Sydney Airport

Appendix 4E
ASX Listing Rule 4.3A

Preliminary Financial Report 31 December 2014

Results for Announcement to the Market

	SAL Group 31 Dec 2014 $m	SAT1 Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m	Movement $m[1]	Movement %[1]
Revenue	1,163.5	-	100.9	1,014.3	N/A	N/A
Other income	0.1	-	-	9.9	N/A	N/A
Total revenue	1,163.6	-	100.9	1,024.2	N/A	N/A
Profit / (loss) after income tax expense	57.2	243.8	(28.8)	75.9	N/A	N/A
Profit / (loss) after income tax expense attributable to security holders	59.1	243.8	(26.9)	88.4	N/A	N/A

[1] 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 2014 $m	SAT1 Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m
Final distribution for year ended 31 December (100% unfranked)	266.0	120.8	252.3	208.5
Interim distribution for period ended 30 June (100% unfranked)	254.9	121.9	-	204.7
	520.9	242.7	252.3	413.2

Distributions	SAL Group 31 Dec 2014 cents per stapled security	SAT1 Group 31 Dec 2014 cents per stapled security	SAL Group 31 Dec 2013 cents per stapled security	SAT1 Group 31 Dec 2013 cents per stapled security
Final distribution for year ended 31 December (100% unfranked)	12.00	5.45	11.50	9.50
Interim distribution for period ended 30 June (100% unfranked)	11.50	5.50	-	11.00
	23.50	10.95	11.50	20.50

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

The interim distribution, with record date of 30 June 2014, of $254.9 million or 11.5 cents per stapled security (2013: $204.7 million or 11.0 cents) was paid on 15 August 2014 by:

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

The final distribution, with record date of 31 December 2014, of $266.0 million or 12.0 cents per stapled security (2013: $252.3 million or 11.5 cents) was paid on 12 February 2015 by:

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

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

Sydney Airport

Appendix 4E

ASX Listing Rule 4.3A

Preliminary Financial Report 31 December 2014

Distribution Reinvestment Plan (DRP)

Under the DRP, security holders may receive additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. The last date for the receipt of an election notice for participation in the current period DRP was 2 January 2015. Under the DRP, security holders received additional stapled securities in substitution for some or all cash distributions in respect of their stapled securities. No discount was applied when the price was determined at which stapled securities were issued under the DRP for the current period distribution.

Additional Appendix 4E disclosures can be found in the Notes to the Sydney Airport Financial Report for Year Ended 31 December 2014, Results for Year Ended 31 December 2014 and the Pro Forma Financial Statements for Year Ended 31 December 2014 lodged with the ASX on 26 February 2015.

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

SYDNEY AIRPORT

FINANCIAL REPORT FOR YEAR ENDED
31 DECEMBER 2014

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

Financial Report
for year ended 31 December 2014

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Directors' Report
for year ended 31 December 2014

Overview of ASX-listed Sydney Airport

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

Directors' Report

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

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

Principal Activities

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

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

Directors

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

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

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

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

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

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

Directors' Report

for year ended 31 December 2014

Director Profiles of SAL

Max Moore-Wilton, B Ec, AC

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

Trevor Gerber, B Acc, CA

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

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

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

John Roberts, LLB

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

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

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

Stephen Ward, LLB

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

Robert Morris, B Sc, BE, M Eng Sci

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

Directors' Report

for year ended 31 December 2014

Kerrie Mather, BA, MComm

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

Director Profiles of TTCSAL

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

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

Patrick Gourley, B Econ (Hons), M Econ

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

Christopher Green, B Comm, LLB, MBA

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

David Grbin, B Ec (Hons), CA

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

Rupert Smoker, B Comm, LLB, F Fin

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

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

Company Secretary Profile

Jamie Motum, B Ec, LLB

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

Directors' Report
for year ended 31 December 2014

Distributions

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

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

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

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

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

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

Significant Changes in State of Affairs

Finance Facilities and Bonds

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

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

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

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

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

Distribution Reinvestment Plan

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

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

Events Occurring After Balance Sheet Date

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

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

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

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

Directors' Report

for year ended 31 December 2014

Operating and Financial Review

About Sydney Airport

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

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

There are three passenger terminals at Sydney Airport:

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

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

Sydney Airport's Strategies

Sydney Airport's strategic priorities & opportunities

Increase passenger numbers and aircraft movements	• Focused on attracting airlines from the Asian region, which Sydney Airport believe is an area of growth due to the increasing affluence of large emerging markets, particularly China and India • Maintaining relationships with airlines and working with them to encourage increased aircraft size, increased flight frequency on existing routes and to add new routes • Working with tourism authorities and industry groups to develop marketing initiatives to increase the profile of Sydney as an international tourist destination • Working with the federal government to increase air rights to priority market ahead of demand
Improving the customer experience	• Focused on listening to customers and improving the experience at every stage of the journey through superior customer service, operational efficiency and technological innovation • Working collaboratively with airlines, government, on-airport businesses, staff and the community to invest in services and infrastructure that improves the safety, efficiency and amenity for those visiting or travelling through Sydney Airport
Leverage the retail business by enhancing our understanding of customer behaviour and meeting customer needs	• Focus on providing high quality retail space, maximising passenger "dwell time" in shopping areas and creating an exciting and vibrant retail environment • Continuing to develop a product and merchandise mix to meet the retail expectations of passengers and to identify appropriate retailers who can meet Sydney Airport's service, operational and financial objectives
Growing the property business, targeting high yields	• 32.8 hectares of land is allocated for business activities. We seek to optimise the development of available land for commercial activities through the master planning and land use management process
Tailor the car parking business to align with customer needs	• Enhancing the car parking business by adding capacity in line with demand • Tailoring the range of car parking products to ensure competitive pricing, customer choice and alignment with customer needs
Effectively utilise assets	• Maximising the utilisation and efficiency of Sydney Airport assets • Balancing activity throughout the airfield, terminals and roads to reduce congestion and improve infrastructure utilisation
Effectively manage the capital structure	• Maintaining an efficient capital structure with financial flexibility • Maintaining a credit rating of Baa2 / BBB

Directors' Report

for year ended 31 December 2014

Operating and Financial Review (continued)

Significant risks

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

Failure to maintain passenger and aircraft movement volumes	• The business operations and revenues are dependent on the number of passengers that use Sydney Airport, particularly international passengers, which may decline or experience growth constraints due to factors beyond the Airport's control • Airline customers may experience adverse financial and operating conditions, which could have a materially adverse impact on aeronautical revenues • Aeronautical activities may be limited by the regulations imposed on Sydney Airport's operations • The business depends on Sydney Airport's ability to maintain the aerodrome certificate and lease over the Sydney Airport site
Third-party dependencies	• The operation of Sydney Airport depends upon third parties, whose performance we have limited control over • The business operations may be adversely affected if restrictions are imposed on the sale of tax and duty free consumer goods in airports
Asset maintenance	• The airport asset infrastructure requires significant expenditure to maintain its operational effectiveness. There is a risk that greater than anticipated capital expenditure may be required. This could have a materially adverse impact on Sydney Airport's financial results
Capital management	• Sydney Airport has significant indebtedness and there is a requirement to refinance portions of this debt on a regular basis
Other	• Business operations could be materially adversely affected by terrorist attacks and the threat of war • Sydney Airport faces risks and liabilities associated with aircraft accidents • The airport faces competition for new business from other airports and may face increased competition if the Australian government develops an additional commercial airport, or expands other modes of transport in the Sydney region

Delivering the business model

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

1 On a like for like basis adjusting for minority interests in 2013.
2 Cashflow cover ratio (CFCR) is calculated using defined terms in the Southern Cross Airports Corporation Holdings Limited (SCACH) group debt documents, summarised by cashflow divided by senior debt interest expense for a rolling 12 month period.

Directors' Report
for year ended 31 December 2014

Operating and Financial Review (continued)

Key performance measures

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

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

1 Total expense excludes restructuring and redundancy
2 On a like for like basis adjusting for minority interests in 2013

Financial performance analysis

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

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

Revenue streams

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

Distributions and Net Operating Receipts (NOR)

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

A reconciliation of profit to NOR is shown on page 10.

