

SYDNEY AIRPORT



INTERIM FINANCIAL REPORT FOR HALF YEAR ENDED
30 JUNE 2014

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

Interim Financial Report

for half year ended 30 June 2014

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Directors' Report

for half year ended 30 June 2014

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100.0% interest in Sydney Airport at 30 June 2014 (31 December 2013: 100.0%).

Directors' Report

For half year ended 30 June 2014, the directors of SAL submit the following report on the consolidated interim financial report of ASX-listed Sydney Airport. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together acting as ASX-listed Sydney Airport (or the Group).

For half year ended 30 June 2014, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit the following report on the consolidated interim financial report of SAT1 comprising SAT1 and its controlled entities (or the SAT1 Group).

Principal Activities

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

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

Directors

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

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

¹ Several of the directors in the table above were directors of Sydney Airport Holdings Limited, which was the Responsible Entity of SAT1 and SAT2 when they were the stapled entities comprising ASX-listed Sydney Airport (prior to 3 December 2013).

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

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

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

Distributions

The total interim distribution by ASX-listed Sydney Airport for half year ended 30 June 2014 was \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents). \$133.0 million or 6.0 cents and \$121.9 million or 5.5 cents was paid by SAL and SAT1 respectively on 15 August 2014 (2013: SAT1 \$204.7 million or 11.0 cents).

Directors' Report

for half year ended 30 June 2014

Review and Results of Operations

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

	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Revenue	568.4	-	537.9
Other income	-	-	9.8
Expenses before depreciation, amortisation and finance costs	(109.4)	(1.3)	(109.1)
Profit / (loss) before depreciation, amortisation, finance costs and income tax (EBITDA)	459.0	(1.3)	438.6
Depreciation and amortisation	(151.9)	-	(150.0)
Profit / (loss) before finance costs and income tax (EBIT)	307.1	(1.3)	288.6
Finance (costs) / income	(286.2)	124.7	(235.6)
Profit before income tax benefit / (expense)	20.9	123.4	53.0
Income tax benefit / (expense)	31.8	-	(39.7)
Profit after income tax benefit / (expense)	52.7	123.4	13.3
Other comprehensive income, net of tax	37.2	-	6.1
Total comprehensive income	89.9	123.4	19.4
Earnings per share / unit from profit after income tax	2.44c	5.58c	1.29c

Directors' Report

for half year ended 30 June 2014

Financial Performance and Position

Net operating receipts provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. The table reconciles the statutory result of ASX-listed Sydney Airport for the period ended 30 June 2014 to its distributions declared.

Non-IFRS financial information below has not been audited by the external auditor, but has been sourced from the financial reports. No comparative data is presented for the previous corresponding period due to the material change in the ownership of Sydney Airport and corporate structure in the second half of 2013. It is expected that comparative data will be presented in the Interim Financial Report for half year ending 30 June 2015 onwards.

	Note	Sydney Airport 6 months to 30 Jun 2014 \$m
Profit before income tax benefit / (expense) ¹		20.9
Add back: depreciation and amortisation ¹		151.9
Profit before tax, depreciation and amortisation		172.8
Add / (subtract) non-cash financial expenses		
- Fair value adjustment to swaps	2	51.4
- Amortisation of debt establishment costs	2	15.4
- Capital Indexed Bonds capitalised	2	17.9
- Borrowing costs capitalised	2	(3.2)
Total non-cash financial expenses		81.5
Add / (subtract) other cash movements		
Movement in cash reserved for specific purposes	8	1.0
Other		(0.1)
Total other cash movements		0.9
Net operating receipts		255.2
Stapled securities on issue (m)	6	2,216.2
Net operating receipts per stapled security		11.5c
Distributions declared per stapled security	3	11.5c

¹ These numbers are taken from the Consolidated Statements of Comprehensive Income for half year ended 30 June 2014.

Significant Changes in State of Affairs

Medium Term Notes and bank facilities

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

In May 2014, Sydney Airport successfully completed a \$1.5 billion senior bank debt raising with tenor ranging from three to five years. All debt raised was used to refinance senior bank debt due to mature in 2014, 2015, 2016 and 2017.

Distribution reinvestment plan

The distribution reinvestment plan (DRP) operated in respect of the 31 December 2013 distribution. In February 2014, to satisfy the DRP take up Sydney Airport acquired 5.8 million securities on market for transfer, totalling \$22.8 million, to DRP participants and issued nearly 21.9 million new securities. New securities were issued to DRP participants at \$3.66 after a 2.5% discount was applied.

