



FINANCIAL REPORT

FOR YEAR ENDED 31 DECEMBER 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.

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.

CONTENTS

Directors' Reports

Directors' Report by the Directors of Sydney Airport Limited	Page 64
Audited Remuneration Report of Sydney Airport Limited	Page 69
Directors' Report by the Directors of the Responsible Entity of Sydney Airport Trust 1	Page 82

Auditor's Signed Reports

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to Sydney Airport Limited	Page 85
Independent Auditor's Report to Shareholders of Sydney Airport Limited	Page 86
Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Responsible Entity of Sydney Airport Trust 1	Page 92
Independent Auditor's Report to Unitholders of Sydney Airport Trust 1	Page 93

Financial Statements

Consolidated Statements of Comprehensive Income	Page 96
Consolidated Statements of Financial Position	Page 98
Consolidated Statements of Changes in Equity	Page 99
Consolidated Statements of Cash Flows	Page 101

Notes to the Financial Statements

General	Capital Management	Treasury and Financial Risk Management	Financial Results and Financial Position	Employee Benefits	Other Disclosures
Page 102 – 104	Page 105 – 109	Page 110 – 114	Page 115 – 121	Page 122 – 124	Page 125 – 128
	1 Distributions Paid and Proposed 2 Interest Bearing Liabilities 3 Cash and Cash Equivalents	4 Financial Risk Management 5 Derivative Financial Instruments 6 Net Finance Costs	7 Segment Reporting 8 Earnings Per Share 9 Receivables 10 Property, Plant and Equipment 11 Intangible Assets 12 Taxation	13 Key Management Personnel 14 Long Term Incentive Plan 15 Superannuation Plan	16 Group Structure and Parent Entity 17 Related Party Disclosures 18 Remuneration of Auditors 19 Contingent Assets and Liabilities 20 Events Occurring after Balance Sheet Date

Directors' Statements

Statement by the Directors of Sydney Airport Limited	Page 129
Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1	Page 130



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 2016 (2015: 100%).

For year ended 31 December 2016, the directors of SAL submit their report on the consolidated financial report of ASX-listed Sydney Airport on pages 64 to 81. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Group.

For year ended 31 December 2016, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 82 to 84.

DIRECTORS' REPORT FOR SYDNEY AIRPORT LIMITED

Principal activities

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

Director profiles

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, director of Communications Compliance Ltd and director of Calvary Ministries. 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, director of Axicom and non-executive chairman of ASX-listed 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 a non-executive director of several New Zealand companies including Sovereign Assurance Company Limited and SecureFuture Wiri Limited. He is a member of the National Provident Fund Board and holds voluntary positions on the boards of Wellington Free Ambulance, including its Investment Management Committee, and the Life Flight Trust. Mr Ward is the independent chair of the Advisory Council for the Financial Dispute Resolution Service and a consultant to 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 ten iconic brands including P&O Cruises, Princess Cruises, Cunard, Holland America, Seabourn, which operate in the Australian and New Zealand cruise market. Ms Sherry is also a member of the supervisory board, ING Group, a non-executive director of ING Direct (Australia), director of Infrastructure Victoria, Australian Rugby Union, Cape York Partnerships, Museum of Contemporary Art and The Palladium Group. Ms Sherry was previously at Westpac for 12 years and was the Chief Executive Officer of Bank of Melbourne and Westpac New Zealand and Pacific Banking.

**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. Under her stewardship, Sydney Airport has taken a leadership role in tourism development and growing aviation in Sydney and Australia, in partnership with airlines, government, industry and the broader Sydney community.

Ms Mather has been instrumental in driving an investment program of around \$3.4 billion since 2002, which has delivered significant aviation capacity and customer service improvements. In June 2015, a new international airline agreement was reached and forms part of the further \$1.3 billion which will be invested over the next five years, ensuring Sydney Airport's place as Australia's premier international gateway. She is deeply committed to the industry and to growing aviation for the benefit of Sydney, NSW and Australia. Accordingly, she is a Director of the World Governing Board of Airports Council International (ACI), President of ACI Asia-Pacific Regional Board, Deputy Chair of the Tourism and Transport Forum, and a Board member of the Committee for Sydney.

Prior to joining Sydney Airport, she was CEO of the largest global airport investment fund from 2002 until 2011, and previously worked in investment banking where she advised on many aviation industry transactions, including leading the acquisition of Sydney Airport in 2001.

Company secretary profile

**JAMIE MOTUM
B EC, LLB**

Mr Motum was appointed as Company Secretary of ASX-listed Sydney Airport in January 2012, and as Company Secretary of SAL from its incorporation on 30 July 2013. He is a qualified solicitor with over 15 years' experience. Prior to becoming General Counsel and Company Secretary of Sydney Airport Corporation Limited 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.

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 and requirements of the business:

Skills and Experience	
	Aviation and transport – Experience in aviation or transport with a large quality organisation. Aviation is our core business and an understanding of the complex network of stakeholders is of critical importance
	Construction and engineering – Sydney Airport has a significant annual capex program involving construction and engineering to ensure that airfield, terminal and landside works are delivered efficiently and effectively to facilitate capacity growth and an improved passenger experience
	Information Technology – IT strategies and innovations, network development, use and governance of critical information technology infrastructure is an essential part of day to day operations at the airport and enabling the delivery of a next generation experience. This is a core skill and experience within Management, and is supplemented with external experts when necessary
	Legal – Legal expertise is essential in the day to day management of risk, insurance, work, health and safety (WHS) and legal procedures, in addition to our engagement with airport tenants, contractors, government and other stakeholders
	Retail – Retail experience assists in evaluating progress of the implementation of our retail strategy, to deliver new and unique experiences that enhance the passenger journey. This includes proactively seeking compelling local and international brands that showcase exceptional product offerings unique to the airport, including airport and Australian firsts across food and fashion
	Tourism development – A proactive relationship with state and federal tourism bodies, in addition to international tourism bodies and regional governments is central to Sydney Airport's growth and marketing strategies
	Leadership – Driving direction, guidance, leading organisational change and strategic planning
	Health and safety – Developing proactive strategies and policies to ensure the health, safety and security of airport users
	Banking and finance – Detailed knowledge of financial and capital management strategies, treasury, accounting and reporting, corporate finance and internal controls, including assessing the quality of financial controls
	Risk management – Assessing appropriateness of risk management framework, building and adapting organisational risk culture, proactive identification of risks, developing effective policy and procedures to manage risks
	Governance and compliance – Providing direction on organisation-wide governance and compliance policies, systems and frameworks, training and education, and ensuring compliance
	Government relations – Interacting with domestic and international, state and federal governments and regulators
	Remuneration – Developing the framework, policies and practices to attract, retain and motivate directors and staff who will create value for security holders
	Environment and Sustainability – Developing environment and sustainability strategies and initiatives
	Emotional Intelligence – Highly developed communication and social skills



Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 31 December 2016 and the number of meetings attended by each director were as follows:

Director		Trevor Gerber ³	Michael Lee ⁶	John Roberts ⁴	Stephen Ward ⁵	Ann Sherry	Grant Fenn	Kerrie Mather
SAL Board	H ¹	6	6	6	6	6	6	6
	A ²	6	6	5	6	6	6	6
Audit and Risk Committee	H ¹	5	5	5	-	-	-	-
	A ²	5	5	5	-	-	-	-
Nomination and Remuneration Committee	H ¹	3	3	-	3	3	-	-
	A ²	3	3	-	3	3	-	-
Safety, Security and Sustainability Committee	H ¹	-	4	-	-	4	-	4
	A ²	-	4	-	-	4	-	4
Western Sydney Airport Committee (scheduled)	H ¹	5	5	5	5	5	5	5
	A ²	5	5	4	5	5	5	5
Western Sydney Airport Committee (short notice)	H ¹	3	3	3	3	3	3	3
	A ²	3	3	3	2	2	3	3

- 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 Chairman of the Safety, Security and Sustainability Committee

Significant changes in state of affairs

Finance Facilities and Bonds

In April 2016, Sydney Airport successfully issued a USD900.0 million (\$1,163.4 million) US144A/RegS bond that reinforced our proactive capital management approach. The funds raised were used to repay drawn bank debt facilities.

For a discussion on Western Sydney Airport, please refer to the Western Sydney Airport Update in the Operating and Financial Review section.

Future developments

For a discussion on Western Sydney Airport, please refer to the Western Sydney Airport Update in the Operating and Financial Review section.

Operating and financial review

The Operating and financial review is included in the Annual Report on pages 10 to 41.

AUDITED REMUNERATION REPORT

Contents

1. Introduction
2. Nomination and Remuneration Committee
3. Remuneration Principles, Policy and Structure
4. KMP Remuneration Arrangements for Year Ended 31 December 2016
5. Non-Executive Directors' Remuneration

1. Introduction

The directors present the Remuneration Report for Sydney Airport Limited (SAL) for the period 1 January 2016 to 31 December 2016. 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 2016 to 31 December 2016 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

1.2. Key Management Personnel

The following individuals were determined to be KMP by the directors for the year ended 31 December 2016. While there were no changes to key management personnel during the year, Shelley Roberts left the business on 31 December 2016 and has been replaced by Hugh Wehby.

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

2. Nomination and Remuneration Committee

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

In 2016 the Nomination and Remuneration Committee comprised of four NEDs:

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



AUDITED REMUNERATION REPORT (CONT.)

2.1. Remuneration Consultant

During 2016 no "remuneration recommendation" (as defined by Part 2D.8 of the Corporations Act) was made. Benchmarking data was obtained from Alan Jackson, Aon Hewitt, to assist the NRC when assessing remuneration changes for executive positions. The fees paid to Alan Jackson were \$5,500.

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, our remuneration structure links the potential benefits for participants to the continued growth in Sydney Airport's sustained long term financial performance and security holder returns.

3.1. Background

Sydney Airport is an ASX50 entity with an enterprise value of approximately \$21.4 billion at 31 December 2016. 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, terminal expansions, car park development, retail and commercial developments, and other significant initiatives. Since privatisation in 2002, Sydney Airport has invested nearly \$3.4 billion in capital works. Executives are also accountable for a wide range of stakeholder relationships including airlines, passengers, concessionaires, tenants, service providers, governments, regulatory bodies, the community and security holders.

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 data from remuneration consultants.

3.2. Remuneration structure for Executives (including KMP) at 31 December 2016

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); and
 - iii. Long Term incentive - equity plan, with a three year performance period.

While the LTI plan was introduced in 2015 for the CEO and other Executives, the first series (2015 - 2017) is not due to vest until 31 December 2017 and the second series (2016 - 2018) is not due to vest until 31 December 2018. As such, no rights have yet been issued under the LTI plan. The LTI 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 sustained 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 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 a compound annual CPS growth rate of equal or greater than 8%.
- One third of the rights are based on Board discretion and include metrics and 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).

AUDITED REMUNERATION REPORT (CONT.)

