SYDNEY AIRPORT

APPENDIX 4E

ASX Listing Rule 4.3A

Preliminary Financial Report for Year Ended 31 December 2015

Results for Announcement to the Market

	SAL Group 31 Dec 2015 $m	SAL Group 31 Dec 2014 $m	Movement $m	Movement %
Revenue	1,228.9	1,163.5	65.4	5.6%
Other income	0.1	0.1	-	-
Total revenue	1,229.0	1,163.6	65.4	5.6%
Profit after income tax expense	281.1	57.2	223.9	391.4%
Profit after income tax expense attributable to security holders	283.0	59.1	223.9	378.8%

	SAT1 Group 31 Dec 2015 $m	SAT1 Group 31 Dec 2014 $m	Movement $m	Movement %
Revenue	-	-	n/a	n/a
Other income	-	-	n/a	n/a
Total revenue	-	-	n/a	n/a
Profit after income tax expense	243.2	243.8	-0.6	-0.2%
Profit after income tax expense attributable to security holders	243.2	243.8	-0.6	-0.2%

Distributions

Distributions	SAL Group 31 Dec 2015 $m	SAT1 Group 31 Dec 2015 $m	SAL Group 31 Dec 2014 $m	SAT1 Group 31 Dec 2014 $m
Final distribution (100% unfranked)	289.8	123.7	266.0	120.8
Interim distribution (100% unfranked)	277.1	119.7	254.9	121.9

Distributions	SAL Group 31 Dec 2015 cents per stapled security	SAT1 Group 31 Dec 2015 cents per stapled security	SAL Group 31 Dec 2014 cents per stapled security	SAT1 Group 31 Dec 2014 cents per stapled security
Final distribution (100% unfranked)	13.00	5.55	12.00	5.45
Interim distribution (100% unfranked)	12.50	5.40	11.50	5.50

The total distributions by ASX-listed Sydney Airport for year ended 31 December 2015 were $566.9 million or 25.5 cents per stapled security (2014: $520.9 million or 23.5 cents).

The interim distribution, with record date of 30 June 2015 of $277.1 million or 12.5 cents per stapled security (2014: $254.9 million or 11.5 cents) was paid on 14 August 2015 by:

- SAL $157.4 million or 7.1 cents (2014: $133.0 million or 6.0 cents); and
- SAT1 $119.7 million or 5.4 cents (2014: $121.9 million or 5.5 cents).

The final distribution, with record date of 31 December 2015, of $289.8 million or 13.0 cents per stapled security (2014: $266.0 million or 12.0 cents) was paid on 12 February 2016 by:

- SAL $166.1 million or 7.45 cents (2014: $145.2 million or 6.55 cents); and
- SAT1 $123.7 million or 5.55 cents (2014: $120.8 million or 5.45 cents).

There are $nil imputation credits (2014: $nil) available to pay franked distributions.

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 4 January 2016. 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 2015 and Results for Year Ended 31 December 2015 lodged with the ASX on 18 February 2016.

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.

FINANCIAL REPORT

FOR YEAR ENDED 31 DECEMBER 2015

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

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

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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 2015 (2014: 100%).

For year ended 31 December 2015, 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 2015, 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.

Director profiles of SAL

The following persons are current directors of SAL.

TREVOR GERBER B ACC, CA Chairman (Non-executive)	Mr Gerber was appointed as a Sydney Airport director in May 2002, appointed director of SAL in October 2013 and was appointed chairman on 14 May 2015. He is chairman of the Western Sydney Airport Committee and a member of the Audit and Risk Committee and Nomination and Remuneration Committee. He is an independent non-executive director of the following ASX listed entities - Tassal Group Limited since April 2012, Vicinity Centres since April 2014, CIMIC Group Limited since June 2014 and Regis Healthcare Limited since October 2014. Mr Gerber has been 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 (Non-executive)	Mr Lee was appointed as a Sydney Airport director in June 2003 and appointed director of SAL in October 2013. He is the chairman of the Safety, Security and Sustainability Committee and a member of the Audit and Risk Committee, Nomination and Remuneration Committee and Western Sydney Airport Committee. He is the chairman of Communications Alliance, the peak communications industry body. He is a former director of DUET Group (August 2004 - May 2014), Superpartners, National Film and Sound Archive 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 (Non-executive)	Mr Roberts was appointed as a Sydney Airport director in October 2009 and appointed director of SAL in October 2013. He is chairman of the Audit and Risk Committee and a member of the Western Sydney Airport Committee. He is a director of Macquarie Atlas Roads Limited since February 2010 and 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 previously served for just over 10 years as a director of DUET Group (May 2004 - June 2015). 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.

STEPHEN WARD **LLB** (Non-executive)	Mr Ward was appointed as a Sydney Airport director in February 2011 and appointed director of SAL in October 2013. He is the chairman of the Nomination and Remuneration Committee and a member of the Western Sydney Airport Committee. Mr Ward is also a non-executive director of Sovereign Assurance Company Limited, SecureFuture Wiri Limited and SecureFuture Wiri Holdings Limited, Central Emergency Communications Limited, deputy chair of the Life Flight Trust, independent chair of the Advisory Council for the Financial Dispute Resolution Approved Scheme, a member of the Governance Board of Wellington Free Ambulance, member of the Investment Management Committee of Wellington Free Ambulance and a member of the New Zealand Rugby Union Appeal Council. He is also a consultant of Simpson Grierson, one of New Zealand's largest law firms.
ANN SHERRY **AO, BA, GRAD DIP IR, FAICD, FIPAA, HONDLITT MACQ** (Non-executive)	Ms Sherry was appointed as a director of SAL in May 2014. She is a member of the Nomination and Remuneration Committee, Safety, Security and Sustainability Committee and Western Sydney Airport Committee. She is the executive chairman 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 Investments Pty Ltd, Australian Rugby Union, Cape York Partnership, Museum of Contemporary Art and The Palladium Group. Ms Sherry is the former chair of Safe Work Australia and Cruise Line Industry Association (CLIA) Southeast Asia and director of The Myer Family Company Limited. 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.
GRANT FENN **B EC, CA** (Non-executive)	Mr Fenn was appointed as a director of SAL in October 2015. He is a member of the Western Sydney Airport Committee. Mr Fenn has been the managing director and chief executive officer of ASX-listed Downer Group since July 2010. He has over 20 years' experience in operational management, strategic development and financial management. Mr Fenn was previously a member of the Qantas Executive Committee, chairman of Star Track Express and a director of Australian Air Express. He held a number of senior roles at Qantas including executive general manager of Strategy and Investments and executive general manager - Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses.
KERRIE MATHER **BA, MCOMM** (Executive)	Ms Mather was appointed Sydney Airport's managing director and chief executive officer (CEO) in July 2011. She is a member of the Safety Security and Sustainability Committee and Western Sydney Airport Committee. Since her appointment, she has driven an investment program of more than $1.5 billion and has been instrumental in delivering aviation capacity and customer service improvements through tourism leadership and stakeholder engagement at Sydney Airport. She also led the acquisition of all Sydney Airport minority stakes and the simplification of the corporate structure in 2013. Ms Mather brings over 20 years of international aviation and transport experience including formerly as a board member of a number of UK and European airports and as CEO of the largest global airport investment fund from 2002 until 2011. Prior to this, she worked in investment banking during which she advised on many aviation industry transactions.

Board skills matrix

SAL's director selection and appointment practices ensure the board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Sydney Airport.

Set out in the following table are the skills and experience of SAL's directors:

- Aviation and Transport
- Banking and Finance
- Construction and Engineering
- Corporate Governance
- Digital Media
- Government Relations
- Infrastructure
- Investment Evaluation and Management
- Legal
- Property and Facilities Management
- Retail
- Tourism Development

Director profiles of TTCSAL

The following persons are current directors of TTCSAL.

RUSSELL BALDING AO, DIP TECH (COM), B BUS, FCPA, MAICD	Mr Balding was appointed as a TTCSAL director in October 2013. He is Chairman of Cabcharge Australia Limited (director since July 2011), 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 Southern Cross Airports Corporation Holdings Limited (SCACH) and the Managing Director of the Australian Broadcasting Corporation.
PATRICK GOURLEY B EC (HONS), M EC	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 in 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 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.
ANDREW CANNANE B E C, EMBA	Mr Cannane was appointed as a TTCSAL alternate director in December 2015 for Christopher Green. He is currently the General Manager, Managed Fund Services, Perpetual Corporate Trust, with responsibility for leadership of the Managed Fund Services team that provides Wholesale Trustee (including Managed Investment Trust) and custodial services for registered and unregistered funds, Responsible Entity Services for registered schemes and Corporate Trustee services for the Singapore business. Andrew has over 20 years' experience in wealth management, financial markets and retail banking in Australia, Singapore and the UK.

Company secretary profiles

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 Sydney Airport Corporation Limited (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.
GLENDA CHARLES **GRAD DIP GOV, ASX LISTED ENTITIES, GIA (CERT)**	Ms Charles was appointed as co-Company Secretary of TTCSAL on 17 December 2015. She originally joined Perpetual in 1994 and was appointed Assistant Company Secretary of Perpetual in 1999 and Deputy Company Secretary in 2009. Ms Charles has over 20 years' experience in company secretariat practice and administration and has worked in the financial services industry for over 30 years.
SYLVIE DIMARCO **LLB, GIA (CERT), MAICD**	Ms Dimarco was appointed as co-Company Secretary of TTCSAL on 17 December 2015. She joined Perpetual in March 2014 as an Assistant Company Secretary. She is a qualified solicitor and has over 7 years' experience in company secretariat practice and administration and is currently Assistant Company Secretary of Corporate Services with the Perpetual Risk Group.

Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 31 December 2015 and the number of meetings attended by each director were as follows:

	SAL Board		Audit and Risk Committee		Nomination and Remuneration Committee		Western Sydney Airport Committee		Safety, Security, Environment and Health Committee[7]	
Director	**H[1]**	**A[2]**	**H[1]**	**A[2]**	**H[1]**	**A[2]**	**H[1]**	**A[2]**	**H[1]**	**A[2]**
Trevor Gerber[3]	6	6	5	5	2	2	6	6	-	-
Michael Lee[8]	6	6	5	5	3	3	6	6	5	5
John Roberts[4]	6	6	5	5	-	-	6	6	5	5
Stephen Ward[5]	6	6	-	-	3	3	6	6	-	-
Ann Sherry	6	6	-	-	2	2	6	5	-	-
Grant Fenn	2	2	-	-	-	-	1	1	5	5
Kerrie Mather	6	6	-	-	-	-	6	6	-	-
Max Moore-Wilton[6]	2	2	-	-	1	1	3	3	1	1

1 Number of meetings to which director was invited to attend
2 Actual attendance
3 Chairman of the SAL Board and Western Sydney Airport Committee
4 Chairman of the Audit and Risk Committee
5 Chairman of the Nomination and Remuneration Committee
6 Mr Moore-Wilton resigned as chairman and director on 14 May 2015
7 Dissolved at 31 December 2015 and replaced with Safety, Security and Sustainability Committee
8 Chairman of the Safety, Security, Environment and Health Committee

The Responsible Entity of SAT1 board met three times in 2015, and all directors attended each meeting.

Distributions

The total distribution paid by ASX-listed Sydney Airport during the year ended 31 December 2015 was $543.1 million or 24.5 cents per stapled security (2014: $507.2 million or 23.0 cents).

An interim distribution of $277.1 million or 12.5 cents per stapled security (2014: $254.9 million or 11.5 cents) was paid on 14 August 2015 by:

- SAL $157.4 million or 7.1 cents (2014: $133.0 million or 6.0 cents); and
- SAT1 $119.7 million or 5.4 cents (2014: $121.9 million or 5.5 cents).

A 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 6.6 cents; and
- SAT1 $120.8 million or 5.5 cents.

There are $nil imputation credits (2014: $nil) available to pay franked distributions.

Significant changes in state of affairs

Finance Facilities and Bonds

In 2015, Sydney Airport successfully issued a USD500.0 million ($643.0 million) US144A/RegS bond that reinforced our proactive capital management approach. The funds raised were used to refinance a $175.0 million domestic bond maturing in July 2015 and a $300.0 million domestic bond maturing in November 2015. The remainder was used to repay committed drawn bank debt facilities.

Distribution Reinvestment Plan (DRP)

The DRP operated in respect of the 30 June 2015 interim distribution. 13.3 million stapled securities were issued and transferred to DRP participants at $5.46 with no discount applied, totalling $72.4 million on 14 August 2015. The cash was used to partially fund the T3 transaction, described below.

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

T3 Transaction

In August 2015, Sydney Airport reached an agreement with Qantas to take control of T3 from 1 September 2015 for consideration of $535.0 million, almost four years ahead of the previous lease expiry. The transaction was strategically important for future airport flexibility and was funded with a mixture of cash, DRP and debt.

Events occurring after balance sheet date

The final distribution of $289.8 million or 13.0 cents per stapled security (2014: $266.0 million or 12.0 cents) was paid on 12 February 2016 by:

- SAL $166.1 million or 7.45 cents (2014: $145.2 million or 6.55 cents); and
- SAT1 $123.7 million or 5.55 cents (2014: $120.8 million or 5.45 cents).

The DRP operated in respect of the 31 December 2015 final distribution. To satisfy the DRP take up, 9.3 million stapled securities were acquired on market for transfer for a total of $56.8 million in January 2016. No new securities were issued. Securities were transferred to DRP participants at $6.15 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 Directors' 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 2015.

OPERATING AND FINANCIAL REVIEW

About Sydney Airport

Sydney Airport is Australia's busiest airport. In 2015 the airport connected 39.7 million passengers to 49 international, 21 domestic interstate and 23 regional destinations.

Following the landmark T3 transaction, from 1 September 2015, Sydney Airport received new variable aeronautical, retail and property revenue streams and additional operating expenses.

Sydney Airport is a major employer in NSW and facilitates $30.8 billion in economic activity a year. This contribution is equivalent to 6.4% of the NSW economy, which translates into more than 306,700 direct and indirect jobs, equivalent to 8.9% of NSW employment. Around 29,000 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 13.7 million passengers last year
- T2 Domestic common user terminal: this terminal is used by domestic and regional airlines
- T3 Domestic terminal: this terminal is utilised by Qantas for domestic and regional flights

Sydney Airport's vision is to deliver an enhanced airport experience and foster the growth of aviation for the benefit of Sydney, NSW and Australia.

Sydney Airport's strategic priorities and opportunities

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

OPERATING AND FINANCIAL REVIEW (CONT.)

Significant risks

Sydney Airport is exposed to a range of risks associated with operating Australia's busiest airport. The strategies developed by the SAL 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 over whose performance we have limited ability to influence • 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 cyber attacks, 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 →	Investor returns
2015	39.7 million passengers	$1,003.6 million EBITDA	$577.8 million net operating receipts	2.5x Cash flow cover ratio[1]	$14.1 billion[2] equity value
2015 Growth	+3.0%	+5.8%	+10.0%	+0.2x	+41.0% total return

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

2 As at 31 December 2015

OPERATING AND FINANCIAL REVIEW (CONT.)

Key performance measures

Key measures of Sydney Airport's financial performance are shown in the table below.

		Growth over 2014	
Passengers	39.7 million	3.0%	↑
Revenue	$1,228.9 million	5.6%	↑
Operating expenditure	$225.4 million	5.3%	↑
EBITDA	$1,003.6 million	5.8%	↑
Net operating receipts (NOR)	$577.8 million	10.0%	↑
Distributions per security to investors	25.5c	8.5%	↑

Financial performance analysis

In 2015, Sydney Airport revenues grew 5.6% year on year to $1,228.9 million, total expenses increased 4.7% to $225.4 million and EBITDA grew 5.8% to $1,003.6 million. ASX-listed Sydney Airport declared distributions totalling 25.5 cents per stapled security for the full year.

