



# SYDNEY AIRPORT

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INTERIM FINANCIAL REPORT FOR HALF YEAR ENDED  
30 JUNE 2012

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

Sydney Airport Holdings Limited (ACN 075 295 760) (AFSL 236875) (SAHL) is the responsible entity of SAT1 and SAT2. This report is not an offer or invitation for subscription or purchase of or a recommendation of securities. It does not take into account the investment objectives, financial situation and particular needs of the investor. Before making an investment in Sydney Airport, the investor or prospective investor should consider whether such an investment is appropriate to their particular investment needs, objectives and financial circumstances and consult an investment adviser if necessary.

# Interim Financial Report

for half year ended 30 June 2012

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# Directors' Report

for half year ended 30 June 2012

## Introduction to the Interim Financial Report

### Overview of ASX-Listed Sydney Airport

ASX-Listed Sydney Airport (the Group) holds an 84.8% economic interest in Sydney Airport at 30 June 2012 (31 December 2011: 84.8%). Units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one unit in Sydney Airport Trust 1 (SAT1) and one unit in Sydney Airport Trust 2 (SAT2).

### Directors' Report

For half year ended 30 June 2012, the directors of Sydney Airport Holdings Limited (SAHL or the Responsible Entity) submit the following report on the consolidated interim financial report of ASX-listed Sydney Airport. SAT1 has been identified as the parent of the consolidated group comprising SAT1 and its controlled entities and SAT2 and its controlled entities, together acting as Sydney Airport (or the Group).

For half year ended 30 June 2012, the directors of the Responsible Entity also submit the following report on the consolidated interim financial report of SAT2 being SAT2 and its controlled entities (the SAT2 Group).

### Principal Activities

The principal activity of the Group and the SAT2 Group (together the Groups) is the ownership of Sydney Airport. The Groups' investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the Groups.

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

### Directors

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

Name	Role	Period of Directorship
Max Moore-Wilton	Chairman, Non-executive director	Since April 2006
Trevor Gerber	Non-executive director	Since April 2002
Michael Lee	Non-executive director	Since June 2003
Robert Morris	Non-executive director	Since September 2002
John Roberts	Non-executive director	Since October 2009
Stephen Ward	Non-executive director	Since 21 February 2011
Kerrie Mather	Executive director	Since 1 July 2010

### Distributions

The interim distribution for the Group for half year ended 30 June 2012 was 11.0 cents per stapled security (2011: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2012.

No distribution was paid by the SAT2 Group for half year ended 30 June 2012 (2011: nil).

# Directors' Report

## for half year ended 30 June 2012

### Review and Results of Operations

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

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
Revenue	512.2	503.3	579.7	39.2
Revaluation gains / (losses) from investments	(0.1)	0.2	(0.1)	398.3
Other income	(3.5)	0.1	(3.5)	(0.1)
Revenue from continuing operations	508.6	503.6	576.1	437.4
Profit / (loss) from continuing operations after income tax (expense) / benefit	77.8	49.2	(97.9)	218.0
Loss from discontinued operations net of income tax	-	(345.2)	-	-
Profit / (loss) after income tax (expense) / benefit	77.8	(296.0)	(97.9)	218.0
Total comprehensive income	23.1	(315.3)	(152.6)	218.0
Profit / (loss) after income tax (expense) / benefit attributable to security holders	88.6	(273.5)	(83.3)	94.1
<b>Earnings per stapled security from continuing operations attributable to security holders</b>				
Basic earnings per stapled security / unit	4.18c	2.64c	(5.26c)	11.71c
Diluted earnings per stapled security / unit	4.18c	2.64c	(5.26c)	11.71c
<b>Earnings per stapled security from discontinued operations attributable to security holders</b>				
Basic earnings per stapled security / unit	-	(18.55c)	-	-
Diluted earnings per stapled security / unit	-	(18.55c)	-	-
<b>Earnings per stapled security from total comprehensive income attributable to security holders</b>				
Basic earnings per stapled security / unit	1.24c	(16.94c)	(8.20c)	11.71c
Diluted earnings per stapled security / unit	1.24c	(16.94c)	(8.20c)	11.71c

# Directors' Report

for half year ended 30 June 2012

## Financial Performance and Position

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

	SCACH <sup>1</sup> 6 months to 30 Jun 12 \$m <sup>2</sup>	SCACH <sup>1</sup> 6 months to 30 Jun 11 \$m <sup>2</sup>	ASX-Listed Sydney Airport interest (84.8%) 6 months to 30 Jun 12 \$m <sup>2</sup>	ASX-Listed Sydney Airport interest (74.0%) 6 months to 30 Jun 11 \$m <sup>2</sup>
Loss before income tax expense <sup>3</sup>	(61)	(81)	(52)	(60)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders <sup>3</sup>	141	140	120	104
Add back: depreciation and amortisation <sup>3</sup>	112	116	95	86
Profit before tax, shareholder interest, depreciation and amortisation	192	175	163	130
<b>Add back non-cash financial expenses</b>				
- Fair value adjustment to interest swaps not qualifying as hedges <sup>4</sup>	4	(1)	3	(1)
- Amortisation of debt establishment costs <sup>4</sup>	10	7	8	5
- Capital Indexed Bonds capitalised less interest expense <sup>4</sup>	13	13	11	10
- Borrowing costs capitalised <sup>4</sup>	(4)	(2)	(3)	(2)
- SKIES amortisation of establishment costs <sup>4</sup>	-	1	-	1
Total non-cash financial expenses	23	18	19	13
<b>Add / subtract other cash movements</b>				
Movement in cash reserved for specific purposes <sup>5</sup>	34	(9)	29	(6)
Other	(6)	(1)	(5)	(1)
Total other cash movements	28	(10)	24	(7)
<b>Cash flow available to SCACH shareholders</b>	<b>243</b>	<b>183</b>	<b>206</b>	<b>136</b>