The measurements for the performance condition outcomes for the LTI are 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

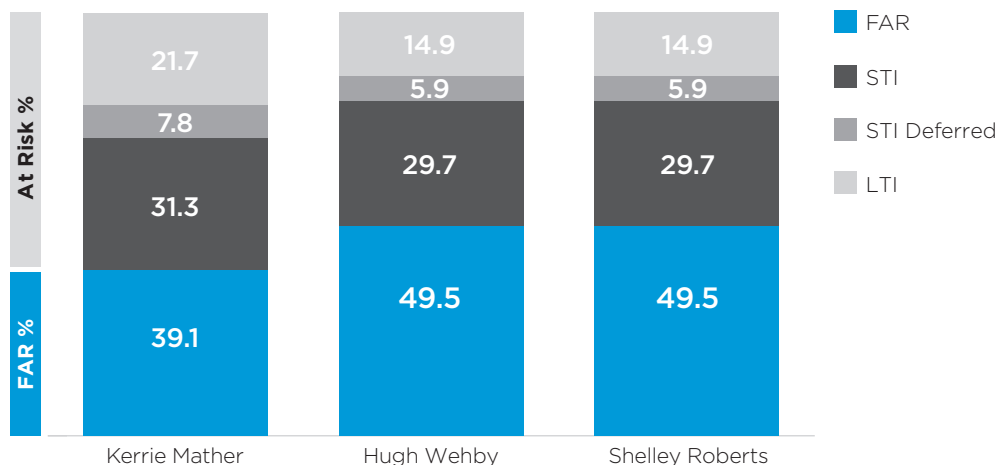
in part) upon Sydney Airport attaining a compound annual CPS growth rate equal to or greater than 8% over the performance period. A compound annual CPS growth rate equal to or greater than 12% over the performance period will result in 100% of the rights in the CPS tranche vesting. Vesting will occur 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 will determine what proportion (if any) of the rights will vest in the Other Tranche, having regard to individual and company performance.

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period. If a participant resigns, or has their employment terminated with cause, all their unvested rights will immediately lapse. If a participant's employment ends by reason of an uncontrollable event (as defined in the LTI plan) they are entitled to a pro-rata number of their unvested rights or it may be cash settled at the Board's discretion.

The introduction of the LTI has had a significant influence on the remuneration mix, with the move increasing the 'at risk remuneration' (ARR).

The remuneration mix for the KMPs for 2016 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 sustained 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 financial performance, business/operational performance, implementation of key strategic projects, customer and stakeholder engagement and leadership and culture.



AUDITED REMUNERATION REPORT (CONT.)

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 consistent 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 that time. KMP data on the specific STI potential maximum percentage of FAR and the actual awards is described at 3.3. and the full remuneration details are set out in 4.2.

3.2.3. CEO STI deferral

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

3.2.4. KMP STI deferral

To promote retention, other KMP also have a component (16.67%) of their STI award 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 of 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	2016	2015	2014	2013	2012
Security price at year end	\$5.99	\$6.35	\$4.71	\$3.80	\$3.38
Ordinary distribution paid per security	\$0.31	\$0.255	\$0.235	\$0.225	\$0.21
Earnings before interest, tax, depreciation and amortisation ¹ (EBITDA) (\$ million)	\$1,085.7	\$1,003.6	\$948.3	\$910.3	\$848.0

¹ 2014, 2015 and 2016 are taken from the Consolidated Income Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2016 and 2015. 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.

2016 Security Price Performance

Sydney Airport's listed security price performed strongly up until the fourth quarter in 2016, following which there were external market factors which resulted in a decline impacting the infrastructure sector. Total investor return over the year was -1% (assuming reinvested distributions), including a 31.0 cents per stapled security distribution. The distribution represented growth of 21.6% compared to the 2015 distribution.

Due to the external market factors influencing the security price during 2016, a more meaningful measure is Sydney Airport's five-year total shareholder return of 24% p.a. (assuming reinvested distributions) which compares to the ASX100 performance of 12%² p.a. over the same period. That means if \$10,000 was invested in Sydney Airport securities on 31 December 2011, the value of that investment including reinvested distributions would be approximately \$30,000 at 31 December 2016. The equivalent investment in the ASX100 would be worth approximately \$18,000.

² Source: Bloomberg.

Drivers of the strong performance in 2016 include:

- Record passenger numbers travelling through Sydney Airport driven by airline marketing and tourism partnerships: 41.9 million in 2016 up from 39.7 million in 2015 representing 5.6% total growth, 8.9% international growth and 3.8% domestic (including regional) growth;
- Full year financial and operational performance of Terminal 3;
- The Group's EBITDA growth of 8.2% to \$1,085.7 million, driven by the T3 transaction, growth initiatives across the business and prudent operating expense control;
- Delivery of significant capacity expansions and passenger experience improvements through investing \$384.9 million on facilities and infrastructure; and
- Successful issuance of USD900.0 million (\$1.2 billion) in US144A/RegS bonds extending the average maturity of the debt portfolio into mid-2023.

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 2016, these objectives included:

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

The following table sets out the group performance factors used in determining the Executives' STI outcomes for 2016:

Objective	Performance Outcome
Financial performance	<p>Revenue growth of 11.0% to \$1,364.6 million</p> <p>EBITDA growth of 8.2% to \$1,085.7 million (EBITDA growth of 10.3% to \$1,106.7 million excluding WSA project costs expensed)</p> <p>Security holder distribution growth of 21.6% to 31.0 cents per stapled security</p> <p>Successful issuance of USD900.0 million (AUD 1,163 million) in US144A/RegS bonds at an all in rate of 4.9% with fully hedged interest rate and currency exposures for the full 10 years Outcomes exceeding all treasury objectives.</p> <p>A strong year, impacted by the one-off financial impact of the WSA project costs expensed</p>
Business/Operational performance	<p>Traffic growth of 5.6% (8.9% international and 3.8% domestic)</p> <p>Aeronautical revenue growth of 15.6%</p> <p>Retail revenue growth of 12.2%</p> <p>Property and car rental revenue growth of 1.5%</p> <p>Parking and ground transport revenue growth of 3.6%</p>
Strategic projects	<p>Introduction of six new Chinese mainland destinations</p> <p>Sydney Airport is now the fourth busiest airport worldwide for Airbus A380 international arrivals</p> <p>Completion of Duty Free reconfiguration</p> <p>Delivery of 'Market Place' precinct</p> <p>Commenced construction of new Mantra branded hotel</p> <p>Construction of an additional 10% incremental car parking capacity set to be delivered in the domestic and international precincts</p> <p>Delivery of approximately \$400 million growth capital expenditure projects, focused on expanding airfield and terminal capacity and improving the efficiency of the airport and facilities for airport users</p> <p>Step up in service levels</p> <p>Successful first 12 months of T3 operations</p>



AUDITED REMUNERATION REPORT (CONT.)

Objective	Performance Outcome
WSA	<p>Sydney Airport participated diligently in the 2.5 year Commonwealth WSA consultation process</p> <p>WSA faces many risks over its development and operational phases</p> <p>The WSA NOI was issued in December 2016 that does not feature any material support including previously contemplated procurement protections or Commonwealth funding</p> <p>Work undertaken during the consultation process has and will inform planning and development of Sydney (Kingsford Smith) Airport over the next two decades</p>
Customer and stakeholder engagement	<p>Opening of new customer care centre which assists more than 22,000 customers per month</p> <p>Opening of a new world first Integrated Operations Centre, where we are co-located with our stakeholders to collaboratively manage landside, terminal and airside operations</p> <p>Continued engagement with airport stakeholder groups to ensure high standards of service delivery. Consultation with airport stakeholders through various forums including the newly created Ground Handler Forum and Bussing Forum, where we work collaboratively to improve performance</p> <p>Establishment of service level framework and key performance indicators on which to measure our performance across the key areas of baggage, passenger facilitation, peak planning/resource allocation and bussing</p> <p>Achieved Airport Carbon Accreditation Level 3</p> <p>Continued delivery of our digital strategy which improves operational efficiency and enhances the passenger experience. Initiatives delivered during the year include the introduction of multilingual wayfinding kiosks, new multilingual flight information displays, and the introduction of technology to monitor and display queue times at security</p> <p>We will continue to work with our customers, stakeholders and community to resolve issues related to ground transport congestion and enhance our customer experience</p>

AUDITED REMUNERATION REPORT (CONT.)

Objective	Performance Outcome
People and culture	<p data-bbox="580 383 671 405">Culture</p> <p data-bbox="580 421 1481 472">Introduction of a new Performance Management System, including tracking of employee performance against core values</p> <p data-bbox="580 488 1442 539">Introduction of a new intranet 'Airportal' that promotes information sharing and collaboration across our business</p> <p data-bbox="580 555 1474 607">Introduction of an employee recognition scheme to recognise employees that demonstrate our values</p> <p data-bbox="580 622 1442 674">Delivery of an end-user computing strategy providing employees with new computer hardware that promotes responsiveness and flexibility</p> <p data-bbox="580 689 1469 770">Refreshed Code of Conduct setting out expectations for how we do business and how our employees, executive management and the Board conduct themselves</p> <p data-bbox="580 786 1469 866">Lifting capability of our employees through 4,797 hours of training, which has seen 39% of all job opportunities (45% of permanent opportunities) being filled internally</p> <p data-bbox="580 882 1422 911">Recognition as an employer of choice by The Australian Business Awards</p> <p data-bbox="580 927 687 949">Diversity</p> <p data-bbox="580 965 1358 994">New diversity policy which includes a broader definition of diversity</p> <p data-bbox="580 1010 1442 1122">Commitment to the Australian Institute of Company Directors "30% Club" for both Board and Management roles. At 31 December, the proportion of women on the Board is 28.6%, total executives is 33.3% and total women in management of 36.8%</p> <p data-bbox="580 1137 1442 1189">During the year the total proportion of women employed at Sydney Airport increased by 8.7% from 33.5% to 36.4%</p> <p data-bbox="580 1205 1481 1285">Increased focus on supporting indigenous Australians, including establishment of a partnership with CareerTrackers and commencement of first intern, support of the Clontarf Foundation and membership of Supply Nation</p> <p data-bbox="580 1301 1426 1382">Establishment of a policy to support employees who may be experiencing domestic and family violence by providing them with access to additional leave</p> <p data-bbox="580 1397 660 1420">Safety</p> <p data-bbox="580 1435 1442 1487">Continued focus on building a strong safety culture and meeting our airside safety requirements. Key initiatives delivered for the year:</p> <ul data-bbox="580 1503 1469 1946" style="list-style-type: none"> <li data-bbox="580 1503 1283 1532">• Launch of a new safety and security awareness campaign <li data-bbox="580 1541 1426 1621">• Refreshed WHS and security induction modules, launched through our learning management system as a requirement for all employees to complete <li data-bbox="580 1630 1469 1733">• Continued delivery of our project compliance program ensuring on-site contractors are meeting safety, security, environmental and quality requirements. Approximately 9,000 site inspections completed during the year <li data-bbox="580 1742 1378 1794">• Provision of access to local weather information to airport business partners to improve ramp safety <li data-bbox="580 1803 1469 1854">• Implementation of a health and injury prevention program for the airport's baggage handling team, to improve health and wellbeing <li data-bbox="580 1863 1331 1892">• Development of an airside driving awareness e-learning course <li data-bbox="580 1901 1123 1930">• Employee lost time injury frequency rate 3.3



AUDITED REMUNERATION REPORT (CONT.)

Performance pay outcomes for 2016

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 2016 STI outcomes for KMP.

