July 2013 and 13 July 2001 respectively.

Following approval at the Scheme Meeting and General Meetings held on 22 November 2013, the provisions that related to the stapling of the SAT1 units and SAT2 units ceased to apply from 3 December 2013.

A Sydney Airport Stapling Deed was executed between SAT1 and SAL on 3 December 2013, allowing the stapling of SAT1 units to SAL shares from 3 December 2013.

1.26. Change in accounting policy

The Groups adopted AASB 13: *Fair Value Measurement (2011)* with a date of initial application of 1 January 2013. AASB 13 provides a single source of guidance on how fair value is measured, and replaced the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs.

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for year ended 31 December 2013

2. Minority Acquisitions, Restructure and ATO Resolution

2.1. Minority acquisitions

On 14 August 2013, it was announced to the ASX that ASX-listed Sydney Airport had agreed to purchase all remaining unlisted direct and indirect minority interests in Sydney Airport. Following completion, ASX-listed Sydney Airport moved from a holding of 84.8% to 100.0% ownership of Sydney Airport. The consideration payable for the minority acquisitions was structured to ensure there was no airport ownership dilution for ASX-listed Sydney Airport's existing security holders.

The successful completion of the minority acquisitions in August and September 2013 means that ASX-listed Sydney Airport now owns 100.0% of Sydney Airport.

2.1.1. HTA, Future Fund, CDPQ, UTA and KfW minority acquisitions

On 14 August 2013, a Share Acquisition Agreement (SAA) was entered into for ASX-listed Sydney Airport to purchase the unlisted Sydney Airport minorities' 12.1% ownership interest held through SCACH.

- an institutional placement was successfully completed, issuing 85.6 million ASX-listed Sydney Airport stapled securities to institutional investors raising $308.2 million. Of the total proceeds from the institutional placement, $297.6 million net of agreed transaction costs was paid to Caisse de dépôt et placement du Québec (CDPQ), KfW IPEX-Bank GmbH (KFW) and Utilities Trust of Australia (UTA) as consideration for their unlisted indirect 3.9% ownership in Sydney Airport; and
- 180.2 million ASX-listed Sydney Airport stapled securities were issued to HOCHTIEF AirPort (HTA) and The Future Fund Board of Guardians (Future Fund) as consideration for their remaining unlisted indirect 8.2% ownership in Sydney Airport.

In total, 265.8 million ASX-listed Sydney Airport stapled securities were issued to HTA, Future Fund and via the institutional placement.

On 20 August 2013 the NSW Office of State Revenue (OSR) issued a Duties Notice of Assessment for $49.4 million for stamp duty payable relating to these minority acquisitions. This Assessment was paid out of non-operational cash balances.

2.1.2. MTAA and UniSuper minority acquisitions

On 14 August 2013, Unit Acquisition Agreements (UAA) were entered into providing for ASX-listed Sydney Airport to purchase the unlisted indirect 3.1% ownership in Sydney Airport held by MTAA Superannuation Fund (MTAA) and UniSuper Superannuation Fund (UniSuper). The terms of each UAA provided that the acquisition of the unlisted indirect ownership in Sydney Airport was conditional on the receipt of approval by ASX-listed Sydney Airport security holders under ASX Listing Rule 7.1 (among other matters) for two resolutions passed at an Extraordinary General Meeting held on 19 September 2013. As a result of these resolutions passing, on 23 September 2013:

- 52.4 million ASX-listed Sydney Airport stapled securities were issued to MTAA as consideration for its unlisted indirect 2.4% ownership in Sydney Airport; and
- 14.9 million ASX-listed Sydney Airport stapled securities were issued to UniSuper as consideration for its unlisted indirect 0.7% ownership in Sydney Airport.

In total, 67.3 million ASX-listed Sydney Airport stapled securities were issued to MTAA and UniSuper.

On 26 September 2013 the OSR issued Duties Notice of Assessments for $10.6 million and $3.0 million for stamp duty payable relating to the MTAA and UniSuper minority acquisitions respectively. The Assessments were paid out of non-operational cash balances.

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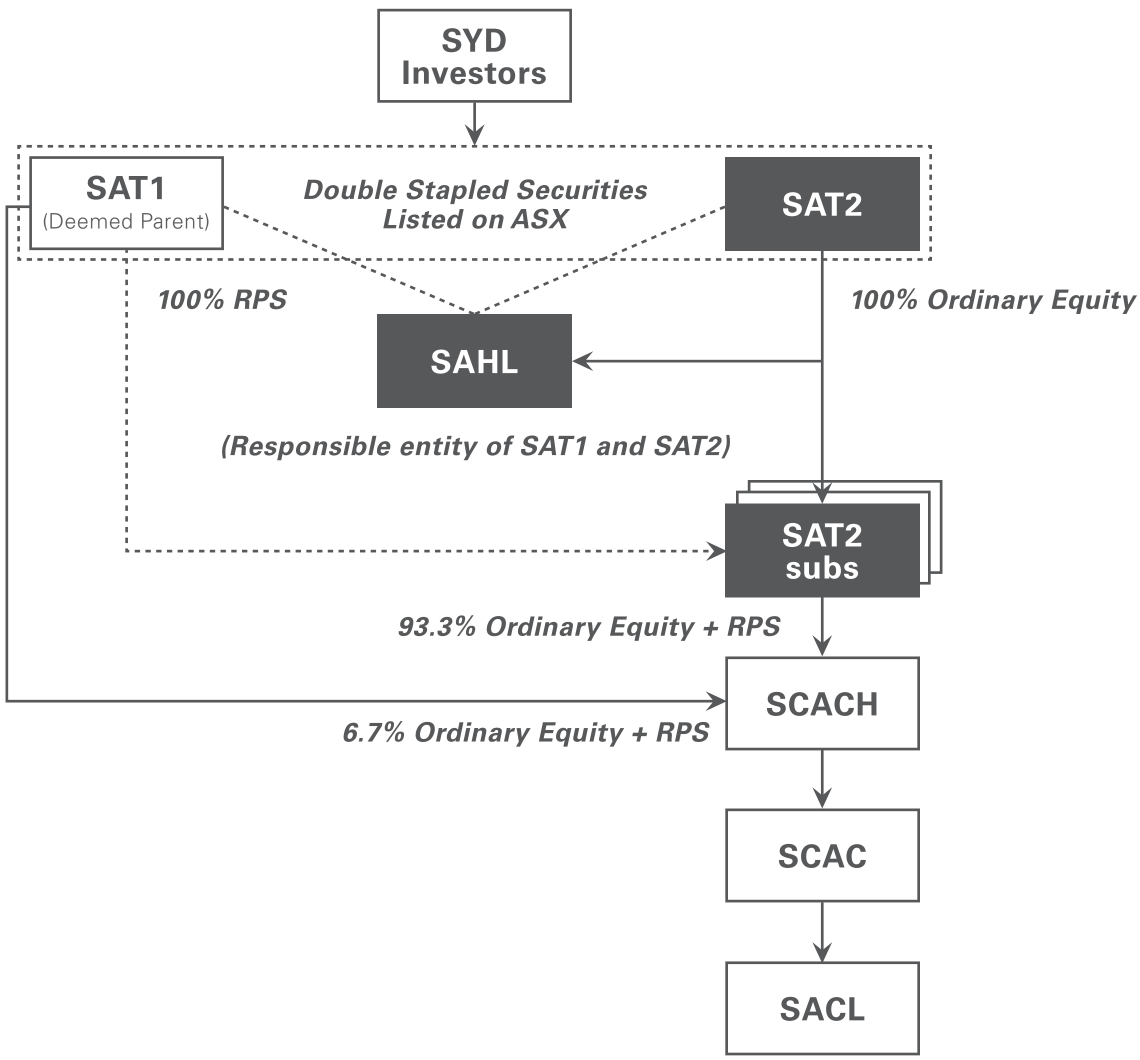
for year ended 31 December 2013

2. Minority Acquisitions, Restructure and ATO Resolution (continued)
2.2. Simplification

The successful completion of the minority acquisitions by ASX-listed Sydney Airport leading to 100.0% ownership of Sydney Airport provided the opportunity for further simplification of the Sydney Airport Group structure pursuant to a trust scheme (the Scheme) and restructure of the ASX-listed Sydney Airport Group (the Restructure) (together the Simplification). The directors of Sydney Airport Holdings Limited (SAHL) considered the Simplification would:

- further simplify the Sydney Airport Group Structure (refer to Sections 2.3 and 2.4);
- improve Sydney Airport governance arrangements (refer to Section 2.3.2);
- increase the permitted level of foreign ownership of Sydney Airport from 40.0% to 49.0% (refer to Section 2.4.2.4); and
- provide greater certainty in respect of ASX-listed Sydney Airport's tax affairs (refer to Section 2.5)

The following diagram is a simplified representation of the structure of ASX-listed Sydney Airport prior to the successful implementation of the Simplification:



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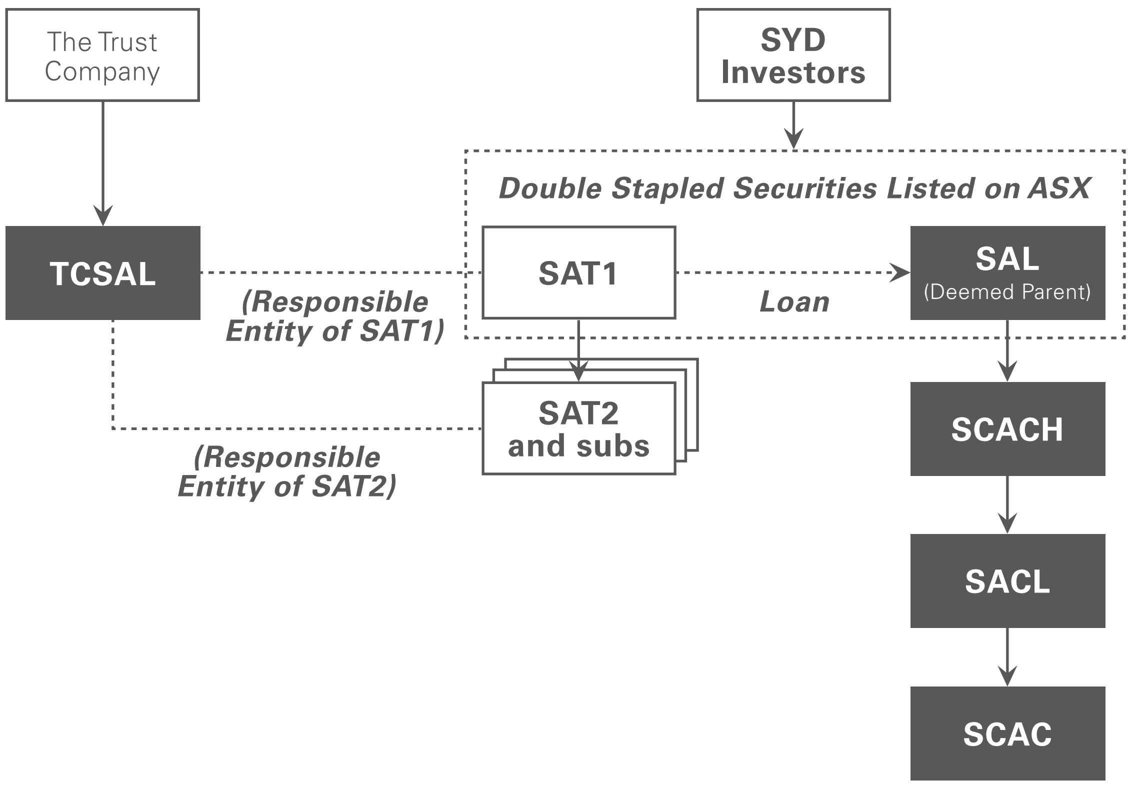
for year ended 31 December 2013

2. Minority Acquisitions, Restructure and ATO Resolution (continued)

Following successful implementation of the Simplification:

- ASX-listed Sydney Airport is a stapled vehicle comprised of SAT1 and SAL. ASX-listed Sydney Airport security holders own stapled securities each comprising one SAT1 unit and one SAL share;
- TCSAL is the Responsible Entity of SAT1;
- SAL owns the Sydney Airport operating entities including SACL, which continues as lessee and operator of Sydney (Kingsford Smith) Airport; and
- various Australian and foreign non-operating entities of the ASX-listed Sydney Airport Group were acquired by the SAT1 Group. The majority of these entities are expected to be wound up in an orderly fashion.