	Note	Corporate 6 months to 30 Jun 12 \$m <sup>2</sup>	Corporate 6 months to 30 Jun 11 \$m <sup>2</sup>
<b>ASX-Listed Sydney Airport share of SCACH cash flow</b>		206	136
Corporate receipts <sup>6</sup>		4	43
Corporate costs <sup>6</sup>		(4)	(16)
Corporate transaction costs <sup>6</sup>		(7)	(2)
<b>Net Operating Receipts</b>		199	161
Stapled securities on issue ('m)	8	1.861	1.861
<b>Cash flow per stapled security</b>		\$0.11	\$0.09
<b>Distributions declared per stapled security</b>	3	\$0.11	\$0.11

<sup>1</sup> Southern Cross Airports Corporation Holdings Limited.

<sup>2</sup> Disclosure rounded to millions may not exactly match disclosure elsewhere in the consolidated interim financial statements which are rounded to the nearest hundred thousand.

<sup>3</sup> These numbers are taken from Note 2(a) in the SCACH Consolidated Interim Financial Statements for half year ended 30 June 2012.

<sup>4</sup> These numbers are taken from Note 10 in the SCACH Consolidated Interim Financial Statements for half year ended 30 June 2012.

<sup>5</sup> These numbers are taken from Note 9 in the SCACH Consolidated Interim Financial Statements for half year ended 30 June 2012.

<sup>6</sup> These numbers are calculated from Corporate items shown separately in the Consolidated Statements of Cash Flows for half year ended 30 June 2012.

# Directors' Report

for half year ended 30 June 2012

## Significant Changes in State of Affairs

SCACH redeemed \$650 million Sydney Kingsford Smith Interest Earning Securities (SKIES) on 3 January 2012.

## Value of Assets

	Group 30 Jun 2012 \$m	Group 30 Jun 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 30 Jun 2011 \$m
Book value of assets	10,966.4	13,813.0	13,327.8	6,710.0

The book value of SAT2 Group's assets at 30 June 2012 reflects the consolidation of the carrying values of assets and liabilities of SCACH and its controlled entities effective from 7 October 2011.

The book value of the Groups' assets is derived using the basis set out in Note 1 to the interim financial report.

## Events Occurring after Balance Sheet Date

The interim distribution for ASX-Listed Sydney Airport for half year ended 30 June 2012 was 11.0 cents per stapled security (2011: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2012.

No distribution was paid by the SAT2 Group for half year ended 30 June 2012 (2011: nil).

Since the end of the half year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to half year ended 30 June 2012.

## Directors' Holdings of Stapled Securities

The aggregate number of stapled securities in ASX Listed Sydney Airport and units in SAT2 held directly, indirectly or beneficially by the directors of the Responsible Entity or their director-related entities at the date of this interim financial report is 4,567,314 (31 December 2011: 4,567,314).

# Directors' Report

for half year ended 30 June 2012

## Lead Auditor's Independence Declaration

A copy of the lead auditors' independence declaration, as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the directors' report for half year ended 30 June 2012.

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

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

## Application of Class Order

The interim financial reports for the Group and the SAT2 Group are jointly presented in one report as permitted by ASIC Class Order 06/441.

This report is made in accordance with a resolution of the directors of Sydney Airport Holdings Limited.



**Max Moore-Wilton**

Sydney

22 August 2012



**Trevor Gerber**

Sydney

22 August 2012





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

To: the directors of Sydney Airport Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Andrew Yates  
*Partner*

Sydney

22 August 2012

# Interim Financial Report

for half year ended 30 June 2012

## Consolidated Statements of Comprehensive Income

	Note	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
<b>Continuing operations</b>					
Revenue	2	512.2	503.3	579.7	39.2
Revaluation gains / (losses) from investments	2	(0.1)	0.2	(0.1)	398.3
Other income	2	(3.5)	0.1	(3.5)	(0.1)
Revenue from continuing operations		508.6	503.6	576.1	437.4
Finance costs	2	219.2	236.4	463.7	144.3
Other expenses	2	243.6	260.8	242.3	10.9
Operating expenses from continuing operations		462.8	497.2	706.0	155.2
<b>Profit / (loss) from continuing operations before income tax (expense) / benefit</b>		45.8	6.4	(129.9)	282.2
Income tax (expense) / benefit	7	32.0	42.8	32.0	(64.2)
<b>Profit / (loss) from continuing operations after income tax (expense) / benefit</b>		77.8	49.2	(97.9)	218.0
<b>Loss from discontinued operations net of income tax</b>		-	(345.2)	-	-
<b>Profit / (loss) after income tax (expense) / benefit</b>		77.8	(296.0)	(97.9)	218.0
<b>Other comprehensive income</b>					
Exchange differences on translation of foreign operations		(0.2)	0.4	(0.2)	-
Cash flow hedges – interest rate swaps		(77.8)	(28.2)	(77.8)	-
Cash flow hedges – deferred tax arising on hedges		23.3	8.5	23.3	-
Other comprehensive income for half year, net of tax		(54.7)	(19.3)	(54.7)	-
<b>Total comprehensive income</b>		23.1	(315.3)	(152.6)	218.0
<b>Profit / (loss) from continuing operations after income tax (expense) / benefit attributable to:</b>					
Security holders		88.6	71.7	(83.3)	94.1
Non-controlling interest		(10.8)	(22.5)	(14.6)	123.9
		77.8	49.2	(97.9)	218.0
<b>Loss from discontinued operations net of income tax attributable to:</b>					
Security holders		-	(345.2)	-	-
		-	(345.2)	-	-
<b>Profit / (loss) after income tax (expense) / benefit attributable to:</b>					
Security holders		88.6	(273.5)	(83.3)	94.1
Non-controlling interest		(10.8)	(22.5)	(14.6)	123.9
		77.8	(296.0)	(97.9)	218.0
<b>Total comprehensive income attributable to:</b>					
Security holders		42.2	(287.6)	(126.1)	94.1
Non-controlling interest		(19.1)	(27.7)	(26.5)	123.9
		23.1	(315.3)	(152.6)	218.0