Sydney Airport has a number of key revenue streams, all of which grew in 2015. 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)	523.4	43%	7.5%
Retail	263.5	21%	3.3%
Property and Car Rental	201.2	16%	3.7%
Parking and Ground Transport	150.6	12%	7.6%

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, continue to deleverage the business. NOR is derived from both income statement performance and the cash position of SAL and SAT1.

A reconciliation of statutory profit to NOR is shown on the following page.

OPERATING AND FINANCIAL REVIEW (CONT.)

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 year ended 31 December 2015 to its NOR.

Non-IFRS financial information has not been audited by the external auditor, but has been sourced from the financial reports.

	2015 $m	2014 $m
Profit before income tax expense[1]	286.1	115.7
Add back: depreciation and amortisation[1]	312.5	326.4
Profit before tax, depreciation and amortisation	598.6	442.1
Add/(subtract) non-cash financial expenses		
- Capital indexed bonds capitalised[2]	15.8	29.7
- Amortisation of debt establishment costs[2]	23.1	24.6
- Borrowing costs capitalised[2]	(11.0)	(8.0)
- Change in fair value of swaps[2]	(28.3)	54.6
Total non-cash financial expenses	(0.4)	100.9
Add/(subtract) other cash movements		
Movement in cash balances with restricted use[3]	(5.5)	(8.7)
Other	(14.9)	(9.2)
Total other cash movements	(20.4)	(17.9)
Net operating receipts	577.8	525.1
Average stapled securities on issue (m)[4]	2,221.2	2,213.5
Net operating receipts per stapled security	26.0c	23.7c
Distributions declared per stapled security	25.5c	23.5c

1 Taken from the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2015.
2 Taken from Note 6 in the Sydney Airport Financial Report for Year Ended 31 December 2015.
3 Taken from Note 3 in the Sydney Airport Financial Report for Year Ended 31 December 2015.
4 Taken from Note 8 in the Sydney Airport Financial Report for Year Ended 31 December 2015.

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 generally levied per passenger to the airlines for use of the terminal and airfield infrastructure providing a direct linkage to revenue growth. Where charges are levied on maximum take-off weight they provide linkage as larger or more aircraft are required to transport more passengers. The commercial revenues (including Retail, Property and Car Rental, Parking and Ground Transport) are directly and indirectly linked to passenger volumes.

Capital investment: Sydney Airport takes a disciplined approach to investment. It earns a return on aeronautical and commercial infrastructure capital investments. Investment is made to allow more passengers to use the airport, improve the efficiency of the airport and improve 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.

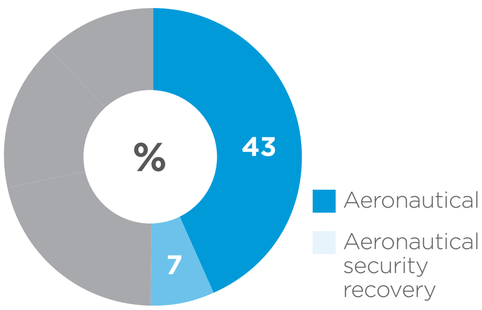
Inflation: Many of Sydney Airport's commercial contracts and revenues are directly linked to inflation.

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

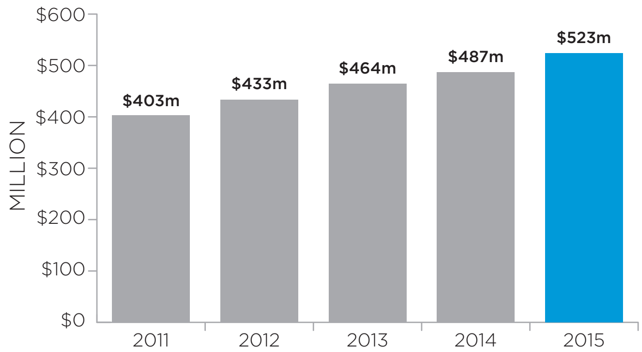
OPERATING AND FINANCIAL REVIEW (CONT.)

Aeronautical Services

Revenue contribution to the Group



Aeronautical revenue (excl security recovery)



+7.5% in 2015

Key Statistics

Traffic	Infrastructure	Network
39.7 million passengers	3 runways	45 airlines
25.9 million domestic passengers	121 aircraft parking bays	93 destinations
13.7 million international passengers	3 passenger terminals	28 countries with direct services from Sydney
335,001 aircraft movements	61 contact gates	40% of all international passengers to Australia
	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 21 contact gates, T3 Domestic with 15 contact gates and freight facilities for six international and three domestic freight operators.

2015 Review

Aeronautical revenues (excluding security recovery) grew 7.5% to $523 million which accounts for 43% of Group revenues. This was driven primarily by international passenger growth of 4.3% (including domestic-on-carriage) and revenues related to the Terminal 3 transaction. The international aeronautical agreements were renegotiated with the majority of our airline partners during the year. The agreements include a five year investment strategy and aeronautical charges that will follow an agreed price path expiring on 30 June 2020. Significant investments in 2015 include upgrades to runway lighting enhancing safety and energy efficiencies, and major restructuring at T1 International improving the passenger experience.

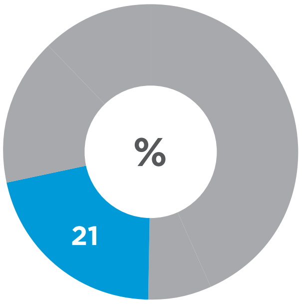
('000s)	Total passengers Jan - Dec 2015	Total passengers Jan - Dec 2014	Growth
Domestic	25,941	25,351	+2.3%
International	13,715	13,150	+4.3%
Total	**39,656**	**38,501**	**+3.0%**

Rank	Nationality	2015 passenger growth	Rank	Nationality	2015 passenger growth
1	Australia	+3.3%	6	Korea	+2.7%
2	New Zealand	+0.5%	7	India	+15.9%
3	China	+17.8%	8	Japan	-2.5%
4	UK	+2.1%	9	Malaysia	+2.7%
5	USA	+6.0%	10	Germany	-1.8%

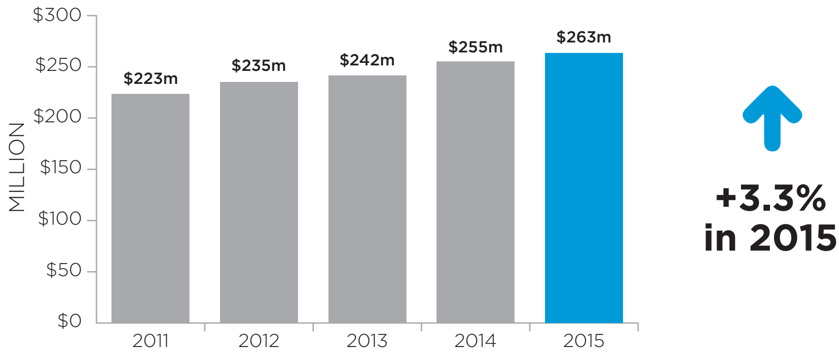
OPERATING AND FINANCIAL REVIEW (CONT.)

Retail

Revenue contribution to the Group



Retail revenue



Key Statistics

- T1 International terminal – 18,936 m^2 with 112 stores
- T2 Domestic terminal – 4,852 m^2 with 64 stores
- T3 Domestic terminal – 4,513 m^2 with 53 stores
- 500 digital and static advertising sites
- Approximately 120 minutes average dwell time in the international terminal post security

About Retail

Retail revenues comprise rental leases of 229 retail outlets and licensing of advertising rights in and around T1 International and T2 and T3 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 a single contract. Retail income is supported by a high level of minimum guaranteed rent, which accounted for over 90% of revenue from retail activities in 2015.

2015 Review

Retail revenue increased 3.3% to $263 million which accounts for 21% of the Group revenues. The new duty free contract commenced on 17 February 2015 with Gebr. Heinemann being appointed at the end of 2014 as the successful operator. The contract runs for seven-and-a-half years until 31 August 2022. Stage one of the duty free stores has been redeveloped as part of the retender. The completed Mega B opened on 1 February 2016 and is the largest standalone airport duty free store in the world.

The year also saw the completion of the redevelopment of the T1 landside and T2 Stage 1 food courts. The food court redevelopment delivered 16 new tenancy fit-outs in T1 and seven in T2, all with an improved commercial position. T2 Domestic retail revenues grew strongly, driven by the increased passenger numbers and a positive effect of the increased retail offering following the expansion of T2 Domestic Pier A.

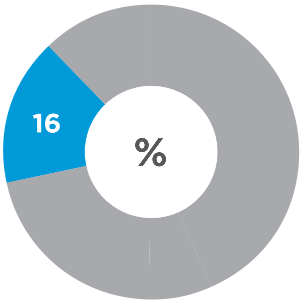
The T3 transaction resulted in an additional 53 stores contributing to Retail revenues from 1 September 2015.

Advertising revenues grew by 16% due to the consolidation and standardisation of our advertising portfolio. This strategy increased demand for advertising around the airport. The new advertising contract was awarded to APN and commenced in April 2015 covering T1 and external sites, and then in T2 from October 2015.

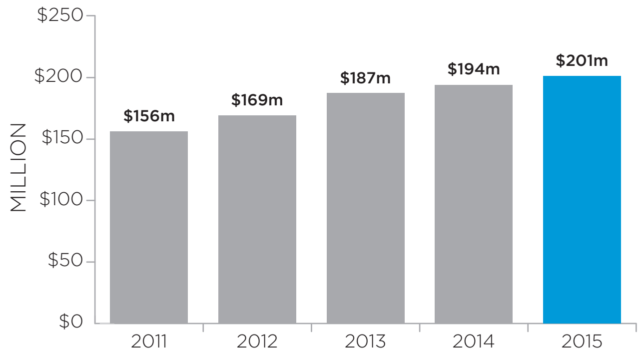
OPERATING AND FINANCIAL REVIEW (CONT.)

Property and Car Rental

Revenue contribution to the Group



Property and Car Rental revenue



+3.7% in 2015

Key Statistics

- Gross lettable area of 903,900 m^2
- 657 sites
- 327 property licences and lease agreements
- 156 tenants
- Seven car rental operators
- Lounges – eight in T1 International, three in T2 Domestic and three at T3 Domestic

About Property and Car Rental

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

2015 Review

Property and Car Rental revenue increased 3.7% to $201 million which accounts for 16% of Group revenues. Growth was driven by the signing of new tenancies and rent reviews completed. Occupancy at the end of 2015 was at 98.6%.

T3 was formerly a property lease but following the T3 transaction, these lease revenues have been replaced by incremental aeronautical, retail and property revenues.

Car rental revenue growth was driven by higher passenger numbers and a full year impact of the new contract with six existing tier one on-airport car rental operators. Additional car rental operational parking spaces at T2/T3 Domestic and T1 International precincts have been made available to facilitate demand from the car rental industry.

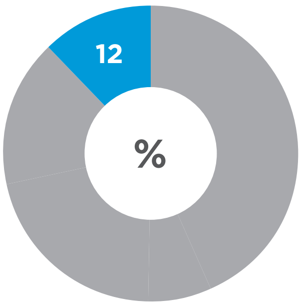
The Rydges hotel at T1 International and Ibis Budget hotel adjacent to the T2/T3 Domestic precinct both performed strongly in 2015. Sydney Airport assigned the management rights to Mantra Group for a new limited service 136 room hotel next to the existing Ibis Budget hotel. This hotel is expected to open in early 2017.

The Northern Airport Precinct landside bridge is expected to be opened in early 2016. This will initially provide access to three hectares of car parking and vehicle storage area.

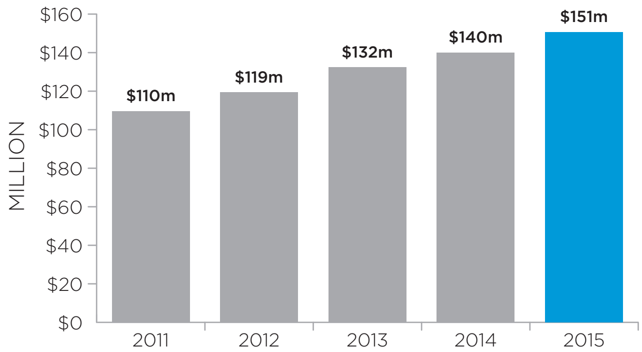
OPERATING AND FINANCIAL REVIEW (CONT.)

Parking and Ground Transport

Revenue contribution to the Group



Parking and Ground Transport revenue



+7.6% in 2015

Key Statistics

- 16,520 spaces of which:
  - T1 International – 5,897 spaces
  - T2/T3 Domestic – 3,534 spaces
  - Blu Emu – 6,117 spaces
  - Valet – 972 spaces (across all precincts)
- Over 195,000 online parking subscribers
- 19.6% growth in online bookings

About Parking and Ground Transport

Parking and Ground Transport revenue comprises time-based charges from car parking services from 16,520 car parking spaces as well as charges from taxis, buses and limousines collecting passengers from the airport.
33% of revenues from car parking services are derived from online bookings. Sydney Airport operates three major car park precincts: the T1 International car parks opposite the International terminal, the Domestic car parks located in between T2 and T3 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.

2015 Review

Parking and Ground Transport revenue increased to $151 million which accounts for 12% of Group revenues. Growth of 7.6% was driven by a 3% increase in passengers and a significant increase in the propensity to park which was driven by the growth in online parking; online accounted for approximately 33% of car parking revenues. In addition, improved customer product offerings and the optimised utilisation of car parking infrastructure contributed to revenue growth. 2015 saw the implementation of a dynamic demand management system for pre-booked parking. This enables customers to realise enhanced value from online offers, providing customers with more choice and a clear value proposition which in turn has resulted in higher occupancy of all car parks.

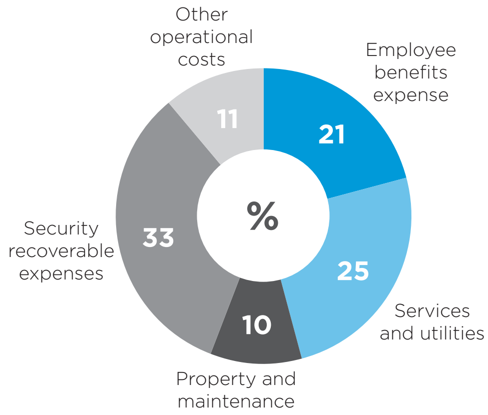
Sydney Airport continues to implement its comprehensive five year ground transport plan with the newly configured roads and traffic flow through the Domestic T2/T3 precinct which opened in December 2015.

The at-terminal Domestic precinct car parks will undergo expansion commencing in 2016. This construction will add an additional 1,600 spaces across T1 International and T2/T3 Domestic precincts.

OPERATING AND FINANCIAL REVIEW (CONT.)

Operating Expense

Underlying operating expense by category



Operating expense by category

	2015 $m	2014 $m	Change %
Employee benefits expense	47.2	46.9	0.7%
Services and utilities	56.4	52.4	7.7%
Property and maintenance	23.9	19.7	21.1%
Security recoverable expense	73.9	71.5	3.3%
Other operational costs	24.0	23.6	2.2%
Total operating expense	225.4	214.1	5.3%

2015 Review

Sydney Airport operating expenses increased 5.3% compared to 2014. The main drivers of this were the additional expenses for the operation of T3 following the T3 transaction in September and the increased investment in passenger experience and service levels committed to in the renegotiated international aeronautical agreements.

Employee benefits expense

Employee benefits include the salaries and benefits of 379 permanent employees and contractors engaged by Sydney Airport. Costs increased 0.7% year on year as a result of salary and wage increases.