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

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

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

Directors' Report

for year ended 31 December 2014

Operating and Financial Review (continued)

Statutory profit[1] of $47.1 million was adjusted for the following to determine the ASX-listed Sydney Airport Profit after income tax expense of $29.2 million:

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

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

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

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

Directors' Report
for year ended 31 December 2014

Operating and Financial Review (continued)

Reconciliation of Net Operating Receipts

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

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

	ASX-listed Sydney Airport 31 Dec 2014 $m
Profit before income tax expense[1]	115.7
Add back: depreciation and amortisation[1]	326.4
Profit before tax, depreciation and amortisation	442.1
Add back non-cash financial expenses	
- Capital Indexed Bonds Capitalised[2]	29.7
- amortisation of debt establishment costs[2]	24.6
- borrowing costs capitalised[2]	(8.0)
- change in fair value of swaps[2]	54.6
Total non-cash financial expenses	100.9
Subtract other cash movements	
Movement in cash balances with restricted use	(8.7)
Other	(9.2)
Total other cash movements	(17.9)
Net Operating Receipts (NOR)	525.1
Stapled securities on issue ('m)[3]	2,216.2
NOR per stapled security	23.7 cents
Distributions declared per stapled security[4]	23.5 cents

1 These numbers are taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2014.
2 These numbers are taken from Note 3 in the Sydney Airport Financial Report for Year Ended 31 December 2014.
3 These numbers are taken from Note 16 in the Sydney Airport Financial Report for Year Ended 31 December 2014.
4 These numbers are taken from Note 6 in the Sydney Airport Financial Report for Year Ended 31 December 2014.

Revenue growth at Sydney Airport

Sydney Airport revenue growth is driven by four key inputs:

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

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

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

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

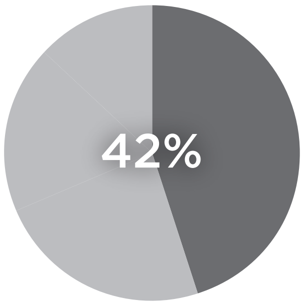
A more detailed analysis of specific growth drivers is provided in the following revenue streams and operating expense sections.

Directors' Report
for year ended 31 December 2014

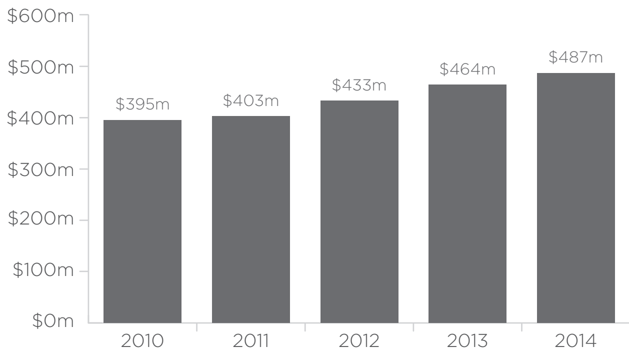
Operating and Financial Review (continued)

Aeronautical Services

Revenue contribution to the Group



Aeronautical revenue (excl security recovery)



+4.9%
in 2014

Key Statistics

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

About Aeronautical

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

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

2014 Review

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

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

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

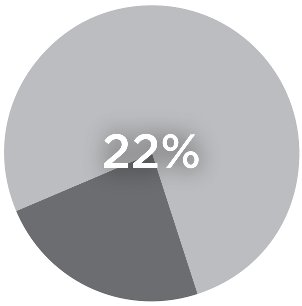
Directors' Report

for year ended 31 December 2014

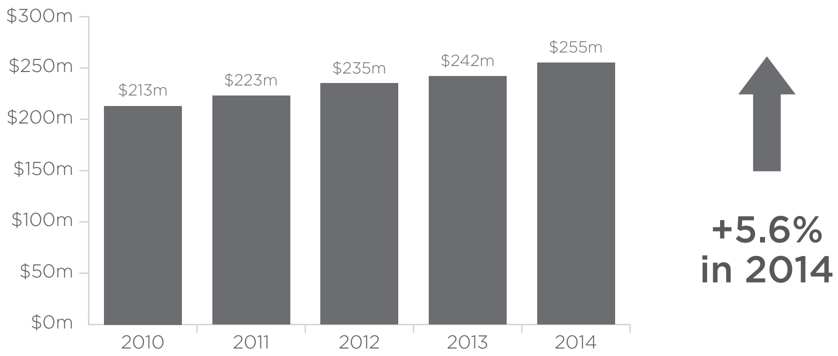
Operating and Financial Review (continued)

Retail

Revenue contribution to the Group



Retail revenue



Key Statistics

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

About Retail

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

2014 Review

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

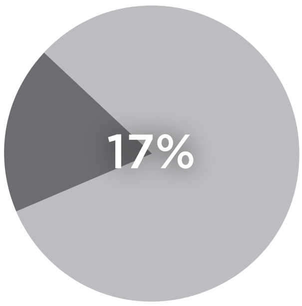
Directors' Report

for year ended 31 December 2014

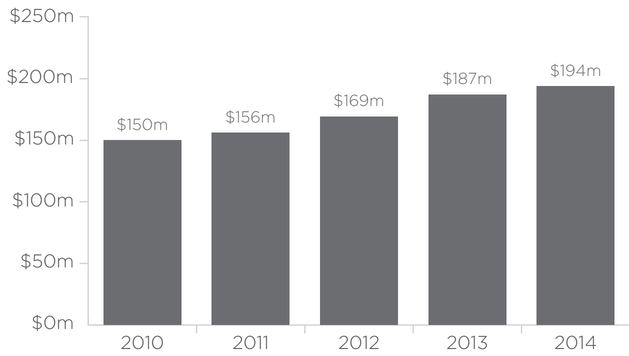
Operating and Financial Review (continued)

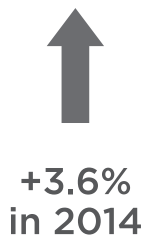
Property and Car Rental

Revenue contribution to the Group



Property and Car Rental revenue





Key Statistics

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

About Property and Car Rental

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

2014 Review

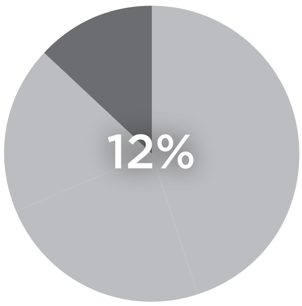
Property and car rental revenue increased 3.6% to $194 million which accounts for 17% of Group revenues. Growth was driven by new tenancies and rent reviews with occupancy remaining at 98%. Four additional airline lounge areas opened in late 2013 and 2014 and include the Virgin expansion at T2 Domestic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

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

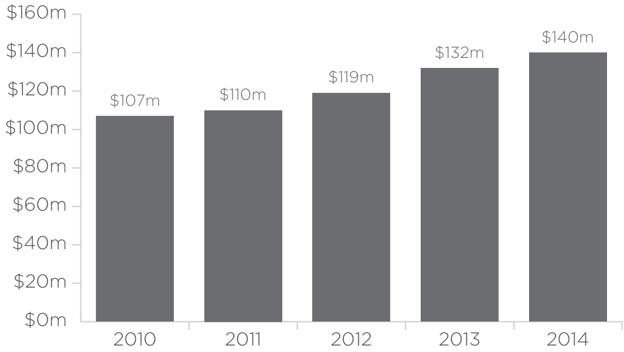
Directors' Report
for year ended 31 December 2014

Operating and Financial Review (continued)
Car Parking and Ground Transport

Revenue contribution to the Group



Car Parking and Ground Transport revenue



Key Statistics

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

About Car Parking and Ground Transport

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

2014 Review

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

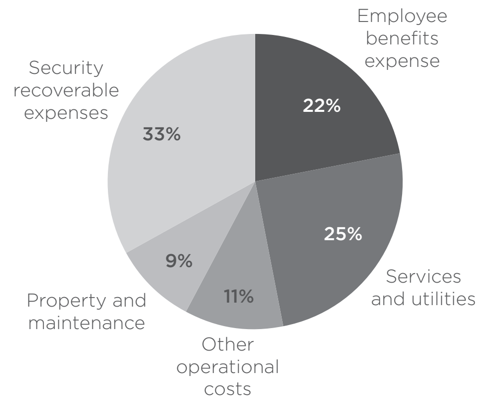
Sydney Airport commenced implementation of its new comprehensive Five Year Ground Transport Plan in 2014 in consultation with the NSW Government. The plan will improve traffic flow at the airport with new and reconfigured roads, a ground transport interchange with facilities to encourage greater use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