# Interim Financial Report

for half year ended 30 June 2012

## Consolidated Statements of Comprehensive Income (continued)

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
<b>Earnings per stapled security from continuing operations attributable to security holders</b>				
Basic earnings per stapled security / unit <sup>7</sup>	4.18c	2.64c	(5.26c)	11.71c
Diluted earnings per stapled security / unit <sup>7</sup>	4.18c	2.64c	(5.26c)	11.71c
<b>Earnings per stapled security from discontinued operations attributable to security holders</b>				
Basic earnings per stapled security / unit <sup>7</sup>	-	(18.55c)	-	-
Diluted earnings per stapled security / unit <sup>7</sup>	-	(18.55c)	-	-
<b>Earnings per stapled security from total comprehensive income attributable to security holders</b>				
Basic earnings per stapled security / unit <sup>7</sup>	1.24c	(16.94c)	(8.20c)	11.71c
Diluted earnings per stapled security / unit <sup>7</sup>	1.24c	(16.94c)	(8.20c)	11.71c

<sup>7</sup> Earnings used in the calculation of earnings per stapled security includes revaluation gains / (losses) from airport investments, as well as income and expenses from revaluation of other financial instruments. Consequently earnings per stapled security reflect the impact of unrealised revaluation increments and decrements.

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

# Interim Financial Report

as at 30 June 2012

## Consolidated Balance Sheets

	Note	Group 30 Jun 2012 \$m	Group 31 Dec 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 31 Dec 2011 \$m
<b>Current assets</b>					
Cash and cash equivalents		406.5	1,124.3	388.7	1,002.3
Receivables	4	93.9	506.6	233.6	577.6
Other assets		5.3	6.1	5.3	5.9
Total current assets		505.7	1,637.0	627.6	1,585.8
<b>Non-current assets</b>					
Receivables		40.8	41.2	2,280.3	2,280.7
Investments in financial assets		5.0	5.1	5.0	5.1
Property, plant and equipment		2,504.4	2,488.5	2,504.4	2,488.5
Intangible assets		7,902.1	7,953.8	7,902.1	7,953.8
Other assets		8.4	8.9	8.4	8.9
Total non-current assets		10,460.7	10,497.5	12,700.2	12,737.0
<b>Total assets</b>		10,966.4	12,134.5	13,327.8	14,322.8
<b>Current liabilities</b>					
Distribution payable		204.8	186.1	-	-
Payables	5	146.2	577.5	472.0	842.8
Interest bearing liabilities	6	278.0	947.1	278.0	947.1
Deferred income		23.7	24.4	23.7	24.4
Derivative financial instruments		105.9	91.9	105.9	91.9
Provisions		8.0	7.7	8.0	7.7
Current tax liabilities		0.1	0.1	-	-
Total current liabilities		766.7	1,834.8	887.6	1,913.9
<b>Non-current liabilities</b>					
Payables		1.5	2.6	1.5	2.6
Interest bearing liabilities	6	6,066.4	5,963.9	9,729.8	9,519.5
Derivative financial instruments		211.2	158.7	211.2	158.7
Provisions		1.2	1.3	1.2	1.3
Deferred tax liabilities		1,685.0	1,740.4	1,685.0	1,740.4
Total non-current liabilities		7,965.3	7,866.9	11,628.7	11,422.5
<b>Total liabilities</b>		8,732.0	9,701.7	12,516.3	13,336.4
<b>Net assets</b>		2,234.4	2,432.8	811.5	986.4
<b>Equity</b>					
<b>Security holders' interests</b>					
Contributed equity	8	3,948.5	3,948.5	1,949.2	1,949.2
Retained earnings	9	594.7	710.8	3,200.4	3,283.7
Reserves	10	(2,411.6)	(2,365.3)	(4,456.8)	(4,414.2)
<b>Total security holders' interests</b>		2,131.6	2,294.0	692.8	818.7
Non-controlling interest in controlled entities		102.8	138.8	118.7	167.7
<b>Total equity</b>		2,234.4	2,432.8	811.5	986.4