The following diagram is a simplified representation of the structure of ASX-listed Sydney Airport after the successful implementation of the Simplification on 3 December 2013:



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2. Minority Acquisitions, Restructure and ATO Resolution (continued)

2.3. Scheme

Following the successful implementation of the Scheme on 3 December 2013, ASX-listed Sydney Airport became a stapled vehicle comprising SAT1 and SAL and security holders owned stapled securities comprising one SAT1 unit and one SAL share. The Scheme (and related matters) was implemented as follows:

2.3.1. Establishment of SAL

On 30 July 2013, SAL was incorporated as a company registered in Victoria, Australia.

2.3.2. Appointment of new Responsible Entity for SAT1

TCSAL is a public company registered in Victoria. Its ultimate holding company was The Trust Company Limited (TCL), until its recent takeover by Perpetual Limited, an ASX-listed entity, described as one of Australia's foremost trustee companies offering trustee services for individuals, companies and charitable trusts. TCSAL is a single purpose entity, engaged only in managing SAT1 and certain non-operating members of the ASX-listed Sydney Airport Group.

The directors of TCSAL and their appointment dates are:

Name	Role	Period of directorship
David Grbin	Executive Director	Appointed 1 March 2010
Russell Balding	Non-Executive Director	Appointed 23 October 2013
Patrick Gourley	Non-Executive Director	Appointed 23 October 2013

Rupert Smoker is an alternate director of David Grbin, appointed 20 February 2012.

Following approval at the General Meeting held on 22 November 2013, Sydney Airport Holdings Limited retired as Responsible Entity of SAT1 and The Trust Company (Sydney Airport) Limited (TCSAL) was appointed in its place. The SAT1 Constitution was subsequently modified to reflect this change.

TCSAL agreed to act as Responsible Entity of SAT1 on the basis that if TCSAL is removed within 3 years of its appointment, in the absence of negligence, fraud or breach of trust by TCSAL, the SAL Group will pay an amount equal to the Responsible Entity fee for 3 years less any Responsible Entity fees already paid to TCSAL. The payment will not be made from the assets of SAT1, but from an amount deposited in escrow by SAL.

SACL and TCSAL have entered into a Resources Agreement under which SACL provides resources to enable TCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and SAT2. Fees are charged from SACL to TCSAL for resources provided, calculated per the relevant provisions in the Resources Agreement. TCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions. $0.5 million in fees has been charged by TCSAL for the period ended 31 December 2013 (refer to Note 22.4.1).

2.3.3 Unstapling of SAT1 units and SAT2 units and Stapling of SAT1 units and SAL shares

Following approval at the Scheme Meeting and General Meetings held on 22 November 2013, the provisions that related to the stapling of the SAT1 units and SAT2 units ceased to apply from 3 December 2013.

A Sydney Airport Stapling Deed was executed between TCSAL as Responsible Entity of SAT1 and SAL on 3 December 2013, allowing the stapling of SAT1 units to SAL shares from 3 December 2013.

2.3.4. SAL acquires SAT2

Following approval at the Scheme Meeting held on 22 November 2013, on 3 December 2013 SAL acquired all SAT2 units held by ASX-listed Sydney Airport security holders and as consideration they were issued one SAL share for every SAT2 unit they held at the record date (2 December 2013). Scheme participants were not required to pay any cash consideration for their SAL shares, nor did they receive any cash consideration for their SAT2 units.

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for year ended 31 December 2013

2. Minority Acquisitions, Restructure and ATO Resolution (continued)

2.4. Restructure

The ASX-listed Sydney Airport group structure after the Scheme implementation contains various entities and arrangements that remain as a consequence of the interests in foreign airports formerly held by the ASX-listed Sydney Airport. Following the successful approval of the Scheme on 22 November 2013, a Restructure was proposed in order to simplify those arrangements. The Restructure proposed:

- SAL holding the Sydney Airport operating entities;
- SAT1 providing a loan to, and operating under a board that is independent of SAL; and
- various Australian and foreign non-operating entities of the ASX-listed Sydney Airport Group would be acquired by the SAT1 Group. The majority of these entities are expected to be wound up in an orderly fashion.

2.4.1. SCACH internal restructure

An internal restructure of the SCACH subsidiaries was successfully undertaken on 2 December 2013, resulting in SCACH holding 100.0% of SACL and SACL holding 100.0% of SCAC (along with SACL's other existing subsidiaries).

2.4.2 ASX-listed Sydney Airport internal restructure

After the SCACH internal restructure and the scheme was implemented, SAL, SAT1 and their respective subsidiaries undertook a number of internal restructure steps to achieve separation of the SAL operating entities (acquired by SAL) from various Australian and foreign non-operational entities (acquired by SAT1). The ASX-listed Sydney Airport internal restructure was negotiated between the independent boards of TCSAL and SAL and implemented as follows:

2.4.2.1 SAL acquires subsidiary RPS from SAT1

SAL indirectly acquired the subsidiary RPS interests from SAT1 and directly acquired interests in SCACH from various entities in the ASX-listed Sydney Airport Group. Following acquisition, the subsidiary RPS interests were eliminated by the conversion to ordinary shares.

2.4.2.2. SAT1 acquires SAT2 and other non-operational entities from SAL

SAT1 then acquired all of the SAT2 units (and indirectly various non-operational entities currently within the ASX-listed Sydney Airport Group that were subsidiaries of SAT2) from SAL.

2.4.2.3. SAT1 and SAL new loan arrangement

A new loan was entered into between SAT1 as lender and SAL as borrower on 3 December 2013. The loan is an interest bearing, unsecured and subordinated loan. The terms of the loan were negotiated by the boards of SAL and TCSAL. The arrangement was consistent with ASX-listed Sydney Airport's intention to structure SAL as the holder of all Sydney Airport's operating interests and SAT1 as a financing entity.

2.4.2.4. Permitted foreign ownership

The succesful implementation of the Simplification resulted in the permitted foreign ownership of ASX-listed Sydney Airport increasing from 40.0% to 49.0% under the Airports Act 1996 (Cth). This provides the opportunity to broaden the ASX-listed Sydney Airport investor base.

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for year ended 31 December 2013

2. Minority Acquisitions, Restructure and ATO Resolution (continued)

2.5. ATO resolution

On 21 December 2012, ASX-listed Sydney Airport announced that the Australian Taxation Office had delivered to the SAT2 Tax Consolidated Group (SAT2 TCG) a position paper related to tax years ended 31 December 2010 and 31 December 2011. The position paper was the product of a specific issue tax audit by the ATO on the tax deductibility of distributions on RPS issued by members of the SAT2 TCG to SAT1. Although the ATO did not quantify a tax payable amount in the position paper, if the conclusions in the position paper carried forward to an adverse determination by the ATO, and that determination was ultimately sustained, the Responsible Entity of SAT2 estimated that it may have resulted in additional primary income tax payable of $79.0 million by the SAT2 TCG for tax years ended 31 December 2010 and 31 December 2011 excluding interest or penalties.

During the year, following extensive engagement with the ATO, a settlement was reached whereby the Commissioner of Taxation of the Commonwealth of Australia agreed the following key terms:

- an amount payable by SAT2 to the ATO including tax payable of $65.0 million and shortfall interest charge of $4.0 million; and
- no further audit activity in relation to any of the RPS issued by members of the SAT2 TCG.

On 10 December 2013 the ATO issued three Notices of Amended Assessment for tax years ended 31 December 2010, 31 December 2011 and 31 December 2012 to SAT2 for $69.0 million. This amount was paid to the ATO on 20 December 2013 using funds drawn down from the SAL term facility (refer to Note 13.2.1).

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for year ended 31 December 2013

3. Profit or Loss for the Period

Profit / (loss) before income tax benefit / (expense) includes the following specific items of revenue, other income and expense:

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Revenue			
Aeronautical revenue	42.8	421.4	433.2
Aeronautical security recovery	7.3	76.4	77.4
Retail revenue	22.8	218.8	235.1
Property and car rental revenue	16.0	171.2	169.0
Car parking and ground transport revenue	11.2	121.1	119.3
Interest income from other corporations	1.3	12.9	17.4
Interest income from related parties	-	20.0	-
Other income	0.8	15.0	3.9
Total revenue	102.2	1,056.8	1,055.3
Other income			
Foreign exchange gains	-	0.4	0.9
Foreign exchange gains on recycling of foreign currency translation reserve	-	-	(2.5)
Fair value gains on derivative contracts	-	-	(5.2)
Total other income	-	0.4	(6.8)
Total revenue	102.2	1,057.2	1,048.5

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Finance costs			
Interest expense – Sydney Airport	37.5	429.8	456.9
Loan facility fees	0.2	2.5	2.7
Total finance costs	37.7	432.3	459.6
Other expenses			
Amortisation and depreciation	24.9	275.2	300.1
Channel related initiatives	0.4	3.2	3.7
Employee benefits expenses	4.6	42.3	42.4
Services and utilities	4.4	46.2	46.6
Property and maintenance	2.0	16.8	18.1
Recoverable aeronautical security expenses	6.4	66.7	66.2
Compliance and listing fees	0.2	1.6	1.4
Investment transaction expenses	5.1	16.1	2.2
Legal, audit and professional fees	0.1	1.4	2.3
Fair value gains / (losses) on derivative contracts	(1.0)	12.6	-
Other operational costs	1.3	15.0	15.0
Total other expenses	48.4	497.1	498.0
Total operating expenses	86.1	929.4	957.6

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4. Income Tax Expense

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

	Note	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
(a) Profit before income tax expense / (benefit)		16.1	127.8	90.9
Income tax expense calculated @ 30%		4.8	38.3	27.3
Tax effect of permanent differences:				
— Non-deductible expenditure		-	15.1	10.9
— Non-assessable income		-	(0.2)	(0.2)
— Assessable income		-	-	0.3
— Deferred expenses		-	(9.4)	(9.3)
— Adjustments recognised in the current year in relation to the prior year		-	59.3	-
— ATO settlement payment	2.5	-	69.0	-
— Tax cost adjustments on joining SAL TCG		42.9	(157.5)	-
Prior year tax losses recouped during the year		-	-	(16.6)
Tax effect of operating results of Australian trusts		(2.8)	37.3	(79.4)
Tax effect of operating results of foreign operations		-	-	(0.2)
Income tax expense / (benefit)		44.9	51.9	(67.2)
(b) Income tax benefit				
Income tax benefit comprises:				
— ATO settlement payment	2.5	-	69.0	-
— Deferred income tax (benefit) / expense		44.9	(17.1)	(67.2)
		44.9	51.9	(67.2)
Income tax (benefit) / expense is attributable to:				
— Current year		44.9	51.9	(67.2)
Deferred income tax benefit included in income tax expense comprises:				
— (Decrease) / increase in deferred tax assets / liabilities	15	44.9	(17.1)	(67.2)
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but debited directly to equity:				
— Cash flow hedges		(4.7)	19.6	(18.2)
— Actuarial gain on defined benefit plans		1.3	-	-
	15	(3.4)	19.6	(18.2)
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised		-	-	11.9
Potential tax benefit @ 30%		-	-	3.6

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for year ended 31 December 2013

5. Remuneration of Auditors

	SAL Group 31 Dec 2013 $	SAT1 Group 31 Dec 2013 $	SAT1 Group 31 Dec 2012 $
Amounts paid or payable to auditors (KPMG) for:			
Audit and review of financial statements	251,500	262,500	553,900
Other services			
- Trust compliance services	11,000	-	9,300
- Other assurance services	132,354	283,629	480,578
Total amount paid or payable to auditors	394,854	546,129	1,043,778

Other assurance services in 2013 included amounts charged for limited assurance engagements relating to the Investigating Accountant's Report in the Explanatory Memorandum and the Restructure. Other assurance services in 2012 included amounts charged for services provided in respect of the refinancing of Sydney Airport senior debt.