Directors' Report

for half year ended 30 June 2014

Value of Assets

	SAL Group 30 Jun 2014 \$m	SAT1 Group 30 Jun 2014 \$m	SAT1 Group 30 Jun 2013 \$m
Book value of assets	10,876.4	1,891.8	13,374.4

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

Events Occurring after Balance Sheet Date

Medium Term Notes

In July 2014, Sydney Airport finalised documentation in the US Private Placement bond market to allow for A\$380.0 million of 14 year senior secured notes, maturing August 2028 and November 2028. The receipt of proceeds in each of August (A\$100.0 million) and November (A\$280.0 million) is subject to satisfaction of procedural conditions precedent. All funds raised will repay senior debt.

Distribution

The total interim distribution by ASX-listed Sydney Airport for half year ended 30 June 2014 was \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents). \$133.0 million or 6.0 cents and \$121.9 million or 5.5 cents was paid by SAL and SAT1 respectively on 15 August 2014 (2013: SAT1 \$204.7 million or 11.0 cents).

Distribution reinvestment plan

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

Since the end of the half year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the 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 2014.

Directors' Holdings of Stapled Securities

The aggregate number of stapled securities in ASX-listed Sydney Airport held directly, indirectly or beneficially by the directors of SAL or their director-related entities at the date of this interim financial report is 4,651,892 (31 December 2013: 4,692,589).

The aggregate number of units in SAT1 held directly, indirectly or beneficially by the directors of TTCSAL or their director-related entities at the date of this interim financial report is nil (31 December 2013: nil).

Directors' Report

for half year ended 30 June 2014

Lead Auditor's Independence Declaration

A copy of the lead auditors' independence declarations, as required under section 307C of the *Corporations Act 2001* is set out on pages 7 and 8 and forms part of the Directors' Report for half year ended 30 June 2014.

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

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



Max Moore-Wilton

Sydney
20 August 2014



Trevor Gerber

Sydney
20 August 2014

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



Russell Balding

Sydney
20 August 2014



Patrick Gourley

Sydney
20 August 2014



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

To: the directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 June 2014 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

20 August 2014

KPMG

Eileen Hoggett
Partner



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 review for the half-year ended 30 June 2014 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

20 August 2014

KPMG

Eileen Hoggett
Partner

Interim Financial Report

for half year ended 30 June 2014

Consolidated Statements of Comprehensive Income

	Note	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Revenue				
Aeronautical revenue		236.3	-	223.6
Aeronautical security recovery		41.3	-	42.0
Retail revenue		125.0	-	116.4
Property and car rental revenue		96.4	-	90.3
Car parking and ground transport revenue		66.4	-	62.9
Other		3.0	-	2.7
Total revenue		568.4	-	537.9
Profit on disposal of non-current assets		-	-	0.1
Profit on disposal of interest in Newcastle Airport		-	-	9.7
Total other income		-	-	9.8
Total revenue and other income		568.4	-	547.7
Expenses				
Employee benefits expense		(24.1)	-	(23.8)
Services and utilities		(27.0)	-	(25.6)
Other operational costs		(11.6)	(1.2)	(9.9)
Property and maintenance		(9.9)	-	(9.0)
Security recoverable expenses		(36.3)	-	(36.7)
Investment transaction expenses		(0.4)	(0.1)	(4.1)
Restructuring and redundancy		(0.1)	-	-
Total expenses before depreciation, amortisation and finance costs		(109.4)	(1.3)	(109.1)
Profit / (loss) before depreciation, amortisation, finance costs and income tax (EBITDA)		459.0	(1.3)	438.6
Depreciation		(101.0)	-	(99.1)
Amortisation		(50.9)	-	(50.9)
Profit / (loss) before finance costs and income tax (EBIT)		307.1	(1.3)	288.6
Finance (costs) / income				
Interest income	2	6.0	124.7	7.2
Finance costs	2	(240.8)	-	(241.5)
Change in fair value of swaps		(51.4)	-	(1.3)
Total finance (costs) / income		(286.2)	124.7	(235.6)
Profit before income tax benefit / (expense)		20.9	123.4	53.0
Income tax benefit / (expense)	5	31.8	-	(39.7)
Profit after income tax benefit / (expense)		52.7	123.4	13.3