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

# Interim Financial Report

for half year ended 30 June 2012

## Consolidated Statements of Changes in Equity

Group	Note	Attributable to Group's Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
<b>Total equity at 1 January 2012</b>		3,948.5	(2,365.3)	710.8	2,294.0	138.8	2,432.8
Profit / (loss) attributable to security holders		-	-	88.6	88.6	(10.8)	77.8
Cash flow hedges, net of tax		-	(46.2)	-	(46.2)	(8.3)	(54.5)
Exchange differences arising on translation of foreign entities		-	(0.2)	-	(0.2)	-	(0.2)
Movement in other reserves		-	0.1	-	0.1	-	0.1
Distributions provided for or paid	3	-	-	(204.7)	(204.7)	(16.9)	(221.6)
<b>Total equity at 30 June 2012</b>		3,948.5	(2,411.6)	594.7	2,131.6	102.8	2,234.4
<b>Total equity at 1 January 2011</b>		3,948.5	(355.6)	1,341.5	4,934.4	459.2	5,393.6
Loss attributable to security holders		-	-	(273.5)	(273.5)	(22.5)	(296.0)
Cash flow hedges, net of tax		-	(14.6)	-	(14.6)	(5.1)	(19.7)
Exchange differences on translation of foreign operations		-	0.4	-	0.4	-	0.4
Distributions provided for or paid	3	-	-	(204.7)	(204.7)	(30.0)	(234.7)
<b>Total equity at 30 June 2011</b>		3,948.5	(369.8)	863.3	4,442.0	401.6	4,843.6

SAT2 Group	Note	Attributable to SAT2 Group's Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
<b>Total equity at 1 January 2012</b>		1,949.2	(4,414.2)	3,283.7	818.7	167.7	986.4
Loss attributable to security holders		-	-	(83.3)	(83.3)	(14.6)	(97.9)
Cash flow hedges, net of tax		-	(42.6)	-	(42.6)	(11.9)	(54.5)
Exchange differences arising on translation of foreign entities		-	(0.2)	-	(0.2)	-	(0.2)
Movement in other reserves		-	0.2	-	0.2	-	0.2
Distributions provided for or paid	3	-	-	-	-	(22.5)	(22.5)
<b>Total equity at 30 June 2012</b>		1,949.2	(4,456.8)	3,200.4	692.8	118.7	811.5
<b>Total equity at 1 January 2011</b>		291.4	(99.8)	1,847.5	2,039.1	1,785.0	3,824.1
Profit attributable to security holders		-	-	94.1	94.1	123.9	218.0
Distributions provided for or paid	3	-	-	-	-	(59.6)	(59.6)
<b>Total equity at 30 June 2011</b>		291.4	(99.8)	1,941.6	2,133.2	1,849.3	3,982.5

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

# Interim Financial Report

for half year ended 30 June 2012

## Consolidated Statements of Cash Flows

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
<b>Cash flows from operating activities</b>				
Dividend received on SCACH <sup>8</sup> ordinary shares	-	-	-	50.9
Dividend received on SCACH <sup>8</sup> redeemable preference shares	-	-	-	105.0
Investment income received on convertible loans – Brussels Airport	-	10.0	-	-
Distribution and dividend income received – Copenhagen Airports	-	6.6	-	-
Airport interest received	6.6	6.3	6.6	-
Corporate interest received	3.4	24.6	1.2	2.7
Interest paid on intercompany loans	-	-	(10.6)	-
Airport revenue received (inclusive of goods and services tax)	568.4	528.4	568.4	-
Airport operating expenses paid (inclusive of goods and services tax)	(156.6)	(152.8)	(156.6)	(7.2)
Corporate operating expenses paid (inclusive of goods and services tax)	(5.7)	(10.8)	(5.3)	-
Resource fees paid to MAp Airports (UK) Limited	-	-	-	(1.1)
Corporate indirect taxes received / (paid)	1.9	(4.7)	1.5	(0.3)
Corporate other income received	0.2	1.9	1.4	7.5
<b>Net cash flows from operating activities</b>	<b>418.2</b>	<b>409.5</b>	<b>406.6</b>	<b>157.5</b>
<b>Cash flows from investing activities</b>				
Corporate transaction costs paid	(7.4)	(1.7)	(6.7)	(0.7)
Payments for purchase of investments	-	(0.4)	-	-
Purchase of short term financial assets	-	(219.3)	-	(7.5)
Payments for purchase of fixed assets	(111.6)	(82.7)	(111.6)	-
<b>Net cash flows from investing activities</b>	<b>(119.0)</b>	<b>(304.1)</b>	<b>(118.3)</b>	<b>(8.2)</b>
<b>Cash flows from financing activities</b>				
Net payments for settlement of derivatives	(48.6)	(34.9)	(48.6)	-
Proceeds received from borrowings	77.0	351.4	77.0	-
Repayment of borrowings	(650.0)	(298.0)	(706.4)	-
Airport borrowing costs paid	(175.2)	(168.1)	(175.2)	-
Corporate borrowing costs paid	(0.3)	-	-	(99.6)
Distributions paid to the Group's security holders	(186.1)	(186.1)	-	-
Distributions and dividends paid to non-controlling interest	(33.8)	(53.4)	(48.7)	(59.7)
<b>Net cash flows from financing activities</b>	<b>(1,017.0)</b>	<b>(389.1)</b>	<b>(901.9)</b>	<b>(159.3)</b>
Net decrease in cash and cash equivalents held	(717.8)	(283.7)	(613.6)	(10.0)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,124.3</b>	<b>1,248.4</b>	<b>1,002.3</b>	<b>32.2</b>
Exchange rate movements on cash denominated in foreign currency	-	0.4	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>406.5</b>	<b>965.1</b>	<b>388.7</b>	<b>22.2</b>

8 Southern Cross Airports Corporation Holdings Limited.

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

# Interim Financial Report

for half year ended 30 June 2012

## Notes to the Consolidated Interim Financial Statements

### 1. Summary of Significant Accounting Policies

These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual reports of ASX-Listed Sydney Airport and SAT2 for the year ended 31 December 2011 and any public announcements made by ASX-Listed Sydney Airport during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

#### 1.1. Basis of preparation

This general purpose financial report for interim reporting period ended 30 June 2012, has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*.