6. Distributions Paid and Proposed

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Distributions were paid / payable as follows:			
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	252.3	208.5	186.1
Interim distribution paid for period ended 30 June (100% unfranked)	-	204.7	204.7
	252.3	413.2	390.8

	Cents per stapled security	Cents per stapled security	Cents per stapled security
Distributions were paid / payable as follows:			
Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	11.5	9.5	10.0
Interim distribution paid for period ended 30 June (100% unfranked)	-	11.0	11.0
	11.5	20.5	21.0

The total distribution by ASX-listed Sydney Airport for year ended 31 December 2013 was $457.0 million or 22.5 cents per stapled security (2012: $390.8 million or 21.0 cents).

An interim distribution of $204.7 million or 11.0 cents per stapled security (2012: $204.7 million or 11.0 cents) was paid by SAT1 on 16 August 2013.

The final distribution for ASX-listed Sydney Airport for year ended 31 December 2013 was $252.3 million or 11.5 cents per stapled security (2012: $186.1 million or 10.0 cents). $43.8 million or 2.0 cents per stapled security and $208.5 million or 9.5 cents per stapled security (2012: SAT1 $186.1 million or 10.0 cents) were paid by SAL and SAT1 respectively on 14 February 2014 (refer to Note 29).

There are $Nil imputation credits (2012: $Nil) available to pay franked distributions.

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7. Cash and Cash Equivalents

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Cash at bank	119.8	1.5	110.5
Deposits	323.5	-	323.2
	443.3	1.5	433.7

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

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Deposits original term to maturity			
Less than three months	303.5	-	270.3
Three to six months	20.0	-	48.0
Greater than six months	-	-	4.9
	323.5	-	323.2
Cash on hand	119.8	1.5	110.5
Total cash and cash equivalents	443.3	1.5	433.7

7.1. Deposits

Outstanding term deposits held by SAL Group at year end received interest at an average rate of 3.56% (2012: 4.40%) per annum. There were no outstanding term deposits held by SAT1 Group at year end.

There were no outstanding term deposits with a remaining term to maturity of over three months transferred to other financial assets at 31 December 2013 (2012: $15.3 million).

7.2. Cash not available for use

Included in the SAL Group's consolidated cash balance is $106.0 million (2012: $106.5 million) held by Southern Cross Airports Corporation Pty Limited (SCAC) in a separate bank account which is reserved for debt servicing and can only be used for the repayment of debt. An additional $21.5 million is held as a maintenance reserve by SCAC (2012: $8.3 million).

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8. Receivables

	Note	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Current				
Interest receivable		0.3	-	1.0
GST receivable		2.4	0.1	0.4
Withholding tax receivable		2.8	2.8	2.8
Receivables from related parties	22.5.3	-	20.0	-
Accrued revenue		34.9	-	41.8
Other receivables		5.0	0.1	3.6
		45.4	23.0	49.6
Trade receivables		76.9	-	54.1
Provision for doubtful receivables		(0.1)	-	-
Total current receivables		122.2	23.0	103.7
Non-current				
Lease receivable		25.8	-	25.9
Accrued revenue		12.5	-	13.4
Loans to related parties	22.5.3	-	1,933.7	-
Total non-current receivables		38.3	1,933.7	39.3

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

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

Discussion of the Groups' policies concerning the management of credit risk can be found in Note 25.5.

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9. Property, Plant and Equipment

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

Included in the additions of property, plant and equipment in the table above for the SAL Group are capitalised borrowing costs of $1.1 million.

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9. Property, Plant and Equipment (continued)

SAT1 Group $m	Freehold land	Buildings	Runways, taxis and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
	31 Dec 2013							
Cost								
Opening balance	11.4	1,573.1	789.2	774.4	345.7	192.6	93.5	3,779.9
Additions	-	-	-	-	-	-	212.1	212.1
Transfers	-	76.3	29.2	18.8	8.9	22.9	(156.1)	-
Disposals	-	-	-	-	-	(0.3)	-	(0.3)
Adjustment due to Restructure	(11.4)	(1,649.4)	(818.4)	(793.2)	(354.6)	(215.2)	(149.5)	(3,991.7)
Closing balance	-	-	-	-	-	-	-	-
Accumulated depreciation								
Opening balance	(0.7)	(510.4)	(181.8)	(209.0)	(213.2)	(155.3)	-	(1,270.4)
Depreciation	(0.1)	(82.5)	(24.6)	(29.3)	(23.1)	(22.2)	-	(181.8)
Disposals	-	-	-	-	-	0.3	-	0.3
Adjustment due to Restructure	0.8	592.9	206.4	238.3	236.3	177.2	-	1,451.9
Closing balance	-	-	-	-	-	-	-	-
Total carrying amount	-	-	-	-	-	-	-	-

SAT1 Group $m	Freehold land	Buildings	Runways, taxis and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
	31 Dec 2012							
Cost								
Opening balance	11.4	1,505.6	740.4	710.8	336.4	170.6	86.5	3,561.7
Additions	-	-	-	-	-	0.2	219.4	219.6
Transfers	-	67.5	48.8	63.6	9.3	22.2	(211.4)	-
Disposals	-	-	-	-	-	(0.4)	-	(0.4)
Other adjustments	-	-	-	-	-	-	(1.0)	(1.0)
Closing balance	11.4	1,573.1	789.2	774.4	345.7	192.6	93.5	3,779.9
Accumulated depreciation								
Opening balance	(0.6)	(421.1)	(157.0)	(178.9)	(187.1)	(128.5)	-	(1,073.2)
Depreciation	(0.1)	(89.3)	(24.8)	(30.1)	(26.1)	(26.8)	-	(197.2)
Closing balance	(0.7)	(510.4)	(181.8)	(209.0)	(213.2)	(155.3)	-	(1,270.4)
Total carrying amount	10.7	1,062.7	607.4	565.4	132.5	37.3	93.5	2,509.5

Included in the additions of property, plant and equipment in the tables above for the SAT1 Group are capitalised borrowing costs of $8.5 million (2012: $7.7 million).

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10. Intangible Assets

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

SAT1 Group $m	31 Dec 2013 Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Cost					
Opening balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Adjustment due to Restructure	(669.7)	(169.8)	(5,607.8)	(2,038.1)	(8,485.4)
Closing balance	-	-	-	-	-
Accumulated amortisation					
Opening balance	-	(127.7)	(371.8)	(135.1)	(634.6)
Amortisation	-	(16.0)	(56.8)	(20.6)	(93.4)
Adjustment due to Restructure	-	143.7	428.6	155.7	728.0
Closing balance	-	-	-	-	-
Total carrying amount	-	-	-	-	-

SAT1 Group $m	31 Dec 2012 Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Cost					
Opening balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Closing balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Accumulated amortisation					
Opening balance	-	(109.3)	(309.8)	(112.6)	(531.7)
Amortisation	-	(18.4)	(62.0)	(22.5)	(102.9)
Closing balance	-	(127.7)	(371.8)	(135.1)	(634.6)
Total carrying amount	669.7	42.1	5,236.0	1,903.0	7,850.8

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10. Intangible Assets (continued)

10.1. Impairment test for goodwill

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Sydney Airport	669.7	-	669.7
Total goodwill	669.7	-	669.7

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

Other key assumptions used in the fair value less costs to sell calculation include international and domestic passenger numbers and inflation. Total passenger numbers were 37.9 million for year ended 31 December 2013 (2012: 36.9 million) and experienced growth of 2.8% during 2013 (2012: 3.6%). Average long-term inflation rates were assumed to be within the Reserve Bank of Australia (RBA) target range.

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11. Subsidiaries
11.1. The Group's significant subsidiaries

		Beneficial ownership interest		
Name of entity	**Country of incorporation**	**SAL Group 31 Dec 2013**	**SAT1 Group 31 Dec 2013**	**SAT1 Group 31 Dec 2012**
Southern Cross Airports Corporation Holdings Limited (SCACH)	Australia	100.0%	0.0%	84.8%
Sydney Airport Corporation Limited (SACL)	Australia	100.0%	0.0%	84.8%
Southern Cross Airports Corporation Pty Limited (SCAC)	Australia	100.0%	0.0%	84.8%

12. Payables

	SAL Group 31 Dec 2013 $m	**SAT1 Group 31 Dec 2013 $m**	**SAT1 Group 31 Dec 2012 $m**
Current			
Interest payable on external debt	61.4	-	64.9
Trade payables	3.3	-	4.3
Expense accruals	70.5	0.3	66.5
Employee entitlements	12.5	-	11.6
Amounts payable under finance lease agreement	0.4	-	2.2
GST payable	9.1	-	7.3
Sundry creditors	14.6	-	24.0
Total current payables	171.8	0.3	180.8
Non-current			
Lease payable	-	-	0.4
Total non-current payables	-	-	0.4

The fair values of payables approximate their carrying values.

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

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13. Interest Bearing Liabilities

	Note	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Current				
SCACH				
— Bank facilities	13.1.2	35.4	-	-
— Medium Term Notes	13.1.3	698.2	-	216.5
Total current interest bearing liabilites		733.6	-	216.5
Non-current				
SCACH				
— Bank facilities	13.1.2	1,129.2	-	716.0
— Medium Term Notes	13.1.3	3,800.4	-	4,294.1
— Capital Index Bonds	13.1.4	997.5	-	967.8
— SCACH Redeemable Preference Shares	13.1.5	-	-	244.3
SAL				
— Bank facilities	13.2.1	79.7	-	-
Total non-current interest bearing liabilities		6,006.8	-	6,222.2
Total interest bearing liabilities		6,740.4	-	6,438.7

The amounts above are stated at carrying amounts net of borrowing costs.

13.1. SCACH interest bearing liabilities

13.1.1. Assets pledged as security

In accordance with the security arrangements, SCACH has pledged all of its assets (excluding deferred tax and goodwill) as security for its interest bearing liabilities.