Services and utilities

Service and utilities include the cost of electricity, water and gas used by the airport as well as cleaning, car park and kerbside management and bussing. Costs have risen 7.7% year on year. This is primarily due to the additional costs following the T3 transaction and the increased investment in providing improved customer experience and airport operations committed to in the renegotiated international aeronautical agreements.

Property and maintenance

Property and maintenance covers the cost of maintaining airfield and airport infrastructure which is contracted through eight major service contracts. Costs have increased 21.1% year on year mainly driven by the T3 transaction and provision of an enhanced customer service levels linked to the renegotiated international aeronautical agreements. Additionally, an expanded asset base has resulted in increased maintenance and investment in airport operations. This has facilitated 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 increased 3.3% year on year due to CPI increases, increased volumes and the opening of three additional security lanes at T1 International.

Other operational costs

Other operational costs include corporate items. These costs have increased 2.2% year on year mainly as a result of additional marketing expenses which have helped to drive the revenue growth in online car parking.

OPERATING AND FINANCIAL REVIEW (CONT.)

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.

2015 refinance summary

In 2015, Sydney Airport successfully issued a USD500.0 million ($643.0 million) US144A/RegS bond that reinforced our proactive capital management approach. The funds raised were used to refinance a $175.0m domestic bond maturing in July 2015 and a $300.0m domestic bond maturing in November 2015. The remainder was used to repay committed drawn bank debt facilities.

Outcomes of this refinancing that contributed to the key debt metrics were:

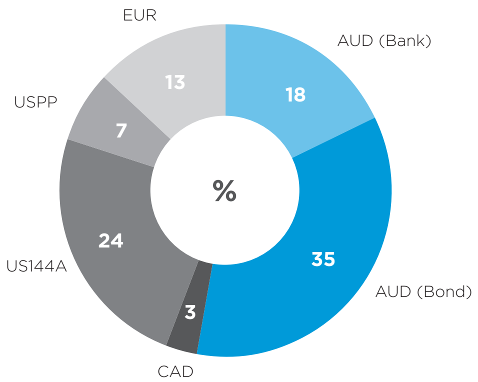
- Strong benchmark for future issuance with significant allocation to new investors diversifying our funding sources
- Maturity profile spread, filling a previous gap in 2025
- Weighted average debt maturity lengthened by seven months to early 2023
- Next drawn debt maturity is in the first half of 2017, representing only 7% of total debt outstanding

Category	31 December 2015	31 December 2014
Net debt	$ 7.4 billion	$ 6.6 billion
Net debt/EBITDA	7.4x[1]	6.9x
Cash flow cover ratio	2.5x	2.3x
Credit rating (S&P/Moody's)	BBB/Baa2	BBB/Baa2
Average maturity	Early-2023	Mid-2022

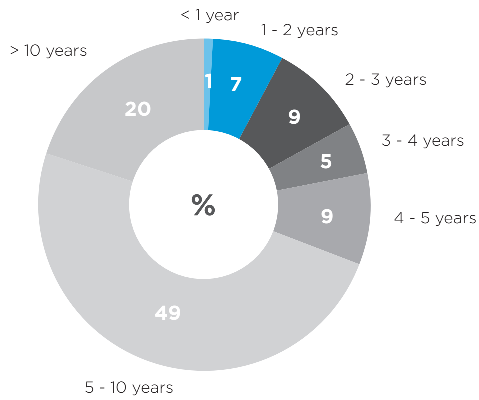
1 Ratio temporarily impacted by partial debt funding of the T3 transaction without the full EBITDA benefit; is expected to normalise following one year of operations

All foreign currency debt is 100% hedged. Interest cost is stable with 78% of interest rate exposure hedged as at 31 December 2015 and 61% of interest rate exposure hedged for the next five years.

Funding portfolio by category



Debt maturity profile on drawn and undrawn debt



Equity

2015 distribution

The total distribution by ASX-listed Sydney Airport for the year ended 31 December 2015 was $566.9 million or 25.5 cents per stapled security (2014: $520.9 million or 23.5 cents).

Distribution reinvestment plan (DRP)

The DRP operated in respect of the half year ended 30 June 2015 distribution. 13.3 million stapled securities were issued and transferred to DRP participants at $5.46 with no discount applied, totalling $72.4 million on 14 August 2015. The cash was used to partially fund the T3 transaction.

The DRP also operated in respect of the half 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.

OPERATING AND FINANCIAL REVIEW (CONT.)

Capital Expenditure

In August 2015 Sydney Airport reached an agreement with Qantas to take control of T3 for consideration of $535.0 million from 1 September 2015.

Capital expenditure investments in capacity and services improvements for 2015 were $339.0 million. Major projects undertaken during the year are described below:

Category	Project description	Benefits	Completion
Airfield	Resheet and improvements of taxiways A, B and C to the south of T2	• Asset life extension, increasing capacity and accommodating larger, next generation aircraft	December 2015
	Runway lighting	• Upgrade of centre lighting for enhanced safety, energy efficiency and increased operational usage during low visibility	June 2015
	Aprons	• Two new layover aprons in the South East Sector to accommodate Code F (A380) aircraft	December 2015
Terminal works	Baggage	• Completion of Australia's first early bag store increasing baggage capacity enabling passengers to check-in earlier	June 2015
	Security	• Addition of three new security lanes, 23 automated gates implemented at Departures and additional gates at Arrivals, improving queuing times	November 2015
	Gates	• Upgauge of Bay 50 facilitating next generation Code E (B777, A330) aircraft, providing flexibility for airlines	June 2015
		• Expanding the Northern Concourse gate lounges 8, 9 and 10 to accommodate A380s, with additional passenger seating and upgraded facilities	September 2015
	Terminals	• Major redevelopment at T1 International to improve passenger experience, create wider paths and better lines of sight to gates, additional seating and improved retail offerings at landside Departures and Arrivals. Refurbished the food court to offer more choice and value	Staged completion through 2015 with final completion targeted for mid- 2016
	Wayfinding	• Dynamic new multilingual signage and interactive wayfinding kiosks	January 2016
	Check-in	• Additional check-in kiosks added and implementation of new automated bag drop areas. Additional check-in counter capacity added with the expansion of counters B and H. Further expansions have commenced	Staged completion through 2015 with final completion late 2016
Parking and Ground Transport	T1 International and T2/T3 Domestic precinct road and car park improvements	• New Seventh Street road extension creating a one way road system in the T2 Domestic precinct delivering improved traffic flows	December 2015
	Northern land bridge	• Expansion to Northern Airport Precinct to create staff car park and vehicle storage area	Completion early 2016

OPERATING AND FINANCIAL REVIEW (CONT.)

Cash Flow

Category	ASX-listed Sydney Airport 31 December 2015 $m	ASX listed Sydney Airport 31 December 2014 $m
Net cash flows from operating activities	1,005.2	985.3
Net cash flows used in investing activities	(863.2)	(296.4)
Net cash flows used in financing activities	(222.0)	(685.4)
Net increase in cash and cash equivalents held	(80.0)	3.5

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

Net cash flows used in investing activities in 2015 reflected the T3 transaction of $535.0 million and ongoing capital investment.

Net cash flows from financing activities in 2015 reflect $643.0 million received from the US 144A/RegS bond issuance. Additionally $662.0 million of bank debt was drawn to fund growth capital expenditure and the T3 transaction. Repayments of bank debt and bonds amounted to $1.1 billion.

Distributions were paid to ASX-listed Sydney Airport security holders during the year amounting to $543.1 million, fully covered by NOR. This is reflected in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for Year Ended 31 December 2015.

Likely Developments

Western Sydney Airport

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

As part of the Right of First Refusal, Sydney Airport has engaged in a consultation process with the Australian Government.

Throughout the consultation period, Sydney Airport has examined many aspects of the proposed Western Sydney Airport including passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, funding and financial modelling.

The Australian Government has indicated that it may issue Sydney Airport with a Notice of Intention laying out all the material terms for the development and operation of the Western Sydney Airport in 2016. Sydney Airport would then have four or nine months to consider the exercise of its option to develop and operate the new airport.

Sydney Airport continues to work actively to understand all stakeholder impacts and expectations.

AUDITED REMUNERATION REPORT

Contents

1. Introduction

The directors present the Remuneration Report for Sydney Airport Limited (SAL) for the period 1 January 2015 to 31 December 2015. 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 2015 to 31 December 2015 and up to the date of this report:

Name	Role	Period of directorship
Trevor Gerber	Chairman, Non-executive director	Appointed director 18 October 2013 Appointed chairman 14 May 2015
Michael Lee	Non-executive director	Appointed 18 October 2013
John Roberts	Non-executive director	Appointed 18 October 2013
Stephen Ward	Non-executive Director	Appointed 18 October 2013
Ann Sherry	Non-executive director	Appointed 1 May 2014
Grant Fenn	Non-executive director	Appointed 1 October 2015
Kerrie Mather	Executive director	Appointed 18 October 2013
Max Moore-Wilton	Chairman, Non-executive director	Appointed 18 October 2013 Resigned as chairman and director 14 May 2015

1.2. Key Management Personnel

The following individuals were determined to be KMP by the directors for year ended 31 December 2015. There were no changes to key management personnel during the year.

Key Executive	Title
Kerrie Mather	Managing Director and Chief Executive Officer (CEO)
Hugh Wehby	Chief Financial Officer (CFO)
Shelley Roberts	Executive Director Aviation Services

AUDITED REMUNERATION REPORT (CONT.)

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 2015 the Nomination and Remuneration Committee comprised of four NEDs:

- Stephen Ward (chairman)
- Trevor Gerber
- Michael Lee
- Ann Sherry

2.1. Remuneration Consultant

Benchmarking and Executive Remuneration Structures

To ensure the NRC had access to expertise when required on executive remuneration and executive incentive structures, Ernst & Young (EY) were retained as an independent Remuneration Consultant. During the year, instructions in relation to the work required of EY came directly from Mr Ward on behalf of the NRC. EY did not undertake any work for management. All reports provided by EY were addressed to and directed to Mr Ward, unless otherwise instructed. This process is intended to ensure there could be no undue influence by Executive KMP for whom recommendations may relate.

In providing their advice during the year ended 31 December 2015, EY fully complied with the provisions of Part 2D.8 of the Corporations Act and did not make a "remuneration recommendation" (as defined by the Act). The fees paid to EY in 2015 for remuneration advisory services were $27,707.

During the year John Egan of Egan Associates was engaged by Mr Ward on behalf of the NRC to provide advice on Directors remuneration. Mr Egan's advice constituted a "remuneration recommendation" under Section 9B of the Corporations Act. In order for the Board to be satisfied that there was no undue influence, a statement was obtained in writing from Mr Egan confirming that his recommendation was made with no undue influence and the Board requested the report to incorporate benchmarking of the Group's director fees against a selection of companies listed on the ASX.

The fees paid to Mr Egan in 2015 for the remuneration recommendation were $12,600. No other services were provided during the year by Mr Egan to the Group.

Long Term Incentive (LTI) Implementation

To support the introduction of the LTI, advice was obtained from Alan Jackson, a specialist remuneration advisor (Theorem Advisory). In providing his advice during the year ended 31 December 2015, Mr Jackson fully complied with the provisions of Part 2D.8 of the Corporations Act and did not make a "remuneration recommendation" (as defined by the Act). The fees paid to Mr Jackson in 2015 for remuneration advisory services were $8,600.

Advice was also sought from Allens to ensure the LTI plan documents and offer letters to executives were issued in accordance with the parameters approved by the NRC and as outlined in the Notices of Meeting 2015. The instructions in relation to the work required of Allens came directly from Mr Ward on behalf of the NRC. Allens did not undertake any work for management. All reports provided by Allens were addressed to and directed to Mr Ward, unless otherwise instructed. This process is intended to ensure there could be no undue influence by Executive KMP for whom recommendations may relate. In providing their advice during the year ended 31 December 2015, Allens fully complied with the provisions of Part 2D.8 of the Corporations Act and did not make a "remuneration recommendation" (as defined by the Act). The fees paid to Allens for this work were $51,333.

3. Remuneration Principles, Policy and Structure

Sydney Airport aims to deliver superior, sustainable returns to its security holders. Sydney Airport's remuneration strategy is a key driver in achieving these objectives and in attracting, retaining and motivating high performing individuals. It aligns the interests of executives and security holders and is tailored to the unique characteristics of the business. To ensure that Sydney Airport continues to deliver superior performance, the introduction of the LTI scheme in 2015 links the potential benefits for participants to the continued growth in Sydney Airport's long term financial performance and security holder returns. Further details on the LTI scheme are described at 3.2.

3.1. Background

Sydney Airport is an ASX50 entity with an enterprise value of approximately $21.8 billion at 31 December 2015. 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, property and car rental, parking and ground transport businesses. The Executives have oversight of significant ongoing capital expenditure and the development of a forward-looking strategic plan, incorporating airfield upgrades, apron development, car park development, terminal expansions, retail and commercial developments, and other significant initiatives. Since privatisation in 2002, Sydney Airport has invested nearly $3.0 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.

AUDITED REMUNERATION REPORT (CONT.)

3.1. Background (cont.)

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;
- Responsibility of each Executive;
- Executive's experience and tenure; and
- Executive's performance against key objectives.

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

3.2. Remuneration structure for Executives (including KMP) at 31 December 2015

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 there are three components to the at risk remuneration:
  - i. Short Term incentive – paid as cash
  - ii. Short Term incentive – deferred cash payment (two years)
  - iii. Long Term incentive – equity plan, with a three year performance period

The LTI plan was introduced in 2015 for the CEO and other Executives, as advised in the Notices of Meeting. The plan is designed to provide an incentive for participants to ensure that Sydney Airport continues its superior performance by linking potential benefits to the CEO and other Executives to the continued growth in Sydney Airport's long term financial performance and security holder returns. Under the LTI plan the vesting rights are conditional on the achievement of performance conditions and the satisfaction of the other vesting requirements. The initial performance period is 1 January 2015 – 31 December 2017.

The performance conditions are:

- One third of the rights granted are based on a three year market comparative Total Shareholder Return (TSR) performance condition (TSR tranche). The Board chose this measure because it provides a comparison of Sydney Airport's performance against the S&P ASX 100 index. The hurdles ensure that the rights can only begin vesting if Sydney Airport outperforms at least half of the S&P ASX 100 index.
- One third of the rights are based on a cash flow per stapled security (CPS) performance condition (CPS Tranche). The Board chose this measure because of the importance of cash flow to our investors. Rights can begin vesting if Sydney Airport attains compound annual CPS growth rate of equal or greater than 8%.
- One third of the rights are based on non-financial performance conditions specific to each individual, taking into account such elements as operational aspects of performance, people and leadership, customer satisfaction and delivery of financial outcomes (Other tranche). The Board chose this measure to reward the behaviours that will ensure long term sustainable performance and to recognise individual contribution to Sydney Airport's success.