KMP	Potential maximum of FAR	STI outcome % of maximum	Actual STI awarded		
			Cash award \$	STI deferred \$	STI forfeited %
Kerrie Mather	100%	55%	800,000	200,000	45%
Hugh Wehby	72%	85%	276,695	55,340	15%
Shelley Roberts ¹	72%	80%	286,819	-	33%

¹ The deferred component of the STI was forfeited as a result of S Roberts resignation effective 31 December 2016.

STI deferrals from previous period

Key Executives	Award date	Deferred \$	Vesting date
Kerrie Mather	15 Mar 2016	360,000	15 Mar 2018
	15 Mar 2015	340,780	15 Mar 2017
Hugh Wehby	15 Mar 2016	64,667	15 Mar 2018
	15 Mar 2015	-	n/a
Shelley Roberts	15 Mar 2016	-	n/a
	15 Mar 2015	101,468	31 Dec 2016 ¹

¹ The 2015 deferred amount was paid in accordance with S Roberts employment contract.

Details of LTI rights granted to KMP

Name	Series	Rights Granted	Grant date	Grant Valuation ¹ \$	Grant Value \$	Rights vested at year end (%)
Kerrie Mather	2015 - 2017 ²	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		5.09	324,747	-
	2016 - 2018 ³	166,816	31 May 2016			
	TSR tranche	55,606		3.75	208,523	-
	CPS tranche	55,605		6.27	348,643	-
	Other tranche	55,605		5.19	288,590	-
Hugh Wehby	2015 - 2017 ²	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		5.09	51,633	-
	2016 - 2018 ³	25,255	31 May 2016			
	TSR tranche	8,419		3.75	31,571	-
	CPS tranche	8,418		6.27	52,781	-
	Other tranche	8,418		5.19	43,689	-
Shelley Roberts ⁴	2015 - 2017 ²	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		5.09	56,993	-
	2016 - 2018 ³	27,803	31 May 2016			
	TSR tranche	9,267		3.75	34,751	-
	CPS tranche	9,268		6.27	58,110	-
	Other tranche	9,268		5.19	48,101	-

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 determination.

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

³ The LTI has a three year performance period. No rights will vest until 31 December 2018.

⁴ S Robert forfeited her LTI as a result of her resignation effective 31 December 2016.

AUDITED REMUNERATION REPORT (CONT.)

4. KMP Remuneration Arrangements for Year Ended 31 December 2016

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 and the discretionary bonus for the whole of the current financial year. Treatment of STI Deferral: Resignation or termination for serious and wilful misconduct or persistent breach results in outstanding deferral elements being forfeited. Termination in all other circumstances results in outstanding deferral elements being payable, subject to the statutory requirements under the Corporations Act.

KMP

Treatment of STI Deferral: Termination without cause results in outstanding deferral elements being payable. Termination with cause results in this element being forfeited. In the case of resignation, the deferral elements are forfeited unless there is specific provision within the employment contract. 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 Corporations Act and Australian Accounting Standards:

Name	Short-term benefits		STI	Post employment benefits	Long-term benefits	Share based payments (LTI) ¹	Total	At Risk % ²
	Salary \$	STI \$	STI Deferred \$	Superannuation \$	Long service leave \$			
Kerrie Mather								
2016	1,780,538	800,000	200,000	19,462	44,510	481,124	3,325,634	44.5
2015	1,780,954	1,440,000	360,000	19,046	44,517	208,168	3,852,685	52.1
Hugh Wehby								
2016	520,365	276,695	55,340	22,135	13,135	75,035	962,705	42.3
2015	494,441	323,334	64,667	30,559	12,500	33,099	958,600	43.9
Shelley Roberts³								
2016	572,500	286,819	(67,103)	25,000	(74,323)	(36,534)	706,359	25.9
2015	548,530	335,515	67,103	25,000	14,000	36,534	1,026,682	42.8
Total KMP								
2016	2,873,403	1,363,514	188,237	66,597	(16,678)	519,625	4,994,698	
2015	2,823,925	2,098,849	491,770	74,605	71,017	277,801	5,837,967	

1 This is LTI expensed. No actual benefits have been received by the KMP in 2016 and 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 At Risk % has been calculated based on actual remuneration. The 2015 comparative has been amended for consistency of calculation.

3 S Roberts resigned effective 31 December 2016:

- * The negative STI deferred is a forfeiture of two deferred STI periods
- * The negative long service leave is a reversal of the long service leave accrued
- * The negative LTI is a reversal of LTI accrued



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 is \$2,000,000.

Role	Annual fee \$
SAL Board	
Chair	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
SAL Safety, Security, and Sustainability Committee	
Chair	30,000
Member	16,000
SAL Western Sydney Airport Committee	
Chair	24,000
Member	24,000

5.2. Non-Executive Directors' Remuneration for the Year

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

Ms 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	Name	Short term employee benefits	Post employment benefits	Total \$
		Directors' fees \$	Superannuation \$	
Trevor Gerber (Chairman)				
	2016	485,788	19,462	505,250
	2015	387,786	18,694	406,480
Michael Lee				
	2016	241,538	19,462	261,000
	2015	241,948	19,052	261,000
John Roberts				
	2016	239,000	-	239,000
	2015	230,097	-	230,097
Stephen Ward				
	2016	219,538	19,462	239,000
	2015	220,881	18,119	239,000
Ann Sherry				
	2016	211,538	19,462	231,000
	2015	207,268	17,797	225,065
Grant Fenn				
	2016	181,735	17,265	199,000
	2015 ¹	45,434	4,316	49,750
Max Moore-Wilton				
	2015 ²	165,068	9,287	174,355
Total NEDs				
	2016	1,579,137	95,113	1,674,250
	2015	1,498,482	87,265	1,585,747

¹ Mr Fenn was appointed director on 1 October 2015

² 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 2016	Movement	Balance at 31 Dec 2016	Changes prior to signing	Balance at signing date
Trevor Gerber	228,063	-	228,063	-	228,063
Michael Lee	8,247	355	8,602	-	8,602
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	-	-	-	-	-
Kerrie Mather	3,800,508	-	3,800,508	-	3,800,508
Hugh Wehby	4,801	-	4,801	-	4,801
Shelley Roberts	18,177	-	18,177	-	n/a



Events occurring after balance sheet date

The final distribution of \$360.0 million or 16.0 cents per stapled security (2015: \$289.8 million or 13.0 cents) was paid on 14 February 2017 by:

- SAL \$237.4 million or 10.55 cents (2015: \$166.1 million or 7.45 cents); and
- SAT1 \$122.6 million or 5.45 cents (2015: \$123.7 million or 5.55 cents).

Since the end of the year, the directors of SAL 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 Group, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2016.

Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which SAL 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 constitution.

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

The auditor of the SAL Group is in no way indemnified out of the assets of the Group.

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); and
- 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 the Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport's operations on the environment. The Strategy supports initiatives in environmental management beyond regulatory requirements. The Strategy is available for download from Sydney Airport's website www.sydneyairport.com.au.

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

Sydney Airport provides an annual environment report to the Commonwealth Government outlining its performance in achieving the policies and targets of the 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 are outlined in Note 18 to the financial statements.

The directors of SAL 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 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 page 85 and forms part of the Directors' Report for year ended 31 December 2016.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAL Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations Instrument 2016/191 (Rounding in Financial/ Directors' Reports) dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

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



Trevor Gerber

Sydney

15 February 2017

Application of class order

The financial reports for the SAL Group and SAT1 Group are jointly presented in one report as permitted by ASIC Instrument Corporations (Stapled Group Reports) Instrument 2015/838 (which supersedes ASIC Class Order 05/642).



John Roberts

Sydney

15 February 2017



DIRECTORS' REPORT FOR THE TRUST COMPANY (SYDNEY AIRPORT) LIMITED

For year ended 31 December 2016, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) 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 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

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 Racing NSW, Deputy Chairman of Destination NSW, a Director Racing Australia Limited and a Director of CityFleet Networks Pty Ltd (UK). He was previously Chairman of Cabcharge Australia Pty Limited and a Director of ComfortDelgro Cabcharge Pty Ltd. Mr Balding was formally 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.

GILLIAN LARKINS **B COM, GRAD DIP** **(ACC & FIN), MBA,** **CA, GA/CD**

Ms Larkins was appointed as a TTCSAL director in April 2016. Ms Gillian Larkins joined Perpetual as Group Executive Transformation Office in October 2012, and assumed the role of Chief Financial Officer in January 2013.

Ms Larkins has approximately 20 years of experience in finance, strategy and management roles across a number of industries. Most recently, she was Chief Financial Officer, Managing Director of Westpac Institutional Bank, responsible for Finance and Strategy, and prior to that, Chief Financial Officer Australia & New Zealand of Citigroup. Ms Larkins has also served on the board of Hastings Fund Management as a non-executive director from 2009 to 2011.

As a member of the Executive Leadership Team reporting to the CEO, Ms Larkins heads Perpetual's Finance, IT, and Risk functions, which include Audit, Legal and Company Secretariat.

Ms Larkins holds a Master of Business Administration from the Macquarie Graduate School of Management, as well as a Graduate Diploma in Accounting & Finance and a Bachelor's Degree of Commerce, majoring in Economics, both from the University of Otago, New Zealand. She is a member of the NZ Chartered Accountant's Society and a Graduate of the Australian Institute of Company Directors.

CHRISTOPHER **GREEN** **B COMM, LLB, MBA**

Mr Green 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. Mr Green was a TTCSAL director from March 2014 until April 2016. He was appointed as alternate director for Ms Larkins in April 2016.

Company secretary profiles

JAMIE MOTUM B EC, LLB	<p>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 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.</p>
GLENDA CHARLES GRAD DIP GOV, ASX LISTED ENTITIES, GIA (CERT)	<p>Ms Charles was appointed as co-Company Secretary of TTCSAL on 17 December 2015. She 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.</p>
SYLVIE DIMARCO LLB, GIA (CERT), MAICD	<p>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 seven years' experience in company secretariat practice and administration and is currently Assistant Company Secretary of Corporate Services with the Perpetual Risk Group.</p>

Directors' meetings

TTCSAL board met four times in 2016. All four meetings were attended by Russell Balding and Patrick Gourley. Christopher Green attended the first meeting held in February 2016. Gillian Larkins attended the last three meetings held during May, August and December 2016.

Security holdings in ASX-listed Sydney Airport

The TTCSAL directors do not hold any interest in ASX-listed Sydney Airport securities.

Review of operations

The SAT1 Group continues to hold a financial loan asset, with SAL as borrower. The loan is interest bearing, unsecured and subordinated. Further details including loan principal outstanding, amounts paid during the year and interest accrued are included in note 17.

There have been no changes in the state of affairs of the SAT1 Group.

Distributions

The total distributions paid by ASX-listed Sydney Airport during the year ended 31 December 2016 were \$624.2 million or 28.0 cents per stapled security (2015: \$543.1 million or 24.5 cents).

A final distribution for the period ending 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; and
- SAT1 \$123.7 million or 5.55 cents.

An interim distribution for the period ending 30 June 2016 of \$334.4 million or 15.0 cents per stapled security (2015: \$277.1 million or 12.5 cents) was paid on 12 August 2016 by:

- SAL \$212.9 million or 9.55 cents; and
- SAT1 \$121.5 million or 5.45 cents.

The final distribution for the period ending 31 December 2016 of \$360.0 million or 16.0 cents per stapled security was paid on 14 February 2017 by:

- SAL \$237.4 million or 10.55 cents; and
- SAT1 \$122.6 million or 5.45 cents.