13.1.2. SCACH bank facilities

SCACH has entered into a series of bank facilities secured by fixed and floating charges over the assets of the SCACH and its subsidiaries (SCACH Group) and a mortgage over the Airport lease. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2013, SCACH has an undrawn balance on these facilities of $662.5 million (2012: $1,104.5million).

13.1.3. Medium Term Notes

SCACH has issued a mixture of fixed and floating interest rate domestic and foreign Medium Term Notes (MTNs). The MTNs are secured by fixed and floating charges over assets of SCACH Group and a mortgage over the Airport lease. Financial guarantee in respect of $2,578.2 million (2012: $2,789.9 million) are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp. SCACH repaid $217.0 million of MTNs on 20 November 2013 (2012: $278.0 million).

13.1.4. Capital Index Bonds

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

13.1.5. RPS issued by SCACH

SCACH has on issue 13,648,394 Redeemable Preference Shares (RPS) (2012: 13,648,394 RPS), with each SCACH RPS stapled to one SCACH ordinary share. The RPS carry an entitlement to a fixed cumulative dividend of 13.5% per annum, payable quarterly. The RPS are redeemable at a premium of $50 per RPS on 28 June 2032.

At 31 December 2013 the SAL Group holds 13,648,394 SCACH RPS (2012: 11,995,115 RPS) which are eliminated on consolidation.

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13. Interest Bearing Liabilities (continued)

13.2. SAL interest bearing liabilities

13.2.1. SAL Bank Facilities

SAL entered into an unsecured 24 month $100.0 million term facility and an unsecured 12 month $15.0 million working capital facility, both with Commonwealth Bank of Australia and Westpac Banking Corporation on 5 December 2013. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2013, $20.0 million on the term facility and $15.0 million on the working capital facility are undrawn.

14. Derivative Financial Instruments

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Current			
Interest rate swaps	101.5	-	113.7
Cross currency swaps	24.4	-	33.2
Total current liability	125.9	-	146.9
Non-current			
Interest rate swaps	92.3	-	201.6
Cross currency swaps	(102.2)	-	2.7
Total non-current (asset) / liability	(9.9)	-	204.3

The adoption of AASB13: *Fair Value Measurement* requires the value of derivative assets and liabilities be adjusted to reflect the credit worthiness of each party to a derivative transaction. For the period ended 31 December 2013 the adjustment required an increase to fair value expense in the Consolidated Statements of Comprehensive Income of $8.4 million, an increase to the cash flow hedge reserve of $8.6 million and an increase to derivative financial instruments of $17.0 million.

14.1. Instruments used by the SAL Group

At 31 December 2013, the SAL Group is party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the SAL Group's financial risk management policies (refer to Note 25.3.1).

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15. Tax Assets and Tax Liabilities

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Current liabilities			
Provision for income tax	(0.5)	-	-
Non-current liabilities			
Deferred tax liabilities	1,699.1	-	1,655.0
The balance of deferred tax liabilities comprises temporary differences attributable to:			
Amounts recognised in the Consolidated Statements of Comprehensive Income			
— Property, plant and equipment	86.1	-	272.2
— Intangibles	2,043.9	-	2,074.0
— Interest bearing liabilities	5.0	-	(7.6)
— Finance cost payable	-	-	(45.1)
— Deferred income	0.9	-	0.4
— Deferred costs	(1.9)	-	11.2
— Accrued revenue and prepayments	8.2	-	11.6
— TOFA assets	(4.9)	-	(9.4)
— Other financial assets	-	-	(0.4)
— Other payables	(8.6)	-	(9.5)
— Cash flow hedges	79.0	-	(19.6)
— Defined benefits plan	0.6	-	0.7
— Tax losses	(438.3)	-	(536.4)
	1,770.0	-	1,742.1
Amounts recognised directly in equity			
— Cash flow hedges	(71.9)	-	(86.8)
— Defined benefits plan	1.0	-	(0.3)
	(70.9)	-	(87.1)
Net deferred tax liabilities	1,699.1	-	1,655.0
Movements in deferred tax liabilities:			
Opening balance at 1 January	-	1,655.0	1,740.4
Debited / (credited) to the Consolidated Statements of Comprehensive Income			
— Deferred tax balances recognised due to Restructure	1,659.0	-	-
— Property, plant and equipment	(0.7)	(185.4)	(11.7)
— Intangibles	(1.8)	(28.3)	(30.9)
— Interest bearing liabilities	-	12.6	5.7
— Finance cost payable	-	45.1	(33.1)
— Deferred income	-	0.5	0.3
— Deferred costs	(2.0)	(11.1)	28.9
— Accrued revenue and prepayments	-	(3.4)	(0.9)
— TOFA assets	-	4.5	4.7
— Other financial assets	-	0.4	-
— Other payables	(1.3)	2.1	(0.9)
— Cash flow hedges	6.5	92.1	(12.0)
— Defined benefits plan	-	(0.1)	0.7
— Tax losses	42.8	55.4	(18.0)
— Deferred tax balances derecognised due to Restructure	-	(1,659.0)	-
	1,702.5	(1,674.6)	(67.2)
Debited / (credited) to equity	(3.4)	19.6	(18.2)
Closing balance at 31 December	1,699.1	-	1,655.0

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16. Contributed Equity

	Note	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Opening balance at 1 January		-	3,948.5	3,948.5
Contributed equity recognised due to Restructure		5,178.0	-	-
Issued pursuant to the Restructure	2.1	-	1,230.2	-
Issue costs (net of tax)		-	(0.6)	-
Contributed equity derecognised due to Restructure		-	(2,779.7)	-
Closing balance at 31 December		5,178.0	2,398.4	3,948.5

		SAL Group 31 Dec 2013 Shares 'm	SAT1 Group 31 Dec 2013 Units 'm	SAT1 Group 31 Dec 2012 Units 'm
On issue at beginning of year		-	1,861.2	1,861.2
Issued pursuant to the Restructure	2.1	-	333.1	-
Adjustment due to Restructure		2,194.3	-	-
On issue at end of year		2,194.3	2,194.3	1,861.2

16.1. Ordinary shares in SAL and Ordinary units in SAT1

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

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

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

17. Retained Profits

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Opening balance at 1 January	-	501.0	710.7
Adjustment due to Restructure	338.8	-	-
Profit / (loss) attributable to Groups' security holders	(26.9)	88.4	179.2
Actuarial gain on defined benefit plans	4.4	-	2.8
Actuarial gain on defined benefit plans - deferred tax	(1.3)	-	(0.9)
Reclassification of other reserve to Consolidated Statement of Comprehensive Income	-	(27.7)	-
Reclassification from capital reserve	-	254.4	-
Distributions provided for or paid	(252.3)	(413.2)	(390.8)
Closing balance at 31 December	62.7	402.9	501.0

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18. Reserves

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Balance of reserves			
Capital reserve	-	(967.6)	(713.2)
Cash flow hedge reserve	(167.9)	-	(171.9)
Other reserve	(3,161.6)	(87.1)	(1,515.7)
	(3,329.5)	(1,054.7)	(2,400.8)
Movements of reserves			
Capital reserve			
Opening balance at 1 January	-	(713.2)	(713.2)
Transfer from retained earnings	-	(254.4)	-
Closing balance at 31 December	-	(967.6)	(713.2)
Cash flow hedge reserve			
Opening balance at 1 January	-	(171.9)	(133.9)
Adjustment due to Restructure	(157.0)	127.6	-
Revaluation – gross	(15.6)	63.3	(54.3)
Revaluation – tax effect	4.7	(19.0)	16.3
Closing balance at 31 December	(167.9)	(0.0)	(171.9)
Other reserve			
Opening balance at 1 January	-	(1,515.7)	(1,515.7)
Adjustment due to Restructure	(3,161.6)	1,400.9	-
Reclassification of other reserve to Consolidated Statement of Comprehensive Income	-	27.7	-
Closing balance at 31 December	(3,161.6)	(87.1)	(1,515.7)

18.1. Nature and purpose of reserves

18.1.1. Capital reserve

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

18.1.2. Cash flow hedge reserve

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

18.1.3. Other reserve

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

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19. Non-Controlling Interest in Controlled Entities

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

SAL was identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities on 3 December 2013 (refer to Note 1.3.1). As per the application of AASB3: *Business Combinations* (refer to Note 1.3.3), from this date SAL Group is deemed to hold a controlling interest in SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report for year ended 31 December 2013 and recognise a non-controlling interest (NCI).

Accordingly SAT1 Group's net result after tax from 3 December 2013 to 31 December 2013 and its contributed equity, reserves and retained earnings at 31 December 2013 is attributed to NCI in the SAL Group consolidated financial report to 31 December 2013.

19.2. Non-controlling interest in SCACH

SAT1 Group held a direct interest in SCACH of 84.8% to 14 August 2013 (2012: 84.8%). Accordingly 15.2% of the SCACH net result after tax for the period 1 January 2013 to 14 August 2013 and its contributed equity, reserves and retained profits on 14 August 2013 was attributed to NCI in the SAT1 Group consolidated financial report.

As a result of the HTA, Future Fund, CDPQ, UTA and KfW minority acquisitions on 14 August 2013 (refer to Note 2.1.1), SAT1 Group held a 100.0% interest in SCACH, therefore the remaining NCI share of SCACH contributed equity, reserves and retained profits at 14 August 2013 was transferred to other reserves. At 31 December 2013, SAL Group's interest in SCACH is 100.0% (2012: 84.8%).

19.3. Non-controlling interest in SCAAT

SAT1 Group held a direct interest in SCAAT of 95.1% to 23 September 2013 (2012: 95.1%). Accordingly 4.9% of the SCAAT net result after tax for the period 1 January 2013 to 23 September 2013 and its contributed equity, reserves and retained profits on 23 September 2013 was attributed to NCI in the SAT1 Group's consolidated financial report.

As a result of the MTAA and UniSuper minority acquisitions on 23 September 2013 (refer to Note 2.1.2), SAT1 Group held a 100.0% interest in SCAAT, therefore the remaining NCI share of SCAAT contributed equity, reserves and retained profits at 23 September 2013 was transferred to other reserves. At 31 December 2013 SAL Group's interest in SCAAT is 100.0% (2012: 95.1%).

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20. Earnings per Share

	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
Profit after tax attributable to security holders used in calculating basic / diluted profit per share / unit	(26.9)	88.4	179.2

	SAL Group 31 Dec 2013 Shares 'm	SAT1 Group 31 Dec 2013 Units 'm	SAT1 Group 31 Dec 2012 Units 'm
Weighted average number of shares / units used in calculating basic / diluted profit per share / unit	2,194.3	1,976.5	1,861.2

21. Cash Flow Information

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Reconciliation of cash flows from operating activities			
Profit / (loss) for year	(28.8)	75.9	158.1
Expenses relating to investing activities	5.1	16.1	2.2
Expenses relating to financing activities	26.3	444.1	477.4
Loss / (gain) on derivative contracts	(1.0)	12.6	4.5
Depreciation and amortisation	24.9	275.2	300.1
Net gain on sale of non-current assets	-	(0.4)	(0.1)
Doubtful debts	-	-	(0.1)
Net foreign exchange differences	-	(0.4)	2.3
Decrease / (increase) in receivables and other assets	(6.4)	(33.8)	1.4
Increase / (decrease) in payables	6.1	(15.5)	(8.8)
Increase / (decrease) in tax balances	44.9	51.9	(67.2)
Net cash inflow from operating activities	71.1	825.7	869.8

21.1 Non-cash financing and investing activities

265.8 million ASX-listed Sydney Airport stapled securities were issued as part of the HTA, Future Fund, CDPQ, UTA and KfW minority acquisitions of $956.9 million (refer to Note 2.1.1 and Note 16).