Directors' Report
for year ended 31 December 2014

Operating and Financial Review (continued)

Operating Expense

Underlying operating expense by category



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

[1] Total expense above excludes restructuring and redundancy

2014 Review

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

Employee benefits expense

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

Services and utilities

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

Property and maintenance

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

Security recoverable expenses

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

Investment transaction expense

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

Other operational costs

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

Directors' Report

for year ended 31 December 2014

Operating and Financial Review (continued)

Equity

2014 Distribution

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

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

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

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

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

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

Distribution reinvestment plan

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

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

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

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

Capital Management

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

2014 refinance summary

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

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

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

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

Directors' Report

for year ended 31 December 2014

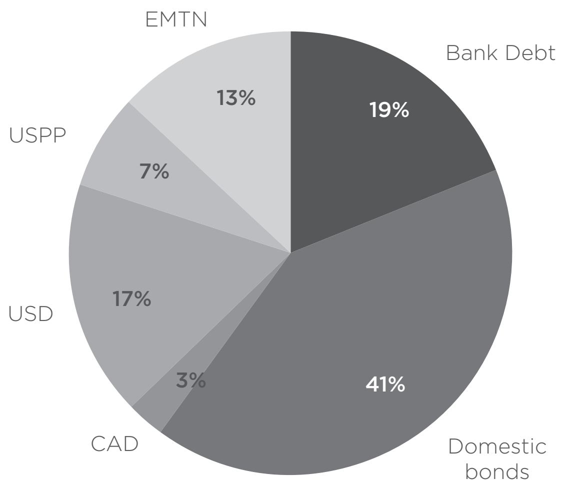
Operating and Financial Review (continued)

Capital Management (continued)

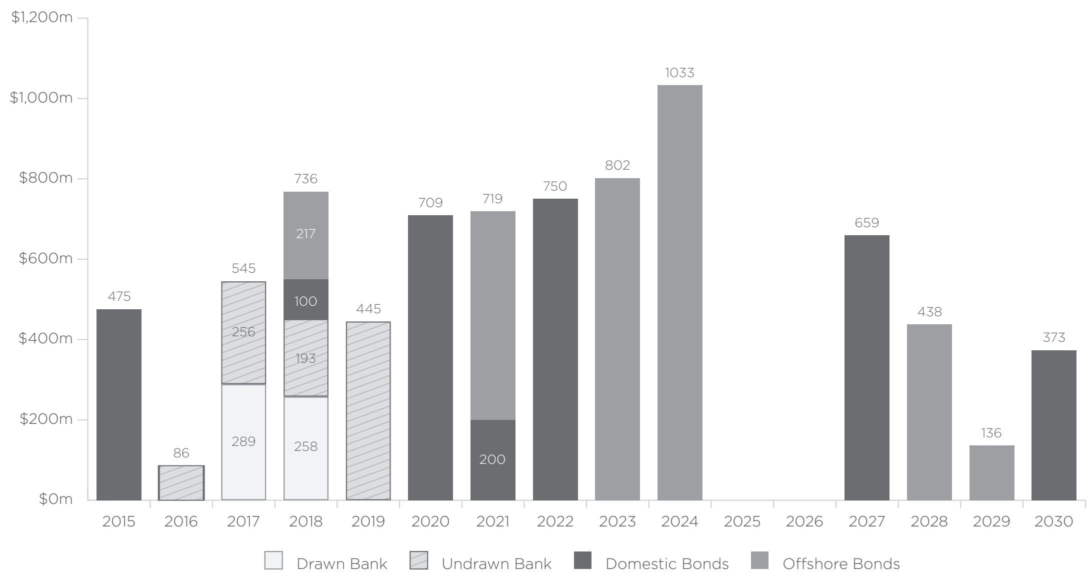
Sydney Airport executed interest rate and cross currency hedges over 2014 with tenors ranging between five and 10 years. All foreign currency debt is 100% hedged. Interest cost is stable with 83% of interest rate exposure hedged as at 31 December 2014 and 70% of interest rate exposure hedged for the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

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

Funding portfolio by category



Debt maturity profile - drawn and undrawn debt



Directors' Report
for year ended 31 December 2014

Operating and Financial Review (continued)

Capital expenditure

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

Major projects undertaken during the year:

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

Cashflow

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

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

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

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

Directors' Report

for year ended 31 December 2014

Operating and Financial Review (continued)

Cashflow (continued)

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

Likely developments

Western Sydney Airport

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

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

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

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

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

New duty free partner

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

Reversion of Terminal 3

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

International aeronautical pricing agreement

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

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report

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3. Remuneration Principles, Policy and Structure
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1. Introduction

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

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

1.1. Directors

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

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

1.2. Key Management Personnel

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

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

Directors' Report

for year ended 31 December 2014

Audited Remuneration Report (continued)

2. Nomination and Remuneration Committee

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

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

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

2.1. Remuneration Consultant

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

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

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

3. Remuneration Principles, Policy and Structure

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

3.1. Background

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

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

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

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

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

Directors' Report

for year ended 31 December 2014

Audited Remuneration Report (continued)

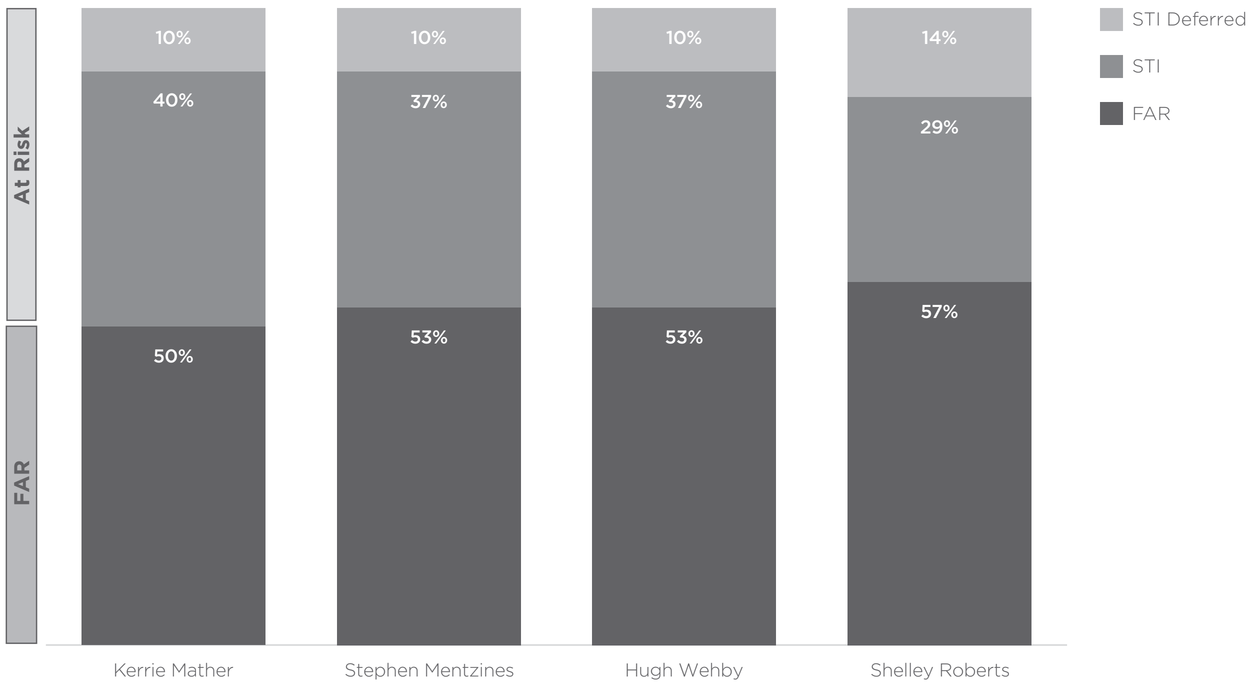
3.2. Remuneration structure for Executives (including KMP) at 31 December 2014

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

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

From 2015, SAL will implement an equity-based long-term incentive (LTI) plan for the CEO and other Executives. Full details of the terms of the LTI, and the proposed initial grant to the CEO, will be provided to security holders in the Notice of Meeting for the 2015 AGM.