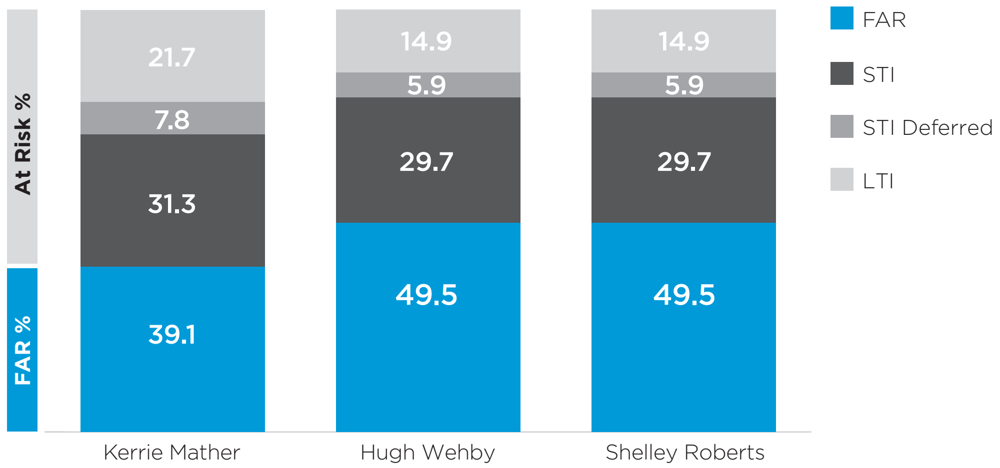
The measurement for the performance condition outcomes for the LTI is as follows:

- TSR is calculated by taking into account the change in an entity's security price over the relevant measurement period as well as the distributions received (and assumed to be reinvested back into the entity's securities) during that period. A minimum TSR ranking for Sydney Airport at the 50th percentile measured against the S&P ASX 100 index is required for any rights in the TSR tranche to vest. All of the TSR tranche will vest if Sydney Airport's TSR ranking is at or above the 75th percentile measured against the S&P ASX 100 index. Vesting will occur progressively on a pro rata basis from 50% up to 100% of the TSR tranche for a TSR ranking for Sydney Airport between the 50th percentile and the 75th percentile.
- CPS is the cash flow per stapled security for a particular financial year, and is derived by dividing the Net Operating Receipts (as disclosed in the Directors' Report for Sydney Airport for the relevant financial year, and subject to adjustment by the Board for any extraordinary or non-recurring items) by the weighted average number of stapled securities on issue during the financial year. The CPS tranche will vest (wholly or in part) upon Sydney Airport attaining a compound annual CPS growth rate equal to or greater than 8% over the performance period, relative to CPS in the 2014 financial year. A compound annual CPS growth rate equal to or greater than 12% over the performance period will result in 100% of the rights in the CPS tranche vesting. Vesting will occur progressively on a pro rata basis from 50% up to 100% of the CPS tranche for a compound annual CPS growth rate between 8% and 12% over the performance period.
- The Board, in its absolute discretion, will decide what proportion (if any) of the rights that are subject to the non-financial performance conditions will vest in the Other Tranche, having regard to individual and company performance.

The introduction of the LTI has had a significant influence on the remuneration mix, with the move to increase the 'at risk remuneration' (ARR). In comparison to last year (2014), the ARR component for the CEO has increased from 50.0% to 60.9%. On their annualised package, the CFO's ARR has increased from 47.4% to 50.5% and the Executive Director Aviation Services from 42.9% to 50.5%. This ensures an even stronger alignment between Executive reward and security holder return.

AUDITED REMUNERATION REPORT (CONT.)

The remuneration mix for the KMPs for 2015 is expressed as a percentage of total remuneration and set out in the table below:



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.

A number of performance measures are used in determining an Executive's STI. They are underlying financial performance, underlying business/operational performance, implementation of key strategic initiatives, customer and stakeholder engagement and leadership and culture.

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. The targets set are deliberately of a stretching nature to align with our high performance culture.

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 2015 range from 36.0% up to 100.0% of FAR. For KMP, the specific STI potential maximum percentage of FAR and the actual awards are described at 3.3. and the full remuneration details are set out in 4.2.

AUDITED REMUNERATION REPORT (CONT.)

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 a 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' (including KMP) 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 a 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	2015	2014	2013	2012	2011
Security price at year end	$6.35	$4.71	$3.80	$3.38	$2.66
Ordinary distribution paid per security	$0.255	$0.235	$0.225	$0.21	$0.21
Other cash payments to security holders	-	-	-	-	$0.80
Earnings before interest, tax, depreciation and amortisation[1] (EBITDA) ($ million)	$1,003.6	$948.3	$910.3	$848.0	$789.8

1 2014 and 2015 are taken from the Consolidated Income Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2015. 2011, 2012 and 2013 numbers are taken from the Consolidated Income Statements in the Southern Cross Airports Corporation Holdings Limited (SCACH) Audited General Purpose Financial Report.

2015 Security Price Performance

Sydney Airport's price performed strongly during 2015, with total shareholder return of 41% (assuming reinvested distributions) compared to the ASX100 Accumulation Index return of -5%. A 25.5 cents per stapled security annual distribution was declared, fully covered by Net Operating Receipts. This represents a growth of 8.5% compared to the 2014 distribution.

Sydney Airport's five-year total shareholder return of 37% p.a. (assuming reinvested distributions) compares to the ASX100 performance of 8% p.a. over the same period. That means if $10,000 was invested in Sydney Airport securities on 31 December 2010, the value of that investment including reinvested distributions would be approximately $48,000 at 31 December 2015. The equivalent investment in the ASX100 would be worth approximately $14,000.

Drivers of the strong performance in 2015 include:

- Record passenger numbers travelling through Sydney Airport: 39.7 million in 2015 up from 38.5 million in 2014 representing 3.0% total growth, 4.3% international growth and 2.3% domestic (including regional) growth
- The T3 transaction driving additional revenues from 1 September 2015
- The Group's EBITDA growth of 5.8% to $1,003.6 million, driven by the T3 transaction, management growth initiatives across the business and prudent operating expense control
- Implementation of the new duty free operation, Gebr. Heinemann from mid February 2015
- Delivery of significant capacity expansions and passenger experience improvements through investing $339.0 million on facilities and infrastructure; and
- Successful issuance of USD500.0 million ($643.0 million) in US144A/RegS bonds extending the average maturity of the debt portfolio into early-2023 and refinancing $475.0 million of domestic bonds that matured during the second half of 2015.

AUDITED REMUNERATION REPORT (CONT.)

Performance of Executives

There are two components used to determine an Executive's STI:

- Group objectives are used to determine 50.0%; and
- Individual targets that are unique to the Executive's area of accountability and expertise are used to determine the remaining 50%.

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 2015, these objectives included:

- Financial performance
- Business/operational performance
- Strategic projects
- Customer and stakeholder engagement
- Leadership and culture

The following table sets out the group performance factors used in determining the Executives' STI outcomes for 2015:

Objective	Performance Outcome
Financial performance	Revenue growth of 5.6% to $1,228.9 million
	EBITDA growth of 5.8% to $1,003.6 million
	Security holder distribution growth of 8.5% to 25.5 cents per stapled security
	Five year total shareholder return including distributions reinvested of 37% p.a.
	Successful issuance of USD500.0 million ($643.0 million) in US144A/RegS bonds with outcomes exceeding all treasury objectives
Business/Operational performance	Traffic growth of 3.0%
	Aeronautical revenue growth of 7.5%
	Retail revenue growth of 3.3%
	Property and car rental revenue growth of 3.7%
	Parking and ground transport revenue growth of 7.6%
Strategic projects	Introduction of seven new airlines
	Completion of the T3 transaction
	Renegotiation of international aeronautical agreements
	Implementation of the new duty free operator
	Western Sydney Airport (WSA) consultation process
Customer and stakeholder engagement	In addition to the engagement with airlines as part of the international aeronautical agreements, there was a continued emphasis on engaging with airport stakeholder groups to ensure high standards of service delivery. Key outcomes have been: • Delivery of significant capacity expansions and passenger experience improvements through investing $339 million on facilities and infrastructure • Introduction of technology innovations such as automated bag drops, self-service check in and inbound and outbound Smart Gates • Achieved independent certification with the Customer Service Institute of Australia (CSIA) in recognition of our commitment to service excellence

AUDITED REMUNERATION REPORT (CONT.)

Objective	Performance Outcome
Customer and stakeholder engagement (cont.)	• Achieved Airport Council International Level Two Carbon accreditation in 2015 (following Level 1 accreditation in 2014) and committed to 25% carbon reduction target per passenger by 2020 • Consultation with the community, councils, NSW and Federal government in relation to on- and off- airport developments, and ground transport works, which included the Federal Government approval of the T2/T3 Ground Transport Access Solutions and Hotel Major Development Plan (MDP)
People and culture	Culture We conducted our People Survey, which highlighted significant progress made since the 2012 survey. Ten of the 15 categories scored in the high zone (above 75%). While there were three categories in the low zone (below 60%) in 2012, there were none in the low zone in 2015. Diversity In 2015, the Board introduced a new, expanded Diversity Policy and publicly committed to the Australian Institute of Company Directors' (AICD) 30% Club for both Board and Management roles. During the year the total proportion of women employed by Sydney Airport has increased from 30.8% to 33.5%, with our female managers increasing by 29.0% to 32.2%. Our employee age diversity also improved during 2015, with Gen Y representing a greater proportion of our workforce than Baby Boomers for the first time (Gen Y 21.9%, Baby Boomer 19.6%). Culturally our employees represent 28 nationalities and speak 20 languages. The results from our people survey showed no significant difference between gender, age or tenure, meaning that our people share the same experience of working at Sydney Airport. Our value of Teamwork (fostering a collaborative and supportive work environment that values diversity) underpins these outcomes. Safety In 2015, Sydney Airport continued to embed our safety culture with 143 employees participating in safety training programs. As a demonstration of our progress our lost time injury frequency rate dropped from 5.5 to 2.4. Organisation Development Sydney Airport conducted 3,402 hours of internal and external training, with a mix of face to face, online and workshop based programs. To continue to build staff capability our key areas of focus were: Conflict Resolution and Customer Service for frontline staff, Communications, Presenting with Confidence and Management Training.

AUDITED REMUNERATION REPORT (CONT.)

Performance pay outcomes for 2015

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 2015 STI outcomes for KMP based on the performance criteria and measurement outlined above.

KMP	Potential maximum of FAR	STI outcome % of maximum	Actual STI awarded Cash award $	STI deferred $	STI forfeited %
Kerrie Mather	100%	100%	1,440,000	360,000	0%
Hugh Wehby	72%	100%	323,334	64,667	0%
Shelley Roberts	72%	100%	335,515	67,103	0%

STI deferrals from previous period

Key Executives	Award date	Deferred $	Vesting date
Kerrie Mather	15 Mar 2015	340,780	15 Mar 2017
	15 Mar 2014	340,390	15 Mar 2016
Hugh Wehby	15 Mar 2015	-	n/a
	15 Mar 2014	-	n/a
Shelley Roberts	15 Mar 2015	101,468	15 Mar 2017
	15 Mar 2014	126,398	15 Mar 2016

Details of LTI rights granted to KMP

Name	Series	Rights Granted	Grant date	Grant Valuation[1] $	Grant Value $	Rights vested at year end (%)[2]
Kerrie Mather	2015 - 2017	191,403	23 April 2015			
	TSR tranche	63,801		2.69	171,625	-
	CPS tranche	63,801		4.60	293,485	-
	Other tranche	63,801		5.40	344,525	-
Hugh Wehby	2015 - 2017	30,433	29 April 2015			
	TSR tranche	10,145		2.69	27,290	-
	CPS tranche	10,144		4.60	46,662	-
	Other tranche	10,144		5.40	54,778	-
Shelley Roberts	2015 - 2017	33,592	29 April 2015			
	TSR tranche	11,198		2.69	30,123	-
	CPS tranche	11,197		4.60	51,506	-
	Other tranche	11,197		5.40	60,464	-

1 The fair value of rights granted for each tranche is described below:
* TSR tranche was determined at grant date using the Monte Carlo model
* CPS tranche was determined at grant date using the binomial option pricing model
* Other Tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached. The conditions for this tranche vest at the Board's discretion.

2 The LTI has a three year performance period. No rights will vest until 31 December 2017.

AUDITED REMUNERATION REPORT (CONT.)

4. KMP Remuneration Arrangements for Year Ended 31 December 2015

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
Hugh Wehby	Permanent	6 months	72.0%	6 months	6 months
Shelley Roberts	Permanent	6 months	72.0%	6 months	6 months

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

CEO

The CEO receives fixed remuneration of $1,800,000 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.

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: 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.

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 $	STI Deferred $	Superannuation $	Long service leave $	Share based payments (LTI)[1] $	Total $	At Risk %
Kerrie Mather								
2015	**1,780,954**	**1,440,000**	**360,000**	**19,046**	**44,517**	**208,168**	**3,852,685**	**60.9**
2014	1,685,620	1,363,119	340,390	18,279	42,128	n/a	3,449,536	50.0
Hugh Wehby								
2015	**494,441**	**323,334**	**64,667**	**30,559**	**12,500**	**33,099**	**958,600**	**50.5**
2014[2]	*470,000*	*350,000*	*100,000*	*30,000*	*11,722*	*n/a*	*961,722*	*47.4*
2014	86,703	63,288	-	5,689	2,088	n/a	157,768	47.4
Shelley Roberts								
2015	**548,530**	**335,515**	**67,103**	**25,000**	**14,000**	**36,534**	**1,026,682**	**50.5**
2014[3]	*491,181*	*258,091*	*129,046*	*25,000*	*12,280*	*n/a*	*915,598*	*42.9*
2014	491,181	202,937	101,468	25,000	12,280	n/a	832,866	42.9
Total Executives								
2015	**2,823,925**	**2,098,849**	**491,770**	**74,605**	**71,017**	**277,801**	**5,837,967**	
2014	*2,646,801*	*1,971,210*	*569,436*	*73,279*	*66,130*	*n/a*	*5,326,856*	
2014	2,263,504	1,629,344	441,858	48,968	56,496	n/a	4,440,170	

1 This is LTI expensed. No actual benefits have been received by the KMP in 2015. The first LTI vesting (2015-2017 series) will not occur until after the performance period ends on 31 December 2017 and will be conditional upon achieving the required performance measures.
2 Because Mr Wehby was appointed CFO on 27 October 2014, annualised 2014 remuneration has also been disclosed to allow for a more like with like year on year comparison between 2014 and 2015. Mr Wehby did not receive a deferred STI for 2014 following his 27 October 2014 appointment. Had he been employed for a full year as CFO, he would have been eligible for a full year STI and a portion would have been deferred.
3 Ms Roberts had a period of parental leave in 2014. Ms Roberts' parental leave had no impact on her salary due to paid parental leave. Ms Roberts' 2014 STI was pro-rated for the period of leave. Her annualised 2014 remuneration has also been disclosed to allow for an easier comparison of STI between years.

AUDITED REMUNERATION REPORT (CONT.)

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 $2,000,000.

Role	Annual fee $
SAL Board	
Chair[1]	481,250
Member	175,000
SAL Audit and Risk Committee	
Chair	40,000
Member	16,000
SAL Nomination & Remuneration Committee	
Chair	40,000
Member	16,000
SACL Safety, Security, and Sustainability[2]	
Chair	30,000
Member	16,000
SACL Western Sydney Airport Committee	
Chair	24,000
Member	24,000

1 From 15 May 2015
2 Previously SACL Safety, Security, Environment and Health Committee

SACL Western Sydney Airport (WSA) Committee

The informal WSA committee which has been in operation since before the start of 2015 has been formally established. All directors will continue to sit on this committee and the Chair of Sydney Airport will chair the WSA committee. All NEDs including the Chair would each be remunerated at the rate of $2,000 per month for work on this committee. This is effective from 15 May 2015 for the Chairman and from 1 January 2015 for all other directors.

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 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.

AUDITED REMUNERATION REPORT (CONT.)