Interim Financial Report

for half year ended 30 June 2014

Consolidated Statements of Comprehensive Income (continued)

Note	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges - interest rate swaps	53.1	-	8.7
Tax on items that may be reclassified to profit or loss	(15.9)	-	(2.6)
Total items that may subsequently be reclassified to profit or loss	37.2	-	6.1
Other comprehensive income, net of tax	37.2	-	6.1
Total comprehensive income	89.9	123.4	19.4
Profit after income tax (expense) / benefit attributable to:			
Security holders	53.9	123.4	24.0
Non-controlling interest	(1.2)	-	(10.7)
	52.7	123.4	13.3
Total comprehensive income attributable to:			
Security holders	91.1	123.4	29.3
Non-controlling interest	(1.2)	-	(9.9)
	89.9	123.4	19.4
Earnings per share / unit from profit after income tax	2.44c	5.58c	1.29c

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

For the periods ended 30 June 2014, the Consolidated Statement of Comprehensive Income for the SAL Group represents the period when SAL was identified as the parent of ASX-listed Sydney Airport and the Consolidated Statement of Comprehensive Income for the SAT1 Group represents the post-Restructure SAT1 Group.

For the period ended 30 June 2013, the Consolidated Statement of Comprehensive Income for the SAT1 Group represents the period when SAT1 was identified as the parent of ASX-listed Sydney Airport.

Interim Financial Report

as at 30 June 2014

Consolidated Balance Sheets

	Note	SAL Group 30 Jun 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 30 Jun 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Current assets					
Cash and cash equivalents	8	440.2	443.3	1.3	1.5
Receivables		129.1	122.2	3.2	23.0
Other assets		4.1	8.9	-	-
Total current assets		573.4	574.4	4.5	24.5
Non-current assets					
Receivables		37.2	38.3	1,887.3	1,933.7
Property, plant and equipment		2,554.8	2,556.6	-	-
Intangible assets		7,698.0	7,748.9	-	-
Derivative financial assets		-	9.9	-	-
Other assets		13.0	12.5	-	-
Total non-current assets		10,303.0	10,366.2	1,887.3	1,933.7
Total assets		10,876.4	10,940.6	1,891.8	1,958.2
Current liabilities					
Distribution payable		254.9	252.3	121.9	208.5
Payables		152.5	171.8	1.1	0.3
Interest bearing liabilities	4	699.2	733.6	-	-
Deferred income		31.5	30.9	-	-
Derivative financial instruments		118.6	125.9	-	-
Current tax liability	5	(0.5)	(0.5)	-	-
Provisions		13.3	8.7	3.1	2.8
Total current liabilities		1,269.5	1,322.7	126.1	211.6
Non-current liabilities					
Interest bearing liabilities	4	6,056.6	6,006.8	-	-
Derivative financial instruments		41.9	-	-	-
Provisions		1.4	1.4	-	-
Deferred tax liabilities		1,683.2	1,699.1	-	-
Total non-current liabilities		7,783.1	7,707.3	-	-
Total liabilities		9,052.6	9,030.0	126.1	211.6
Net assets		1,823.8	1,910.6	1,765.7	1,746.6
Equity					
Security holders' interests					
Contributed equity	6	5,256.2	5,178.0	2,416.0	2,398.4
Retained earnings	7	(138.3)	62.7	404.4	402.9
Reserves		(3,292.3)	(3,329.5)	(1,054.7)	(1,054.7)
Total security holders' interests		1,825.6	1,911.2	1,765.7	1,746.6
Non-controlling interest in controlled entities		(1.8)	(0.6)	-	-
Total equity		1,823.8	1,910.6	1,765.7	1,746.6

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

Interim Financial Report

for half year ended 30 June 2014

Consolidated Statements of Changes in Equity

SAL Group	Note	Attributable to SAL Group's Security Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
Total equity at 1 January 2014		5,178.0	(3,329.5)	62.7	1,911.2	(0.6)	1,910.6
Profit / (loss) attributable to security holders		-	-	53.9	53.9	(1.2)	52.7
Issue of securities through distribution reinvestment plan	6	78.4	-	-	78.4	-	78.4
Security issuance costs	6	(0.2)	-	-	(0.2)	-	(0.2)
Cash flow hedges, net of tax		-	37.2	-	37.2	-	37.2
Distributions provided for or paid	3	-	-	(254.9)	(254.9)	-	(254.9)
Total equity at 30 June 2014		5,256.2	(3,292.3)	(138.3)	1,825.6	(1.8)	1,823.8