There are \$nil imputation credits (2015: \$nil) available to pay franked distributions.

Events occurring after balance sheet date

The final distribution for the period ending 31 December 2016 of \$360.0 million or 16.0 cents per stapled security (2015: \$289.8 million or 13.0 cents) was paid on 14 February 2017 by:

- SAL \$237.4 million or 10.55 cents; and
- SAT1 \$122.6 million or 5.45 cents.

Since the end of the year, the directors of TTCSAL 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 SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to year ended 31 December 2016.



Indemnification and insurance of officers and auditors

All directors have executed a deed of access, insurance and indemnity under which TTCSAL 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 SAT1 constitution.

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

The auditors of the SAT1 Group are in no way indemnified out of the assets of the Group.

Non-audit services

There were no amounts paid or payable to the auditor for non-audit services provided during the year.

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 page 92 and forms part of the Directors' Report for year ended 31 December 2016.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SAT1 Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations Instrument 2016/191 (Rounding in Financial/ Directors' Reports) dated 1 April 2016, and in accordance with that instrument 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 SAT1 Group and the SAL Group are jointly presented in one report as permitted by ASIC Instrument Corporations (Stapled Group Reports) Instrument 2015/838 (which supersedes ASIC Class Order 05/642).

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

Handwritten signature of Patrick Gourley in black ink.

Patrick Gourley

Sydney

15 February 2017

Handwritten signature of Gillian Larkins in black ink.

Gillian Larkins

Sydney

15 February 2017



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 2016 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.

A stylized signature of the KPMG logo, where the letters are connected and written in a cursive-like font.

KPMG

A handwritten signature in black ink that reads 'Eileen Hoggett'.

Eileen Hoggett
Partner

Sydney

15 February 2017



Independent Auditor's Report

To the shareholders of Sydney Airport Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Sydney Airport Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Consolidated statement of financial position as at 31 December 2016;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Key Audit Matters

The **Key Audit Matters** we identified are:

- Revenue recognition and measurement;
- Carrying value of intangible assets; and
- Hedging and valuation of derivatives.

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition and measurement (\$1,364.6m)

Refer to Note 7 to the financial report

The key audit matter

Revenue recognition was identified as a key audit matter due to the complexity of numerous different underlying contracts which we considered in determining when revenue is recognised. Varying recognition and measurement principles exist across all significant revenue streams.

Assessing revenue recognition and measurement required significant audit effort.

How the matter was addressed in our audit

Our procedures included:

- Evaluating management's processes and key controls regarding the Group's revenues. We tested controls for the authorisation of a sample of new or amended contracts, and checked that the contract terms agreed to the financial systems;
- Applying data analytic techniques to each significant individual revenue stream, we compared revenue recognised against budget, prior year, and assessed the correlation to movements in passenger numbers (where relevant). We selected a sample of contracts from the data analytic results and tested the revenue recognised by comparing to relevant underlying contract terms, Group accounting policies and the criteria in accounting standards;
- Requesting and obtaining confirmations from relevant airlines for a sample of passenger numbers;
- Reviewing and recalculating a sample of management's rental income straight-lining calculations for accuracy and conformity with underlying contracts.



Carrying value of intangible assets (\$7,473.9m)

Refer to Note 11 to the financial report

The key audit matter

Carrying value of intangible assets was a key audit matter due to the significant level of judgment involved in forecasting and discounting future cash flows, particularly for the significant length of time relevant to an airport operation, which form the basis for assessing whether intangible assets are impaired.

In addition, judgment is involved in considering the appropriateness of the single cash generating unit (CGU) for impairment testing. Impairment testing is performed on a single CGU on the basis that the Group considers all income streams are intrinsically linked and cannot be separated from the airport operations.

The impairment assessment of the Group's intangible assets is based on a discounted cash flow methodology, using a financial model covering a twenty year period. The model incorporates significant judgment in respect of future cash flows, discount rates, growth rates and the terminal value.

Management engage an external expert at least annually to perform a valuation of the Group's enterprise value (including intangibles). The forecast discounted cash flows performed by management form the basis of the external valuation.

How the matter was addressed in our audit

Our procedures included:

- Understanding the Group's cash forecasting process by testing the key approval controls for the internal reporting of forecast income streams and cash flows;
- Assessing the historical accuracy of forecasts by comparing to actual results, to use in our evaluation of forecasts included in the discounted cash flow model;
- Assessing the appropriateness of the future assumptions incorporated into the forecasts for alignment to the Sydney Airport Master Plan, inquiries with management and our industry knowledge;
- Evaluating management's determination of a single CGU based on our understanding of the industry in which the Group operates, our knowledge of the business and the accounting standard requirements;
- Involving our specialists we evaluated the externally prepared valuation. This included:
 - Assessing the reasonableness of the valuation approach and methodology against market and industry practices and accounting standards;
 - Comparing market related assumptions, in particular those relating to growth and discount rates, to external data such as the Inflation Target as published by the Reserve Bank of Australia;



Carrying value of intangible assets (\$7,473.9m) (cont.)

	<ul style="list-style-type: none"> • Performing a sensitivity analysis on key assumptions, in particular the discount rate to assess the risk of bias or inconsistency in application; • Assessing the competence, experience and skills of the external expert.
--	--

Hedging and valuation of derivatives (net: \$534.9m)

Refer to Note 5 to the financial report

The key audit matter	How the matter was addressed in our audit
<p>The valuation of derivatives and associated hedge accounting was a key audit matter due to the complexities arising from the application of multiple derivatives to hedge each underlying financial instrument.</p> <p>Our assessment is made more challenging given the high level of judgement involved in evaluating valuation assumptions and inputs such as yield curves and credit value adjustments.</p> <p>As such, senior audit team effort and specialist involvement was required.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Understanding management’s processes and key controls for the approval of new derivative contracts; • Obtaining hedge documentation relating to new hedge relationships and assessing it against the accounting standard requirements; • For a sample of derivatives and hedge relationships, we agreed the inputs of each sample to confirmations we obtained from counterparties; • Involving our specialists we assessed the valuation of a sample of derivatives. This included: <ul style="list-style-type: none"> • Re-performing a valuation and comparing this to the Group’s valuation; • Challenging management’s assumptions and inputs adopted in the valuation such as yield curves and credit value adjustments by comparing these key assumptions to external market data e.g. Bloomberg.



Other Information

Other Information is financial and non-financial information in Sydney Airport Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. This includes the Investor Results Presentation. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Sydney Airport Limited for the year ended 31 December 2016, complies with *Section 300A* of the *Corporations Act 2001*.

Director's responsibilities

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 responsibilities

We have audited the Remuneration Report included in the Director's report for the year ended 31 December 2016.

Our responsibility is to express an opinion on the Remuneration Report, based on our Audit conducted in accordance with *Australian Auditing Standards*.

KPMG

Eileen Hoggett
Partner

Sydney

15 February 2017



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 2016 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

Eileen Hoggett
Partner

Sydney

15 February 2017



Independent Auditor's Report

To the unitholders of Sydney Airport Trust 1

Opinion

We have audited the **Financial Report** of Sydney Airport Trust 1 (the Trust).

In our opinion, the accompanying Financial Report of the Trust is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2016 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Consolidated statement of financial position as at 31 December 2016;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The **Group** consists of the Trust and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.



Other Information

Other Information is financial and non-financial information in Sydney Airport Trust 1's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors of The Trust Company (Sydney Airport) Limited are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

A stylized, handwritten signature of the KPMG firm.

KPMG

A handwritten signature of Eileen Hoggett.

Eileen Hoggett

Partner

Sydney

15 February 2017



CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	SAL Group		SAT1 Group	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Revenue					
Aeronautical revenue		614.2	523.4	-	-
Aeronautical security recovery		87.3	83.3	-	-
Retail revenue		295.6	263.5	-	-
Property and car rental revenue		204.2	201.2	-	-
Parking and ground transport revenue		156.1	150.6	-	-
Other revenue		7.2	6.9	-	-
Total revenue		1,364.6	1,228.9	-	-
Other income					
Gain on disposal of non-current assets		-	0.1	-	-
Total revenue and other income		1,364.6	1,229.0	-	-
Operating expenses					
Employee benefits expense		(54.5)	(47.2)	-	-
Services and utilities expense		(68.9)	(56.4)	-	-
Property and maintenance expense		(30.9)	(23.9)	-	-
Security recoverable expense		(78.9)	(73.9)	-	-
Other operational costs		(24.6)	(24.0)	(1.7)	(2.3)
Total operating expenses		(257.8)	(225.4)	(1.7)	(2.3)
Other expenses					
Western Sydney Airport project costs expensed		(21.0)	-	-	-
Loss on disposal of non-current assets		(0.1)	-	-	-
Total other expenses		(21.1)	-	-	-
Total expenses before depreciation, amortisation, net finance costs and income tax		(278.9)	(225.4)	(1.7)	(2.3)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		1,085.7	1,003.6	(1.7)	(2.3)
Depreciation	10	(271.0)	(226.7)	-	-
Amortisation	11	(85.5)	(85.8)	-	-
Profit/(loss) before net finance costs and income tax (EBIT)		729.2	691.1	(1.7)	(2.3)
Finance income	6	8.3	10.4	246.5	245.5
Finance costs	6	(439.3)	(443.7)	-	-
Change in fair value of swaps	6	22.0	28.3	-	-
Net finance costs		(409.0)	(405.0)	246.5	245.5
Profit before income tax expense		320.2	286.1	244.8	243.2
Income tax expense	12	(0.6)	(5.0)	-	-
Profit after income tax expense		319.6	281.1	244.8	243.2
Profit after income tax expense attributable to:					
Security holders		320.9	283.0	244.8	243.2
Non-controlling interest		(1.3)	(1.9)	-	-
		319.6	281.1	244.8	243.2

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (CONT.)