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



3.2.1. At Risk Remuneration

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

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

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

3.2.2. Performance setting

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

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

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report (continued)

3.2.3. CEO STI deferral

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

3.2.4. Other Executives' STI deferral

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

3.3. Link between remuneration and performance

History of corporate performance

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

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

2014 Corporate performance

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

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

Total Investor Return

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report (continued)

Drivers of the strong performance include:

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

Performance of Executives

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

In 2014, these objectives included:

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

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

Objective	Performance Outcome
Financial Performance:	SCACH EBITDA growth of 4.7% from 2013 Average SCACH EBITDA growth of 6.7% p.a. since 2009 Security holder distribution growth of 4.4% in 2014 Total security holder return of 30.5% in 2014
Business/Operational Performance	Traffic growth of 1.7% Aeronautical revenue growth of 4.9% Retail revenue growth of 5.6% Property and car rental revenue growth of 3.6% Car parking and ground transport revenue growth of 5.7%
Customer and Stakeholder Engagement	A continued focus on working collaboratively with the many airport stakeholder groups has resulted in a number of key business achievements during the performance period: a. Development Approval for Ground Transport works and the NSW Government's financial commitment of $282m will underpin a significant investment in ground access to and from Sydney Airport. Extensive stakeholder engagement resulted in unanimous support for the jointly developed strategy from airlines, councils and local communities.

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report (continued)

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

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report (continued)

Performance pay outcomes for 2014

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

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

STI deferrals from previous period

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

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

4. KMP Remuneration Arrangements for Year Ended 31 December 2014

4.1. Service agreements

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

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

CEO

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

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

KMP

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

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

Directors' Report

for year ended 31 December 2014

Audited Remuneration Report (continued)

4.2. Statutory remuneration table

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

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

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

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

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

Directors' Report

for year ended 31 December 2014

Audited Remuneration Report (continued)

5. Non-Executive Directors' Remuneration

5.1. Non-Executive Directors' remuneration policy

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

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

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

5.2. Non-Executive Directors' Remuneration for the Year

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

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

Directors' Report

for year ended 31 December 2014

Audited Remuneration Report (continued)

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

1 In the 2013 report, this amount was incorrectly reported as $23,373.
2 Mr Morris ceased to be a Director on 15 May 2014.
3 Ms Sherry was appointed as Director on 1 May 2014.

Directors' Report
for year ended 31 December 2014

Audited Remuneration Report (continued)

Security Holdings in ASX-listed Sydney Airport

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

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

1 Mr Morris ceased to be a Director on 15 May 2014.
2 Mr Mentzines ceased to be a KMP on 24 October 2014. There was no movement to his security holdings when he ceased being a KMP.
3 Mr Wehby was appointed Chief Financial Officer on 27 October 2014.

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

Indemnification and Insurance of Officers and Auditors

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

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

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

Environmental Regulation

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

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

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

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

Directors' Report
for year ended 31 December 2014

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

Non-Audit Services

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

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

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

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

Lead Auditor's Independence Declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the *Corporations Act 2001* is set out on pages 32 and 33 and forms part of the Directors' Report for year ended 31 December 2014.

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

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

Application of Class Order

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

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

Max Moore-Wilton
Sydney
25 February 2015

Trevor Gerber
Sydney
25 February 2015

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

Patrick Gourley
Sydney
25 February 2015

Christopher Green
Sydney
25 February 2015

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

To: the directors of Sydney Airport Limited

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

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

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

KPMG

Andrew Yates
Partner

Sydney

25 February 2015

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

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

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

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

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

KPMG

Andrew Yates
Partner

Sydney

25 February 2015

Financial Report
for year ended 31 December 2014

Consolidated Statements of Comprehensive Income

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

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

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

Financial Report

for year ended 31 December 2014

Consolidated Statements of Comprehensive Income (continued)

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

Financial Report
as at 31 December 2014

Consolidated Statements of Financial Position

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

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

Financial Report

for year ended 31 December 2014

Consolidated Statements of Changes in Equity

		SAL Group Security Holders					
SAL Group	**Note**	**Contributed equity $m**	**Retained earnings $m**	**Reserves $m**	**Total $m**	**Non-controlling interest $m**	**Total equity $m**
Total equity at 1 January 2014		5,178.0	62.7	(3,329.5)	1,911.2	(0.6)	1,910.6
Comprehensive income							
Profit / (loss) after tax		-	59.1	-	59.1	(1.9)	57.2
Cash flow hedges, net of tax		-	-	(9.2)	(9.2)	-	(9.2)
Remeasurement loss, net of tax		-	(1.0)	-	(1.0)	-	(1.0)
Total comprehensive income		-	58.1	(9.2)	48.9	(1.9)	47.0
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan		78.4	-	-	78.4	-	78.4
Security issuance costs		(0.2)	-	-	(0.2)	-	(0.2)
Distributions provided for or paid	6	-	(520.9)	-	(520.9)	-	(520.9)
Total transactions with owners of the company		78.2	(520.9)	-	(442.7)	-	(442.7)
Total equity at 31 December 2014		5,256.2	(400.1)	(3,338.7)	1,517.4	(2.5)	1,514.9
Total equity at 1 January 2013		-	-	-	-	-	-
Comprehensive income							
Loss after tax		-	(26.9)	-	(26.9)	(1.9)	(28.8)
Cash flow hedges, net of tax		-	-	(10.9)	(10.9)	-	(10.9)
Remeasurement gains, net of tax		-	3.1	-	3.1	-	3.1
Total comprehensive income		-	(23.8)	(10.9)	(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
Adjustment due to Restructure		-	338.8	(3,318.6)	(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	86.5	(3,318.6)	1,945.9	1.3	1,947.2
Total equity at 31 December 2013		5,178.0	62.7	(3,329.5)	1,911.2	(0.6)	1,910.6

Financial Report
for year ended 31 December 2014

Consolidated Statements of Changes in Equity (continued)

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

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

Financial Report
for year ended 31 December 2014

Consolidated Statements of Cash Flows

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

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

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

Financial Report
for year ended 31 December 2014

Summary of Significant Accounting Policies

1. Reporting entity

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

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

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

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

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

1.1. Basis of preparation

1.1.1. Statement of compliance

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

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

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

1.1.2. Basis of measurement

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

1.1.3. Functional and presentation currency

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

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

1.1.4. SAL Group net current liability position

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

1.1.5. SAT1 Group net current liability position

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

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

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

1.1.6. Net tangible asset backing per security

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

1.2. Significant accounting policies

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

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

1.3. Principles of consolidation

1.3.1. Business combinations

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

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

Financial Report
for year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

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

1.3.2. Controlled entities

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

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

The effects of all transactions between entities in the consolidated entity are eliminated in full.

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

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

1.3.3. Business combinations

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

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

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

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

1.3.4. Acquisitions of entities under common control

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

1.3.5. Loss of control

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

1.3.6. Transactions eliminated on consolidation

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

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for year ended 31 December 2014

Summary of Significant Accounting Policies (continued)

1.4. Foreign currency

1.4.1. Functional and presentation currency

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

1.4.2. Foreign currency transactions and balances

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

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

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

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

1.5. Cash and cash equivalents

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

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

1.6. Loans and receivables

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

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

1.7. Investment in financial assets

Investments in financial assets are revalued at each reporting date, or when there is a change in the nature of the investment, to their fair values in accordance with AASB 139: *Financial Instruments: Recognition and Measurement.* Changes in the fair values of investments in financial assets have been recognised and subsequently eliminated in the Consolidated Statements of Comprehensive Income for the year.

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

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

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

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

1.8. Property, plant and equipment

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

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

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

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

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Summary of Significant Accounting Policies (continued)

1.8.1. Depreciation

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

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

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

Asset category	Useful lives
Freehold land	99 years
Buildings	5-60 years
Runways, 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 CGUs represents the Groups' investment in the airport to which the goodwill relates.