SAL	Short term employee benefits	Post employment benefits	
Name	Directors' fees $	Superannuation $	Total $
Trevor Gerber (Chairman)[1]			
2015	**387,786**	**18,694**	**406,480**
2014	182,857	17,143	200,000
Michael Lee			
2015	**241,948**	**19,052**	**261,000**
2014	199,221	18,279	217,500
John Roberts			
2015	**230,097**	**-**	**230,097**
2014	182,860	-	182,860
Stephen Ward			
2015	**220,881**	**18,119**	**239,000**
2014	178,286	16,714	195,000
Ann Sherry			
2015	**207,268**	**17,797**	**225,065**
2014[2]	112,353	10,604	122,957
Grant Fenn[3]			
2015	**45,434**	**4,316**	**49,750**
2014	n/a	n/a	n/a
Max Moore-Wilton (Chairman)[4]			
2015	**165,068**	**9,287**	**174,355**
2014	451,721	18,279	470,000
Total NEDs			
2015	**1,498,482**	**87,265**	**1,585,747**
2014	1,307,298	81,019	1,388,317

1 Mr Gerber was appointed chairman on 14 May 2015
2 Ms Sherry was appointed director on 1 May 2014
3 Mr Fenn was appointed director on 1 October 2015
4 Mr Moore-Wilton retired as director and chairman on 14 May 2015

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 2015	Movement	Balance at 31 Dec 2015	Changes prior to signing	Balance at signing date
SAL					
Trevor Gerber	228,063	-	228,063	-	228,063
Michael Lee	7,872	375	8,247	175	8,422
John Roberts	172,825	-	172,825	-	172,825
Stephen Ward	21,818	-	21,818	-	21,818
Ann Sherry	-	17,500	17,500	-	17,500
Grant Fenn[1]	n/a	-	-	-	-
Kerrie Mather	3,568,751	231,757	3,800,508	-	3,800,508
Max Moore-Wilton[2]	652,563	-	n/a	-	n/a
Hugh Wehby	4,801	-	4,801	-	4,801
Shelley Roberts	677	17,500	18,177	-	18,177

1 Mr Fenn was appointed director on 1 October 2015
2 Mr Moore-Wilton retired as director on 14 May 2015

The TTCSAL directors Mr Green, Mr Balding and Mr Gourley 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 and performance

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 Regulations). 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 is undertaken by statutory office holders of the Commonwealth Department of Infrastructure and Regional Development. These office holders are known as Airport Environment Officers (AEOs).

Sydney Airport's Environment Strategy 2013 - 2018 (the Strategy) now forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 17 February 2014. The Strategy was developed following an extensive community and stakeholder consultation process and outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2013 to 2018. Sydney Airport's aims, reflected in 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.

Sydney Airport 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.

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 18 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 relevant to the respective groups as disclosed in Note 18 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 33 and 34 and forms part of the Directors' Report for year ended 31 December 2015.

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.

Trevor Gerber	**John Roberts**
Sydney	Sydney
17 February 2016	17 February 2016

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

Patrick Gourley	**Christopher Green**
Sydney	Sydney
17 February 2016	17 February 2016

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 2015 there have been:

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

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

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

17 February 2016

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

Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

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 2015 there have been:

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

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

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

17 February 2016

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KPMG

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

Report on the financial report

We have audited the accompanying financial report of Sydney Airport Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2015, 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 20 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. On page 44, 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.

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Liability limited by a scheme approved under Professional Standards Legislation.

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 2015 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 on page 44.

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 29 of the directors' report for the year ended 31 December 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

17 February 2016

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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 2015, 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 20 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 (the Responsible Entity) 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. On page 44, 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.

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KPMG

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 2015 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 on page 44.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

17 February 2016

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	SAL Group 2015 $m	SAL Group 2014 $m	SAT1 Group 2015 $m	SAT1 Group 2014 $m
Revenue					
Aeronautical revenue		523.4	486.8	-	-
Aeronautical security recovery		83.3	81.5	-	-
Retail revenue		263.5	255.2	-	-
Property and car rental revenue		201.2	194.0	-	-
Parking and ground transport revenue		150.6	139.9	-	-
Other revenue		6.9	6.1	-	-
Total revenue		1,228.9	1,163.5	-	-
Other income					
Gain on disposal of non-current assets		0.1	0.1	-	-
Total revenue and other income		1,229.0	1,163.6	-	-
Expenses					
Employee benefits expense		(47.2)	(46.9)	-	-
Services and utilities expense		(56.4)	(52.4)	-	-
Property and maintenance expense		(23.9)	(19.7)	-	-
Security recoverable expense		(73.9)	(71.5)	-	-
Investment transaction expense		-	(1.2)	-	(0.1)
Other operational costs		(24.0)	(23.6)	(2.3)	(2.2)
Total expenses before depreciation, amortisation, net finance costs and income tax		(225.4)	(215.3)	(2.3)	(2.3)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		1,003.6	948.3	(2.3)	(2.3)
Depreciation	10	(226.7)	(225.0)	-	-
Amortisation	11	(85.8)	(101.4)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		691.1	621.9	(2.3)	(2.3)
Finance income	6	10.4	12.5	245.5	246.1
Finance costs	6	(443.7)	(464.1)	-	-
Change in fair value of swaps	6	28.3	(54.6)	-	-
Net finance costs		(405.0)	(506.2)	245.5	246.1
Profit before income tax expense		286.1	115.7	243.2	243.8
Income tax expense	12	(5.0)	(58.5)	-	-
Profit after income tax expense		281.1	57.2	243.2	243.8
Profit after income tax expense attributable to:					
Security holders		283.0	59.1	243.2	243.8
Non-controlling interest		(1.9)	(1.9)	-	-
		281.1	57.2	243.2	243.8

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT.)

		SAL Group		SAT1 Group	
	Note	2015 $m	2014 $m	2015 $m	2014 $m
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of cash flow hedges		15.4	(13.1)	-	-
Tax on items that may be reclassified to profit or loss		(4.6)	3.9	-	-
Total items that may subsequently be reclassified to profit or loss		10.8	(9.2)	-	-
Items that will never be reclassified to profit or loss					
Remeasurement gain/(loss) on defined benefit plans		3.3	(1.4)	-	-
Tax on items that will never be reclassified to profit or loss		(1.0)	0.4	-	-
Total items that will never be reclassified to profit or loss		2.3	(1.0)	-	-
Other comprehensive income, net of tax		13.1	(10.2)	-	-
Total comprehensive income		294.2	47.0	243.2	243.8
Total comprehensive income attributable to:					
Security holders		296.1	48.9	243.2	243.8
Non-controlling interest		(1.9)	(1.9)	-	-
		294.2	47.0	243.2	243.8
Earnings per share/unit from profit after income tax	8	12.74c	2.67c	10.95c	11.01c

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		SAL Group		SAT1 Group	
	Note	2015 $m	2014 $m	2015 $m	2014 $m
Current assets					
Cash and cash equivalents	3	366.8	446.8	15.9	1.5
Receivables	9	138.1	126.3	3.4	3.3
Other financial assets	3	-	35.0	-	-
Other assets		0.5	0.7	-	-
Total current assets		505.4	608.8	19.3	4.8
Non-current assets					
Receivables	9	48.2	35.4	1,886.5	1,887.3
Property, plant and equipment	10	3,262.0	2,584.7	-	-
Intangible assets	11	7,559.4	7,647.5	-	-
Derivative financial instruments	5	668.7	442.8	-	-
Other assets		7.3	7.5	-	-
Total non-current assets		11,545.6	10,717.9	1,886.5	1,887.3
Total assets		12,051.0	11,326.7	1,905.8	1,892.1
Current liabilities					
Distribution payable	1	289.8	266.0	123.7	120.8
Payables and deferred income		215.4	211.5	4.4	6.0
Interest bearing liabilities	2	-	474.0	-	-
Derivative financial instruments	5	109.5	134.3	-	-
Provisions for employee benefits		11.1	10.3	-	-
Total current liabilities		625.8	1,096.1	128.1	126.8
Non-current liabilities					
Interest bearing liabilities	2	8,181.1	6,760.2	-	-
Derivative financial instruments	5	163.4	200.7	-	-
Deferred tax liabilities	12	1,763.8	1,753.2	-	-
Provisions for employee benefits		1.9	1.6	-	-
Total non-current liabilities		10,110.2	8,715.7	-	-
Total liabilities		10,736.0	9,811.8	128.1	126.8
Net assets		1,315.0	1,514.9	1,777.7	1,765.3
Equity					
Security holders' interests					
Contributed equity	1	5,328.6	5,256.2	2,428.6	2,416.0
Retained earnings		(681.7)	(400.1)	403.8	404.0
Reserves		(3,327.5)	(3,338.7)	(1,054.7)	(1,054.7)
Total security holders' interests		1,319.4	1,517.4	1.777.7	1,765.3
Non-controlling interest in controlled entities		(4.4)	(2.5)	-	-
Total equity		1,315.0	1,514.9	1,777.7	1,765.3

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

SAL Group	Note	Contributed equity $m	Retained earnings[1] $m	Cash flow hedge reserve $m	Other Reserve[2] $m	Total equity[1] $m
Total equity at 1 January 2015		5,256.2	(402.6)	(177.1)	(3,161.6)	1,514.9
Comprehensive income						
Profit after tax		-	281.1	-	-	281.1
Cash flow hedges, net of tax		-	-	10.8	-	10.8
Remeasurement loss, net of tax		-	2.3	-	-	2.3
Total comprehensive income		-	283.4	10.8	-	294.2
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		72.4	-	-	-	72.4
Distributions provided for or paid	1	-	(566.9)	-	-	(566.9)
Equity-settled share-based expense		-	-	-	0.4	0.4
Total transactions with owners of the company		72.4	(566.9)	-	0.4	(494.1)
Total equity at 31 December 2015		5,328.6	(686.1)	(166.3)	(3,161.2)	1,315.0
Total equity at 1 January 2014		5,178.0	62.1	(167.9)	(3,161.6)	1,910.6
Comprehensive income						
Profit after tax		-	57.2	-	-	57.2
Cash flow hedges, net of tax		-	-	(9.2)	-	(9.2)
Remeasurement loss, net of tax		-	(1.0)	-	-	(1.0)
Total comprehensive income		-	56.2	(9.2)	-	47.0
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		78.4	-	-	-	78.4
Security issuance costs		(0.2)	-	-	-	(0.2)
Distributions provided for or paid	1	-	(520.9)	-	-	(520.9)
Total transactions with owners of the company		78.2	(520.9)	-	-	(442.7)
Total equity at 31 December 2014		5,256.2	(402.6)	(177.1)	(3,161.6)	1,514.9

1 Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $4.4 million (2014: $2.5 million). Refer note 16 to the financial statements for details.
2 Other reserve represents transactions between equity holders and movements in other reserves resulting from business combinations.

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

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT.)

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve[1] $m	Other reserve $m	Total equity $m
Total equity at 1 January 2015		2,416.0	404.0	(967.6)	(87.1)	1,765.3
Comprehensive income						
Profit after tax		-	243.2	-	-	243.2
Total comprehensive income		-	243.2	-	-	243.2
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		12.6	-	-	-	12.6
Distributions provided for or paid	1	-	(243.4)	-	-	(243.4)
Total transactions with owners of the company		12.6	(243.4)	-	-	(230.8)
Total equity at 31 December 2015		2,428.6	403.8	(967.6)	(87.1)	1,777.7
Total equity at 1 January 2014		2,398.4	402.9	(967.6)	(87.1)	1,746.6
Comprehensive income						
Profit after tax		-	243.8	-	-	243.8
Total comprehensive income		-	243.8	-	-	243.8
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		17.8	-	-	-	17.8
Security issuance costs		(0.2)	-	-	-	(0.2)
Distributions provided for or paid	1	-	(242.7)	-	-	(242.7)
Total transactions with owners of the company		17.6	(242.7)	-	-	(225.1)
Total equity at 31 December 2014		2,416.0	404.0	(967.6)	(87.1)	1,765.3

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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	SAL Group 2015 $m	SAL Group 2014 $m	SAT1 Group 2015 $m	SAT1 Group 2014 $m
Cash flow from operating activities					
Interest received		10.9	11.7	0.2	0.1
Related party loan interest received	17	-	-	242.9	268.3
Receipts from customers		1,355.0	1,303.5	-	-
Payments to suppliers and employees		(360.7)	(330.4)	(1.7)	(1.9)
Income taxes received		-	0.5	-	-
Net cash flow from operating activities	3	1,005.2	985.3	241.4	266.5
Cash flow from investing activities					
Net transaction items		-	(0.1)	-	(0.2)
Short term financial assets		35.0	(35.0)	-	-
Proceeds from disposal of fixed assets		0.1	0.1	-	-
Acquisition of property, plant and equipment		(887.6)	(253.7)	-	-
Capitalised borrowing costs		(11.0)	(8.0)	-	-
Receipt for escrow deposit		0.3	0.3	-	-
Net cash flow used in investing activities		(863.2)	(296.4)	-	(0.2)
Cash flow from financing activities					
Airport borrowing costs paid		(300.1)	(258.4)	-	-
Corporate borrowings costs paid		(0.1)	(0.9)	-	-
Repayment of borrowings		(1,053.7)	(2,102.0)	-	-
Proceeds received from borrowings		1,730.0	2,266.7	-	-
Interest rate swap payments		(127.4)	(161.8)	-	-
Related party loan principle received	17	-	-	0.9	46.4
Proceeds received from distribution reinvestment plan		72.4	78.2	12.6	17.7
Distributions paid to security holders		(543.1)	(507.2)	(240.5)	(330.4)
Net cash flow used in financing activities		(222.0)	(685.4)	(227.0)	(266.3)
Net (decrease)/increase in cash and cash equivalents		(80.0)	3.5	14.4	-
Cash and cash equivalents at beginning of the period		446.8	443.3	1.5	1.5
Cash and cash equivalents at the end of the period	3	366.8	446.8	15.9	1.5

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

In 2015, Sydney Airport has streamlined the Financial Report to provide more readable and relevant content. Notes to the financial statements have been organised into six groupings to enable the reader to discover how particular events and transactions have affected the financial position and performance of the business. Accounting policies have been positioned together with the relevant note.

GENERAL

Basis of preparation and statement of compliance

This is the financial report for Sydney Airport Limited (SAL) and its controlled entities (collectively referred to as the SAL Group), and Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the SAT1 Group).
The SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the financial statements. The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1.

This financial report:

- Consists of the consolidated financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities & Investments Commission (ASIC) Class Order 05/642;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- Is 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; and
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Class Order 98/100 dated 10 July 1998.

The financial report was authorised for issue by the directors of SAL and TTCSAL on 17 February 2016. The directors of SAL and TTCSAL have the power to amend and reissue the financial report.

Net current liability position

The SAL Group is in a net current liability position of $120.4 million at 31 December 2015. This is covered by undrawn committed bank facilities of $487.0 million at 31 December 2015.

The SAT1 Group's net current liability position of $108.8 million (2014: $122.0 million) at 31 December 2015 is attributable to distribution payable to SAT1 unit holders of $123.7 million (2014: $120.8 million), which was paid on 12 February 2016. Distribution payments, a key obligation of SAT1 Group, are supported by the funding structure under which it receives interest on the cross staple loan from SAL. Due to timing, where the semi-annual interest payments are received in advance after each balance date and its semi-annual distributions are declared before each balance date, (and therefore a liability at each balance date) the SAT1 Group is expected to be in a net current liability position on future balance dates.

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 -$2.80 at 31 December 2015 (2014: -$2.77). This represents a decrease of $0.03 or 1.2% (2014: decrease of $0.11 or 4.0%).

Changes to the financial report

The following changes to the financial statements have been made as a result of streamlining the financial report:

- In the Consolidated Statement of Comprehensive Income, restructuring and redundancy costs are recorded within other operational costs;
- In the Consolidated Statement of Financial Position, deferred income is recorded within payables and deferred income; and
- In the Consolidated Statement of Financial Position, GST receivables and payables are disclosed net within payables and deferred income.

Critical accounting estimates and judgements

In the process of applying the Groups' accounting policies, directors have made judgements, estimates and assumptions about future events. Critical estimates and assumptions were made in relation to:

- Impairment test of goodwill (refer note 11); and
- Fair value measurement of financial instruments (refer notes 2 and 4).