SAT1 Group	Note	Attributable to SAT1 Group's Security / Unit Holders				Non-controlling interest \$m	Total equity \$m
		Contributed equity \$m	Reserves \$m	Retained earnings \$m	Total \$m		
Total equity at 1 January 2014		2,398.4	(1,054.7)	402.9	1,746.6	-	1,746.6
Profit attributable to unit holders		-	-	123.4	123.4	-	123.4
Issue of securities through distribution reinvestment plan	6	17.8	-	-	17.8	-	17.8
Security issuance costs	6	(0.2)	-	-	(0.2)	-	(0.2)
Distributions provided for or paid	3	-	-	(121.9)	(121.9)	-	(121.9)
Total equity at 30 June 2014		2,416.0	(1,054.7)	404.4	1,765.7	-	1,765.7
Total equity at 1 January 2013		3,948.5	(2,400.8)	501.0	2,048.7	76.1	2,124.8
Profit / (loss) attributable to security holders		-	-	24.0	24.0	(10.7)	13.3
Cash flow hedges, net of tax		-	5.3	-	5.3	0.8	6.1
Distributions provided for or paid	3	-	-	(204.8)	(204.8)	(18.2)	(223.0)
Total equity at 30 June 2013		3,948.5	(2,395.5)	320.2	1,873.2	48.0	1,921.2

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 2014

Consolidated Statements of Cash Flows

	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Cash flows from operating activities			
Airport interest received	4.4	-	4.7
Corporate interest received	1.2	-	2.3
Related party loan interest received	-	145.3	-
Airport revenue received (inclusive of goods and services tax)	639.4	-	591.3
Airport operating expenses paid (inclusive of goods and services tax)	(174.2)	-	(170.5)
Corporate operating expenses paid (inclusive of goods and services tax)	(2.2)	(1.0)	(4.9)
Corporate other income received	-	-	0.1
Net cash flows from operating activities	468.6	144.3	423.0
Cash flows from investing activities			
Corporate net transaction items	0.3	(0.1)	10.8
Payments for purchase of short term financial assets	-	-	(0.3)
Payments for purchase of fixed assets	(118.9)	-	(104.2)
Proceeds from disposal of fixed assets	-	-	0.1
Net cash flows from investing activities	(118.6)	(0.1)	(93.6)
Cash flows from financing activities			
Airport borrowing costs paid	(144.2)	-	(137.1)
Corporate borrowing costs paid	(0.8)	-	(1.4)
Repayment of borrowings	(1,302.0)	-	-
Proceeds received from borrowings	1,340.0	-	83.0
Proceeds received from related party loan	-	46.4	-
Net payments for interest rate swaps	(71.9)	-	(70.7)
Proceeds received from dividend reinvestment plan	78.2	17.7	-
Distributions paid to SYD security holders	(252.4)	(208.5)	(186.1)
Distributions and dividends paid to non-controlling interest	-	-	(35.1)
Net cash flows from financing activities	(353.1)	(144.4)	(347.4)
Net decrease in cash and cash equivalents held	(3.1)	(0.2)	(18.0)
Cash and cash equivalents at the beginning of the period	443.3	1.5	433.7
Cash and cash equivalents at the end of the period	440.2	1.3	415.7

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 2014

Summary of Significant Accounting Policies

1. Reporting entity

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

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

The 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 SAL Group and SAT1 Group for year ended 31 December 2013 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

The accounting policies and methods of computation adopted in the preparation of the interim financial reports are consistent with those adopted and disclosed in the SAL Group and SAT1 Group 31 December 2013 annual financial reports. The interim financial reports have been prepared on the basis of historical cost. All amounts are presented in Australian dollars, unless otherwise noted.

1.1.1. Statement of compliance

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, the interim financial reports have also been prepared in accordance with and comply with IAS 34: *Interim Financial Reporting* as issued by the IASB.

1.1.2. Basis of measurement

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.

1.1.3. Functional and presentation currency

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

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

1.1.4. SAL Group net current liability position

The SAL Group is in a net current liability position of \$696.1 million at 30 June 2014. This is primarily attributable to \$699.2 million of MTNs classified as current borrowings (previously non-current borrowings), which are fully covered by undrawn committed bank debt facilities.