1.9.2. Concession and customer contracts

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

1.9.3. Airport operator licence

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

1.9.4. Leasehold land

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

1.9.5. Amortisation

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

The inception date and estimated useful lives are as follows:

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

1.10. Impairment of assets

1.10.1. Non-derivative financial assets

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

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

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

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

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Summary of Significant Accounting Policies (continued)

1.10.2. Non-financial assets

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

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

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

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

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

1.11. Distributions and dividends

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

1.12. Payables

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

1.13. Interest bearing liabilities

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

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

1.14. Deferred income

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

1.15. Derivative financial instruments

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

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

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

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

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Summary of Significant Accounting Policies (continued)

1.15.1. Cash flow hedges

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

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

1.16. Employee provisions

1.16.1. Employee benefits

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

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

1.16.2. Defined contribution plans

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

1.16.3. Defined benefit plans

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

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

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

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

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

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Summary of Significant Accounting Policies (continued)

1.17. Revenue and other income recognition

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

1.17.1. Aeronautical revenue

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

1.17.2. Aeronautical security recovery

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

1.17.3. Retail revenue

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

1.17.4. Property and car rental revenue

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

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

1.17.5. Car parking and ground transport revenue

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

1.17.6. Interest income

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

1.18. Lease costs

1.18.1. Finance leases

Leases of property, plant and equipment where the SAL Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short term and long term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

1.18.2. Operating leases

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

1.19. Finance costs

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

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

1.20. Income tax

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

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

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

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

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

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Summary of Significant Accounting Policies (continued)

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

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

1.20.1. SAT1

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

1.20.2. SAL

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

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

1.21. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of SAL (representing the Group) for year ended 31 December 2014 has been identified as the Chief Executive Officer (CEO) of SAL.

1.22. Critical accounting estimates and judgements

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

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in Notes 10.1 and 25.6.1.

1.23. New standards and interpretations not yet adopted

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

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

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

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

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for year ended 31 December 2014

2. Minority Acquisitions, Restructure and ATO Resolution

2.1. Minority acquisitions

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

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

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

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

2.2. Simplification

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

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

2.3. ATO resolution

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

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

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3. Finance (Costs) / Income

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

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for year ended 31 December 2014

4. Income Tax Expense

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

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

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5. Remuneration of Auditors

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

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

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

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

6. Distributions Paid and Proposed

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

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

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

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

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

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

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

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

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7. Cash and Cash Equivalents

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

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

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

7.1. Deposits

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

7.2. Cash with restricted use

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

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8. Receivables

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

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

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

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

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9. Property, Plant and Equipment

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

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

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

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

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10. Intangible Assets

SAL Group $m	31 Dec 2014 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	-	(145.1)	(433.8)	(157.6)	(736.5)
Amortisation	-	(17.0)	(61.9)	(22.5)	(101.4)
Closing balance	-	(162.1)	(495.7)	(180.1)	(837.9)
Total carrying amount	669.7	7.7	5,112.1	1,858.0	7,647.5

SAL Group $m	31 Dec 2013 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

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

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10. Intangible Assets (continued)

10.1. Impairment test for goodwill

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

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

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

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

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

11. Subsidiaries

11.1. The Group's significant subsidiaries

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

12. Payables

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

The fair values of payables approximate their carrying values.

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

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13. Interest Bearing Liabilities

		Principal amount drawn		Carrying amount	
	Note	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m
Current					
SCACH					
— Bank facilities	13.1.2	-	35.5	-	35.4
— Bonds - domestic	13.1.3	475.0	700.0	474.0	698.2
Total current interest bearing liabilities		475.0	735.5	474.0	733.6
Non-current					
SCACH					
— Bank facilities	13.1.2	514.7	1,140.5	508.4	1,129.3
— Bonds - domestic	13.1.3	1,709.0	2,184.0	1,683.0	2,153.2
— Bonds - USPP	13.1.4	574.0	-	569.7	-
— Bonds - foreign	13.1.5	2,571.8	1,538.4	2,548.7	1,517.9
— Capital Indexed Bonds	13.1.6	1,082.3	1,052.6	1,029.6	997.4
		6,451.8	5,915.5	6,339.4	5,797.8
Fair value hedge adjustments		-	-	420.8	129.3
SAL					
— Bank facilities	13.2.1	-	80.0	-	79.7
Total non-current interest bearing liabilities		6,451.8	5,995,5	6,760.2	6,006.8
Total interest bearing liabilities		6,926.8	6,731.0	7,234.2	6,740.4

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

13.1. SCACH interest bearing liabilities

13.1.1. Assets pledged as security

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

13.1.2. Bank facilities

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

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

13.1.3. Bonds - domestic

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

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

13.1.4. Bonds - USPP

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

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13. Interest Bearing Liabilities (continued)

13.1.5. Bonds - foreign

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

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

13.1.6. Capital Indexed Bonds

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

13.2. SAL interest bearing liabilities

13.2.1. Bank facilities

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

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

14. Derivative Financial Instruments

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

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

14.1. Instruments used by the SAL Group

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

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15. Tax Assets and Tax Liabilities

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

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

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16. Contributed Equity

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

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

16.1. Distribution reinvestment plan

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

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

16.2. Ordinary shares in SAL and ordinary units in SAT1

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

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

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

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17. Retained Profits

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

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18. Reserves

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

18.1. Nature and purpose of reserves

18.1.1. Capital reserve

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

18.1.2. Cash flow hedge reserve

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

18.1.3. Other reserve

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

19. Non-Controlling Interest in Controlled Entities

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

SAL is identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities at 31 December 2014. As per the application of AASB3: *Business Combinations* (refer to Note 1.3.1), SAL Group is deemed to control the SAT1 Group and therefore consolidates 100.0% of the assets, liabilities and results of the SAT1 Group into its consolidated financial report for year ended 31 December 2014 and recognises a non-controlling interest .

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20. Earnings per Share

	SAL Group Year ended 31 Dec 2014 $m	SAL Group Period ended 31 Dec 2013 $m	SAT1 Group Year ended 31 Dec 2014 $m	SAT1 Group Year ended 31 Dec 2013 $m
Profit after tax attributable to security holders used in calculating basic / diluted profit per share / unit	59.1	(26.9)	243.8	88.4

	SAL Group 31 Dec 2014 Shares 'm	SAL Group 31 Dec 2013 Shares 'm	SAT1 Group 31 Dec 2014 Units 'm	SAT1 Group 31 Dec 2013 Units 'm
Weighted average number of shares / units used in calculating basic / diluted profit per share / unit	2,213.5	2,194.3	2,213.5	1,976.5

21. Cash Flow Information

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2014 $m	SAT1 Group 31 Dec 2013 $m
Reconciliation of cash flows from operating activities				
Profit / (loss) for year	57.2	(28.8)	243.8	75.9
Expenses relating to investing activities	1.2	5.1	(0.1)	16.1
Expenses relating to financing activities	464.1	26.3	-	444.1
Loss / (gain) on derivative contracts	54.6	(1.0)	-	12.6
Depreciation and amortisation	326.4	24.9	-	275.2
Net gain on sale of non-current assets	(0.1)	-	-	(0.4)
Net foreign exchange differences	-	-	-	(0.4)
Decrease / (increase) in receivables and other assets	7.3	(6.4)	19.7	(33.8)
Increase / (decrease) in payables	16.1	6.1	3.1	(15.5)
Increase in tax balances	58.5	44.9	-	51.9
Net cash inflow from operating activities	985.3	71.1	266.5	825.7

21.1. Non-cash financing and investing activities

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

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

In August 2013, 265.8 million ASX-listed Sydney Airport stapled securities were issued as part of the HTA, Future Fund, CDPQ , UTA and KfW minority acquisitions of $956.9 million (refer to Note 2.1).

In September 2013, 67.3 million ASX-listed Sydney Airport stapled securities were issued as part of the MTAA and UniSuper minority acquisitions of $273.3 million (refer to Note 2.1).

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21. Cash Flow Information (continued)

21.2. Undrawn balance on loan facilities

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m
SCACH undrawn balance on bank facilities		
Bank facilities	893.8	576.5
Working capital facility	86.0	86.0
Total SCACH undrawn balance on bank facilities	979.8	662.5
SAL undrawn balance on bank facilities		
Working capital facility	15.0	15.0
Term facility	-	20.0
Total SAL undrawn balance on bank facilities	15.0	35.0
Total undrawn balance on bank facilities	994.8	697.5

21.2.1. SCACH undrawn bank facilities

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

21.2.2. SAL undrawn bank facilities

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

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

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22. Related Party Disclosures

22.1. Key Management Personnel Compensation

Key management personnel (KMP) compensation for the Groups for the period comprised the following:

SAL Group	31 Dec 2014 $	31 Dec 2013 $
Short term employee benefits - salary and fees	4,473,298	344,532
Short term employee benefits - bonus	2,071,592	219,268
Post employment benefits - superannuation	160,919	12,530
Termination benefits	502,632	-
	7,208,441	576,330

SAT1 Group	31 Dec 2014 $	31 Dec 2013 $
Short term employee benefits - fees	91,419	1,203,772
Post employment benefits - superannuation	8,581	86,991
	100,000	1,290,763

There were no other KMP related transactions for the Groups for the year.