As permitted by ASIC Class order 06/441, this interim financial report consists of the consolidated interim financial statements of Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the Group), and the consolidated financial statements of Sydney Airport Trust 2 (SAT2) and its controlled entities (collectively referred to as the SAT2 Group).

The interim financial report was authorised for issue by the directors of Sydney Airport Holdings Limited (the Responsible Entity) on 22 August 2012. The Responsible Entity has the power to amend and reissue the interim financial report.

##### 1.1.1. Compliance with IFRS

Compliance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* ensures that the consolidated interim financial statements comply with International Accounting Standard IAS 34: *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Consequently, this interim financial report has also been prepared in accordance with and complies with IAS 34: *Interim Financial Reporting* as issued by the IASB.

#### 1.1.2. Functional and presentation currency

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

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

#### 1.1.3. Historical cost convention

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

#### 1.1.4. Stapled security

The units of SAT1 and SAT2 are combined, issued and traded as stapled securities in ASX-listed Sydney Airport. The units of SAT1 and SAT2 cannot be traded separately.

This interim financial report consists of the consolidated interim financial statements of SAT1, which comprises SAT1 and its controlled entities, SAT2 and its controlled entities and the consolidated interim financial statements of SAT2 which comprises SAT2 and its controlled entities.

#### 1.1.5. Group net current liabilities position

The Group is in a net current liabilities position of \$261.0 million at 30 June 2012. This is due to \$278.0 million Medium Term Notes (MTN) held by SCACH being classified as a current interest bearing liability, which is fully covered by undrawn committed bank debt facilities. The directors believe the independent valuation at 31 December 2011 demonstrates the going concern of SCACH.

# Interim Financial Report

for half year ended 30 June 2012

## 1.1.6. SAT2 net current liabilities position

SAT2 is in a net current liabilities position of \$260.0 million at 30 June 2012. This is due to the recognition of interest payable on RPS issued to SAT1, the deemed parent entity for accounting purposes. Under the terms of the RPS, SAT1 may defer payment of interest on the RPS at no cost to it other than that interest will accrue at a contractual rate of 15.0% or 11.0% per annum on the unpaid amount.

## 1.2. Consolidated financial statements

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

The consolidated interim financial statements of the Group should be read in conjunction with the separate consolidated financial statements of the SAT2 Group, presented in this report, for the year ended 31 December 2011.

## 1.3. Principles of consolidation

The consolidated interim financial statements of the Group incorporate the assets and liabilities of the entities controlled by SAT1 at 30 June 2012 and during the period, including those deemed to be controlled by SAT1 by identifying it as the parent of the Group, and the results of those controlled entities for the half year then ended.

The consolidated interim financial statements of the SAT2 Group incorporate the assets and liabilities of the entities controlled by SAT2 at 30 June 2012 and during the half year then ended.

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

Profit or loss and other comprehensive income components are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Non-controlling are those interests in partly owned subsidiaries which are not held directly or indirectly by SAT1 or SAT2.

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

## 1.4. Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAT1 (representing the Group) and SAT2 for accounting purposes has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

For half year ended 30 June 2012 the CEO has determined operating segments based on a product revenue basis and has identified five reportable sources of revenue as per AASB 3: *Operating Segments*. Comparatives for half year ended 30 June 2012 have been restated to reflect the new operating segments.

All operating segments operate in Sydney, NSW, Australia, therefore operating segments are not split on a geographical basis.

For the year ended 31 December 2011, the CEO determined operating segments based on the Group's investments in Sydney Airport, Brussels Airport and Copenhagen Airports.

As Brussels Airport and Copenhagen Airports were disposed of as part of the Asset Swap Proposal with Ontario Teacher's Pension Plan that became binding on 19 July 2011, Brussels Airport and Copenhagen Airports ceased to be operating segments from that date.

## 1.5. Early adoption of accounting standards

The Groups have chosen to early adopt AASB 119: *Employee Benefits*. The Groups now disclose annual actuarial gains or losses on defined benefit superannuation plans in other comprehensive income in the Consolidated Statements of Comprehensive Income in the period in which they arise.

The impact of the early adoption is a \$2.7 million loss to retained earnings for the comparative period, however disclosure has not been restated on the basis of materiality.

## 1.6. Comparative figures

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

## 1.7. Group formation

SAT1 and SAT2 were established in Australia on 13 July 2001 and 13 February 2002 respectively. The Responsible Entity of each of the Trusts entered into the Stapling Deed on 27 February 2002.