	Note	SAL Group		SAT1 Group	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of cash flow hedges		5.6	15.4	-	-
Tax on items that may be reclassified to profit or loss		(1.7)	(4.6)	-	-
Total items that may subsequently be reclassified to profit or loss		3.9	10.8	-	-
Items that will never be reclassified to profit or loss					
Remeasurement (loss)/gain on defined benefit plans		(0.5)	3.3	-	-
Tax on items that will never be reclassified to profit or loss		0.2	(1.0)	-	-
Total items that will never be reclassified to profit or loss		(0.3)	2.3	-	-
Other comprehensive income, net of tax		3.6	13.1	-	-
Total comprehensive income		323.2	294.2	244.8	243.2
Total comprehensive income attributable to:					
Security holders		324.5	296.1	244.8	243.2
Non-controlling interest		(1.3)	(1.9)	-	-
Total comprehensive income		323.2	294.2	244.8	243.2
Earnings per share/unit from profit after income tax	8	14.34c	12.74c	10.94c	10.95c

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



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	SAL Group		SAT1 Group	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Current assets					
Cash and cash equivalents	3	465.8	366.8	36.6	15.9
Receivables	9	158.7	138.1	3.2	3.4
Derivative financial instruments	5	0.5	-	-	-
Other assets		0.7	0.5	-	-
Total current assets		625.7	505.4	39.8	19.3
Non-current assets					
Receivables	9	65.6	48.2	1,886.5	1,886.5
Property, plant and equipment	10	3,381.7	3,262.0	-	-
Intangible assets	11	7,473.9	7,559.4	-	-
Derivative financial instruments	5	770.3	668.7	-	-
Other assets		8.7	7.3	-	-
Total non-current assets		11,700.2	11,545.6	1,886.5	1,886.5
Total assets		12,325.9	12,051.0	1,926.3	1,905.8
Current liabilities					
Distribution payable	1	360.0	289.8	122.6	123.7
Payables and deferred income		237.1	215.4	4.2	4.4
Derivative financial instruments	5	96.8	109.5	-	-
Provisions for employee benefits		12.3	11.1	-	-
Total current liabilities		706.2	625.8	126.8	128.1
Non-current liabilities					
Interest bearing liabilities	2	8,625.9	8,181.1	-	-
Derivative financial instruments	5	139.1	163.4	-	-
Deferred tax liabilities	12	1,765.9	1,763.8	-	-
Provisions for employee benefits		2.0	1.9	-	-
Total non-current liabilities		10,532.9	10,110.2	-	-
Total liabilities		11,239.1	10,736.0	126.8	128.1
Net assets		1,086.8	1,315.0	1,799.5	1,777.7
Equity					
Security holders' interests					
Contributed equity	1	5,470.9	5,328.6	2,449.7	2,428.6
Retained earnings		(1,055.5)	(681.7)	404.5	403.8
Reserves		(3,322.9)	(3,327.5)	(1,054.7)	(1,054.7)
Total security holders' interests		1,092.5	1,319.4	1,799.5	1,777.7
Non-controlling interest in controlled entities		(5.7)	(4.4)	-	-
Total equity		1,086.8	1,315.0	1,799.5	1,777.7

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 2016		5,328.6	(686.1)	(166.3)	(3,161.2)	1,315.0
Comprehensive income						
Profit after tax		-	319.6	-	-	319.6
Cash flow hedges, net of tax		-	-	3.9	-	3.9
Remeasurement loss, net of tax		-	(0.3)	-	-	(0.3)
Total comprehensive income		-	319.3	3.9	-	323.2
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		142.3	-	-	-	142.3
Distributions provided for or paid	1	-	(694.4)	-	-	(694.4)
Equity-settled shares		-	-	-	0.7	0.7
Total transactions with owners of the company		142.3	(694.4)	-	0.7	(551.4)
Total equity at 31 December 2016		5,470.9	(1,061.2)	(162.4)	(3,160.5)	1,086.8
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 gain, 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 shares		-	-	-	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

1 Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of \$5.7 million (2015: \$4.4 million). Refer note 16 to the financial statements for details.

2 The 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 2016		2,428.6	403.8	(967.6)	(87.1)	1,777.7
Comprehensive income						
Profit after tax		-	244.8	-	-	244.8
Total comprehensive income		-	244.8	-	-	244.8
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan		21.1	-	-	-	21.1
Distributions provided for or paid	1	-	(244.1)	-	-	(244.1)
Total transactions with owners of the company		21.1	(244.1)	-	-	(223.0)
Total equity at 31 December 2016		2,449.7	404.5	(967.6)	(87.1)	1,799.5
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

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		SAT1 Group	
		2016	2015	2016	2015
		\$m	\$m	\$m	\$m
Cash flow from operating activities					
Interest received		7.9	10.9	0.6	0.2
Related party loan interest received	17	-	-	245.9	242.9
Receipts from customers		1,482.1	1,355.0	-	-
Payments to suppliers and employees		(402.6)	(360.7)	(1.7)	(1.7)
Net cash flow from operating activities	3	1,087.4	1,005.2	244.8	241.4
Cash flow from investing activities					
Short term financial assets		-	35.0	-	-
Proceeds from disposal of fixed assets		-	0.1	-	-
Acquisition of property, plant and equipment		(390.2)	(887.6) ¹	-	-
Capitalised borrowing costs		(9.6)	(11.0)	-	-
Receipt for escrow deposit		0.3	0.3	-	-
Net cash flow used in investing activities		(399.5)	(863.2)	-	-
Cash flow from financing activities					
Airport borrowing costs paid		(298.9)	(300.1)	-	-
Corporate borrowings costs paid		(0.1)	(0.1)	-	-
Repayment of borrowings		(1,240.0)	(1,053.7)	-	-
Proceeds received from borrowings		1,540.4	1,730.0	-	-
Interest rate swap payments		(108.5)	(127.4)	-	-
Related party loan principal received	17	-	-	-	0.9
Proceeds received from distribution reinvestment plan		142.4	72.4	21.1	12.6
Distributions paid to security holders		(624.2)	(543.1)	(245.2)	(240.5)
Net cash flow used in financing activities		(588.9)	(222.0)	(224.1)	(227.0)
Net increase/(decrease) in cash and cash equivalents		99.0	(80.0)	20.7	14.4
Cash and cash equivalents at beginning of the period		366.8	446.8	15.9	1.5
Cash and cash equivalents at the end of the period	3	465.8	366.8	36.6	15.9

¹ Includes T3 transaction of \$535.0 million.

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

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 ASIC Corporations (Stapled Group Reports) Instrument 2015/838 (which supersedes 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 Corporations Instrument 2016/191 dated 1 April 2016.

The financial report was authorised for issue by the directors of SAL and TTCSAL on 15 February 2017. 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 \$80.5 million at 31 December 2016 which is fully covered by undrawn committed bank facilities.

The SAT1 Group's net current liability position of \$87.0 million (2015: \$108.8 million) at 31 December 2016 is attributable to distribution payable to SAT1 unit holders of \$122.6 million (2015: \$123.7 million), which was paid on 14 February 2017. Distribution payments, a key obligation of the 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 distributions are declared before each balance date (and therefore a liability at each balance date) and the interest payments are received in advance after each balance date, the SAT1 Group is expected to be in a net current liability position at 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 -\$2.84 at 31 December 2016 (2015: -\$2.80). This represents a decrease of \$0.04 or 1.4% (2015: decrease of \$0.03 or 1.2%).

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. 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 2016 and 31 December 2015; and
- SAT1 has been identified as the parent of the SAT1 Group for years ended 31 December 2016 and 31 December 2015.

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

The SAT1 Group's net result after tax for years ended 31 December 2016 and 31 December 2015 and its contributed equity, reserves and retained earnings at 31 December 2016 and 31 December 2015 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).

Acquisition 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 rate 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 the year ended 31 December 2016.

The following Standards, amendments to Standards and Interpretations effective for annual reporting periods commencing after 1 January 2017 have not been applied by the Groups in this Financial Report:

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9: <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	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.
AASB 15: <i>Revenue from Contracts with Customers</i>	AASB 15 replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	No material impact is expected.
AASB 16: <i>Leases</i>	AASB 16 provides a new model for accounting for leases. Early adoption is permitted under certain circumstances. The standard becomes mandatory for the December 2019 financial year and will be applied prospectively.	The extent of the impact has not been determined.



CAPITAL MANAGEMENT

- 1 Distributions Paid and Proposed
- 2 Interest Bearing Liabilities
- 3 Cash and Cash Equivalents

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 the year ended 31 December 2016, the Group's strategy remained unchanged.

1 DISTRIBUTIONS PAID AND PROPOSED

Security holders' entitlements

SAL

Each ordinary share in SAL entitles its holder to distributions as may be determined by the SAL Directors from time to time. The distribution 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 a 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	
	2016	2015	2016	2015
Distributions were paid/payable as follows:				
\$m				
Final distribution ¹	360.0	289.8	122.6	123.7
Interim distribution ²	334.4	277.1	121.5	119.7
	694.4	566.9	244.1	243.4
Cents per stapled security				
Final distribution	16.00	13.00	5.45	5.55
Interim distribution	15.00	12.50	5.45	5.40
	31.00	25.50	10.90	10.95

¹ Recognised as a payable at year end, paid on 14 February 2017 (2015: 12 February 2016).

² Paid on 12 August 2016 (2015: 14 August 2015).

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 2016 interim and 31 December 2015 final distributions.

There was no DRP in operation for the 31 December 2016 final distribution as the Commonwealth Government had previously indicated its intention to issue Sydney Airport with the NOI prior to 31 December 2016. Depending on the terms contained in the NOI and Sydney Airport's assessment of them, this circumstance had the potential to place Sydney Airport in possession of information which would be material to the price of Sydney Airport's securities and not yet available to the market generally.

In respect of the interim distribution, 20.4 million stapled securities were issued and transferred to DRP participants in August 2016 at \$6.99 (after a 1.5% discount applied).

In respect of the final distribution for the year ended 31 December 2015, 9.3 million securities were acquired on-market for a total of \$56.8 million. To satisfy the DRP take up, these were transferred to DRP participants in January 2016 at \$6.15 with no discount applied. No new securities were issued.

Contributed equity

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

	SAL Group		SAT1 Group	
	2016	2015	2016	2015
\$m				
Opening balance	5,328.6	5,256.2	2,428.6	2,416.0
Issued pursuant to the DRP	142.3	72.4	21.1	12.6
Closing balance	5,470.9	5,328.6	2,449.7	2,428.6
Shares/units on issue (m)				
Opening balance	2,229.5	2,216.2	2,229.5	2,216.2
Issued pursuant to the DRP	20.4	13.3	20.4	13.3
Closing balance	2,249.9	2,229.5	2,249.9	2,229.5

2 INTEREST BEARING LIABILITIES

The Group's debt comprises the following:

- Bank facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds;
- Euro bond; and
- Canadian Maple bond.

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.)

Type	Maturity	Carrying amount		Fair value		Principal amount drawn				Issue Currency	Interest rate
		2016		2015		2016		2015			
		\$m	\$m	\$m	\$m	In AUD \$m	In original currency \$m	2016 \$m	2015 \$m		
Syndicated facility	April 2017	-	344.1	-	344.1	-	345.0	-	345.0	AUD	Floating ³
Syndicated facility	April 2018	158.5	416.4	158.5	416.4	160.0	419.0	160.0	419.0	AUD	Floating ³
Syndicated facility	April 2019	-	56.2	-	56.2	-	59.0	-	59.0	AUD	Floating ³
Bilateral facility	April 2017	-	99.7	-	99.7	-	100.0	-	100.0	AUD	Floating ³
Bilateral facility	April 2017	-	99.7	-	99.7	-	100.0	-	100.0	AUD	Floating ³
Wrapped domestic bond ¹	November 2021	198.7	198.5	198.7	198.5	200.0	200.0	200.0	200.0	AUD	Floating ⁴
Wrapped domestic bond ¹	October 2022	741.4	740.0	741.4	740.0	750.0	750.0	750.0	750.0	AUD	Floating ⁴
Wrapped domestic bond ¹	October 2027	648.4	647.6	648.4	647.6	659.0	659.0	659.0	659.0	AUD	Floating ⁴
Unwrapped domestic bond	July 2018	99.7	99.4	108.6	113.5	100.0	100.0	100.0	100.0	AUD	7.75% ⁵
USPP bond	August 2028	99.3	99.3	99.3	99.3	100.0	100.0	100.0	100.0	AUD	Floating ⁴
USPP bond	November 2028	99.3	99.3	99.3	99.3	100.0	100.0	100.0	100.0	AUD	Floating ⁴
USPP bond	November 2028	178.9	178.7	235.9	235.5	180.0	180.0	180.0	180.0	AUD	6.04% ⁵
USPP bond	November 2028	57.6	57.6	73.5	73.5	58.0	58.0	58.0	58.0	AUD	5.60% ⁵
USPP bond	November 2029	135.1	135.0	175.4	174.4	136.0	136.0	136.0	136.0	AUD	5.70% ⁵
Canadian Maple bond	July 2018	231.6	221.3	244.9	244.1	217.4	217.4	225.0	225.0	CAD	4.60% ⁵
Euro bond	April 2024	1,121.1	1,109.3	1,201.3	1,209.3	1,033.4	1,033.4	700.0	700.0	EUR	2.75% ⁵
US144A/RegS bond	February 2021	686.2	692.7	783.9	800.8	518.7	518.7	500.0	500.0	USD	5.13% ⁵
US144A/RegS bond	March 2023	1,147.8	1,136.3	1,265.8	1,280.8	802.4	802.4	825.0	825.0	USD	3.90% ⁵
US144A/RegS bond	April 2025	693.5	689.7	753.6	758.8	643.0	643.0	500.0	500.0	USD	3.38% ⁵
US144A/RegS bond	April 2026	1,239.7	-	1,388.2	-	1,163.4	-	900.0	-	USD	3.63% ⁵
CIB ²	November 2020	722.5	704.2	738.3	739.7	726.4	719.5	726.4	719.5	AUD	3.76% ⁵
CIB ²	November 2030	366.6	356.1	366.7	379.0	382.1	378.5	382.1	378.5	AUD	3.12% ⁵
Total external interest bearing liabilities		8,625.9	8,181.1	9,281.7	8,810.2	7,929.8	7,618.9	n/a	n/a		