Significant accounting policies

This financial report contains all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate to. Other accounting policies are set out below:

i) Principles of consolidation

For the purpose of this financial report:

- SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for years ended 31 December 2015 and 31 December 2014; and
- SAT1 has been identified as the parent of the SAT1 Group for years ended 31 December 2015 and 31 December 2014.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as their parent companies. In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

There were no material changes to the controlled entities structure during the year.

Controlled entities

SAT1 Group's net result after tax for years ended 31 December 2015 and 31 December 2014 and its contributed equity, reserves and retained earnings at 31 December 2015 and 31 December 2014 are attributed to non-controlling interests in the SAL Group consolidated financial report.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable net assets acquired and contingent liabilities assumed in a business combination are measured at fair value at acquisition date, irrespective of the extent of any non-controlling interest. The excess of acquisition cost over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill (refer to note 11).

Acquisitions of entities under common control

Acquisition of interest in entities that are under the control of the Group's controlling security holders are deemed to be common control transactions. The net assets 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 net assets acquired and related consideration is held in a common control reserve.

ii) Foreign currency transactions and balances

Foreign currency amounts are translated to the functional currencies of the Groups (Australian dollars) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities measured in terms of historical cost	Date of transaction

Foreign exchange gains and losses on translation are recognised in the consolidated statements of comprehensive income.

iii) 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, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used.

The directors consider the carrying amounts of financial assets and liabilities recorded in the financial statements approximate fair value, except for fixed interest rates bonds (refer to note 2).

Fair value measurements are determined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or 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).

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 2015.

The following Standards, amendments to Standards and Interpretations effective for annual reporting periods commencing after 1 January 2016 have not been applied by the Groups in this Financial Report:

Reference	Description	Impact on the Groups	Effective/application date
AASB 9: *Financial Instruments*	Addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting.	Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The extent of the impact has not been determined.	1 January 2018
AASB 15: *Revenue from Contracts with Customers*	Replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised.	No material impact is expected.	1 January 2018
IFRS 16: *Leases*	Provides a new model for accounting for leases. Early adoption is permitted under certain circumstances.	The potential effect of this standard is yet to be determined.	1 January 2019

CAPITAL MANAGEMENT

The Group manages and regularly reviews its capital structure to ensure it is able to finance the current and future business activities and continue as a going concern, while optimising the debt and equity balance and returns to security holders.

The capital structure of the Group consists of:

- Debt;
- Cash and cash equivalents;
- Issued capital;
- Reserves; and
- Retained earnings.

During year ended 31 December 2015, the Group's strategy remained unchanged.

1 DISTRIBUTIONS PAID AND PROPOSED

Security holders' entitlements

SAL

Each ordinary share in SAL entitles its holder to such dividends as may be determined by the SAL directors from time to time. The dividend amount which the directors determine as payable is divisible among holders so that the same sum is paid on each fully paid up share and (if relevant) a proportionate sum is paid on each partly paid up share.

SAT1

Each unit on issue in SAT1 entitles its holder to a distribution of pro-rata proportion of the SAT1 net income as determined by the Responsible Entity in respect of that income period. The distribution will be distributed to the unitholder within two months of the last day of the income period.

The Groups' distributions are currently 100% unfranked and there are no available imputation credits. Distributions paid and proposed during the year are shown in the table below:

	SAL Group		SAT1 Group	
	2015	2014	2015	2014
Distributions were paid/payable as follows:				
$m				
Final distribution[1]	289.8	266.0	123.7	120.8
Interim distribution[2]	277.1	254.9	119.7	121.9
	566.9	520.9	243.4	242.7
Cents per stapled security				
Final distribution	13.00	12.00	5.55	5.45
Interim distribution	12.50	11.50	5.40	5.50
	25.50	23.50	10.95	10.95

1 Recognised as a payable at year end, paid on 12 February 2016 (2014: 12 February 2015).
2 Paid on 14 August 2015 (2014: 15 August 2014).

1 DISTRIBUTIONS PAID AND PROPOSED (CONT.)

Distribution reinvestment plan

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions in stapled securities.

The DRP operated in respect of the 30 June 2015 interim and 31 December 2014 final distributions.

In respect of interim distribution, 13.3 million stapled securities were issued and transferred to DRP participants in August 2015 at $5.46 with no discount applied.

To satisfy the DRP take up in respect of final distribution, 8.2 million securities were acquired on-market for a total of $40.6 million and transferred to DRP participants in January 2015 at $4.96 with no discount applied. No new securities were issued.

Refer to note 20 for information regarding the DRP in respect of 31 December 2015.

Contributed equity

The movements in the contributed equity balance and number of shares/units on issue is shown in the table below:

	SAL Group		SAT1 Group	
	2015	2014	2015	2014
$m				
Opening balance	5,256.2	5,178.0	2,416.0	2,398.4
Issued pursuant to the DRP	72.4	78.4	12.6	17.8
Issue cost (net of tax)	-	(0.2)	-	(0.2)
Closing balance	5,328.6	5,256.2	2,428.6	2,416.0
Shares/units on issue (m)				
Opening balance	2,216.2	2,194.3	2,216.2	2,194.3
Issued pursuant to the DRP	13.3	21.9	13.3	21.9
Closing balance	2,229.5	2,216.2	2,229.5	2,216.2

2 INTEREST BEARING LIABILITIES

The Group's debt comprises the following:

- Bank facilities;
- Domestic bonds;
- US private placement bonds (USPP);
- Other foreign bonds; and
- Capital indexed bonds (CIB).

The balances and other details related to the Group's interest bearing liabilities are presented in the table on the following page.

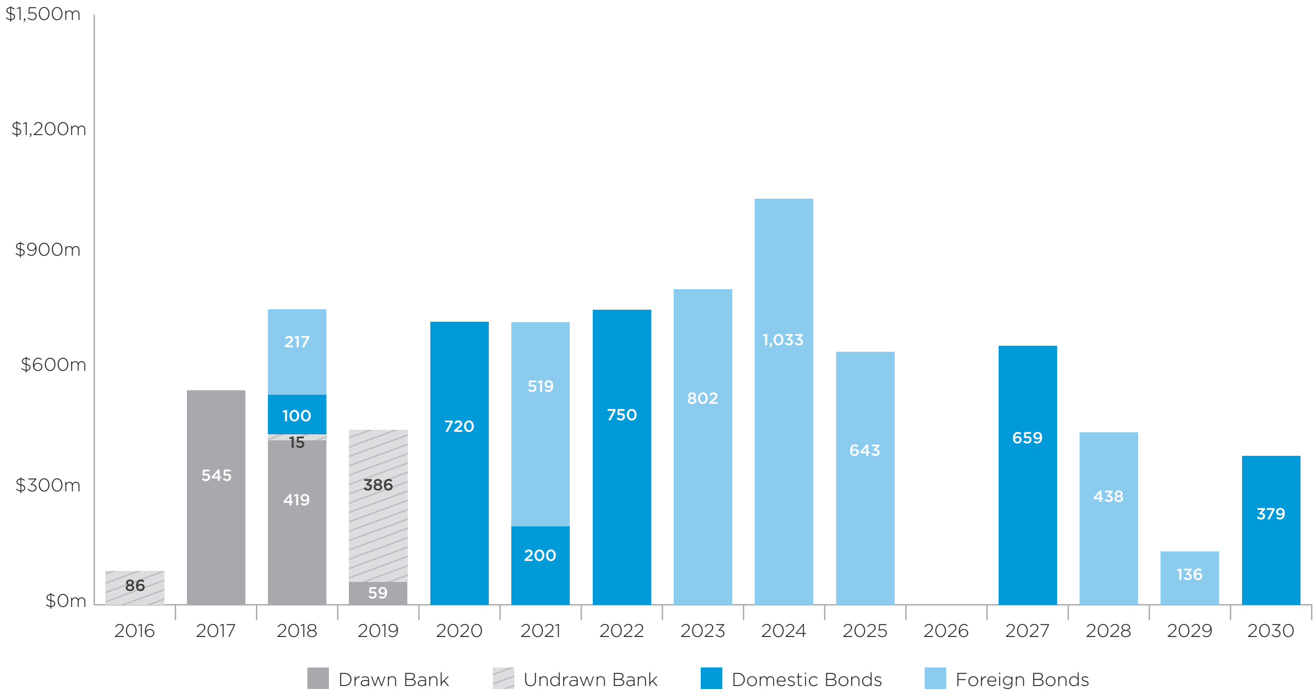
2 INTEREST BEARING LIABILITIES (CONT.)

	Carrying amount		Fair value		Principal amount drawn In AUD		Principal amount drawn In original currency		Currency	Interest rate	Maturity
	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m	2015 $m	2014 $m			
Syndicated debt - Tranche A	344.1	206.4	344.1	206.4	345.0	208.0	345.0	208.0	AUD	Floating[4]	April 2017
Syndicated debt - Tranche B	416.4	222.3	416.4	222.3	419.0	226.0	226.0	226.0	AUD	Floating[4]	April 2018
Syndicated debt - Tranche C	56.2	-	56.2	-	59.0	-	59.0	-	AUD	Floating[4]	April 2019
Bilateral facility - Issue 3	99.7	39.9	99.7	39.9	100.0	40.4	100.0	40.4	AUD	Floating[4]	April 2017
Bilateral facility - Issue 4	99.7	39.8	99.7	39.8	100.0	40.3	100.0	40.3	AUD	Floating[4]	April 2017
Wrapped domestic bond - Issue 5[1,5]	-	299.3	-	299.3	-	300.0	-	300.0	AUD	Floating[4]	November 2015
Wrapped domestic bond - Issue 9[1]	198.5	198.3	198.5	198.3	200.0	200.0	200.0	200.0	AUD	Floating[4]	November 2021
Wrapped domestic bond - Issue 10[1]	740.0	738.7	740.0	738.7	750.0	750.0	750.0	750.0	AUD	Floating[4]	October 2022
Wrapped domestic bond - Issue 11[1]	647.6	646.8	647.6	646.8	659.0	659.0	659.0	659.0	AUD	Floating[4]	October 2027
Unwrapped domestic bond - Issue 12[2,5]	-	174.7	-	179.8	-	175.0	-	175.0	AUD	8.00%	July 2015
Unwrapped domestic bond - Issue 13[2]	99.4	99.2	113.5	117.8	100.0	100.0	100.0	100.0	AUD	7.75%	July 2018
USPP - Series A	99.3	99.2	99.3	99.2	100.0	100.0	100.0	100.0	AUD	Floating[4]	August 2028
USPP - Series B	99.3	99.2	99.3	99.2	100.0	100.0	100.0	100.0	AUD	Floating[4]	November 2028
USPP - Series C	178.7	178.7	235.5	236.2	180.0	180.0	180.0	180.0	AUD	6.04%[6]	November 2028
USPP - Series D	57.6	57.6	73.5	73.3	58.0	58.0	58.0	58.0	AUD	5.60%[6]	November 2028
USPP - Series E	135.0	135.0	174.4	174.4	136.0	136.0	136.0	136.0	AUD	5.70%[6]	November 2029
CAD bond (Canadian Maple)	221.3	234.9	244.1	261.6	217.4	217.4	225.0	225.0	CAD	4.60%[6]	July 2018
EUR bond (Euro Bond)	1,109.3	1,115.2	1,209.3	1,226.7	1,033.4	1,033.4	700.0	700.0	EUR	2.75%[6]	April 2024
USD bond (US 144A/RegS)	692.7	615.9	800.8	726.7	518.7	518.7	500.0	500.0	AUD	5.13%[6]	February 2021
USD bond (US 144A/RegS)	1,136.3	1,003.5	1,280.8	1,145.5	802.4	802.3	825.0	825.0	AUD	3.90%[6]	March 2023
USD bond April 2015 (US 144A/RegS)	689.7	-	758.8	-	643.0	-	500.0	-	AUD	3.38%[6]	April 2025
CIB - Issue 1[3]	704.2	684.1	739.7	723.9	719.5	709.2	719.5	709.2	AUD	3.76%	November 2020
CIB - Issue 2[3]	356.1	345.5	379.0	369.5	378.5	373.1	378.5	373.1	AUD	3.12%	November 2030
Total interest bearing liabilities	8,181.1	7,234.2	8,810.2	7,825.3	7,618.9	6,926.8	n/a	n/a			

1 Financial guarantees are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp in 2015 and 2014.
2 Not subject to financial guarantees in 2015 and 2014.
3 Financial guarantees in respect of the CIBs are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.
4 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
5 At 31 December 2014, $474.0 million was classified as current interest bearing liabilities in the Statement of Financial Position (2015: $nil).
6 Fixed interest rates reflective of coupons in respective currencies/markets.

2 INTEREST BEARING LIABILITIES (CONT.)

The maturity profile of interest bearing liabilities is presented in the chart below.



Assets pledged as security

All interest bearing liabilities of SCACH, a wholly owned subsidiary, are of equal rank with respect to all its assets (excluding deferred tax and goodwill) pledged as security. The security consists of fixed and floating charges over the assets of the Group and a mortgage over the Airport lease.

Recognition and measurement

The Group recognises interest bearing liabilities on the date that they become a party to the contractual provisions of the instrument. These are initially recognised at fair value less any attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

At 31 December 2015 and 2014, the fair values of all fixed interest rate bonds were determined based on observable market inputs, categorised as Level 2.

The Group derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

CIBs explained

Capital indexed bonds are inflation linked bonds. The principal amount of the bond is indexed against the Consumer Price Index with the revised capital amount due for repayment at maturity.

Effective interest rate method explained

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.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and at balance date have a remaining term to maturity of three months or less. They are used for the purpose of meeting the short-term cash commitments of the Group.

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

	SAL Group		SAT1 Group	
	2015 $m	**2014 $m**	**2015 $m**	**2014 $m**
Cash on hand	126.0	36.1	0.9	1.5
Deposits[1]	240.8	410.7	15.0	-
Total cash and cash equivalents[2]	366.8	446.8	15.9	1.5
Cash flow information				
Reconciliation of profit after tax to net cash flows from operations				
Profit for year	281.1	57.2	243.2	243.8
Expenses relating to investing activities	0.1	1.2	-	(0.1)
Expenses relating to financing activities	443.7	464.1	-	-
Loss/(gain) on derivative instruments	(28.3)	54.6	-	-
Depreciation and amortisation	312.5	326.4	-	-
Gain on disposal of non-current assets	(0.1)	(0.1)	-	-
Decrease/(increase) in receivables and other assets	(26.4)	7.3	(0.1)	19.7
Increase/(decrease) in payables	17.6	16.1	(1.7)	3.1
Increase in tax liabilities	5.0	58.5	-	-
Net cash flow from operating activities	1,005.2	985.3	241.4	266.5

1 At 31 December 2014, a $35.0 million term deposit with a maturity date greater than three months but less than one year has been reclassified to other financial assets.
2 Included in the SAL Group's consolidated cash balance is $35.7 million (2014: $136.2 million) held by SACL, of which the total $35.7 million (2014: $30.2 million) is restricted for maintenance. The remainder of 2014 balance was restricted for other purposes including debt service.

Non-cash financing and investing activities

During the year ended 31 December 2015 and 31 December 2014, the Group's non-cash financing and investing activities relate to the acquisition of securities under the DRP (for details refer note 1).

Recognition and measurement

Cash and cash equivalents are recognised on balance sheet at the date when cash is received or contractual terms of deposit accepted. Their fair value is considered equal to the carrying value. Cash and cash equivalents in foreign currencies are translated to AUD at balance date and foreign exchange gains or losses resulting from translation are recognised in the statement of comprehensive income.

TREASURY AND FINANCIAL RISK MANAGEMENT

The Group's treasury operations include financing and investment activities, cash management and financial risk management. The strategic focus is to provide support to the business by maintaining the Group's financial flexibility and a minimum credit rating of BBB/Baa2.