# Interim Financial Report

for half year ended 30 June 2012

## 2. Profit / (Loss) for Half Year

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

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
<b>Revenue from continuing operations</b>				
<b>Revenue</b>				
Aeronautical revenue	247.4	234.2	247.4	-
Retail revenue	115.3	108.4	115.3	-
Property revenue	81.7	75.0	81.7	-
Revenue from rendering of services	56.4	52.2	56.4	-
Interest income from other persons and corporations	9.6	30.1	8.4	2.7
Interest income from related parties	-	-	67.3	26.4
Fee income	0.1	0.8	0.1	10.1
Other	1.7	2.6	3.1	-
Total revenue	512.2	503.3	579.7	39.2
<b>Revaluation gains / (losses) from investments</b>				
Revaluation of Sydney Airport	-	-	-	398.3
Revaluation of other investments	(0.1)	0.2	(0.1)	-
Total revaluation gains / (losses) from investments	(0.1)	0.2	(0.1)	398.3
<b>Other income</b>				
Foreign exchange losses	(0.5)	(5.9)	(0.5)	(0.1)
Foreign exchange gains on recycling of foreign currency translation reserve	-	6.6	-	-
Fair value gains on derivative contracts	(3.0)	(0.6)	(3.0)	-
Total other income	(3.5)	0.1	(3.5)	(0.1)
<b>Total revenue from continuing operations</b>	<b>508.6</b>	<b>503.6</b>	<b>576.1</b>	<b>437.4</b>

# Interim Financial Report

for half year ended 30 June 2012

## 2. Profit / (Loss) for HalfYear (continued)

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
<b>Operating expenses from continuing operations</b>				
<b>Finance costs</b>				
Interest expense - Sydney Airport	219.2	236.4	228.6	-
Interest expense – related parties – RPS	-	-	226.4	141.8
Interest expense – related parties – other	-	-	8.7	2.5
Total finance costs	219.2	236.4	463.7	144.3
<b>Other expenses</b>				
Amortisation and depreciation	148.3	152.5	148.3	0.1
Operating and maintenance	54.5	52.9	54.5	-
Staff costs	22.5	28.5	22.5	4.7
Investment transaction expenses	1.2	5.3	0.9	1.6
Energy and utilities	4.5	4.7	4.5	-
Premises costs	2.7	3.0	2.7	0.1
Technology	2.0	2.0	2.0	0.1
Directors' fees	0.6	0.7	0.6	0.6
Legal fees	0.3	0.3	0.3	0.1
Auditors' remuneration	0.3	0.3	0.3	0.1
Registry fees	0.3	0.3	0.2	0.1
Custodians' fees	0.2	0.2	0.1	0.1
Investor communication expenses	0.1	0.1	0.1	-
Responsible Entity and Adviser fees – Group entities	0.1	-	0.1	2.7
Other expenses	6.0	10.0	5.2	0.6
Total other expenses	243.6	260.8	242.3	10.9
<b>Total operating expenses from continuing operations</b>	<b>462.8</b>	<b>497.2</b>	<b>706.0</b>	<b>155.2</b>

# Interim Financial Report

for half year ended 30 June 2012

## 3. Distributions Paid and Proposed

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
The distributions were paid / payable as follows:				
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	186.1	186.1	-	-
— Interim distribution proposed for half year ended 30 June (100% unfranked)	204.7	204.7	-	-
	390.8	390.8	-	-

	Cents per stapled security	Cents per stapled security	Cents per unit	Cents per unit
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	10.0	10.0	-	-
— Interim distribution proposed for half year ended 30 June (100% unfranked)	11.0	11.0	-	-
	21.0	21.0	-	-

This note only discloses distributions paid to ASX-Listed Sydney Airport security holders.

## 4. Receivables

	Group 30 Jun 2012 \$m	Group 31 Dec 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 31 Dec 2011 \$m
<b>Current</b>				
Interest receivable	1.4	1.4	1.2	0.2
GST receivable	0.3	1.5	0.3	1.2
Withholding tax receivable	2.7	2.8	2.7	2.8
Receivables from related parties	-	-	139.9	72.5
Accrued revenue	34.5	41.4	34.5	41.4
Land rich stamp duty receivable <sup>9</sup>	-	401.5	-	401.5
Other receivables	3.4	2.8	3.4	2.8
	42.3	451.4	182.0	522.4
Trade receivables	51.7	55.4	51.7	55.4
Provision for doubtful receivables	(0.1)	(0.2)	(0.1)	(0.2)
<b>Total current receivables</b>	93.9	506.6	233.6	577.6

<sup>9</sup> At 31 December 2011, the receivable from the Federal Government and corresponding payable to the NSW Office of State Revenue (OSR) related to an indemnity on stamp duty in relation to the privatisation of Sydney Airport assessed against Southern Cross Airports Corporation Pty Limited (SCAC). The Federal Government brought proceedings in the NSW Supreme Court in SCAC's name challenging the validity of the assessment. The Group has been advised that the proceedings were settled between the Federal Government and the OSR in June 2012. Neither SCAC nor any of its related bodies corporate contributed to the settlement payment.

# Interim Financial Report

for half year ended 30 June 2012

## 5. Payables

	Group 30 Jun 2012 \$m	Group 31 Dec 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 31 Dec 2011 \$m
<b>Current</b>				
Interest payable on external debt	64.4	76.5	67.7	79.8
Interest payable on MASH redeemable preference shares (RPS)	-	-	42.7	48.1
Interest payable on MASKS1 RPS	-	-	32.9	28.3
Interest payable on MASKS2 RPS	-	-	152.0	101.0
Interest payable on MASKS3 RPS	-	-	17.0	13.6
Interest payable on MASKS4 RPS	-	-	46.3	38.5
Interest payable on MASHT RPS	-	-	22.9	21.9
Interest payable to related parties	-	-	9.0	10.2
Interest payable on SAT1 Loans	-	-	-	0.7
Trade payables	3.1	9.1	3.1	8.8
Expense accruals	52.5	58.5	52.0	58.6
Employee entitlements	9.3	11.6	9.3	11.6
Land rich stamp duty liability <sup>9</sup>	-	401.5	-	401.5
Amounts payable under finance lease agreement	2.1	2.0	2.1	2.0
GST payable	5.0	6.8	5.0	6.8
Sundry creditors	9.8	11.5	10.0	11.4
<b>Total current payables</b>	<b>146.2</b>	<b>577.5</b>	<b>472.0</b>	<b>842.8</b>