1. Financial guarantees are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.

2. Financial guarantees are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.

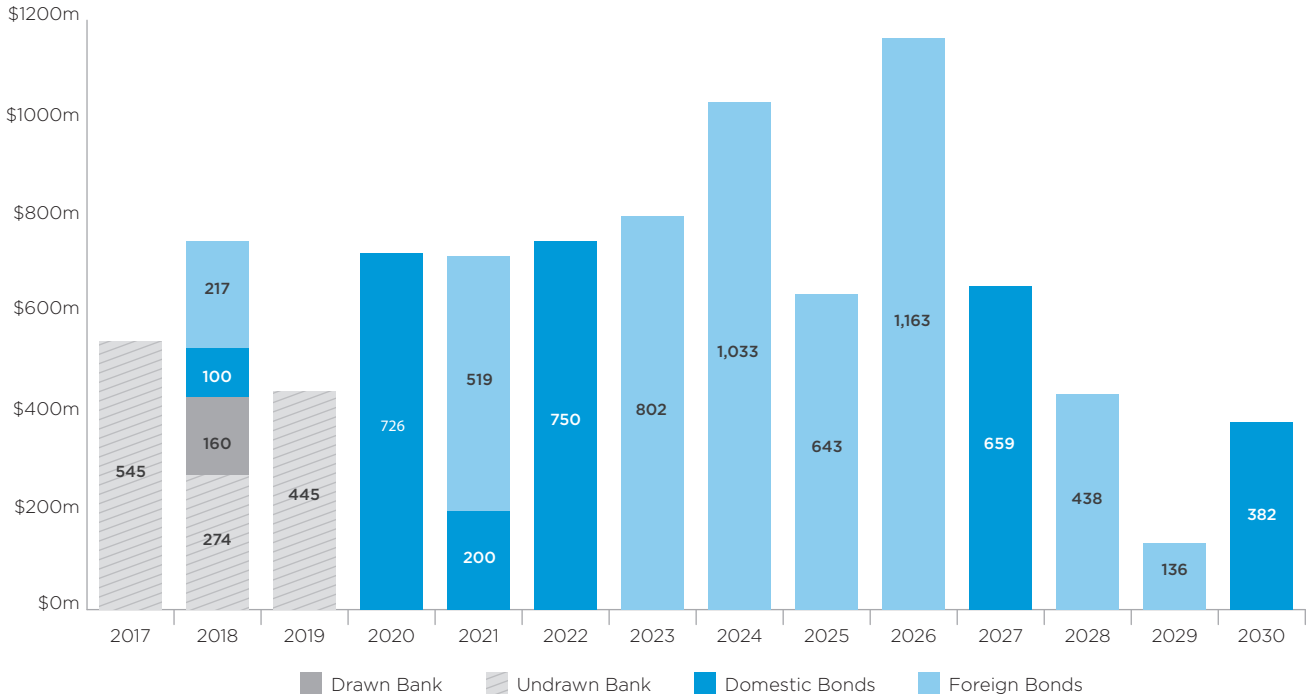
3. Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.

4. Floating rates are at Bank Bill Swap Rate plus a predetermined margin.

5. 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 SAL 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 2016 and 2015, 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 short-term deposits held 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.

	SAL Group		SAT1 Group	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Cash on hand	76.7	126.0	0.9	0.9
Deposits	389.1	240.8	35.7	15.0
Total cash and cash equivalents¹	465.8	366.8	36.6	15.9
Cash flow information				
Reconciliation of profit after tax to net cash flows from operating activities				
Profit for year	319.6	281.1	244.8	243.2
Expenses relating to investing activities	-	0.1	-	-
Expenses relating to financing activities	439.3	443.7	-	-
Loss/(gain) on derivative instruments	(22.0)	(28.3)	-	-
WSA project costs expensed	21.0	-	-	-
Depreciation and amortisation	356.5	312.5	-	-
Gain on disposal of non-current assets	0.1	(0.1)	-	-
Decrease/(increase) in receivables and other assets	(39.7)	(26.4)	0.2	(0.1)
Increase/(decrease) in payables	12.0	17.6	(0.2)	(1.7)
Increase in tax liabilities	0.6	5.0	-	-
Net cash flow from operating activities	1,087.4	1,005.2	244.8	241.4

¹ Included in the SAL Group's consolidated deposit balance is \$23.4 million (2015: \$35.7 million) held by SACL, which is restricted for maintenance.

Non-cash financing and investing activities

During the year ended 31 December 2016 and 31 December 2015, 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 statements of comprehensive income.

TREASURY AND FINANCIAL RISK MANAGEMENT

- 4 Financial Risk Management
- 5 Derivative Financial Instruments
- 6 Net Finance Costs

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

Financial risk management framework

The Group's overall financial 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 exposures to market risk (including foreign currency risk, inflation risk and interest rate risk), credit risk and liquidity risk.

Group Treasury identifies, evaluates and hedges exposures 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.

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

	2016				2015			
	CADm	EURm	USDm	Equivalent total AUDm	CADm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(225.0)	(700.0)	(2,725.0)	(4,378.3)	(225.0)	(700.0)	(1,825.0)	(3,214.9)
Cross currency swaps	225.0	700.0	2,725.0	4,378.3	225.0	700.0	1,825.0	3,214.9
Exposure	-	-	-	-	-	-	-	-

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 (USD, EUR and CAD). At 31 December 2016 and 2015, 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.



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. 70-95% of interest rate exposures are hedged in year one.

Interest rate swap (IRS) 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 contracts at reporting date are 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 reporting date:

	Average contracted fixed interest rate ¹		Notional principal amount		Fair value	
	2016 %	2015 %	2016 \$m	2015 \$m	2016 \$m	2015 \$m
1 year or less	-	5.50%	-	1,829.3	-	(36.9)
1 to 2 years	4.65%	-	200.0	-	(6.2)	-
2 to 5 years	3.75%	3.56%	1,998.5	1,439.1	(104.6)	(60.2)
5 years or more	3.38%	3.80%	1,798.6	2,300.8	(80.3)	(131.3)
	n/a	n/a	3,997.1	5,569.2	(191.1)	(228.4)

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

The weighted average cash interest rate of the Group's interest bearing liabilities was 5.3% for year ended 31 December 2016 (2015: 5.7%). SAT1 Group's interest bearing liabilities are at fixed interest rates.

At 31 December 2016, 87.8% (2015: 77.6%) of senior drawn borrowings were either fixed or hedged through IRS.

The Group uses IRS contracts to manage interest rate hedging levels to the following bands:

- 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 reporting date.

	2016 \$m	2015 \$m
SAL Group		
Increase in interest rate +150bp		
Profit after tax	(10.2)	(17.9)
Equity	61.3	63.5
Decrease in interest rate -150bp		
Profit after tax	10.2	17.9
Equity	(62.2)	(64.6)

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 the date of signing the accounts, the overdue trade receivables balances were less than 5.0% (2015: less than 5.0%). Key aeronautical customers including the Qantas and Virgin Groups accounted for 40.0% to 50.0% of aeronautical revenue for year ended 31 December 2016 (2015: 40.0% to 50.0%).

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
2016					
Bank facilities	158.5	166.2	4.7	161.5	-
Domestic bonds	1,688.2	1,976.0	40.7	435.6	1,499.7
USPP bonds	570.2	932.9	29.5	118.1	785.3
Other foreign bonds	5,119.9	5,720.6	194.7	1,435.9	4,090.0
Capital indexed bonds	1,089.1	1,447.0	38.3	159.8	1,248.9
Derivatives	235.9	207.5	68.8	136.6	2.1
Distribution payable	360.0	360.0	360.0	-	-
Trade and other payables	197.2	197.2	197.2	-	-
	9,419.0	11,007.4	933.9	2,447.5	7,626.0
2015					
Bank facilities	1,016.1	1,099.0	40.8	1,058.2	-
Domestic bonds	1,685.5	2,093.4	52.1	277.5	1,763.8
USPP bonds	569.9	971.3	30.3	120.8	820.2
Other foreign bonds	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

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 meet its financial obligations when they fall due. The Group has built in appropriate liquidity management requirements as part of its financial risk management framework. Due to the capital intensive nature of the underlying business, Group 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.



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 reporting date is presented below:

\$m	2016			2015		
	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	0.5	-	0.5	-	-	-
Non-current assets	764.2	6.1	770.3	663.6	5.1	668.7
Current liabilities	(38.7)	(58.1)	(96.8)	(39.4)	(70.1)	(109.5)
Non-current liabilities	-	(139.1)	(139.1)	-	(163.4)	(163.4)
Net derivative position	726.0	(191.1)	534.9	624.2	(228.4)	395.8

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.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

Cash flow hedges

The Group's IRS are accounted for as cash flow hedges. They are used to hedge exposure to variability in forecast 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 under 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 forecast 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 2016 and 2015, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2.

6 NET FINANCE COSTS

	Note	SAL Group		SAT1 Group	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Finance income					
Interest income from other corporations		8.3	10.4	0.6	0.2
Interest income from related parties	17	-	-	245.9	245.3
Total finance income		8.3	10.4	246.5	245.5
Finance costs					
Senior debt interest expense		(298.7)	(285.8)	-	-
Net swap interest expense		(105.7)	(123.0)	-	-
Capital indexed bonds capitalised		(10.5)	(15.8)	-	-
Amortisation of debt establishment costs		(27.4)	(23.1)	-	-
Recurring borrowing costs		(6.5)	(6.9)	-	-
Borrowing costs - corporate debt		(0.1)	(0.1)	-	-
Borrowing costs capitalised		9.6	11.0	-	-
Total finance costs		(439.3)	(443.7)	-	-
Change in fair value of swaps		22.0	28.3	-	-
Net finance costs		(409.0)	(405.0)	246.5	245.5

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 expenses 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.