This section explains the Group's exposure to and management of various financial risks, and their potential effects on the Group's financial position and performance. It also details finance income and costs incurred during the year.

4 FINANCIAL RISK MANAGEMENT

Risk management framework

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. Group Treasury, under policies approved by the SAL Board, manages the Group's exposure to market risk (including foreign currency risk, inflation risk and interest rate risk), credit risk and liquidity risk.

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

4.1 Foreign currency risk

The Group's treasury policy is to hedge 100% of foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds.

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (CAD, EUR and USD). At 31 December 2015 and 2014, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

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

	2015				2014			
	CADm	EURm	USDm	Equivalent total AUDm	CADm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(225.0)	(700.0)	(1,825.0)	(3,214.9)	(225.0)	(700.0)	(1,325.0)	(2,571.8)
Cross currency swaps	225.0	700.0	1,825.0	3,214.9	225.0	700.0	1,325.0	2,571.8
	-	-	-	-	-	-	-	-

4 FINANCIAL RISK MANAGEMENT (CONT.)

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow exposures.

The Group uses interest rate swap (IRS) contracts to mitigate interest rate risk. The Group's policy is to maintain a minimum average hedge position of 55% for a five year average look forward basis.

Interest rate swap contracts

By entering into IRS contracts, the Group agrees to exchange the net difference between fixed and floating interest rate amounts (based on Australian BBSW) calculated by reference to agreed notional principal amounts. IRS settle on a quarterly basis.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS at reporting date is determined by discounting the related future cash flows using the cash and swap curves at reporting date and credit risk inherent in the contract. The table below details the notional principal amounts and remaining terms of floating for fixed IRS contracts outstanding at balance date:

	Average contracted fixed interest rate[1]		Notional principal amount		Fair value	
	2015 %	2014 %	2015 $m	2014 $m	2015 $m	2014 $m
1 year or less	5.50%	6.26%	1,829.3	955.0	(36.9)	(19.4)
1 to 2 years	-	5.50%	-	1,829.3	-	(88.7)
2 to 5 years	3.56%	4.65%	1,439.1	200.0	(60.2)	(13.6)
5 years or more	3.80%	3.76%	2,300.8	3,154.1	(131.3)	(166.3)
	n/a	n/a	5,569.2	6,138.4	(228.4)	(288.0)

1 The average interest rate is based on the outstanding balance at reporting date

The weighted average interest rate of the Group's interest bearing liabilities was 5.7% for year ended 31 December 2015 (2014: 6.1%).

At 31 December 2015, 77.6% (2014: 83.4%) of senior drawn borrowings were either fixed or hedged through IRS.

The Group uses IRS on a 5 year average look forward basis, targeting a range of forecast average debt exposures in each year below:

- Year 1 70%-95%
- Year 2-3 50%-75%
- Year 4-5 40%-65%

Interest rate sensitivities

In reviewing interest rate sensitivities, a 150 basis point (bp) movement is used by management to assess possible changes in interest rates at balance date.

SAL Group	2015 $m	2014 $m
Increase in interest rate +150bp		
Profit after tax	(17.9)	(12.1)
Equity	63.5	124.7
Decrease in interest rate -150bp		
Profit after tax	17.9	12.1
Equity	(64.6)	(135.7)

4 FINANCIAL RISK MANAGEMENT (CONT.)

4.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Groups. The credit quality of financial assets are regularly monitored by management to identify any potential adverse changes.

The Group's policy is that all financial institution derivative counterparties must have a minimum rating of Standard & Poor's A- or Moody's long-term rating of A3 and deposit counterparties a minimum rating of A/A2. The Group also has policies limiting the amount of credit exposure to any single financial institution by both volume and term.

Credit risks on receivables relate to aeronautical, retail and property trade receivables at the airport asset level. These corporate counterparties have a range of credit ratings. At 31 December 2015, less than 5.0% (2014: less than 5.0%) of trade receivables were overdue. Key aeronautical customers include the Qantas and Virgin Groups which accounted for 40.0% to 50.0% of aeronautical revenue for year ended 31 December 2015 (2014: 40.0% to 50.0%).

For the SAT1 Group, credit risk on receivables primarily relates to interest income receivable and an interest bearing loan to SAL, a related party (refer to note 17).

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

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.

4.4 Liquidity risk

Liquidity risk refers to the risk that the Group has insufficient liquidity to meets its financial obligations when they fall due.

The Group has built in appropriate liquidity management requirements as part of its risk management framework. Due to the capital intensive nature of the underlying business, Treasury works to achieve flexibility in funding by maintaining levels of undrawn committed bank facilities available for working capital and capital investment, and a capital expenditure reserve.

The table below details the SAL Group's remaining undiscounted principal and interest cash flows and their contractual maturity based on the earliest date on which the Group is required to pay.

	Carrying value $m	Contractual cash flows $m	1 year or less $m	1 to 5 years $m	5 years or more $m
2015					
Bank facilities	1,016.1	1,099.0	40.8	1,058.2	-
Bonds – domestic	1,685.5	2,093.4	52.1	277.5	1,763.8
Bonds – USPP	569.9	971.3	30.3	120.8	820.2
Bonds – other foreign	3,849.3	3,526.8	150.5	694.4	2,681.9
Capital indexed bonds	1,060.3	1,447.0	38.3	159.8	1,248.9
Derivatives	272.9	264.8	85.6	167.5	11.7
Distribution payable	289.9	289.8	289.8	-	-
Trade and other payables	180.5	180.5	180.5	-	-
	8,924.4	9,872.6	867.9	2,478.2	6,526.5
2014					
Bank facilities	508.4	571.6	20.5	551.1	-
Bonds – domestic	2,157.0	2,699.8	547.2	313.9	1,838.7
Bonds – USPP	569.7	1,013.1	31.0	124.2	857.9
Bonds – other foreign	2,969.5	3,734.2	156.6	820.6	2,757.0
Capital indexed bonds	1,029.6	1,774.4	37.7	160.6	1,576.1
Derivatives	335.0	335.0	134.3	200.7	-
Distribution payable	266.0	266.0	266.0	-	-
Trade and other payables	179.9	179.9	179.9	-	-
	8,015.1	10,574.0	1,373.2	2,171.1	7,029.7

5 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks, as described in note 4. The net derivative position at the reporting date is presented below:

	2015			2014		
$m	**Cross currency swaps**	**Interest rate swaps**	**Total**	**Cross currency swaps**	**Interest rate swaps**	**Total**
Non-current assets	663.6	5.1	668.7	442.8	-	442.8
Current liabilities	(39.4)	(70.1)	(109.5)	(47.0)	(87.3)	(134.3)
Non-current liabilities	-	(163.4)	(163.4)	-	(200.7)	(200.7)
Net derivative position	624.2	(228.4)	395.8	395.8	(288.0)	107.8

Recognition and measurement

Hedge accounting

On initial designation of a derivative as the hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction. The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting changes in fair value or cash flows of the hedged items, and whether the actual results of each hedge are in a range of 80 to 125 percent.

The recognition and measurement of the derivative, depending on whether the underlying risk is the variation in expected cash flow, being a cash flow hedge, or change in the hedged item's fair value, being a fair value hedge, is as follows:

Cash flow hedges

The Group's IRS are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecasted cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, 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.

The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecasted transactions are not expected to occur any more.

Fair value hedges

The Group's cross currency swaps are accounted for as fair value hedges. They are used to hedge the exposure to variability in the fair value of assets or liabilities that could affect profit or loss. Initial recognition of the derivative is at fair value of the hedging instrument and subsequent changes, being hedging gain or loss, are recognised in profit or loss. The carrying value of the hedged items are adjusted for the hedging gain or loss, with the adjustment being recognised in profit or loss.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and any adjustment between the carrying amount and the face value of a hedged item is amortised through profit or loss using the effective interest rate method.

Critical estimates and assumptions - fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date.

At 31 December 2015 and 2014, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2.

6 NET FINANCE COSTS

	Note	SAL Group 2015 $m	SAL Group 2014 $m	SAT1 Group 2015 $m	SAT1 Group 2014 $m
Finance income					
Interest income from other corporations		10.4	12.5	0.2	0.1
Interest income from related parties	17	-	-	245.3	246.0
Total finance income		10.4	12.5	245.5	246.1
Finance costs					
Senior debt interest expense		(285.8)	(263.7)	-	-
Net swap interest expense		(123.0)	(144.6)	-	-
Capital indexed bonds capitalised		(15.8)	(29.7)	-	-
Amortisation of debt establishment costs		(23.1)	(24.6)	-	-
Recurring borrowing costs		(6.9)	(8.3)	-	-
Borrowing costs – corporate debt		(0.1)	(1.2)	-	-
Borrowing costs capitalised		11.0	8.0	-	-
Total finance costs		(443.7)	(464.1)	-	-
Change in fair value of swaps		28.3	(54.6)	-	-
Net finance costs		(405.0)	(506.2)	245.5	246.1

Recognition and measurement

Finance income relates to the interest income on cash and cash equivalents and loan receivable balances which are brought to account using the effective interest rate method.

Finance costs are recognised as expense when incurred using the effective interest rate method, except where they are directly attributable to the acquisition, construction or production of qualifying assets.

Capitalisation of borrowing 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, are capitalised as part of the cost of those assets. 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.

FINANCIAL RESULTS AND FINANCIAL POSITION

This section provides additional information about the individual line items in the financial statements that are considered relevant to the operations of the Groups.

7 SEGMENT REPORTING

The Chief Executive Officer (CEO) monitors and manages the SAL Group from the perspective of its core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the year represents earnings before interest, tax, depreciation and amortisation (EBITDA).

The segment's revenues, expenses, assets and liabilities are as presented in the consolidated statements of comprehensive income.

The Group's revenue, which is equal to that of the operating segment, is measured at the fair value of the consideration received or receivable and recognised on the basis of the following criteria:

Revenue stream	Nature	Recognition
Aeronautical	Passenger, take-off, parking charges and exclusive first right use of infrastructure.	Revenue is recognised when the related services are provided.
Aeronautical security recovery	Passenger and checked bag screening, counter terrorist first response and other additional security measures.	
Retail	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.
Property	Rental for airport property including terminals, buildings and other leased areas.	
Car rental	Concession charges from car rental companies.	
Parking and ground transport	Time based charges from the operation of car parking services.	Revenue is recognised when the related services are provided.

All revenue is generated from external customers within Australia.

Income from interest, dividends and other distributions received from investments are measured at the fair value of the consideration received or receivable and recognised in the consolidated statements of comprehensive income.

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies. For years ended 31 December 2015 and 2014 the segment result, assets and liabilities were equal to that of the SAL Group.

8 EARNINGS PER SHARE

The calculation of earnings per share is based on the profit after tax attributable to security holders and the weighted average number of shares/units on issue.

	SAL Group		SAT1 Group	
	2015	2014	2015	2014
Profit after tax attributable to security holders ($m)	283.0	59.1	243.2	243.8
Weighted average number of shares/units (m)	2,221.2	2,213.5	2,221.2	2,213.5
Earnings per share	12.74c	2.67c	10.95c	11.01c

9 RECEIVABLES

		SAL Group		SAT1 Group	
		2015	2014	2015	2014
	Note	$m	$m	$m	$m
Current					
Trade receivables		67.2	71.1	-	-
Provision for doubtful debts		-	(0.1)	-	-
Accrued revenue		54.6	39.1	-	-
Other receivables		16.3	16.2	3.4	3.3
Total current receivables		138.1	126.3	3.4	3.3
Non-current					
Loans to related parties	17	-	-	1,886.5	1,887.3
Accrued revenue		11.1	12.0	-	-
Other receivables		37.1	23.4	-	-
Total non-current receivables		48.2	35.4	1,886.5	1,887.3

Trade receivables are generally collected within 30 days of invoice date.

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for doubtful debts based on an ongoing review of all outstanding amounts.

10 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
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
2015								
Cost								
Opening balance	11.4	1,776.8	865.9	848.2	362.7	234.9	176.9	4,276.8
Additions[1]	-	436.4	-	42.8	77.7	-	344.8	901.7
Transfers	-	140.7	42.8	83.8	32.3	45.4	(342.7)	2.3
Disposals	-	(0.6)	-	-	-	(0.6)	-	(1.2)
Closing balance	11.4	2,353.3	908.7	974.8	472.7	279.7	179.0	5,179.6
Accumulated depreciation								
Opening balance	(1.0)	(708.3)	(242.6)	(285.7)	(257.7)	(196.8)	-	(1,692.1)
Depreciation	(0.1)	(109.4)	(29.5)	(48.2)	(18.1)	(21.4)	-	(226.7)
Disposals	-	0.6	-	-	-	0.6	-	1.2
Closing balance	(1.1)	(817.1)	(272.1)	(333.9)	(275.8)	(217.6)	-	(1,917.6)
Total carrying amount	10.3	1,536.2	636.6	640.9	196.9	62.1	179.0	3,262.0
2014								
Cost								
Opening balance	11.4	1,654.3	821.7	799.5	355.1	220.1	162.6	4,024.7
Additions[1]	-	-	-	-	-	-	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

1 Includes capitalised borrowing costs of $11.0 million (2014: $8.0 million).

Additions in 2015 included the T3 transaction of $535.0 million from 1 September 2015.

Capital expenditure commitments

At reporting date, the Group has capital expenditure commitments of $101.8 million (2014: $61.6 million).

Recognition and measurement

The Group recognises items of property, plant and equipment at cost which includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The subsequent measurement of items of property, plant and equipment is at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is accounted for on a straight-line basis in profit or loss over the estimated useful lives of each component, 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.

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

11 INTANGIBLE ASSETS

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Useful life (years)	N/A	7-16	95	95	
2015					
Cost					
Opening balance	669.7	169.8	5,607.8	2,038.1	8,485.4
Transfer to tangible assets	-	(7.5)	-	-	(7.5)
Closing balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Accumulated amortisation					
Opening balance	-	(162.1)	(495.7)	(180.1)	(837.9)
Amortisation	-	(1.3)	(62.0)	(22.5)	(85.8)
Transfer to tangible assets	-	5.2	-	-	5.2
Closing balance	-	(158.2)	(557.7)	(202.6)	(918.5)
Total carrying amount	669.7	4.1	5,050.1	1,835.5	7,559.4
2014					
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

Airport operator licence and Leasehold land explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary, a 50 plus 49 year lease of land and granted an airport operator licence.

An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport.

Recognition and measurement

Except for goodwill, the Group recognises intangible assets at cost directly attributable to the acquisition of an asset. The subsequent measurement of intangible assets is at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is accounted for on a straight-line basis in profit or loss over the assets' estimated useful lives from the date they are available for use.

Goodwill arises on acquisition of a business combination. It is measured at cost less accumulated impairment losses and tested for impairment annually.

Impairment of intangible assets

The carrying amounts of the Group's intangible assets other than deferred tax assets are reviewed at each reporting date to determine indication of impairment. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash generating units (CGU).

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.

11 INTANGIBLE ASSETS (CONT.)

An impairment loss in respect of goodwill is never 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.

For year ended 31 December 2015 no intangible assets were impaired (2014: nil).

Critical estimates and assumptions - impairment test for goodwill

Assessing value in use requires directors to make significant estimates and assumptions.

Goodwill has been allocated to the Group's CGU, identified as being the investment in Sydney Airport. Discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated cash flows are discounted to their present value using a post-tax discount rate. The discount rate used reflects current market assessment of the time value of money and the risks specific to Sydney Airport as CGU.

The cash flows used are projected based on a Financial Model covering a twenty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process referencing historical performance and the Group's views on key drivers;
- Long-term cash flows to equity after year five are extrapolated consistent with an average growth rate that is ahead of forecast Australian Gross Domestic Product; and
- Terminal value is calculated as a multiple of EBITDA in the twentieth year.