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

22.2. SAT1 Group Related Party Disclosures

22.2.1. SAT1 Responsible Entity

TTCSAL was appointed Responsible Entity of SAT1 (SAT1 RE) on 22 November 2013. TTCSAL agreed to act as SAT1 RE on the basis that if TTCSAL was removed within 3 years of its appointment, in the absence of negligence, fraud or breach of trust by TTCSAL, the SAL Group would pay an amount equal to the Responsible Entity fee (RE fee) for 3 years less any RE fees already paid to TTCSAL.

The payment would not be made from the assets of SAT1, but from $800,000 deposited in escrow by SAL. As per the escrow deed, $300,000 (plus interest) was returned to SAL on the first anniversary of TTCSAL's appointment as SAT1 RE on 22 November 2014.

Sydney Airport Corporation Limited (SACL) and TTCSAL have entered into a Resources Agreement under which SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated per the relevant provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions. There were $134,547 fees charged for year ended 31 December 2014 (2013: $Nil) and $134,547 remains unpaid at 31 December 2014 (2013: $Nil).

During the year $300,000 was charged by TTCSAL to SAT1 for RE fees (2013: $525,000) and $75,000 remains unpaid at 31 December 2014 (2013: $25,000).

Sydney Airport Holdings Limited (SAHL) was the Responsible Entity of SAT1 for the period from 1 January 2013 to 22 November 2013. During this period, SAHL generated RE fees that were eliminated at the SAT1 Group level as SAT1 was deemed to control SAHL for that period.

22.2.2. Put Option Deed

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

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22. Related Party Disclosures (continued)

22.2.3. SAT1 and SAL Cross Staple Loan

A loan was entered into between SAT1 as lender and SAL as borrower on 3 December 2013. The loan is an interest bearing, unsecured and subordinated loan. Under the terms of the loan, interest is calculated at 13.0% and is payable in advance during the first two months of semi-annual periods beginning on 1 January and 1 July. Interest which is not paid is capitalised. The loan expires on 28 November 2023.

During the year $46,373,068 (2013: $Nil) of the loan was repaid and the balance outstanding at 31 December 2014 was $1,887,317,057 (2013: $1,933,690,125). During the year interest of $245,978,842 (2013: $19,972,635) was accrued on the loan and $268,313,327 was paid (2013: $Nil). $2,361,850 was prepaid by SAL at 31 December 2014 (2013 outstanding: $19,972,635).

22.2.4. Custodian fees

TTCL was a related entity of SAT1 for year ended 31 December 2014. During this period custodian fees of $144,763 were charged (2013: $31,000) and $30,000 remains unpaid at 31 December 2014 (2013: $31,000).

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23. Defined Benefit Plan

Employees are entitled to varying levels of benefits on retirement, disability or death. The Sydney Airport Superannuation Plan (the Plan) consists of a defined benefit plan which is fully funded and provides lump sum or pension benefits based on years of service, final average salary and a defined contribution plan. The Plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration. Contributions by the SAL Group of up to 9.5% of employees' remuneration are legally enforceable in Australia.

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

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m
Amounts recognised in income in respect of defined benefit plans:			
Current service costs	1.7	1.6	-
Interest cost	(0.2)	-	-
Total included in employee benefit expense	1.5	1.6	-
Remeasurement losses / (gains) recognised in the Consolidated Statements of Comprehensive Income	1.0	(3.1)	-
Cumulative remeasurement (gains) / losses recognised in the Consolidated Statements of Comprehensive Income	(1.4)	(2.4)	-
The amounts included in the Consolidated Balance Sheets arising from the Groups' obligations in respect of its defined benefit plans were:			
Present value of defined benefit obligations	(24.0)	(21.2)	-
Fair value plan assets	27.7	26.6	-
Net asset arising from defined benefit obligations	3.7	5.4	-

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m
Included in the Consolidated Balance Sheets			
Non-current assets			
Superannuation plan asset	3.7	5.4	1.3
Adjustment due to restructure	-	-	(1.3)
Net asset arising from defined benefit obligations	3.7	5.4	-

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m
Movements in the present value of defined benefit obligations:			
Opening balance at 1 January	21.2	-	22.4
Adjustment due to restructure	-	22.4	(22.4)
Current service cost	1.7	1.6	-
Interest cost	0.9	0.7	-
Remeasurement gain / (loss)	2.4	(2.3)	-
Benefits paid	(1.8)	(0.9)	-
Taxes, premiums and expenses paid	(0.4)	(0.3)	-
Closing balance at 31 December	24.0	21.2	-

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23. Defined Benefit Plan (continued)

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m	SAT1 Group 31 Dec 2013 $m
Movements in the present value of the plan assets in the current year were as follows:			
Fair value of plan assets at 1 January	26.6	-	23.7
Interest income	1.0	0.8	-
Return on plan assets, excluding interest income	1.0	2.1	-
Employer contributions	1.3	1.3	-
Benefits paid	(1.8)	(0.9)	-
Taxes, premiums and expenses paid	(0.4)	(0.4)	-
Adjustment due to restructure	-	23.7	(23.7)
Fair value of plan assets at 31 December	27.7	26.6	-

The actual return on plan assets was an increase of $1.2 million (2013: increase of $2.9 million), with all participants being active plan participants. The weighted average duration of the defined benefit obligation is 8.0 years (2013: 9.0 years).

The Group expects to contribute at the current recommended rate of 14.1% (including 3.0% productivity contributions of salaries of defined benefit members and 9.5% of salaries of defined contribution members).

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

	Group 31 Dec 2014	Group 31 Dec 2013
Discount rate	3.0%	4.3%
Future salary increases	3.5%	3.5%

	0.5% increase	0.5% decrease
Discount rate	(1.1)	1.2
Future salary increases	1.0	(1.0)

Plan assets comprise investments in unquoted securities of $27.8 million (2013: $26.6 million)

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

	31 Dec 2014	31 Dec 2013
Australian equity instruments	21.0%	19.0%
International equity instruments	25.0%	21.0%
Fixed income	25.0%	26.0%
Property	7.0%	10.0%
Alternatives / other	9.0%	2.0%
Cash	13.0%	22.0%

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24. Segment Reporting

Operating segments are determined in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of SAL for year ended 31 December 2014 (representing the Group) and when SAT1 and SAL were identified as the parent of ASX-listed Sydney Airport from 1 January 2013 to 2 December 2013 (336 days) and 3 December 2013 to 31 December 2013 (29 days) respectively for accounting purposes, has been identified as the Chief Executive Officer (CEO) of SAL.

For years ended 31 December 2014 and 31 December 2013 the CEO considered the business from the aspect of its core portfolio airport, and identified one operating segment for which it received regular reports. The segment is the investment in Sydney Airport.

The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 8: *Operating Segments*. The segment result represents 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA) (2013: 100.0%).

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

Sydney Airport's revenues and expenses are consolidated in the Consolidated Statements of Comprehensive Income and are accounted for in accordance with Note 1.17.

Sydney Airport	**SAL Group Year ended 31 Dec 2014 $m**	**SAL Group Period ended 31 Dec 2013 $m**	**SAT1 Group Year ended 31 Dec 2013 $m**
Total segment revenue from external customers	1,163.6	100.9	1,024.2
Total segment expenses from external customers	(215.3)	(24.5)	(209.1)
EBITDA	948.3	76.4	815.1

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

	SAL Group Year ended 31 Dec 2014 $m	**SAL Group Period ended 31 Dec 2013 $m**	**SAT1 Group Year ended 31 Dec 2013 $m**
Sydney Airport			
EBITDA	948.3	76.4	815.1
Other			
Depreciation and amortisation	(326.4)	(24.9)	(275.2)
Net finance (costs) / income	(506.2)	(35.4)	(412.1)
Profit before income tax expense	115.7	16.1	127.8

	SAL Group 31 Dec 2014 $m	**SAL Group 31 Dec 2013 $m**
Non-current assets	10,717.9	10,366.2
Total assets	11,328.8	10,940.6
Total liabilities	(9,813.9)	(9,030.0)

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25. Financial Risk Management

25.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while considering the optimisation of the debt and equity balance, managing the cost of capital and increasing returns to shareholders.