FINANCIAL RESULTS AND FINANCIAL POSITION

- | | |
|----------------------|----------------------------------|
| 7 Segment Reporting | 10 Property, Plant and Equipment |
| 8 Earnings Per Share | 11 Intangible Assets |
| 9 Receivables | 12 Taxation |

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.	Fixed 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 sales activities include duty free, food and beverage, financial and advertising services.	Fixed revenue is recognised on a straight-line basis over the lease term.
Property	Rental for airport property including terminals, buildings and other leased areas.	Contingent revenue is recognised when the contingent event occurs.
Car rental	Concession charges from car rental companies.	
Parking and ground transport	Time based charges from the operation of car parking services. Tiered charges on ground transport 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 2016 and 2015 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	
	2016	2015	2016	2015
Profit after tax attributable to security holders (\$m)	320.9	283.0	244.8	243.2
Weighted average number of shares/units (m)	2,237.4	2,221.2	2,237.4	2,221.2
Earnings per share	14.34c	12.74c	10.94c	10.95c

9 RECEIVABLES

	Note	SAL Group		SAT1 Group	
		2016 \$m	2015 \$m	2016 \$m	2015 \$m
Current					
Trade receivables		85.2	67.2	-	-
Provision for doubtful debts		(0.2)	-	-	-
Total trade receivables		85.0	67.2	-	-
Accrued revenue		58.7	54.6	-	-
Other receivables		15.0	16.3	3.2	3.4
Total current receivables		158.7	138.1	3.2	3.4
Non-current					
Loans to related parties	17	-	-	1,886.5	1,886.5
Accrued revenue		10.2	11.1	-	-
Other receivables		55.4	37.1	-	-
Total non-current receivables		65.6	48.2	1,886.5	1,886.5

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		
2016								
Cost								
Opening balance	11.4	2,353.3	908.7	974.8	472.7	279.7	179.0	5,179.6
Additions ^{1,2}	-	-	-	-	-	-	390.8	390.8
Transfers	-	154.3	26.7	85.5	18.8	37.8	(323.2)	(0.1)
Disposals	-	(0.2)	(1.8)	(2.4)	-	(0.5)	-	(4.9)
Closing balance	11.4	2,507.4	933.6	1,057.9	491.5	317.0	246.6	5,565.4
Accumulated depreciation								
Opening balance	(1.1)	(817.1)	(272.1)	(333.9)	(275.8)	(217.6)	-	(1,917.6)
Depreciation	(0.1)	(132.8)	(35.4)	(55.1)	(22.0)	(25.6)	-	(271.0)
Disposals	-	0.2	1.8	2.4	-	0.5	-	4.9
Closing balance	(1.2)	(949.7)	(305.7)	(386.6)	(297.8)	(242.7)	-	(2,183.7)
Total carrying amount	10.2	1,557.7	627.9	671.3	193.7	74.3	246.6	3,381.7
2015								
Cost								
Opening balance	11.4	1,776.8	865.9	848.2	362.7	234.9	176.9	4,276.8
Additions ^{1,3}	-	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

1 Includes capitalised borrowing costs of \$9.6 million (2015: \$11.0 million).

2 Additions in 2016 are net of \$21.0 million WSA project costs expensed.

3 Additions in 2015 included the T3 transaction of \$535.0 million.

Capital expenditure commitments

At reporting date, the Group has capital expenditure commitments of \$103.4 million (2015: \$101.8 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	
2016					
Cost					
Opening balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Closing balance	669.7	162.3	5,607.8	2,038.1	8,477.9
Accumulated amortisation					
Opening balance	-	(158.2)	(557.7)	(202.6)	(918.5)
Amortisation	-	(1.0)	(62.0)	(22.5)	(85.5)
Closing balance	-	(159.2)	(619.7)	(225.1)	(1,004.0)
Total carrying amount	669.7	3.1	4,988.1	1,813.0	7,473.9
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

Airport operator licence and Leasehold land explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary of SAL, 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 any 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 2016 no intangible assets were impaired (2015: 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 consistent with the 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 41.9 million for year ended 31 December 2016 (2015: 39.7 million) and experienced growth of 5.6% during 2016 (2015: 3.0%). 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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Profit before income tax	320.2	286.1	244.8	243.2
<i>Income tax expense calculated at 30%</i>	<i>(96.7)</i>	<i>(85.8)</i>	<i>(73.4)</i>	<i>(73.0)</i>
Expenses that are not deductible	0.9	5.3	-	-
Deferred expenses	0.5	0.8	-	-
Adjustments recognised in the current year that relate to the prior year ¹	20.9	-	-	-
Tax effect of operating results of Australian trusts	73.2	74.7	73.4	73.0
Income tax expense	(0.6)	(5.0)	-	-

¹ The net adjustments relate to amendments made during the income year to the tax calculations prepared when SCACH group joined the SAL tax consolidated group.

Deferred taxes

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

	Balance 1 January 2015 \$m	Temporary movements recognised \$m	Balance 31 December 2015 \$m	Temporary movements recognised \$m	Balance 31 December 2016 \$m
SAL Group					
Deferred tax assets/(liabilities):					
Property, plant and equipment	(249.9)	1.5	(248.4)	24.3	(224.1)
Intangibles	(2,013.8)	26.4	(1,987.4)	25.3	(1,962.1)
Interest bearing liabilities	(4.4)	0.6	(3.8)	0.6	(3.2)
Deferred debt establishment costs	(11.4)	3.9	(7.5)	5.0	(2.5)
Accrued revenue and prepayments	(8.7)	(3.5)	(12.2)	(5.5)	(17.7)
Defined benefits plan ¹	(1.1)	(0.8)	(1.9)	0.2	(1.7)
Deferred income	0.2	(0.1)	0.1	-	0.1
Deferred costs	1.2	(0.3)	0.9	(0.4)	0.5
Other payables	9.7	3.3	13.0	2.6	15.6
Cash flow hedges ²	57.3	3.7	61.0	(3.3)	57.7
Tax losses	467.7	(45.3)	422.4	(50.9)	371.5
Total	(1,753.2)	(10.6)	(1,763.8)	(2.1)	(1,765.9)

¹ \$0.2 million (2015: \$1.0 million) was charged to equity

² \$1.7 million (2015: \$4.6 million) was charged to equity.

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 \$1,238.5 million at 31 December 2016 (2015: \$1,408.1 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.



Sydney Airport's inaugural 2016 Tax Governance Statement is located on our website at www.sydneyairport.com.au/investors.

EMPLOYEE BENEFITS

13 Key Management Personnel

14 Long Term Incentive Plan

15 Superannuation Plan

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	
	2016 \$	2015 \$	2016 \$	2015 \$
Short term employee benefits - salary and fees ¹	4,435,862	4,393,424	91,533	91,533
Short term employee benefits - bonus	1,551,751	2,590,619	-	-
Post employment benefits - superannuation	161,710	161,870	8,696	8,696
Share based payments (LTI)	519,625	277,801	-	-
Total KMP compensation	6,668,948	7,423,714	100,229	100,229

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

14 LONG TERM INCENTIVE PLAN

Sydney Airport put in place a Long Term Incentive Plan (LTIP) 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:

- One third of the Rights granted are based on a market comparative Total Shareholder Return performance condition (TSR tranche);
- One third of the Rights granted are based on cash flow per stapled security performance conditions (CPS tranche); and
- One third of the Rights granted is at the Board's discretion including metrics and 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).

Fair value calculations

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period. If a participant resigns, or has their employment terminated with cause, all their unvested rights will immediately lapse. If a participant's employment ends by reason of an uncontrollable event (as defined in the LTI plan) they are entitled to a pro-rata number of their unvested rights or it may be cash settled at the Board's discretion.

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

Recognition and measurement

Equity-settled share-based transactions are measured at fair value at the date of grant. The cost of these transactions are recognised in the profit or loss and credited to equity over the vesting period. At each balance sheet date, the Group revises its estimates of the number of rights that are expected to vest for service and non-market performance conditions. The expense recognised each year takes into account the most recent estimate.

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; and
- The Other Tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached. The Board will determine what proportion (if any) of the rights will vest, having regard to individual and company performance.



14 LONG TERM INCENTIVE PLAN (CONT.)

The Board granted the following rights in May 2016:

LTI Series 2016 - 2018 Condition	Number of rights	Weighted average fair value	Vesting date
TSR tranche	97,236	\$3.75	31 December 2018
CPS tranche	97,236	\$6.27	31 December 2018
Other tranche	97,236	\$5.19	31 December 2018

The Board granted the following rights in April 2015:

LTI Series 2015 - 2017 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	\$5.09	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 2016 amounted to \$4.2 million (2015: \$3.7 million).

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

	2016 \$m	2015 \$m
Amounts recognised in Consolidated Statements of Comprehensive Income in respect of defined benefit plans:		
Current service costs	(1.6)	(1.8)
Interest income	0.2	0.1
Total included in employee benefit expense	(1.4)	(1.7)
Remeasurement gains/(losses) recognised in other comprehensive income	(0.5)	3.3
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	(23.3)	(21.3)
Fair value plan assets ¹	29.0	27.8
Net asset arising from defined benefit obligations	5.7	6.5

¹ Plan assets include investments in unquoted securities of \$17.4 million (2015: \$15.6 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.

15 SUPERANNUATION PLAN (CONT.)

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 2016	SAL Group 2015
Discount rate	3.9%	4.0%
Future salary increases	3.5%	3.5%
	0.5% increase	0.5% decrease
Discount rate (\$m)	(1.0)	1.1
Future salary increases (\$m)	0.8	(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

- | | |
|--------------------------------------|--|
| 16 Group Structure and Parent Entity | 19 Contingent Assets and Liabilities |
| 17 Related Party Disclosures | 20 Events Occurring after Balance Sheet Date |
| 18 Remuneration of Auditors | |

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 ASX 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 2016. 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 2016 (2015: 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	
	2016 \$m	2015 \$m	2016 \$m	2015 \$m
Result of the parent entity				
Profit after income tax expense	1,010.5	2,179.5	244.8	243.2
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	1,010.5	2,179.5	244.8	243.2
Financial position of parent entity				
Current assets	202.5	166.5	36.7	16.0
Total assets	13,037.2	12,284.0	1,927.1	1,906.4
Current liabilities	237.5	166.6	127.3	128.4
Total liabilities	2,124.0	2,053.0	127.3	128.4
Total equity of the parent entity comprising of:				
Contributed equity	5,790.7	5,669.4	2,765.5	2,744.5
Retained profits	5,122.5	4,561.5	1.9	1.1
Reserves	-	-	(967.6)	(967.6)
Total equity	10,913.2	10,230.9	1,799.8	1,778.0

16 GROUP STRUCTURE AND PARENT ENTITY (CONT.)

Parent entity guarantees, commitments and contingencies

At 31 December 2016 the parent entities:

- Have no contingent assets or liabilities which are material either individually or as a class other than disclosed in Note 19 (2015: Note 19);
- Have not made any capital expenditure commitments (2015: \$nil); and
- Have not guaranteed debts of their subsidiaries (2015: \$nil).