67.3 million ASX-listed Sydney Airport stapled securities were issued as part of the MTAA and UniSuper minority acquisitions of $273.3 million (refer to Note 2.1.2 and Note 16).

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21. Cash Flow Information (continued)

21.2. Undrawn balance on loan facilities

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
SCACH undrawn balance on bank facilities			
Bank facilities	576.5	-	1,018.5
Working capital facility	86.0	-	86.0
	662.5	-	1,104.5
SAL undrawn balance on bank facilities			
Working capital facility	15.0	-	-
Term facility	20.0	-	-
	35.0	-	-
SAT1 undrawn balance on bank facilities			
Working capital facility	-	-	100.0
Term facility	-	-	165.0
	-	-	265.0
Undrawn balance on bank facilities	697.5	-	1,369.5

21.2.1. SCACH undrawn bank facilities

SCACH has entered into a series of bank facilities secured by fixed and floating charges over the assets of SCACH and its subsidiaries (SCACH Group) and a mortgage over the Airport lease. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2013, SCACH has an undrawn balance on these facilities of $662.5 million (2012: $1,104.5 million).

21.2.2. SAL undrawn bank facilities

SAL entered into an unsecured 24 month $100.0 million term facility and an unsecured 12 month $15.0 million working capital facility, both with CBA and WBC on 5 December 2013. Interest is charged at Bank Bill Swap Bid Rate plus a predetermined margin. At 31 December 2013, $20.0 million on the term facility and $15.0 million on the working capital facility are undrawn.

The $80.0 million SAL term facility was fully repaid on 19 February 2014 (refer to Note 29).

21.2.3. SAT1 undrawn bank facilities

SAT1 cancelled a $165.0 million term facility and a $100.0 million working capital facility with CBA and WBC on 25 November 2013.

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22. Related Party Disclosures

22.1. Directors

The following persons were directors of SAL from the date noted and up to the date of this report including when SAL was identified as parent of ASX-listed Sydney Airport from 3 December 2013.

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	Appointed 18 October 2013
Trevor Gerber	Non-Executive Director	Appointed 18 October 2013
Michael Lee	Non-Executive Director	Appointed 18 October 2013
Robert Morris	Non-Executive Director	Appointed 18 October 2013
John Roberts	Non-Executive Director	Appointed 18 October 2013
Stephen Ward	Non-Executive Director	Appointed 18 October 2013
John Kite	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Jamie Motum	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Stephen Mentzines	Non-Executive Director	Appointed 30 July 2013, resigned 18 October 2013
Kerrie Mather	Executive director	Appointed 18 October 2013

The following persons were directors of TCSAL from the date noted and up to the date of this report including when:

- TCSAL was appointed Responsible Entity of SAT1 on 22 November 2013; and
- SAT1 continued as parent of ASX-listed Sydney Airport from 23 November 2013 to 2 December 2013.

Name	Role	Period of directorship
David Grbin	Executive Director	Appointed 1 March 2010
Russell Balding	Non-Executive Director	Appointed 23 October 2013
Patrick Gourley	Non-Executive Director	Appointed 23 October 2013

Rupert Smoker is an alternate director of David Grbin, appointed 20 February 2012.

The following persons were directors of Sydney Airport Holdings Limited (SAHL), the Responsible Entity of SAT1 and Sydney Airport Trust 2 (SAT2), for the period noted including when:

- SAT1 continued as parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013;
- SAHL ceased to be Responsible Entity of SAT1 on 22 November 2013; and
- SAHL ceased to be Responsible Entity of SAT2 on 3 December 2013.

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-Executive Director	From April 2006, resigned 3 December 2013
Trevor Gerber	Non-Executive Director	From May 2002, resigned 3 December 2013
Michael Lee	Non-Executive Director	From June 2003, resigned 3 December 2013
Robert Morris	Non-Executive Director	From September 2002, resigned 3 December 2013
John Roberts	Non-Executive Director	From October 2009, resigned 3 December 2013
Stephen Ward	Non-Executive Director	From February 2011, resigned 3 December 2013
Kerrie Mather	Executive Director	From July 2010, resigned 3 December 2013

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22. Related Party Disclosures (continued)

22.2. Security Holdings in ASX-listed Sydney Airport

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

Name	Balance at 1 Jan 2012	Balance at 1 Jan 2013	Balance at 31 Dec 2013	Changes prior to signing	Balance at signing date
Max Moore-Wilton	650,000	650,000	650,000	2,563	652,563
Trevor Gerber	225,000	225,000	225,000	3,063	228,063
Michael Lee	7,060	7,060	7,060	609	7,669
Robert Morris	40,908	40,908	40,908	-	40,908
John Roberts	67,507	67,507	67,507	105,318	172,825
Stephen Ward	21,818	21,818	21,818	-	21,818
Rupert Smoker	-	-	-	-	-
David Grbin	-	-	-	-	-
Russell Balding	-	-	-	-	-
Patrick Gourley	-	-	-	-	-
Kerrie Mather	3,555,021	3,555,021	3,555,021	13,722	3,568,743
Stephen Mentzines	-	-	-	25,683	25,683
Shelley Roberts	677	677	677	-	677

22.3. Key Executives

Remuneration Principles, Policy and Structure

The following individuals were determined to be Key Management Personel (KMP) by the directors for year ended 31 December 2013. During the year there were no changes to key executives.

Key Executive	Title	2013	2012
Kerrie Mather	Chief Executive Officer and Executive Director	✓	✓
Stephen Mentzines	Chief Financial Officer	✓	✓
Shelley Roberts	Executive Director Aviation Services	✓	✓

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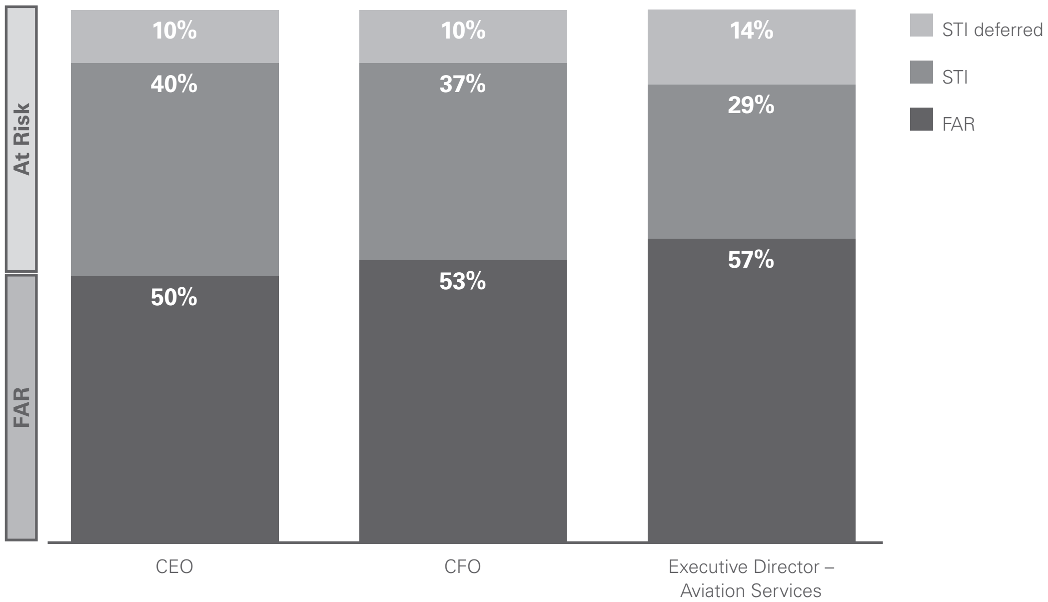
22. Related Party Disclosures (continued)

22.3.1. Remuneration structure for Key Executives at 31 December 2013

The remuneration structure of KMP and other 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 and KMP is expressed as a percentage of total remuneration, in the below table:



22.3.1.1. 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 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 the key Executives, each of which make up 50.0%. The two categories are group performance targets (as set out in Section 22.3.2), and individual key performance targets.

22.3.1.2. Performance setting

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

The STI award is determined after the preparation of the financial statements each year and the completion of the performance review process. The STI award is generally granted to executives in March, with the cash component paid at the time. Maximum potential STI awards for year ended 31 December 2013 range from 37.5% up to 100.0% of FAR.

22.3.1.3. CEO STI deferral

To promote CEO retention, 20.0% of any STI award up to 100.0% of FAR, and 1/3 of any amount in excess of 100.0% of FAR is deferred for two years from the date of the award. The deferred cash amount earns market rate interest over the two year period and is payable to the CEO upon vesting, subject to continuous service throughout the period. In April 2013, the Board amended the deferral period for Ms Mather's STI to 2 years, to align it to the deferral period of other KMP.

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22. Related Party Disclosures (continued)

22.3.1.4. Other Executives' STI deferral

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

22.3.2. Link between remuneration and performance.

History of corporate performance

Measure	2013	2012	2011	2010	2009
Security price at year end	$3.80	$3.38	$2.66	$2.99	$3.03
Ordinary distribution paid per security	$0.225	$0.21	$0.21	$0.21	$0.21
Other cash payments to security holders	-	-	$0.80	$0.125	-
Sydney Airport earnings before interest, tax, depreciation and amortisation (EBITDA) (100.0%) - $m	$910.3	$848.0	$789.8	$773.0	$689.3

Performance of KMP

Group objectives are used to determine 50.0% of an Executive's STI and Individual targets that are unique to the Executives's area of accountability and expertise are used to determine the remaining 50.0% of the Executive's STI outcome for 2013. 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 2013, these objectives included operational performance, cost containment, risk management, strategy development and implementation, project management, leadership and people, customer and stakeholder engagement.

The following table sets out the group performance objectives used in determining the CEO and KMP STI outcomes for 2013:

Objective	Weighting	Performance measure	Performance
Financial	30-50%	All executives have objectives relating to improved business performance and growth in EBITDA and cashflow	All financial measures met or exceeded corporate targets. EBITDA growth of 7.3% in 2013; Average EBITDA growth of 7.3% since 2008; Shareholder distribution growth of 7.1% in 2013; and Shareholder value appreciation of 19.0% in 2013.
Stakeholder engagement	10-20%	All executives have objectives relating to Customer and Stakeholder engagement, and the key area of focus in 2013 was in relation to the Master Plan	Significant management effort in engaging a range of stakeholders, including a concerted effort on building strong community engagement, has resulted in public support and advocacy for Sydney Airport's Master Plan.