1.1.5. SAT1 Group net current liability position

The SAT1 Group is in a net current liability position of \$121.6 million at 30 June 2014. This is primarily attributable to the distribution payable to SAT1 unit holders which was paid on 15 August 2014 totalling \$121.9 million.

This shortfall was funded by receipts from SAL of \$123.0 million on 15 August 2014, being the payment of interest on the cross staple loan for the period ending 31 December 2014.

Due to its funding structure, SAT1 is expected to be in a net current liability position on future balance dates. However, it is expected to meet its key obligation, being the payment of distributions, via interest income received from SAL.

1.1.6. Net tangible asset backing per security

The net tangible asset (NTA) backing per security was -\$2.65 at 30 June 2014 (31 December 2013: -\$2.66). This represents a decrease of \$0.01 or 0.4%.

Interim Financial Report

for half year ended 30 June 2014

Summary of Significant Accounting Policies (continued)

1.2. Principles of consolidation

1.2.1. Business combinations

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

- SAL is identified as the parent of the consolidated group (including ASX-listed Sydney Airport) comprising SAL and its controlled entities and SAT1 and its controlled entities for the period ended 30 June 2014; and
- SAT1 is identified as the parent of the consolidated group comprising SAT1 and its controlled entities for the period ended 30 June 2014.

1.2.2. Controlled entities

The consolidated interim financial statements of SAL Group incorporate the assets and liabilities of the entities controlled by SAL at 30 June 2014 and during the period, including those deemed to be controlled by SAL by identifying it as the parent of the SAL Group, and the results of those controlled entities for the half year then ended.

The consolidated interim financial statements of SAT1 Group incorporate the assets and liabilities of the entities controlled by SAT1 at 30 June 2014 and during the period, including those deemed to be controlled by SAT1 by identifying it as the parent of the SAT1 Group, and the results of those controlled entities for the half year then ended.

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

Where applicable, non-controlling interests in the results and equity are shown separately in the Consolidated Statements of Comprehensive Income and Consolidated Balance Sheets respectively. As such, SAT1 Group's net result after tax for the period ended 30 June 2014 and its contributed equity, reserves and retained earnings at 30 June 2014 and 31 December 2013 are attributed to non-controlling interests in the SAL Group consolidated interim financial report.

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.

1.3. New standards and interpretations not yet adopted

The Groups have adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB's) that are relevant to the Groups 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 half year ended 30 June 2014.

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

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

1.4. Comparative figures

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

1.5. Group formation

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

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

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for half year ended 30 June 2014

2. Finance (Costs) / Income

	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Interest income			
Interest income from other corporations	6.0	-	7.2
Interest income from related parties	-	124.7	-
Total interest income	6.0	124.7	7.2
Finance costs			
Senior debt interest paid or accrued	(130.1)	-	(131.5)
Net swap interest expense	(75.5)	-	(68.8)
Recurring borrowing costs paid	(4.0)	-	(6.7)
Capital Index Bonds capitalised	(17.9)	-	(15.0)
Amortisation of deferred debt establishment costs	(15.4)	-	(5.3)
Borrowing costs capitalised	3.2	-	4.1
Total borrowing costs - senior debt	(239.7)	-	(223.4)
SCACH Redeemable Preference Shares	-	-	(17.0)
Borrowing costs - corporate debt	(1.1)	-	(1.4)
Foreign exchange gains	-	-	0.3
Total finance costs	(240.8)	-	(241.5)
Change in fair value of swaps	(51.4)	-	(1.3)
Total finance (costs) / income	(286.2)	124.7	(235.6)

3. Distributions Paid and Proposed

	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
The distributions were paid / payable as follows:			
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	252.3	208.5	186.1
— Interim distribution proposed for half year ended 30 June (100% unfranked)	254.9	121.9	204.7

	Cents per stapled security	Cents per unit	Cents per stapled security
— Final distribution proposed and subsequently paid for year ended 31 December (100% unfranked)	11.5	9.5	10.0
— Interim distribution proposed for half year ended 30 June (100% unfranked)	11.5	5.5	11.0

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

Interim Financial Report

for half year ended 30 June 2014

4. Interest Bearing Liabilities

	SAL Group 30 Jun 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 30 Jun 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Current				
— Bank facilities	-	35.4	-	-
— Medium Term Notes	699.2	698.2	-	-
Total current interest bearing liabilities	699.2	733.6	-	-
Non-current				
SCACH				
— Bank facilities	257.5	1,129.2	-	-
— Medium Term Notes	4,785.7	3,800.4	-	-
— Capital Index Bonds	1,013.4	997.5	-	-
SAL				
— Bank facilities	-	79.7	-	-
Total non-current interest bearing liabilities	6,056.6	6,006.8	-	-
Total interest bearing liabilities	6,755.8	6,740.4	-	-