SAL is the head company of the SAL Tax Consolidated Group (SAL TCG) (refer to note 12). At 31 December 2016 no current tax liabilities exist within the SAL TCG (2015: \$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. (2015: \$250,000 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 the year ended 31 December 2016:

- \$97,910 fees were charged by SACL to TTCSAL (2015: \$82,447) with \$20,005 remaining unpaid at 31 December 2016 (2015: \$15,443); and

- \$255,450 was charged by TTCSAL to SAT1 as a RE fees (2015: \$246,236) and \$64,784 remains unpaid at 31 December 2016 (2015: \$62,500).

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%, per annum 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:

	2016 \$	2015 \$
Loan principal		
Opening balance	1,886,467,057	1,887,317,057
Paid during the year	-	(850,000)
Closing balance	1,886,467,057	1,886,467,057
Interest		
Opening balance	-	(2,361,850)
Interest accrued	245,912,610	245,253,735
Paid during the year	(245,912,610)	(242,891,885)
Closing balance payable/(prepaid)	-	-



17 RELATED PARTY DISCLOSURES (CONT.)

Custodian fees

TTCL was a related entity of SAT1 for years ended 31 December 2016 and 31 December 2015. During this period custodian fees of \$104,984 were charged by TTCL (2015: \$104,639) and \$26,302 remains unpaid at 31 December 2016 (2015: \$52,399).

Transactions with other related parties

SACL entered into a contract with Downer EDI Works Pty Ltd (a wholly owned subsidiary of Downer EDI Ltd) during the year for the provision of airfield resheet works. The contract was made following a competitive tender process and at arm's length.

KMP	Entity	Contract Value \$	Amounts paid during the financial year ended 31 December 2016
			\$
Grant Fenn ((NED) of Sydney Airport Limited and (CEO) of Downer Group)	Downer EDI Works Pty Ltd	5,434,638	4,233,065

18 REMUNERATION OF AUDITORS

	SAL Group		SAT1 Group	
	2016 \$	2015 \$	2016 \$	2015 \$
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements	516,200	489,500	53,100	51,300
Other services				
- Trust compliance services	9,500	9,200	9,500	9,200
- Advisory services	333,023	1,920,473	-	-
- Other assurance services	494,573	383,192	-	-
Total amount paid or payable to auditors	1,353,296	2,802,365	62,600	60,500

Advisory services relate mainly to advice provided in relation to WSA during the Notice to Consult phase.

Other assurance services in 2016 and 2015 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	2016 \$m	2015 \$m
Receivable within one year	353.9	331.8
Receivable later than one year but no later than five years	1,219.3	1,032.2
Receivable after five years	279.3	356.9
	1,852.5	1,720.9

19 CONTINGENT ASSETS AND LIABILITIES (CONT.)

Contingent liabilities

Map Airports International Pty Limited (MAIL), a subsidiary within the SAT1 Group provided a comprehensive set of representations and warranties in respect of its 2011 sale of both Copenhagen Airports and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In 2013, SAT1 replaced MAIL as the party liable for any breaches of representations and warranties.

The Danish tax authority (SKAT) has issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of certain withholding tax amounts. The matter is currently being contested in the Danish High Court with resolution unlikely to be before 2021. OTPP is indemnified by SAT1 for its share of any liabilities of CADH.

At the date of signing, SAT1 is aware that SKAT could reverse its administrative policy position which currently allows the postponement of payment for disputed tax liabilities until resolution before the Danish High Court. SAT1 has been advised that:

- any change in administrative policy, and payment of the disputed liability while litigation continues, will not have an impact on the likelihood of success in the litigation; and
- any amount paid will be refunded upon a successful outcome to the litigation.

As at 31 December 2016, SAT1's estimate of its current exposure is approximately DKK 518 million (A\$101.8 million) reflecting both the primary interest withholding tax pertaining to the years 2006-10 and the associated interest. Sufficient funds are available to finance this potential indemnity payment through cash and undrawn bank debt facilities.

There is inherent uncertainty as to the final outcome of matters before the Danish High Court which has the potential to materially change management's current estimate of the exposure. However, SAT1 remains confident of its position.

20 EVENTS OCCURRING AFTER BALANCE SHEET DATE

The final distribution for the period ending 31 December 2016 of \$360.0 million or 16.0 cents per stapled security (2015: \$289.8 million or 13.0 cents) was paid on 14 February 2017 by:

- SAL \$237.4 million or 10.55 cents (2015: \$166.1 million or 7.45 cents); and
- SAT1 \$122.6 million or 5.45 cents (2015: \$123.7 million or 5.55 cents).

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 the year ended 31 December 2016.



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 96 to 128 and the Remuneration Report in the Directors' Report (set out on pages 69 to 79), 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 2016 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 2016.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 102.

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

A handwritten signature in black ink, appearing to read 'T. Gerber'.

Trevor Gerber

Sydney

15 February 2017

A handwritten signature in black ink, appearing to read 'J. Roberts'.

John Roberts

Sydney

15 February 2017



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 96 to 128, 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 2016 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 2016.

The Directors draw attention to the statement of compliance with International Financial Reporting Standards set out on page 102.

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

Handwritten signature of Patrick Gourley in black ink.

Patrick Gourley

Sydney

15 February 2017

Handwritten signature of Gillian Larkins in black ink.

Gillian Larkins

Sydney

15 February 2017

Security holder information

AT 15 FEBRUARY 2017

Distribution of stapled securities

Range	Total holders	Number of stapled securities	% of stapled securities
1 - 1,000	42,702	18,715,690	0.8
1,001 - 5,000	40,750	105,853,287	4.7
5,001 - 10,000	13,478	98,648,772	4.4
10,001 - 100,000	10,463	229,970,381	10.2
>100,001	339	1,796,637,071	79.9
Total	107,732	2,249,825,201	100.0

Unmarketable Parcels	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$6.21 per stapled security	81	2,699	92,849

Top 20 holders of stapled securities

Rank	Investor	Number of stapled securities	% of stapled securities
1.	HSBC Custody Nominees (Australia) Limited	531,777,358	23.64
2.	BNP Paribas Nominees Pty Limited	404,511,458	17.98
3.	J P Morgan Nominees Australia Limited	396,983,577	17.65
4.	Citicorp Nominees Pty Limited	107,718,028	4.79
5.	National Nominees Limited	87,771,175	3.90
6.	Custodial Services Limited	27,732,728	1.23
7.	National Nominees Limited	25,905,462	1.15
8.	MTAA Super Fund (Air-Serv Intl Hold.) Utilities Pty Ltd	19,863,923	0.88
9.	BNP Paribas Noms Pty Limited	19,636,818	0.87
10.	Argo Investments Limited	14,458,175	0.64
11.	Citicorp Nominees Pty Limited	9,058,368	0.40
12.	Australian Foundation Investment Company Limited	8,291,673	0.37
13.	AMP Life Limited	6,160,203	0.27
14.	HSBC Custody Nominees (Australia) Limited	5,583,916	0.25
15.	Mr Nicholas Moore	5,067,766	0.23
16.	Ms Kerrie Mather	3,800,000	0.17
17.	HSBC Custody Nominees (Australia) Limited	3,627,503	0.16
18.	BKI Investment Company Limited	3,395,427	0.15
19.	UBS Nominees Pty Ltd	2,768,242	0.12
20.	UBS Nominees Pty Ltd	2,660,000	0.12

Substantial security holders

Range	Number of stapled securities ¹	% of stapled securities
Unisuper Ltd	362,515,704	16.36
Fidelity Ltd	111,094,548	5.01

¹ Figures are based on the substantial security holder notices made by Unisuper Ltd on 18 August 2015 and Fidelity Ltd on 20 November 2014

Special notice and disclaimer

Stapling

In accordance with its requirements in respect of stapled securities, ASX reserves the right to remove SAL and/or SAT1 from the official list of ASX if, while the stapling arrangements apply, the securities in one entity cease to be stapled to the securities in the other entity or an entity issues securities which are not then stapled to the securities in the other entity.

Foreign ownership restrictions

The SAL and SAT1 constitutions set out a process for disposal of securities to prevent ASX-listed Sydney Airport from becoming a Foreign Person or to cure the situation where ASX-listed Sydney Airport becomes a Foreign Person (Foreign Ownership Situation). Where a Foreign Ownership Situation occurs or is likely to occur, SAL and the RE can require a foreign security holder (on a last-in, first-out basis) to dispose of Sydney Airport securities. SAL and the RE have the power to commence procedures to divest foreign security holders once the foreign ownership of ASX-listed Sydney Airport reaches 48.5% under the Foreign Ownership Divestment Rules that apply. If the foreign security holder fails to dispose of its Sydney Airport securities, SAL and the RE may sell those securities at the best price reasonably obtainable at the time.

Privacy

We understand the importance you place on your privacy and are committed to protecting and maintaining the confidentiality of the personal information you provide to us. Sydney Airport's privacy policy is available on its website.

Voting Rights

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

Disclaimer

The information in this annual report is given in good faith and derived from sources believed to be accurate at this date but no warranty of accuracy or reliability is given and no responsibility arising in any other way, including by reason of negligence for errors or omission herein is accepted by Sydney Airport Limited, The Trust Company (Sydney Airport) Limited or their respective officers.

This annual report is general advice and does not take into account the particular investment objectives, financial situation or particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

Forecasts

Information, including forecast financial information, in this report should not be considered as a recommendation in relation to holding, purchasing or selling Sydney Airport securities. Due care and attention has been used in the preparation of forecast information. However, actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts, by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Sydney Airport. Past performance is not a reliable indication of future performance.

Buy-back

There is no current on-market buy-back in operation for Sydney Airport securities.

Complaints resolution

A formal complaints handling procedure is in place for ASX-listed Sydney Airport and is explained in section 6 of the continuous disclosure and communications policy, available from the Sydney Airport website (www.sydneyairport.com.au).

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

Corporate Directory

Sydney Airport Limited

ACN 165 056 360
Central Terrace Building
10 Arrivals Court
Sydney International Airport NSW 2020

Investor Relations: +61 2 9667 9871
Toll free: 1800 181 895
www.sydneyairport.com.au/investors/

Directors of Sydney Airport Limited:

- Trevor Gerber (Chairman)
- Michael Lee
- John Roberts
- Stephen Ward
- Ann Sherry
- Grant Fenn
- Kerrie Mather

Company secretary: Jamie Motum

The Trust Company (Sydney Airport) Limited

ACN 115 967 087 / AFSL 301162
Level 18
123 Pitt Street
Sydney NSW 2000

Directors of The Trust Company (Sydney Airport) Limited:

- Russell Balding
- Patrick Gourley
- Gillian Larkins
- Christopher Green (Alternate Director)

Company secretaries: Jamie Motum, Glenda Charles and Sylvie Dimarco

The Trust Company (Sydney Airport) Limited is the responsible entity of Sydney Airport Trust 1

Registry

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford Vic 3067

Telephone: 1800 102 368 or +61 3 9415 4195

You can opt to receive
your security holder
communication
electronically at
[www.investorcentre.com/
ecomms](http://www.investorcentre.com/ecomms) or by contacting
Computershare on
1800 102 368



Pacesetter Laser Recycled is 30% recycled and made up from elemental chlorine free bleached pulp which is PEFC certified sourced from sustainably managed sources. It is manufactured by an ISO 14001 certified mill.