The capital structure of the Group consists of:

- debt (including bank facilities, bonds (domestic and foreign) and Capital Indexed Bonds);
- cash and cash equivalents;
- issued capital;
- reserves; and
- retained earnings.

The Group monitors its capital structure on a regular basis. As part of the review process, management considers the risks and costs of each class of capital. The Group balances its overall capital structure through the:

- issuing of new debt;
- retiring of existing debt; and
- shareholder distributions.

During year ended 31 December 2014, the Group's strategy remained unchanged.

25.2. Risk management framework

The Group has exposure to the following risks arising from financial instruments:

- market risk (including currency risk, inflation risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the SAL Board covering specific areas, such as:

- foreign exchange risk;
- interest rate risk;
- use of derivative financial instruments;
- use of non-derivative financial instruments; and
- investing excess liquidity.

Speculative trading is specifically prohibited by SAL Board policy. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

25.3. Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rate and interest rate movements (refer to Notes 25.3.1 and 25.3.2).

The Group enters into interest rate and cross currency swap contracts to mitigate interest rate and foreign exchange risks. Market risk exposures are measured using a sensitivity analysis.

During year ended 31 December 2014, there was no change to the manner in which the Group manages or measures market risk.

25.3.1. Currency risk

The Group operates domestically and is currently a party to borrowings in three foreign currencies (Euro, USD and CAD). Foreign exchange risk also arises from future commercial transactions. To manage foreign exchange risk arising from future commercial transactions, Group entities may use forward contracts, transacted by Group Treasury. The Group's risk management policy is to fully hedge foreign currency exposures related to borrowings and to hedge foreign currency

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25. Financial Risk Management (continued)

exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds. At 31 December 2014 there were no unhedged foreign currency exposures over the set threshold (31 December 2013: $Nil).

Sydney Airport Finance Company Pty Limited (a subsidiary of SAL) has issued the following guaranteed senior secured foreign currency bonds. The total foreign currency proceeds were exchanged into Australian dollars and the borrowings are fully hedged through cross currency swaps until maturity of the bonds.

	Bond market	Maturity date	Currency	31 Dec 2014 $m	31 Dec 2013 $m
CAD bond	Canadian Maple	July 2018	CAD	225.0	225.0
USD bond	US 144A/RegS	February 2021	USD	500.0	500.0
USD bond	US 144A/RegS	March 2023	USD	825.0	825.0
EUR bond	Euro Bond	April 2024	EUR	700.0	-

The Group's exposures to foreign currency risk based on notional amounts were:

	31 Dec 2014 $USDm	31 Dec 2014 $CADm	31 Dec 2014 EURm	31 Dec 2014 equivalent total $AUDm	31 Dec 2013 $USDm	31 Dec 2013 $CADm	31 Dec 2013 EURm	31 Dec 2013 equivalent total $AUDm
Senior secured bonds	(1,325.0)	(225.0)	(700.0)	(2,571.8)	(1,325.0)	(225.0)	-	(1,538.4)
Cross currency swaps	1,325.0	225.0	700.0	2,571.8	1,325.0	225.0	-	1,538.4
	-	-	-	-	-	-	-	-

As the foreign currency borrowing exposures are fully hedged, a strengthening or weakening of the AUD will have no impact on profit or loss or equity. At 31 December 2014 the Group had no exposure to foreign exchange risk on the above senior secured bonds (2013: $Nil).

25.3.2. Interest rate risk

The Group's interest rate risk arises from borrowings and cash balances held. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to ensure that, in the medium term a minimum of 55.0% of its senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps on a five year average look forward basis. This is achieved by targeting a range of forecast average debt exposures in each year of:

- Year 1: 70.0% - 95.0%;
- Years 2 - 3: 50.0% - 75.0%; and
- Years 4 - 5: 40.0% - 65.0%.

At 31 December 2014, 83.4% (31 December 2013: 91.5%) of senior drawn borrowings were either fixed rate or hedged through interest rate swaps.

The Group's sensitivity to future interest rates has decreased due to the level of interest rate hedging executed during year ended 31 December 2014.

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

25.3.3. Interest rate sensitivity

The following table summarises the impact of an increase / (decrease) of interest rates by 150 basis points (2013: 150 basis points) while all other variables were held constant. 150 basis points is used when reviewing interest rates internally by key finance management and represents their assessment of a possible change in interest rates over a 12 month period.

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25. Financial Risk Management (continued)

	Impact on profit after tax		Impact on equity net of tax	
	SAL Group +/- $m	SAT1 Group +/- $m	SAL Group +/- $m	SAT1 Group +/- $m
31 December 2014				
Interest rates - 150 basis point increase	(12.1)	-	124.7	-
Interest rates - 150 basis point decrease	12.1	-	(135.7)	-
31 December 2013				
Interest rates - 150 basis point increase	6.6	-	17.6	17.6
Interest rates - 150 basis point decrease	(6.6)	-	(11.4)	(11.4)

25.3.4. Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the cash and swap curves at reporting date and the credit risk inherent in the contract. In the table below the average interest rate is based on the outstanding balances at the end of the financial year.

The table below details the notional principal amounts and remaining terms of floating for fixed interest rate swap contracts outstanding as at reporting dates:

	Average contracted fixed interest rates		Notional principal amount		Fair value	
	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2014 $m	31 Dec 2013 $m	31 Dec 2014 $m	31 Dec 2013 $m
1 year or less	6.26%	4.53%	955.0	391.0	(19.4)	(5.3)
1 to 2 years	5.50%	6.30%	1,829.3	1,453.0	(88.7)	(63.0)
2 to 5 years	4.65%	5.42%	200.0	2,029.3	(13.6)	(118.7)
5 years or more	3.76%	4.12%	3,154.1	844.1	(166.4)	(6.8)
			6,138.4	4,717.4	(288.1)	(193.8)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is Australian BBSW. The Group settles the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges. This reduces the Group's profit and loss volatility. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The table below reflects the weighted average interest rates of senior debt instruments and the carrying value of senior debt instruments (including impact of cross currency swaps):

	Weighted average interest rate		Carrying value	
	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2014 $m	31 Dec 2013 $m
Senior debt (including swaps)	6.11%	6.38%	7,234.2	6,677.4

25.4. Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Derivative counterparties and cash balances are limited to high credit quality financial institutions. It is Group policy that all financial institution derivative counterparties must have a minimum Standard & Poor's / Moody's long-term rating of A- / A3 and for cash deposit counterparties a minimum rating of A / A2. The Group has policies limiting the amount of credit exposure to any financial institution by both volume and term.

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25. Financial Risk Management (continued)

SAL and its subsidiaries have significant concentrations of credit risk in trade receivables, of which approximately 40.0% to 50.0% relate to the aeronautical industry. At 31 December 2014, less than 5.0% (2013: less than 5.0%) of trade receivables were overdue.

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

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

SAL Group	Financial institutions $m	Corporates $m	Total $m
31 December 2014			
Cash and cash equivalents	446.8	-	446.8
Receivables	1.8	162.0	163.8
Other financial assets	35.0	-	35.0
	483.6	162.0	645.6
31 December 2013			
Cash and cash equivalents	443.3	-	443.3
Receivables	1.0	166.9	167.9
	444.3	166.9	611.2

SAT1 Group	Financial institutions $m	Corporates $m	Total $m
31 December 2014			
Cash and cash equivalents	1.5	-	1.5
Receivables	-	1,890.6	1,890.6
	1.5	1,890.6	1,892.1
31 December 2013			
Cash and cash equivalents	1.5	-	1.5
Receivables	-	1,956.7	1,956.7
	1.5	1,956.7	1,958.2

25.4.1. Financial institutions

The credit risk against financial institutions for the SAL Group and SAT1 Group relates to cash held by, receivables due from and deposits that have been placed with Australian and other foreign banks. Refer to Note 25.4 for the credit risk policies of the SAL Group.