## 6. Interest Bearing Liabilities

	Group 30 Jun 2012 \$m	Group 31 Dec 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 31 Dec 2011 \$m
<b>Current</b>				
— Medium Term Notes	278.0	276.4	278.0	276.4
— SKIES <sup>10</sup>	-	670.7	-	670.7
<b>Total current interest bearing liabilities</b>	<b>278.0</b>	<b>947.1</b>	<b>278.0</b>	<b>947.1</b>
<b>Non-current</b>				
SCACH				
— Bank facilities	1,106.3	1,026.2	1,106.3	1,026.2
— Medium Term Notes	3,763.5	3,756.0	3,763.5	3,756.0
— Capital Index Bonds	952.7	938.2	952.7	938.2
— Redeemable Preference Shares	243.9	243.5	378.8	378.2
MASH Redeemable Preference Shares (RPS)	-	-	871.9	871.9
MASKS1 RPS	-	-	249.2	249.2
MASKS2 RPS	-	-	1,165.8	1,165.8
MASKS3 RPS	-	-	88.4	88.4
MASKS4 RPS	-	-	496.2	496.2
MASHT RPS	-	-	241.5	241.5
Loans from SAT1	-	-	459.2	328.5
	6,066.4	5,963.9	9,773.5	9,540.1
Reclassification to interest payable	-	-	(43.7)	(20.6)
<b>Total non-current interest bearing liabilities</b>	<b>6,066.4</b>	<b>5,963.9</b>	<b>9,729.8</b>	<b>9,519.5</b>
<b>Total interest bearing liabilities</b>	<b>6,344.4</b>	<b>6,911.0</b>	<b>10,007.8</b>	<b>10,466.6</b>

10 ASX-listed Sydney Airport redeemed \$650 million Sydney Kingsford Smith Interest Earning Securities (SKIES) on 3 January 2012.

# Interim Financial Report

for half year ended 30 June 2012

## 7. Income Tax (Expense) / Benefit

The Group's consolidated effective tax benefit for half year ended 30 June 2012 was 69.9% (half year ended 30 June 2011 benefit: 12.6%) including discontinued operations. The Group's consolidated effective tax benefit is driven by numerous factors including the tax profile of entities within the Group and differences in tax and accounting treatment of income and expenses.

The SAT2 Group and SCACH, consolidated into the Group for accounting purposes are subject to Australian tax. SAT1 is recognised as a "flow through" trust for Australian tax purposes, and accordingly income derived in SAT1 does not result in the recognition of current or deferred tax liabilities for Australian tax.

The SAT2 Group's consolidated effective tax benefit on continuing operations for half year ended 30 June 2012 was 24.6% (half year ended 30 June 2011 expense: 22.7%).

## 8. Contributed Equity

	Group as at 2012 \$m	Group as at 2011 \$m	SAT2 as at 2012 \$m	SAT2 as at 2011 \$m
Opening balance at 1 January	3,948.5	3,948.5	1,949.2	291.4
Closing balance at 30 June	3,948.5	3,948.5	1,949.2	291.4

	Group stapled securities 'm	Group stapled securities 'm	SAT2 number of units 'm	SAT2 number of units 'm
On issue at beginning of period	1,861.2	1,861.2	1,861.2	1,861.2
On issue at end of period	1,861.2	1,861.2	1,861.2	1,861.2

## 9. Retained Earnings

	Group 6 months to 30 Jun 2012 \$m	Group 6 months to 30 Jun 2011 \$m	SAT2 6 months to 30 Jun 2012 \$m	SAT2 6 months to 30 Jun 2011 \$m
Opening balance at 1 January	710.8	1,341.5	3,283.7	1,847.5
Profit / (loss) attributable to security / unit holders	88.6	(273.5)	(83.3)	94.1
Distributions provided for or paid	(204.7)	(204.7)	-	-
Closing balance at 30 June	594.7	863.3	3,200.4	1,941.6

## 10. Reserves

	Group 30 Jun 2012 \$m	Group 31 Dec 2011 \$m	SAT2 30 Jun 2012 \$m	SAT2 31 Dec 2011 \$m
Capital reserve	(713.2)	(713.2)	-	-
Hedging reserve – cash flow hedges	(180.1)	(133.9)	(165.9)	(123.4)
Foreign currency reserve	(2.7)	(2.5)	(2.7)	(2.5)
Common control reserve	-	-	(4,188.5)	(4,188.5)
Other reserve	(1,515.6)	(1,515.7)	(99.7)	(99.8)
Total reserves	(2,411.6)	(2,365.3)	(4,456.8)	(4,414.2)

# Interim Financial Report

for half year ended 30 June 2012

## 11. Segment Reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAT1 (representing the Group) and SAT2 has been identified as the Chief Executive Officer (CEO) of Sydney Airport Holdings Limited.

For half year ended 30 June 2012 the CEO has determined operating segments based on a product revenue basis and has identified five reportable sources of revenue. Costs including operating expenses, amortisation, depreciation, finance costs and income tax support the whole of the business and cannot be directly attributed to the operating segments.

All operating segments operate in Sydney, NSW, Australia, therefore operating segments are not split on a geographical basis.