In April 2014, Sydney Airport successfully issued \$1.0 billion (EUR 700.0 million) of senior secured notes in the Euro bond market maturing in April 2024 at a fixed interest rate of 2.75% per annum. The total Euro proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

In May 2014, Sydney Airport successfully completed a \$1.5 billion senior bank debt raising with tenor ranging from three to five years. All debt raised was used to refinance senior bank debt due to mature in 2014, 2015, 2016 and 2017.

5. Income Tax Benefit / (Expense)

ASX-listed Sydney Airport's effective tax benefit related to SAL's interest expense on its loan from SAT1, differences in tax and accounting treatment of income and expenses, tax profiles of entities within the Groups and a number of other factors during the period ended 30 June 2014.

No tax expense is recognised by SAT1 on the corresponding interest income on its loan to SAL because SAT1 is a "flow through" trust pursuant to Division 6 of the Income Tax Assessment Act 1936. Hence SAT1 income is taxed in the hands of unit holders provided its income (including any assessable capital gains) is fully distributed each tax year.

ASX-listed Sydney Airports income tax expense for half year ended 30 June 2013 included tax payable of \$65.0 million and shortfall interest charge of \$4.0 million to the Australian Taxation Office for settlement of its specific issue tax audit.

Interim Financial Report

for half year ended 30 June 2014

6. Contributed Equity

	SAL Group 30 Jun 2014 \$m	SAT1 Group 30 Jun 2014 \$m	SAT1 Group 30 Jun 2013 \$m
Opening balance at 1 January	5,178.0	2,398.4	3,948.5
Issue of securities through distribution reinvestment plan	78.4	17.8	-
Security issuance costs	(0.2)	(0.2)	-
Closing balance at 30 June	5,256.2	2,416.0	3,948.5

	SAL Group 30 Jun 2014 Shares 'm	SAT1 Group 30 Jun 2014 Units 'm	SAT1 Group 30 Jun 2013 Units 'm
On issue at 1 January	2,194.3	2,194.3	1,861.2
Issue of securities through distribution reinvestment plan	21.9	21.9	-
On issue at 30 June	2,216.2	2,216.2	1,861.2

Distribution reinvestment plan

The distribution reinvestment plan (DRP) operated in respect of the 31 December 2013 distribution. In February 2014, to satisfy the DRP take up Sydney Airport acquired 5.8 million securities on market for transfer, totalling \$22.8 million, to DRP participants and issued nearly 21.9 million new securities. New securities were issued to DRP participants at \$3.66 after a 2.5% discount was applied.

7. Retained Earnings

	SAL Group 6 months to 30 Jun 2014 \$m	SAT 1 Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Opening balance at 1 January	62.7	402.9	501.0
Profit attributable to security / unit holders	53.9	123.4	24.0
Distributions provided for or paid	(254.9)	(121.9)	(204.8)
Closing balance at 30 June	(138.3)	404.4	320.2

8. Cash and Cash Equivalents

	SAL Group 30 Jun 2014 \$m	SAL Group 31 Dec 2013 \$m	SAT1 Group 30 Jun 2014 \$m	SAT1 Group 31 Dec 2013 \$m
Cash at bank and deposits – available for general use	313.7	315.8	1.3	1.5
Cash and short term deposits – reserved for specific purposes	126.5	127.5	-	-
	440.2	443.3	1.3	1.5

Interim Financial Report

for half year ended 30 June 2014

9. Segment Reporting

Operating segments are determined in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker of both SAL (representing the Group) and SAT1 for half year ended 30 June 2014 for accounting purposes has been identified as the Chief Executive Officer (CEO) of Sydney Airport Limited.

For half years ended 30 June 2014 and 30 June 2013 the CEO considered the business from the aspect of its core portfolio airport and identified one operating segment for which it received regular reports. The segment is the investment in Sydney Airport.

The investment in Sydney Airport continues to meet the definition of an operating segment under AASB 8: *Operating Segments*. The segment result represents 100.0% of the earnings before interest, tax, depreciation and amortisation (EBITDA) (2013: 84.8%) of SAL Group.