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22. Related Party Disclosures (continued)

Objective	Weighting	Performance measure	Performance
People	10%	All executives have objectives relating to employee engagement, leadership capability, safety performance, diversity and organisational development	Diversity: In 2013, the number of women employed at Sydney Airport has increased from 95 to 105 and the proportion of women in management roles has increased from 26.3% to 28.6%. Staff Engagement: Increased by 6.5% in the last survey and a number of staff driven initiatives will be implemented in 2014 to further enhance staff engagement. Organisational Development: In 2013 a comprehensive Learning & Development program was launched to ensure continued focus on organisational development. Key areas of focus were: Leadership Capability, Management Training, and Safety Leadership. Management programs were supplemented with an organisation wide Safety Culture program.
Specific individual objectives	20-50%	Key areas of focus in 2013 were the: • corporate simplification and restructure, resolution of ATO matters and an increase in the foreign ownership cap; • Master Plan Development; • Gound Transport Plan; • customer service improvements; and • other initiatives as appropriate for the KMP	A significant corporate restructure, the acquisition of minorities resulting in 100% ownership, and the resolution of a number of ATO matters, was successfully completed in 2013 with no dilution in the number of securities held by existing shareholders. This has resulted in a material improvement in the enterprise value and delivered certainty for shareholders going forward. A new draft Master Plan for Sydney Airport was successfully developed and released for public consultation in 2013; the implementation of the plan will allow the airport to be developed to generate greater efficiency and productivity, as well as increased capacity. Extensive engagement with the many different stakeholder groups has resulted in unprecedented interest in and support for Sydney Airport's position. Through close collaboration with NSW agencies, a coherent Ground Transport Plan for Sydney Airport has been developed, along with alignment on priorities for Westconnex enabling works outside the airport boundary. In response to customer feedback throughout 2013, a number of initiatives which will significantly improve the customer experience at Sydney Airport have been successfully implemented.

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22. Related Party Disclosures (continued)

Performance pay outcomes for 2013

The NRC reviews the overall performance outcome for an individual based on the agreed performance objectives (as outlined in the table above) but retains overriding discretion when determining the value of any STI award to an Executive. The following table shows the STI outcomes for the 2013 year based on the performance criteria and measurement outlined above.

Key Executive	STI outcome % of maximum	Actual STI awarded Cash award $	STI deferred $	STI forfeited %
Kerrie Mather	100.0%	1,363,119	340,780	-%
Stephen Mentzines	100.0%	554,315	158,376	-%
Shelley Roberts	100.0%	252,795	126,398	-%

STI deferrals from previous period

Key Executives	Award date	Deferred $	Vesting date
Kerrie Mather	15 Mar 2013	550,000	15 Mar 2015
	15 Mar 2012	550,000	15 Mar 2014
Stephen Mentzines	15 Mar 2013	-	N/A
	15 Mar 2012	-	N/A
Shelley Roberts	15 Mar 2013	68,250	15 Mar 2015
	15 Mar 2012	6,059	15 Mar 2014

22.4. KMP Remuneration Arrangements for Year Ended 31 December 2013

22.4.1. Service agreements

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

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

CEO

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

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

Other Executives

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

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22. Related Party Disclosures (continued)

22.4.2. Executives Total Remuneration

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

	Short-term benefits		STI	Post employment benefits	Long-term benefits		% at Risk
Name	Salary $	STI $	Retained $	Superannuation $	Long service leave $	Total $	
Executive							
Kerrie Mather							
2013	1,684,480	1,363,119	340,780	17,122	28,250	3,433,751	50%
1 Jan to 2 Dec	1,553,035	1,256,854	314,214	15,787	26,005	3,165,895	
3 Dec to 31 Dec	131,445	106,265	26,566	1,335	2,245	267,856	
2012	1,683,877	1,150,000	550,000	16,123	28,071	3,428,071	50%
Stephen Mentzines							
2013	762,451	554,315	158,375	27,301	19,461	1,521,903	40%
1 Jan to 2 Dec	701,891	510,559	145,874	25,352	17,915	1,401,591	
3 Dec to 31 Dec	60,560	43,756	12,501	1,949	1,546	120,312	
2012	186,903	130,820	-	10,199	4,802	332,724	40%
Shelley Roberts							
2013	484,311	252,795	126,398	21,280	11,925	896,709	43%
1 Jan to 2 Dec	446,020	232,675	116,338	19,331	10,978	825,342	
3 Dec to 31 Dec	38,291	20,120	10,060	1,949	947	71,367	
2012	426,728	227,500	68,250	38,161	12,611	773,250	39%
Total - Executives							
2013	2,931,242	2,170,229	625,553	65,703	59,636	5,852,363	
1 Jan to 2 Dec	2,700,946	2,000,088	576,426	60,470	54,898	5,392,828	
3 Dec to 31 Dec	230,296	170,141	49,127	5,233	4,738	459,535	
2012	2,297,508	1,508,320	618,250	64,483	45,484	4,534,045	

During the period SAL was identified as parent of ASX-listed Sydney Airport from 3 December to 31 December 2013, the NEDs received short term employee benefits of $109,498 and post employement benefits of $7,297.

The 2012 Long Service Leave amounts have been adjusted to reflect long service leave expensed during the period rather than the year end balances.

No termination payments were made to KMP during the year.

22.5. SAT1 Group Related Party Disclosures

22.5.1. SAT1 Responsible Entity

SAHL was the Responsible Entity of SAT1 for the period from 1 January 2013 to 22 November 2013. During this period, it generated Responsible Entity fees that are eliminated at the SAT1 Group level and therefore not disclosed in the SAT1 Group Statements of Comprehensive Income as SAT1 was deemed to control SAHL for this period.

Following approval at the General Meeting held on 22 November 2013, SAHL retired as Responsible Entity of SAT1 and TCSAL was appointed in its place. The SAT1 constitution was subsequently modified to reflect this change.

TCSAL agreed to act as Responsible Entity of SAT1 on the basis that if TCSAL is removed within 3 years of its appointment, in the absence of negligence, fraud or breach of trust by TCSAL, the SAL Group will pay an amount equal to the Responsible Entity fee for 3 years less any Responsible Entity fees already paid to TCSAL. The payment will not be made from the assets of SAT1, but from $800,000 deposited in escrow by SAL.

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22. Related Party Disclosures (continued)

SACL and TCSAL have entered into a Resources Agreement under which SACL provides resources to enable TCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and SAT2. Fees are charged from SACL to TCSAL for resources provided, calculated per the relevant provisions in the Resources Agreement. TCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions. There were $Nil fees charged to 31 December 2013.

During the year $525,000 was charged by TCSAL to SAT1for establishment and Responsible Entity fees and $25,000 remains unpaid at 31 December 2013.

22.5.2. Put Option Deed

Under the Put Option Deed (the POD) entered into in connection with the Sydney Airport governance arrangements, SAL has granted The Trust Company Limited (TCL) an option to require SAL (or a SAL nominee) to purchase all of the issued shares in TCSAL. Before TCL can exercise the option under the POD, it is required to engage with SAL for a period which is expected to allow a replacement responsible entity or an alternative purchaser of the issued shares in TCSAL to be identified. This is intended to avoid any potential adverse outcome that would arise on the issued shares in TCSAL being acquired by SAL (or one of its subsidiaries). No value has been attributed to the option under the POD.

22.5.3. SAT1 and SAL Cross Staple Loan

A new loan was entered into between SAT1 as lender and SAL as borrower on 3 December 2013. The loan is an interest bearing, unsecured and subordinated loan. Under the terms of the loan, interest is calculated at 13.0% and is payable in the first two months of semi-annual periods beginning on 1 January and 1 July in advance. Interest which is not paid is capitalised. The term of the loan is 9 years and 360 days from 3 December 2013.

The balance outstanding at 31 December 2013 was $1,933,690,125. During the year interest of $19,972,635 was accrued on the loan and $19,972,635 remains unpaid at 31 December 2013.

22.5.4. Custodian fees

TCL is a related entity of SAT1 from 22 November 2013 to 31 December 2013. During this period fees of $31,000 were accrued and remain unpaid at 31 December 2013.

22.5.5. SAT1 Board fees

For the period from 1 January 2013 to 22 November 2013, the board members of SAHL as Responsible Entity of SAT1 received the following annual fees inclusive of superannuation contributions.

Role	Annual fee
Chair	$320,000
Member	$100,000

Following the appointment of TCSAL as Responsible Entity of SAT1, TCSAL board members receive an annual fee of $50,000 inclusive of required superannuation contributions. David Grbin, as the director nominated by TCL, does not receive any director fees.

22.5.6 SAT1 Directors' Remuneration for the Year

Fees and other benefits provided to SAT1 directors during the period that SAHL was Responsible Entity are set out in the table below. Any contributions to personal superannuation or pension funds on behalf of the directors are deducted from their overall fee entitlements.

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22. Related Party Disclosures (continued)

SAHL Name	Short term employee benefits Directors' fees $	 Other[1] $	Post employment benefits Superannuation $	Total $
Max Moore-Wilton (Chairman)				
1 Jan to 22 Nov 2013	271,744	128,390	15,363	415,497
1 Jan to 31 Dec 2012	303,877	139,660	26,463	470,000
Trevor Gerber				
1 Jan to 22 Nov 2013	97,166	66,986	14,985	179,137
1 Jan to 31 Dec 2012	110,045	75,000	14,955	200,000
Michael Lee				
1 Jan to 22 Nov 2013	95,867	66,986	14,817	177,670
1 Jan to 31 Dec 2012	107,700	75,000	14,800	197,500
Robert Morris				
1 Jan to 22 Nov 2013	86,869	66,986	14,067	167,922
1 Jan to 31 Dec 2012	99,965	75,000	12,535	187,500
John Roberts				
1 Jan to 22 Nov 2013	76,593	66,986	13,129	156,708
1 Jan to 31 Dec 2012	86,594	75,000	13,406	175,000
Stephen Ward				
1 Jan to 22 Nov 2013	93,035	66,986	14,630	174,651
1 Jan to 31 Dec 2012	111,129	75,000	15,080	201,209
Total				
1 Jan to 22 Nov 2013	721,274	463,320	86,991	1,271,585
1 Jan to 31 Dec 2012	819,310	514,660	97,239	1,431,209

[1] Includes additional reimbursement in respect of the Director's appointment to the Board of SCACH.

TCSAL Name	Short term employee benefits Directors' fees $	 Other $	Post employment benefits Superannuation $	Total $
Russell Balding				
23 Oct to 31 Dec 2013	9,589[2]	-	-	-
Patrick Gourley				
23 Oct to 31 Dec 2013	9,589[2]	-	-	-

[2] Fees for Mr Russell Balding and Mr Patrick Gourley relate to their roles as NED of TCSAL for the period 23 October 2013 to 31 December 2013. These amounts will be paid in March 2014.

Mr Grbin and Mr Smoker are not entitled to receive any remuneration for their role as directors.

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23. Defined Benefit Plan

Employees are entitled to varying levels of benefits on retirement, disability or death. The Sydney Airport Superannuation Plan (the Plan) consists of a defined benefit plan which is fully funded and provides benefits based on years of service and final average salary and a defined contribution plan. The Plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration. Contributions by the SAL Groups of up to 9.25% of employees' remuneration are legally enforceable in Australia.