25.4.2. Corporates

The credit risk against corporates for SAL and its subsidiaries relates to aeronautical, retail and property trade receivables at the airport asset level. These counterparties have a range of credit ratings. Credit risk against corporates could be materially affected by the performance of key aeronautical customers including the Qantas and Virgin Groups that accounted for between 40.0% and 50.0% of aeronautical revenue for year ended 31 December 2014 (2013: between 40.0% and 50.0%).

The credit risk against corporates for the SAT1 Group primarily relates to interest income receivable and an interest bearing loan to SAL, a related party (refer to Note 22.2.3).

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25. Financial Risk Management (continued)

25.5. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed undrawn borrowing facilities and the ability to close out market positions. Due to the capital intensive nature of the underlying business, Group Treasury aims to maintain flexibility in funding by maintaining committed undrawn borrowing lines available from a number of counterparties. A liquidity policy is in place to maintain liquidity including the:

- levels of undrawn committed bank facilities available for working capital and capital investment; and
- maintenance capital expenditure reserve.

25.5.1. Maturity of financial liabilities

The table below details the SAL Group's remaining contractual maturity for its financial liabilities and derivative financial liabilities. The contractual cash flows reflect the undiscounted cash flows of financial liabilities and derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The adjustment column represents the contractual future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

	Total contractual cashflows				
	1 year or less $m	1 to 5 years $m	5 years or more $m	Adjustment $m	Carrying value $m
31 December 2014					
Bank facilities	20.5	551.1	-	(63.2)	508.4
Bonds - domestic	547.2	313.9	1,838.7	(542.8)	2,157.0
Bonds - USPP	31.0	124.2	857.9	(443.4)	569.7
Bonds - foreign	156.6	820.6	2,757.0	(764.7)	2,969.5
Capital Indexed Bonds	37.7	160.6	1,576.1	(744.8)	1,029.6
Derivatives	134.3	200.7	-	-	335.0
Distribution payable	266.0	-	-	-	266.0
Trade and other payables	182.0	-	-	-	182.0
	1,375.3	2,171.1	7,029.7	(2,558.9)	8,017.2
31 December 2013					
Bank facilities	35.5	1,220.5	-	(11.6)	1,244.4
Bonds - domestic	796.7	700.3	1,980.5	(626.1)	2,851.4
Bonds - foreign	111.2	345.6	1,717.5	(527.1)	1,647.2
Capital Indexed Bonds	36.8	157.0	1,619.0	(815.4)	997.4
Derivatives	125.9	92.3	-	-	218.2
Distribution payable	252.3	-	-	-	252.3
Trade and other payables	170.1	-	-	-	170.1
	1,528.5	2,515.7	5,317.0	(1,980.2)	7,381.0

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25. Financial Risk Management (continued)

25.6. Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined:

- in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- using market prices for the fair value of derivative instruments. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The directors consider the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximates their fair values, except as detailed below:

	Carrying amount		Fair value	
	31 Dec 2014 $m	31 Dec 2013 $m	31 Dec 2014 $m[1]	31 Dec 2013 $m[1]
Financial liabilities				
Bonds - domestic	273.9	273.2	297.6	304.5
Bonds - USPP	371.2	-	483.9	-
Bonds - foreign	2,969.7	1,647.2	3,360.5	1,917.6
	3,614.8	1,920.4	4,142.0	2,222.1

[1] Level 2 fair value measurement hierarchy.

25.6.1. Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below analyses financial instruments measured and recognised at fair value, which is determined by:

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

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
31 December 2014				
Assets / (liabilities)				
Non-current asset derivatives used for hedging	-	442.8	-	442.8
Current liability derivatives used for hedging	-	(134.3)	-	(134.3)
Non-current liability derivatives used for hedging	-	(200.7)	-	(200.7)
31 December 2013				
Assets / (liabilities)				
Non-current asset derivatives used for hedging	-	102.2	-	102.2
Current liability derivatives used for hedging	-	(125.9)	-	(125.9)
Non-current liability derivatives used for hedging	-	(92.3)	-	(92.3)

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for year ended 31 December 2014

26. Commitments

The Group has commitments of $61.6 million (2013: $21.2 million) in relation to capital expenditure.

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

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	0.1	0.1
Later than one year but not later than five years	0.5	0.5
Later than five years	1.4	1.6
	2.0	2.2

The Group's common user terminal equipment lease expired in February 2014.

Lease receivables as lessor

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

	SAL Group 31 Dec 2014 $m	SAL Group 31 Dec 2013 $m
Receivable within one year	240.0	242.1
Receivable later than one year but not later than five years	745.0	468.0
Receivable after five years	365.8	116.4
	1,350.8	826.5

27. Parent Entity Disclosures

At and throughout year ended 31 December 2014, SAL was deemed to be the parent entity of the SAL Group and SAT1 was deemed to be the parent entity of the SAT1 Group. The SAL parent has designated its investment in airport assets as financial assets at fair value through profit or loss, determined in accordance with a valuation framework adopted by the directors of SAL. Investment income from these investments constitute changes in the fair value of investments in unlisted securities. Income relating to these investments is brought to account as described in Note 1.7.

	SAL 31 Dec 2014 $m	SAL 31 Dec 2013 $m	SAT1 31 Dec 2014 $m	SAT1 31 Dec 2013 $m
Result of the parent entity				
Profit / (loss) after income tax expense	2,129.0	898.1	243.9	(70.6)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period / year	2,129.0	898.1	243.9	(70.6)
Financial position of parent entity at year end				
Current assets	150.4	137.2	1.6	21.5
Total assets	10,348.1	8,480.2	1,892.7	1,959.0
Current liabilities	146.0	145.0	127.2	212.4
Total liabilities	2,033.3	2,076.8	127.2	212.4
Total equity of the parent entity comprising of:				
Contributed equity	5,609.7	5,549.2	2,731.8	2,714.2
Retained profits	2,705.1	854.2	1.3	-
Reserves	-	-	(967.6)	(967.6)
Total equity	8,314.8	6,403.4	1,765.5	1,746.6

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for year ended 31 December 2014

27.1. Parent entity contingencies

At 31 December 2014 the parent entities have no contingent assets or liabilities which are material either individually or as a class (2013: $Nil).

SAL is the head entity of the SAL Tax Consolidated Group (SAL TCG) (refer to Note 1.20.2). At 31 December 2014 no tax liabilities exist within the SAL TCG (2013: $Nil).

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

At 31 December 2014 the parent entities have not made any capital commitments for acquisition of property, plant and equipment (2013: $Nil).

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

At 31 December 2014 the parent entities have not made any guarantees in respect of the debts of their subsidiaries (2013: $Nil).

28. Contingent Assets and Liabilities

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 2014 the Groups have no other contingent assets or liabilities which are material either individually or as a class (2013: $Nil).

29. Events Occurring after Balance Sheet Date

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

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

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

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

Financial Report
for year ended 31 December 2014

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 34 to 77 and the Remuneration report in the Directors' report (set out on pages 20 to 30), are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAL Group's financial position at 31 December 2014 and of its performance for the financial period ended on that date; and

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 2014.

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

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

Max Moore-Wilton

Sydney

25 February 2015

Trevor Gerber

Sydney

25 February 2015

Financial Report
for year ended 31 December 2014

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

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

a. the consolidated financial statements and notes for SAT1 set out on pages 34 to 77, are in accordance with the *Corporations Act 2001*, including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory reporting requirements;
   ii. giving a true and fair view of the SAT1 Group's financial position at 31 December 2014 and of its performance for the financial year ended on that date; and

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2014.

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

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

Patrick Gourley

Sydney

25 February 2015

Christopher Green

Sydney

25 February 2015

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

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Limited (the company), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in pages 20 to 30 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Sydney Airport Limited for the year ended 31 December 2014, complies with Section 300A of the *Corporations Act 2001*.

KPMG	KPMG
Andrew Yates *Partner*	Eileen Hoggett *Partner*

Sydney

25 February 2015

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

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Trust 1 (the Trust), which comprises the consolidated statement of financial position as at 31 December 2014, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Trust and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

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

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

KPMG	KPMG
Andrew Yates *Partner*	Eileen Hoggett *Partner*

Sydney

25 February 2015