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

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

Sydney Airport	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
Total segment revenue from external customers	568.4	547.7
Total segment expense from external customers	(109.4)	(109.1)
EBITDA	459.0	438.6

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

Sydney Airport	SAL Group 6 months to 30 Jun 2014 \$m	SAT1 Group 6 months to 30 Jun 2013 \$m
EBITDA	459.0	438.6
Other		
Depreciation and amortisation	(151.9)	(150.0)
Finance (costs) / income	(286.2)	(235.6)
Profit before income tax benefit / (expense)	20.9	53.0

	Sydney Airport \$m	Other \$m	Total \$m
Half year ended 30 June 2014			
Non-current assets	10,303.0	-	10,303.0
Total assets	10,876.4	-	10,876.4
Total liabilities	(9,052.6)	-	(9,052.6)
Half year ended 30 June 2013			
Non-current assets	10,359.3	0.2	10,359.5
Total assets	10,736.5	168.9	10,905.4
Total liabilities	(10,644.0)	1,659.8	(8,984.2)

Interim Financial Report

for half year ended 30 June 2014

10. Contingent Assets and Liabilities

SAT1 is responsible for meeting any liability that may arise pursuant to a comprehensive set of representations and warranties in respect of the sale of Copenhagen Airports and Brussels Airport on 7 October 2011, which were more commensurate with those normally provided by an owner / operator than a minority investor.

Ontario Teachers' Pension Plan Board was indemnified for its share of the challenged withholding tax liabilities, should they ever materialise, arising from the Danish Tax Office's current assessments to Copenhagen Airports Denmark Holdings. There are also indemnities for litigation at Brussels Airport and other certain contingent liabilities. There have been no material developments since 31 December 2013.

At 30 June 2014 the Groups have no other contingent assets or liabilities which are material either individually or as a class (2013: \$nil).

11. Events Occurring after Balance Sheet Date

Medium Term Notes

In July 2014, Sydney Airport finalised documentation in the US Private Placement bond market to allow for A\$380.0 million of 14 year senior secured notes, maturing August 2028 and November 2028. The receipt of proceeds in each of August (A\$100.0 million) and November (A\$280.0 million) is subject to satisfaction of procedural conditions precedent. All funds raised will repay senior debt.

Distribution

The total interim distribution by ASX-listed Sydney Airport for half year ended 30 June 2014 was \$254.9 million or 11.5 cents per stapled security (2013: \$204.7 million or 11.0 cents). \$133.0 million or 6.0 cents and \$121.9 million or 5.5 cents was paid by SAL and SAT1 respectively on 15 August 2014 (2013: SAT1 \$204.7 million or 11.0 cents).

Distribution reinvestment plan

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

Since the end of the half year, the directors of SAL and the Responsible Entity of SAT1 are not aware of any other matter or circumstance not otherwise dealt with in the 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 2014.

Interim Financial Report

for half year ended 30 June 2014

Statement by the Directors of Sydney Airport Limited

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

- a. the consolidated interim financial statements and notes for SAL set out on pages 9 to 20 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 SAL Group's financial position at 30 June 2014 and of its performance for the half year 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 Chief Financial Officer for half year ended 30 June 2014.

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
20 August 2014



Trevor Gerber

Sydney
20 August 2014

Interim Financial Report

for half year ended 30 June 2014

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

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

- a. the consolidated interim financial statements and notes for SAT1 set out on pages 9 to 20 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 SAT1 Group's financial position at 30 June 2014 and of its performance for the half year ended on that date; and
- b. there are reasonable grounds to believe that the SAT1 Group will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for half year ended 30 June 2014.

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.



Russell Balding

Sydney
20 August 2014



Patrick Gourley

Sydney
20 August 2014



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

We have reviewed the accompanying interim financial report of Sydney Airport Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2014 and its performance for the interim ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sydney Airport Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 interim financial report of Sydney Airport Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the interim period 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

20 August 2014



KPMG



Eileen Hoggett
Partner



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

We have reviewed the accompanying interim financial report of Sydney Airport Trust 1 (the Trust), which comprises the consolidated statement of financial position as at 30 June 2014, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Trust and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the interim financial report

The directors of The Trust Company (Sydney Airport) Limited are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2014 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Sydney Airport Trust 1, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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 interim financial report of Sydney Airport Trust 1 is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the interim period 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

20 August 2014



KPMG



Eileen Hoggett
Partner