The following table discloses components of net benefit recognised in the Consolidated Statements of Comprehensive Income and the funded status and amounts recognised in the Consolidated Balance Sheets for the Plan:

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Amounts recognised in income in respect of defined benefit plans:			
Current service costs	1.6	-	1.8
Interest cost	-	-	(0.1)
Total included in employee benefit expense	1.6	-	1.7
Net actuarial gains recognised in the Consolidated Statements of Comprehensive Income	(3.1)	-	(2.0)
Cumulative net actuarial (gains) / losses recognised in the Consolidated Statements of Comprehensive Income	(2.4)	-	0.7
The amounts included in the Consolidated Balance Sheets arising from the Groups' obligations in respect of its defined benefit plans were:			
Present value of funded defined benefit obligations	(21.2)	-	(22.4)
Fair value plan assets	26.6	-	23.7
Net asset arising from defined benefit obligations	5.4	-	1.3

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Included in the Consolidated Balance Sheets			
Non-current assets			
Superannuation plan asset	5.4	1.3	1.3
Adjustment due to restructure	-	(1.3)	-
Net asset arising from defined benefit obligations	5.4	-	1.3

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Movements in the present value of defined benefit obligations:			
Opening balance at 1 January	-	22.4	23.6
Adjustment due to restructure	22.4	(22.4)	-
Current service cost	1.6	-	1.8
Interest cost	0.7	-	0.7
Actuarial gains	(2.3)	-	(1.5)
Benefits paid	(0.9)	-	(1.9)
Taxes, premiums and expenses paid	(0.3)	-	(0.3)
Closing balance at 31 December	21.2	-	22.4

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23. Defined Benefit Plan (continued)

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Movements in the present value of the plan assets in the current year were as follows:			
Fair value of plan assets at 1 January	-	23.7	22.4
Interest income	0.8	-	0.7
Return on plan assets, excluding interest income	2.1	-	1.5
Employer contributions	1.3	-	1.3
Benefits paid	(0.9)	-	(1.9)
Taxes, premiums and expenses paid	(0.4)	-	(0.3)
Adjustment due to restructure	23.7	(23.7)	-
Fair value of plan assets at 31 December	26.6	-	23.7

The actual return on plan assets was an increase of $2.9 million (2012: increase of $2.2 million), with all participants being active plan participants. The weighted average duration of the defined benefit obligation is 9.0 years (2012: 8.4 years).

The Groups' expect to contribute at the current recommended rate of 14.1% (including 3.0% productivity contributions of salaries of defined benefit members and 9.25% of salaries of defined contribution members).

The principal actuarial assumptions used in determining the Plan liability and sensitivities were:

	Group 31 Dec 2013	Group 31 Dec 2012
Discount rate	4.3%	3.3%
Future salary increases	3.5%	3.5%

	0.5% increase	0.5% decrease
Discount rate	(1.0)	1.1
Future salary increases	1.0	(1.0)

Plan assets comprise investments in unquoted securities of $26.6 million (2012: $23.7 million)

The percentage invested in each asset class at reporting date were:

	31 Dec 2013	31 Dec 2012
Australian equity instruments	19.0%	18.0%
International equity instruments	21.0%	20.0%
Fixed income	26.0%	27.0%
Property	10.0%	12.0%
Alternatives / other	2.0%	4.0%
Cash	22.0%	19.0%

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24. Segment Reporting

Operating segments are determined in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAL (representing the Group) and SAT1 for the period ended 2 December 2013 for accounting purposes has been identified as the Chief Executive Officer (CEO).

For years ended 31 December 2013 and 31 December 2012 the CEO considered the business from the aspect of its core portfolio airport, and identified one operating segment for which it received regular reports. The segment is the investment in Sydney Airport.

The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 8: *Operating Segments*. The segment result represents 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA) (2012: 84.8%).

This is consistent with the manner in which information is presented to the CEO to monitor the performance of Sydney Airport. The segment also represents the Groups' geographical segment, determined by the country in which Sydney Airport operates.

From 2 December 2013, SAT1 Group ceased to consolidate Sydney Airport therefore its segment balance sheet representing the assets and alibilities of Sydney Airport at 31 December 2013 is $Nil.

Sydney Airport's revenues and expenses are consolidated in the Consolidated Statements of Comprehensive Income.

Sydney Airport	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
Total segment revenues from external customers	100.6	1,014.1	1,039.7
Total segment expenses from external customers	(19.2)	(185.5)	(191.7)
EBITDA	81.4	828.6	848.0

A reconciliation of the segment's EBITDA to profit before income tax benefit is shown below:

	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2012 $m
Sydney Airport			
EBITDA	81.4	828.6	848.0
Other			
Finance costs	(37.7)	(432.3)	(459.6)
Amortisation and depreciation	(24.9)	(275.2)	(300.1)
Other income and expenses	(2.7)	6.7	2.6
Profit before income tax benefit	16.1	127.8	90.9

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Non-current assets	10,366.2	-	10,405.9
Total assets	10,940.6	-	10,971.8
Total liabilities	(9,030.0)	-	(8,847.0)

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25. Financial Risk Management

25.1. Overview

ASX-listed Sydney Airport has exposure to the following risks arising from financial instruments:

- Market risk;
- Credit risk; and
- Liquidity risk.

This Note presents information about ASX-listed Sydney Airport's exposure to each of the above risks, objectives, policies and processes for measuring and managing risk, and the management of capital. Unless specifically stated, comparatives are for the SAT1 Group.

25.2. Risk management framework

The SAL board has overall responsibility for the establishment and oversight of the risk management framework for SAL and its subsidiaries. The SAL board identifies and evaluates financial risks and approves written principles for overall risk management, as well as written policies covering specific areas, such as mitigating interest rate, credit and foreign exchange risks, use of derivative financial instruments and investing excess liquidity.

25.3. Market risk

Market risk is the risk that changes in market prices, such as interest rate and foreign exchange rates, will affect net income or the value of their holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising return.

Market risk exposures are measured using a sensitivity analysis. Interest rate and cross currency swap contracts are entered to manage market risks. There has been no change during the period to SAL and its subsidiaries exposure to market risks or the manner in which it measures or manages market risk. SAT1 Group's exposure to market risks is outlined below.

25.3.1. Interest rate risk

Interest rate risks arise from SAL and its subsidiaries long-term borrowings and cash and cash equivalents.

Borrowings issued at variable rates exposes ASX-listed Sydney Airport to cash flow interest rate risk. Borrowings issued at fixed rates exposes the SAL Group to fair value interest rate risk. The SAL Group has long-term borrowings issued at both fixed and floating interest rates. For floating rate exposures, the SAL Group partially hedge their exposure by entering into interest rate and cross currency swaps, whereby the SAL Group agrees with counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts.

SAL and its subsidiaries' policy is to ensure that in the medium term a minimum of 65.0% of its senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps on a five year average look forward basis. At 31 December 2013, 91.5% (2012: 95.9%) of senior drawn borrowings were either fixed rate or hedged through interest rate swaps.

The SAL and its subsidiaries manage their cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under interest rate swaps, SAL and its subsidiaries agrees with other parties to exchange at periodic intervals the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional principal amounts.

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25. Financial Risk Management (continued)

The table below details the notional principal amounts and remaining terms of floating for fixed interest rate swap contracts outstanding at 31 December 2013 for the SAL Group:

	Average contracted fixed interest rates		Notional principal amount		Fair value	
	31 Dec 2013 %	31 Dec 2012 %	31 Dec 2013 $m	31 Dec 2012 $m	31 Dec 2013 $m	31 Dec 2012 $m
1 year or less	4.53%	-	391.0	-	(5.3)	-
1 to 2 years	6.30%	4.53%	1,453.0	391.0	(63.0)	(11.2)
2 to 5 years	5.42%	5.86%	2,029.3	3,282.3	(118.7)	(261.2)
5 years or more	4.12%	4.17%	844.1	1,044.1	(6.8)	(42.9)
			4,717.4	4,717.4	(193.8)	(315.3)

Interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is Australian BBSW or BBSY. SAL and its subsidiaries settle the difference between the fixed and floating interest rate on settlement.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges in order to reduce SAL and its subsidiaries cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

At 31 December 2013, the table below reflects the weighted average interest rates of senior debt instruments held by the SAL Group and the carrying value of senior debt instruments, including the impact of cross currency swaps:

	Weighted average interest rate		Carrying value	
	31 Dec 2013 %	31 Dec 2012 %	31 Dec 2013 $m	31 Dec 2012 $m
Senior debt (including swaps)	6.20%	6.22%	6,677.4	6,222.2
	6.20%	6.22%	6,677.4	6,222.2

25.3.1.1. Interest rate sensitivity

The following table summarises the impact of an increase / (decrease) of interest rates by 150 basis points (2012: 150 basis points) while all other variables were held constant. 150 basis points is used when reviewing interest rates internally by key finance management and represents their assessment of a possible change in interest rates over a 12 month period.

	Impact on profit after tax		Impact on equity net of tax	
	SAL Group +/- $m	SAT1 Group +/- $m	SAL Group +/- $m	SAT1 Group +/- $m
31 December 2013				
Interest rates - 150 basis point increase	6.6	29.0	17.6	17.6
Interest rates - 150 basis point decrease	(6.6)	(29.0)	(11.4)	(11.4)
	-	-	6.2	6.2
31 December 2012				
Interest rates - 150 basis point increase	-	10.9	-	58.9
Interest rates - 150 basis point decrease	-	(10.9)	-	(55.0)
	-	-	-	3.9

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25. Financial Risk Management (continued)

25.3.2. Foreign exchange risk

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

The SAL and its subsidiaries from time to time is exposed to minor foreign exchange risk arising from currency exposures, primarily in respect to the US dollar, Canadian dollar and the Euro. To manage foreign exchange risk arising from future commercial transactions, SAL and its subsidiaries may use forward contracts, transacted by Group Treasury. The SAL and its subsidiaries risk management policy as part of its risk management framework is to fully hedge foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue or operating expenditure and capital expenditure over certain thresholds. SAT1 Group has $Nil foreign currency exposure at 31 December 2013 (2012: $Nil).

25.3.3. Hedged foreign exchange risk

The table below outlines the SAL Group's exposure to foreign exchange risk that is hedged by forward contracts:

	31 Dec 2013 $USDm	31 Dec 2013 $CADm	31 Dec 2013 Total equivalent $AUDm	31 Dec 2012 $USDm	31 Dec 2012 $CADm	31 Dec 2012 Total equivalent $AUDm
Senior secured notes	(1,325.0)	(225.0)	(1,538.4)	(1,325.0)	(225.0)	(1,538.4)
Cross currency swaps	1,325.0	225.0	1,538.4	1,325.0	225.0	1,538.4
	-	-	-	-	-	-

At 31 December 2013 the SAL Group had no exposure to foreign exchange risk on the above secured senior notes (2012: $Nil).

Sydney Airport Finance Company Pty Limited, a subsidary of SCACH, has a total of US$1,325.0 million (2012: US$1,325.0 million) in guaranteed senior secured notes maturing in 2021 and 2023 into the US 144A/RegS bond markets. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

Sydney Airport Finance Company Pty Limited has CAD$225.0 million (2012: CAD$225.0 million) in guaranteed senior secured notes maturing in 2018 in the Canadian Maple bond markets. The total Canadian dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

As the foreign currency exposures are fully hedged, a strengthening or weakening of the Australian dollar will have no impact on profit or loss or equity.

25.3.4. Unhedged foreign exchange risk

In assessing unhedged foreign exchange risk, management has assumed the following movements against the Australian dollar:

	Movement against Australian Dollar	
Currency pairing	2013	2012
Euro	11.72%	11.10%
Weighted average	11.72%	11.10%

The SAL Group and SAT1 Group holds an unhedged balance in cash and cash equivalents of EUR 45,179 (2012: EUR 43,468) at 31 December 2013. A +/- 11.72% movement in the Australian Dollar would not lead to a material effect in the Consolidated Statements of Comprehensive Income (2012: +/- 11.10%).

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25. Financial Risk Management (continued)

25.5. Credit risk

Credit risk is the risk of financial loss to the Groups if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Groups' receivables from customers and investment securities.