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). The Group takes into account historical and related market data in estimating individual components of the CAPM. 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 39.7 million for year ended 31 December 2015 (2014: 38.5 million) and experienced growth of 3.0% during 2015 (2014: 1.7%). Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range.

The valuation derived from this discounted cash flow methodology is benchmarked to other sources such as the ASX-listed Sydney Airport security price, analyst consensus and recent market transactions to ensure the valuation provides a reliable value in use measure.

12 TAXATION

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	SAL Group		SAT1 Group	
	2015 $m	2014 $m	2015 $m	2014 $m
Profit before income tax	286.1	115.7	243.2	243.8
Prima facie income tax payable calculated at 30%	(85.8)	(34.7)	(73.0)	(73.1)
Expenses that are not deductible	5.3	(0.2)	-	-
Deferred expenses	0.8	0.7	-	-
Tax cost adjustments on joining SAL TCG	-	(118.5)	-	-
Recognition of previously unrecognised tax losses	-	21.4	-	-
Tax effect of operating results of Australian trusts	74.7	72.8	73.0	73.1
Income tax expense	(5.0)	(58.5)	-	-

12 TAXATION (CONT.)

Deferred taxes

The movements in deferred tax balances for the SAL Group are shown in the tables below:

SAL Group 2015	Opening balance $m	Charged to income $m	Charged to equity $m	Closing balance $m
Deferred tax liabilities:				
Property, plant and equipment	(249.9)	1.5	-	(248.4)
Intangibles	(2,013.8)	26.4	-	(1,987.4)
Interest bearing liabilities	(4.4)	0.6	-	(3.8)
Deferred debt establishment costs	(11.4)	3.9	-	(7.5)
Accrued revenue and prepayments	(8.7)	(3.5)	-	(12.2)
Defined benefits plan	(1.1)	0.2	(1.0)	(1.9)
Total deferred tax liabilities	(2,289.3)	29.1	(1.0)	(2,261.2)
Deferred tax assets				
Deferred income	0.2	(0.1)	-	0.1
Deferred costs	1.2	(0.3)	-	0.9
Other payables	9.7	3.3	-	13.0
Cash flow hedges	57.3	8.3	(4.6)	61.0
Tax losses	467.7	(45.3)	-	422.4
Total deferred tax assets	536.1	(34.1)	(4.6)	497.4
Net deferred tax liabilities	(1,753.2)	(5.0)	(5.6)	(1,763.8)

SAL Group 2014	Opening balance $m	Charged to income $m	Charged to equity $m	Closing balance $m
Deferred tax liabilities:				
Property, plant and equipment	(86.1)	(163.8)	-	(249.9)
Intangibles	(2,043.9)	30.1	-	(2,013.8)
Interest bearing liabilities	(5.0)	0.6	-	(4.4)
Deferred debt establishment costs	-	(11.4)	-	(11.4)
Accrued revenue and prepayments	(8.2)	(0.5)	-	(8.7)
Defined benefits plan	(1.6)	0.1	0.4	(1.1)
Total deferred tax liabilities	(2,144.8)	(144.9)	0.4	(2,289.3)
Deferred tax assets				
Deferred income	(0.9)	1.1	-	0.2
Deferred costs	1.9	(0.7)	-	1.2
TOFA assets	4.9	(4.9)	-	-
Other payables	8.6	1.1	-	9.7
Cash flow hedges	(7.1)	60.5	3.9	57.3
Tax losses	438.3	29.4	-	467.7
Total deferred tax assets	445.7	86.5	3.9	536.1
Net deferred tax liabilities	(1,699.1)	(58.4)	4.3	(1,753.2)

The SAT1 Group has no deferred tax transactions or balances.

12 TAXATION (CONT.)

Recognition and measurement

Tax expense comprises of current and deferred tax expense recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

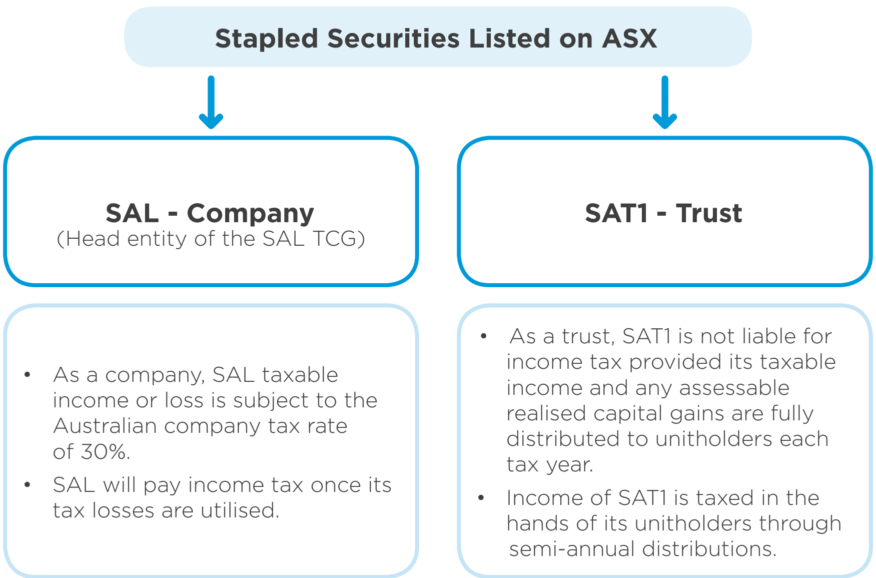
Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. These are offset if there is a legal enforceable right to offset. Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. These are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

SAL and its wholly owned Australian subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG had tax losses of $1,408 million at 31 December 2015 (2014: $1,559 million).

Each entity in the SAL TCG accounts for current and deferred tax with tax expense and deferred tax assets and liabilities arising from temporary differences 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.



EMPLOYEE BENEFITS

The Group aims to attract, retain and motivate high performing individuals and has various compensation and reward programs in place for employees and management, which are detailed in this section.

13 KEY MANAGEMENT PERSONNEL

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

	SAL Group		SAT1 Group	
	2015 $	2014 $	2015 $	2014 $
Short term employee benefits[1]	6,984,043	5,763,018	91,533	91,419
Post employment benefits - superannuation	161,870	135,919	8,696	8,581
Equity-settled share based payments	277,801	-	-	-
Total KMP compensation	7,423,714	5,898,937	100,229	100,000

1 KMP short term employee benefits for SAT1 comprises fees only.

14 LONG TERM INCENTIVE PLAN

In March 2015, the Sydney Airport Long Term Incentive Plan (LTIP) was put in place to provide an incentive for certain management personnel, linking their remuneration to Sydney Airport's long-term financial performance and security holder returns.

Under the LTIP, the Board has granted contractual rights (Rights) to receive Sydney Airport stapled securities at a future date subject to the following performance conditions being satisfied:

- For one third of the rights granted, a market comparative Total Shareholder Return performance condition (TSR tranche);
- For one third of the rights granted, a cash flow per stapled security performance condition (CPS tranche); and
- For one third of the rights granted, non-financial performance conditions specific to each individual with vesting subject to the absolute discretion of the Board (Other tranche).

Fair value calculations

The fair value of rights granted for each tranche is described below:

- The TSR tranche was determined at grant date using the Monte Carlo model
- The CPS tranche was determined at grant date using the binomial option pricing model
- The Other Tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached due to the Board's discretion referred to above

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period, and their fair value has been adjusted accordingly. Performance rights that do not satisfy the performance conditions will lapse immediately. If a participant resigns or has their employment terminated with cause, all of their unvested rights will immediately lapse.

Any rights that vest are expected to be satisfied by way of the transfer of stapled securities purchased on-market.

The Board granted the following rights in April 2015:

Condition	Number of rights	Weighted average fair value	Vesting date
TSR tranche	112,961	$2.69	31 December 2017
CPS tranche	112,961	$4.60	31 December 2017
Other tranche	112,961	$5.40	31 December 2017

15 SUPERANNUATION PLAN

Sydney Airport employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum or pension benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees. 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 9.5% of employees' remuneration are legally enforceable in Australia and for the year ended 31 December 2015 amounted to $3.7 million (2014: $3.5 million).

The following table discloses details pertaining to the defined benefit plan.

SAL Group	2015 $m	2014 $m
Amounts recognised in Consolidated Statements of Comprehensive Income in respect of defined benefit plans:		
Current service costs	1.8	1.7
Interest income	(0.1)	(0.2)
Total included in employee benefit expense	1.7	1.5
Remeasurement gains/(losses) recognised in other comprehensive income	3.3	(1.4)
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	(21.3)	(24.0)
Fair value plan assets[1]	27.8	27.7
Net asset arising from defined benefit obligations	6.5	3.7

1 Plan assets comprise investments in unquoted securities of $15.6 million (2014: $15.0 million).

Recognition and measurement

Defined contribution plan

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.

Defined benefit plan (DBP)

The net obligation in respect of DBP 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 corporate 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.

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

	SAL Group 2015	SAL Group 2014
Discount rate	4.0%	3.0%
Future salary increases	3.5%	3.5%

	0.5% increase	0.5% decrease
Discount rate ($m)	(1.0)	1.0
Future salary increases ($m)	0.9	(0.8)

Remeasurements arising from DBP 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 DBP 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 DBP 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.

OTHER DISCLOSURES

This section provides details on other required disclosures relating to the Group's compliance with accounting standards and other pronouncements.

16 GROUP STRUCTURE AND PARENT ENTITY

SAL and SAT1

Sydney Airport (the Group) is a stapled vehicle comprised of SAL and SAT1, formed in Australia. A stapled security in the Group consists of one share in SAL and one unit in SAT1. They are quoted and traded on the Australian Securities Exchange as if they were a single security.

SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport through its ownership of the Sydney Airport operating entities, including Sydney Airport Corporation Limited (SACL), the lessee and operator of Sydney (Kingsford Smith) Airport.

The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1. SAT1 has ownership of various Australian and foreign non-operating entities.

Significant subsidiaries

The Group has 100% ownership interest in Southern Cross Airports Corporation Holdings Limited (SCACH) and SACL, both incorporated in Australia. There was no change to the significant subsidiaries ownership interest during the year.

Non-controlling interest

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 2015. 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 2015 (2014: 100.0%) and recognises associated non-controlling interest.

Parent entity financial result and position

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. Income from this investment constitutes changes in its fair value.

	SAL		SAT1	
	2015 $m	2014 $m	2015 $m	2014 $m
Result of the parent entity				
Profit after income tax expense	2,179.5	2,129.0	243.2	243.9
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	2,179.5	2,129.0	243.2	243.9
Financial position of parent entity				
Current assets	166.5	150.4	16.0	1.6
Total assets	12,284.0	10,348.1	1,906.4	1,892.7
Current liabilities	166.6	146.0	128.4	127.2
Total liabilities	2,053.0	2,033.3	128.4	127.2
Total equity of the parent entity comprising of:				
Contributed equity	5,669.4	5,609.7	2,744.5	2,731.8
Retained profits	4,561.5	2,705.1	1.1	1.3
Reserves	-	-	(967.6)	(967.6)
Total equity	10,230.9	8,314.8	1,778.0	1,765.5

16 GROUP STRUCTURE AND PARENT ENTITY (CONT.)

Parent entity guarantees, commitments and contingencies

At 31 December 2015 the parent entities:

- Have no contingent assets or liabilities which are material either individually or as a class (2014: $nil);
- Have not made any capital expenditure commitments (2014: $nil); and
- Have not guaranteed debts of their subsidiaries (2014: $nil).

SAL is the head company of the SAL Tax Consolidated Group (SAL TCG) (refer to note 12). At 31 December 2015 no tax liabilities exist within the SAL TCG (2014: $nil).

17 RELATED PARTY DISCLOSURES

SAT1 Responsible Entity

i) Responsible Entity fee

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 three 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 three 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, $250,000 plus interest was returned to SAL on the anniversary of TTCSAL's appointment as SAT1 RE. (2014: $300,000 plus interest).

ii) Resources Agreement fee

SACL and TTCSAL entered into a Resources Agreement where SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and trustee of one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated under the provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions.

During year ended 31 December 2015:

- $82,447 fees were charged by SACL to TTCSAL (2014: $134,547) with $15,443 remaining unpaid at 31 December 2015 (2014: $134,547); and
- $246,236 was charged by TTCSAL to SAT1 as a RE fees (2014: $300,000) and $62,500 remains unpaid at 31 December 2015 (2014: $75,000).

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.

SAT1 and SAL cross staple loan

In December 2013, an interest bearing, unsecured subordinated loan was entered into between SAT1 as lender and SAL as borrower. The loan expires on 28 November 2023 and interest is calculated at 13.0%, p.a. 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 balances and transactions are as follows:

	2015 $	2014 $
Loan principal		
Opening balance	1,887,317,057	1,933,690,125
Paid during the year	(850,000)	(46,373,068)
Closing balance	1,886,467,057	1,887,317,057
Interest		
Opening balance	(2,361,850)	19,972,635
Interest accrued	245,253,735	245,978,842
Paid during the year	(242,891,885)	(268,313,327)
Closing balance payable/(prepaid)	-	(2,361,850)

17 RELATED PARTY DISCLOSURES (CONT.)

Custodian fees

TTCSAL was a related entity of SAT1 for years ended 31 December 2015 and 31 December 2014. During this period custodian fees of $104,639 were charged by TTCSAL (2014: $144,763) and $52,399 remains unpaid at 31 December 2015 (2014: $30,000).

18 REMUNERATION OF AUDITORS

	SAL Group		SAT1 Group	
	2015 $	2014 $	2015 $	2014 $
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements	489,500	477,500	51,300	50,000
Other services				
- Trust compliance services	9,200	9,000	9,200	9,000
- Advisory services	1,920,473	225,000	-	-
- Other assurance services	383,192	196,582	-	-
Total amount paid or payable to auditors	2,802,365	908,082	60,500	59,000

Advisory services in 2015 relate to advice provided in relation to Western Sydney Airport during the Notice to Consult phase.

Other assurance services in 2015 and 2014 included amounts charged for work relating to the refinancing of senior debt and the provision of accounting assistance.

19 CONTINGENT ASSETS AND LIABILITIES

Contingent assets

Future minimum rentals are receivable under non-cancellable operating leases. The associated revenue will be recognised on a straight-line basis over the lease term in future periods. These are as follows:

SAL Group	2015 $m	2014 $m
Receivable within one year	331.8	240.0
Receivable later than one year but no later than five years	1,032.2	745.0
Receivable after five years	356.9	365.8
	1,720.9	1,350.8

Contingent liabilities

MAp Airports International Pty Limited (MAIL), a subsidiary of the 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.

20 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The final distribution of $289.8 million or 13.0 cents per stapled security (2014: $266.0 million or 12.0 cents) was paid on 12 February 2016 by:

- SAL $166.1 million or 7.45 cents (2014: $145.2 million or 6.55 cents); and
- SAT1 $123.7 million or 5.55 cents (2014: $120.8 million or 5.45 cents).

The DRP operated in respect of the 31 December 2015 final distribution. To satisfy the DRP take up, 9.3 million stapled securities were acquired on-market for transfer for a total of $56.8 million in January 2016. No new securities were issued. Securities were transferred to DRP participants at $6.15 per stapled security with no discount applied.

Since the end of the year, the directors of SAL and TTCSAL 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 2015.

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 38 to 68 and the Remuneration report in the Directors' report (set out on pages 19 to 29), 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 2015 and of its performance for the financial period ended on that date; and

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and the Chief Financial Officer for year ended 31 December 2015.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 44.

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

Trevor Gerber
Sydney
17 February 2016

John Roberts
Sydney
17 February 2016

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 38 to 68, 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 2015 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 2015.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 44.

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

Patrick Gourley
Sydney
17 February 2016

Christopher Green
Sydney
17 February 2016