For year ended 31 December 2011, the CEO determined operating segments based on the Groups investments in Sydney Airport, Brussels Airport and Copenhagen Airports. As Brussels Airport and Copenhagen Airports were disposed of as part of the Asset Swap Proposal with Ontario Teacher's Pension Plan that became binding on 19 July 2011, Brussels Airport and Copenhagen Airports ceased to be operating segments from that date.

	Aero- nautical \$m	Aero- nautical security \$m	Retail \$m	Property & car rental \$m	Car parking & ground transport \$m	Total \$m
<b>6 months to 30 June 2012</b>						
Total segment revenue	209.2	38.2	115.3	81.7	56.4	500.8
<b>Revenue from external customers</b>	209.2	38.2	115.3	81.7	56.4	500.8
Other revenue						7.8
Expenses						(95.3)
<b>EBITDA<sup>11</sup></b>						413.3
Amortisation and depreciation						(148.3)
Finance costs						(219.2)
<b>Profit from continuing operations before income tax</b>						45.8
Income tax benefit						32.0
<b>Profit from continuing operations after income tax</b>						77.8
<b>6 months to 30 June 2011</b>						
Total segment revenue	196.2	38.0	108.4	65.2	57.3	465.1
<b>Revenue from external customers</b>	196.2	38.0	108.4	65.2	57.3	465.1
Other revenue						38.5
Expenses						(108.3)
<b>EBITDA<sup>11</sup></b>						395.3
Amortisation and depreciation						(152.5)
Finance costs						(236.4)
<b>Profit from continuing operations before income tax</b>						6.4
Income tax benefit						42.8
<b>Profit after continuing operations after income tax</b>						49.2

<sup>11</sup> Earnings before depreciation and amortisation, finance costs and income tax

# Interim Financial Report

for half year ended 30 June 2012

## 12. Discontinued Operations

On 7 October 2011, the Group disposed of its entire interests in Brussels Airport and Copenhagen Airports.

As a result of these disposals, the Group's investments in Brussels Airport and Copenhagen Airports are classified as discontinued operations for half year ended 30 June 2011.

Both investments were recorded at fair value and recognised as operating segments under AASB 8: *Operating Segments*. Neither investment was classified as held for sale at 30 June 2011.

Financial results, cash inflows, net cash inflows and effect of disposal on the financial position of the Group of the discontinued operations are disclosed in Note 26 in the Groups Financial Report for year ended 31 December 2011.

## 13. Contingent Assets and Liabilities

At 30 June 2012 there has been no change to the status of the Groups' contingent assets or liabilities which are material either individually or as a class as disclosed in the Groups' Financial Report for year ended 31 December 2011.

## 14. Events Occurring after Balance Sheet Date

The interim distribution for ASX-Listed Sydney Airport for half year ended 30 June 2012 was 11.0 cents per stapled security (2011: 11.0 cents per stapled security). This distribution was paid by SAT1 on 16 August 2012.

No distribution was paid by the SAT2 Group for half year ended 30 June 2012 (2011: nil).

Since the end of the half year, the directors of the Responsible Entity are not aware of any other matter or circumstance not otherwise dealt with in the interim financial report that has significantly affected or may significantly affect the operations of the Groups, the results of those operations or the state of affairs of the Groups in periods subsequent to half year ended 30 June 2012.

# Interim Financial Report

for half year ended 30 June 2012

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

In the opinion of the directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT1:

- a. the consolidated interim financial statements and notes for SAT1 set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - ii. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the half year ended on that date; and
- b. there are reasonable grounds to believe that the 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 chief financial officer for half year ended 30 June 2012.

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

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



**Max Moore-Wilton**

Sydney

22 August 2012



**Trevor Gerber**

Sydney

22 August 2012



# Interim Financial Report

for half year ended 30 June 2012

## Statement by the Directors of the Responsible Entity of Sydney Airport Trust 2

In the opinion of the directors of Sydney Airport Holdings Limited, the Responsible Entity of SAT2:

- a. the consolidated interim financial statements and notes for SAT2 set out on pages 8 to 21 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
  - ii. giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the half year ended on that date; and
- b. there are reasonable grounds to believe that the 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 chief financial officer for half year ended 30 June 2012.

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

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



**Max Moore-Wilton**

Sydney

22 August 2012



**Trevor Gerber**

Sydney

22 August 2012



## **Independent auditor's review report to the unitholders of Sydney Airports Trust 1 and Sydney Airports Trust 2**

### **Report on the financial report**

We have reviewed the accompanying half-year financial report of Sydney Airport and Sydney Airports Trust 2, which comprise the consolidated statements of financial position as at 30 June 2012, consolidated income statements and consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration for Sydney Airport and Sydney Airports Trust 2 (the 'Groups'). Sydney Airport comprises Sydney Airports Trust 1 and the entities it controlled at the half-year end or from time to time during the half-year which are deemed to include Sydney Airports Trust 2 and the entities it controlled at the half-year end or from time to time during the half-year. Sydney Airports Trust 2 comprises Sydney Airports Trust 2 and the entities it controlled at the half-year end or from time to time during the half year.

#### *Directors' responsibility for the half-year financial report*

The directors of Sydney Airport Holdings Limited (the Responsible Entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Sydney Airport's and Sydney Airports Trust 2's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditors of Sydney Airport and Sydney Airports Trust 2, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Sydney Airport and Sydney Airports Trust 2 is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Sydney Airport and Sydney Airports Trust 2 financial position as at 30 June 2012 and of their performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Andrew Yates  
*Partner*

Sydney

22 August 2012