The Groups limit their exposure in relation to cash balances by only dealing with well established financial institutions of high quality credit standing. SAL and its subsidiaries only accept independently rated parties with minimum ratings of A2. The SAL board periodically sets exposure limits to financial institutions and these are monitored on an ongoing basis. Sound credit risk management involves prudently managing the risk and reward relationship and controlling and minimising credit risks across a variety of dimensions such as quality, concentration, maturity and security.

SAL and its subsidiaries have significant concentrations of credit risk in trade receivables, of which approximately 40.0% to 50.0% relate to the aeronautical industry. At 31 December 2013, less than 5.0% (2012: 5.0%) of trade receivables were overdue.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Groups' maximum exposure to credit risk without taking into account the value of any collateral obtained. The credit quality of all financial assets that are neither past due nor impaired is considered appropriate and is constantly monitored by management in order to identify any potential adverse changes in credit quality.

There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

SAL	Financial institutions $m	Corporates $m	Total $m
31 December 2013			
Cash and cash equivalents	443.3	-	443.3
Receivables	0.3	133.8	134.1
Financial instruments	120.0	-	120.0
	563.6	133.8	697.4

SAT1	Financial institutions $m	Corporates $m	Total $m
31 December 2013			
Cash and cash equivalents	1.5	-	1.5
Receivables	-	1,956.6	1,956.6
	1.5	1,956.6	1,958.1
31 December 2012			
Cash and cash equivalents	433.7	-	433.7
Receivables	1.0	119.8	120.8
Other financial assets	15.3	-	15.3
	450.0	119.8	569.8

25.5.1. Financial institutions

The credit risk against financial institutions for the SAL Group and SAT1 Group relates to cash held by, receivables due from and term deposits that have been purchased from Australian and other OECD banks. In line with the credit risk policies of the SAL Group these counterparties must meet a minimum credit rating of A2.

25.5.2. Corporates

The credit risk against corporates for SAL and its subsidiaries relates to aeronautical, retail and property trade receivables at the airport asset level. These counterparties have a range of credit ratings. Credit risk against corporates could be materially affected by the performance of key aeronautical customers including the QANTAS and Virgin Groups that accounted for between 40.0% to 50.0% of aeronautical revenue for the year ended 31 December 2013 (2012: 40.0% to 50.0%)

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25. Financial Risk Management (continued)

The credit risk against corporates for the SAT1 Group primarily relates to interest income receivable and an interest bearing loan from SAL, a related party (refer to Note 22.5.3).

25.6. Liquidity risk

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

25.6.1. Maturity of interest bearing liabilities

The tables below disclose the Groups' contractual maturity for their interest bearing liabilities. The tables disclose the undiscounted cash flows of financial liabilities based on the earliest date on which the Groups are required to repay. The interest column represents unamortised borrowing costs.

	Total contractual cashflows				
	1 year or less $m	1 to 5 years $m	5 years or more $m	Interest $m	Carrying value $m
31 December 2013					
Bank facilities	35.5	1,220.5	-	(11.7)	1,244.3
Medium Term Notes	700.0	475.0	3,376.7	(53.1)	4,498.6
Capital Index Bonds	36.8	157.0	1,619.0	(815.4)	997.5
Derivatives	60.0	(50.5)	(129.9)	236.4	116.0
Trade and other payables	171.8	-	-	-	171.8
	1,004.1	1,802.0	4,865.8	(643.9)	7,028.2
31 December 2012					
Bank facilities	-	718.5	15.5	(18.0)	716.0
Medium Term Notes	217.0	1,175.0	3,179.7	(61.1)	4,510.6
Capital Index Bonds	36.0	153.7	1,660.2	(882.1)	967.8
SCACH Redeemable Preference Shares	-	-	248.0	(3.7)	244.3
Derivatives	48.9	25.8	(153.3)	429.8	351.2
Trade and other payables	216.5	-	-	-	216.5
	518.4	2,073.0	4,950.1	(535.1)	7,006.4

25.7. Capital management

The Groups' capital management objectives are to:

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

Periodic reviews of the Groups' capital requirements are performed to ensure the Groups are meeting their objectives. Capital is defined as contributed equity plus reserves.

The SAT1 Group's externally imposed capital requirement for the period 1 January 2013 to 3 December 2013 arose as a consequence of its Responsible Entity's (SAHL) Australian Financial Services Licence (AFSL). Under the terms of its AFSL, SAHL was required to maintain a minimum of $5,000,000 of net tangible assets (NTA) and $50,000 surplus liquid funds (SLF) at all times. During that period, SAHL continued to meet its capital requirements under its AFSL and no breaches occurred.

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25. Financial Risk Management (continued)

25.8. Fair value estimation

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

	Carrying amount		Fair value	
	31 Dec 2013 $m	31 Dec 2012 $m	31 Dec 2013 $m[1]	31 Dec 2012 $m[1]
Financial liabilities				
Medium Term Notes	1,920.4	1,720.7	2,222.1	2,143.3
SCACH Redeemable Preference Shares	-	244.3	-	414.9
	1,920.4	1,965.0	2,222.1	2,558.2

[1] Level 2 fair value measurement hierarchy.

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

The Groups have adopted AASB 13: *Fair Value Measurement* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The following table presents the Groups' assets and liabilities measured and recognised at fair value at 31 December 2013:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
31 December 2013				
Liabilities				
Derivatives used for hedging	-	116.0	-	116.0
	-	116.0	-	116.0
31 December 2012				
Assets				
Investments in financial assets[2]	-	-	5.1	5.1
	-	-	5.1	5.1
Liabilities				
Derivatives used for hedging	-	351.2	-	351.2
	-	351.2	-	351.2

[2] The SAT1 Group's investment in the Bristol Airport put option of $5.1 million recorded as an other financial asset at 31 December 2012, was exercised during year ended 31 December 2013.

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26. Commitments

26.1. The Groups

SCACH has commitments of $21.2 million (2012: $31.2 million) in relation to capital expenditure.

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

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	0.1	-	0.1
Later than one year but not later than five years	0.5	-	0.5
Later than five years	1.6	-	1.7
	2.2	-	2.3

SCACH leases common user terminal equipment with a carrying value of $0.4 million expiring in February 2014 (2012: $2.2 million). Under the terms of the lease, Sydney Airport has the option to acquire the leased assets for $1 at date of expiry. Below are details of the minimum lease payments in relation to the finance lease payments:

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Commitments for minimum lease payments in relation to finance leases:			
Within one year	0.4	-	2.3
Later than one year but not later than five years	-	-	0.4
Less: future finance charges	-	-	(0.1)
Recognised as a liability	0.4	-	2.6

Lease commitments as lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2012 $m
Receivable within one year	242.1	-	252.6
Receivable later than one year but not later than five years	468.0	-	549.3
Receivable after five years	116.4	-	171.2
	826.5	-	973.1

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27. Parent Entity Disclosures

As at 31 December 2013, SAL was deemed to be the parent entity of the SAL Group (refer Note 1.3.1). As at 31 December 2013 and throughout year ended 31 December 2012, SAT1 was deemed to be the parent entity of the SAT1 Group.

	SAL 31 Dec 2013 $m	SAT1 31 Dec 2013 $m	SAT1 31 Dec 2012 $m
Result of the parent entity			
Profit / (loss) after income tax (expense) / benefit	898.1	(70.6)	390.8
Other comprehensive income	-	-	-
Total comprehensive income for the period / year	898.1	(70.6)	390.8
Financial position of parent entity at year end			
Current assets	137.2	21.5	356.4
Total assets	8,480.2	1,959.0	4,456.1
Current liabilities	145.0	212.4	385.3
Total liabilities	2,076.8	212.4	2,624.8
Total equity of the parent entity comprising of:			
Contributed equity	5,549.2	2,714.2	2,315.1
Retained profits	854.2	-	229.4
Reserves	-	(967.6)	(713.2)
Total equity	6,403.4	1,746.6	1,831.3

27.1. Parent entity contingencies

At 31 December 2013 the parent entities have no contingent assets or liabilities which are material either individually or as a class (2012: $Nil).

SAL is the head entity of the SAL Tax Consolidated Group (SAL TCG) (refer to Note 1.20.2). At 31 December 2013 no tax liabilities exist within the SAL TCG (2012: $Nil).

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

At 31 December 2013 the parent entities have not made any capital commitments for acquisition of property, plant and equipment (2012: $Nil).

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

At 31 December 2013 the parent entities have not made any guarantees in respect of the debts of their subsidiaries (2012: $Nil).

28. Contingent Assets and Liabilities

MAp Airports International Pty Limited (MAIL), a subsidiary of SAT1 Group provided a comprehensive set of representations and warranties in respect of the sale of Copenhagen Airports and Brussels Airport on 7 October 2011, which are more commensurate with those normally provided by an owner / operator than a minority investor.

Ontario Teachers' Pension Plan Board (OTPP) is indemnified for its share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other certain contingent liabilities. On 3 December 2013, SAT1 replaced MAIL as the party liable for these representations and warranties.

At 31 December 2013 the Groups have no other contingent assets or liabilities which are material either individually or as a class (2012: $Nil).

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29. Events Occurring after Balance Sheet Date

The final distribution for ASX-listed Sydney Airport for year ended 31 December 2013 was $252.3 million or 11.5 cents per stapled security (2012: $186.1 million or 10.0 cents). $43.8 million or 2.0 cents per stapled security and $208.5 million or 9.5 cents per stapled security (2012: SAT1 $186.1 million or 10.0 cents) were paid by SAL and SAT1 respectively on 14 February 2014

The distribution reinvestment plan (DRP) operated in respect of the 31 December 2013 distribution. A 2.5% discount was applied when determining the price at which the stapled securities were issued under the DRP distribution. To satisfy the DRP take up, Sydney Airport acquired 5.8 million securities on market for transfer, totalling $22.8 million, to DRP participants and issued nearly 21.9 million new securities.

The $80.0 million drawn under the SAL term facility was repaid on 19 February 2014. $20.0 million remains available to be drawn under the term facility.

Since the end of the year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Groups in the period subsequent to year ended 31 December 2013.

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for year ended 31 December 2013

Statement by the Directors of Sydney Airport Limited

In the opinion of the Directors of Sydney Airport Limited (SAL):

a. the consolidated financial statements and notes for SAL set out on pages 25 to 83 and the Remuneration report in the Directors' report (set out on pages 10 to 20), are in accordance with the Corporations Act *2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAL Group's financial position at 31 December 2013 and of its performance for the financial period ended on that date; and

a. There are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2013.

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

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

Max Moore-Wilton

Sydney

25 February 2014

Trevor Gerber

Sydney

25 February 2014

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for year ended 31 December 2013

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

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

a. the consolidated financial statements and notes for SAT1 set out on pages 25 to 83, are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAT1 Group's financial position at 31 December 2013 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that the SAT1 Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2013.

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

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

Russell Balding	**Patrick Gourley**
Sydney	Sydney
25 February 2014	25 February 2014

KPMG

Independent auditor's report to the Shareholders of Sydney Airport Limited

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period 3 December 2013 to 31 December 2013, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial period.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the period 3 December 2013 to 31 December 2013; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 10 to 20 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Sydney Airport Limited for the year ended 31 December 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Andrew Yates
Partner

Sydney

25 February 2014

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Trust 1 (the Trust), which comprises the consolidated statement of financial position as at 31 December 2013, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group financial position as at 31 December 2013 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note1.

KPMG

KPMG

Andrew Yates
Partner

Sydney

25 February 2014