



# **SYDNEY AIRPORT**

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PRO FORMA FINANCIAL STATEMENTS FOR YEAR ENDED  
31 DECEMBER 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.

# Sydney Airport

## Pro Forma Financial Statements

### Introduction to the Pro Forma Financial Statements

The Pro Forma Financial Statements presented in this report have been prepared and compiled by management to illustrate the financial results and cash flows of ASX-listed Sydney Airport for year ended 31 December 2014 and 31 December 2013.

The Pro Forma Financial Statements have been released as a separate addendum to the Sydney Airport Financial Report for year ended 31 December 2014 and may aid users by providing a 365 day comparison of the financial results and cash flows of ASX-listed Sydney Airport for years ended 31 December 2014 and 31 December 2013.

### Pro Forma Consolidated Statement of Comprehensive Income

	Group 31 Dec 2014 \$m	Group 31 Dec 2013 \$m
<b>Revenue</b>		
Aeronautical revenue	486.8	464.2
Aeronautical security recovery	81.5	83.7
Retail revenue	255.2	241.6
Property and car rental revenue	194.0	187.2
Car parking and ground transport revenue	139.9	132.3
Other	6.1	6.2
<b>Total revenue</b>	<b>1,163.5</b>	<b>1,115.2</b>
Gain on disposal of non-current assets	0.1	0.2
Gain on disposal of interest in Newcastle Airport	-	9.7
<b>Total other income</b>	<b>0.1</b>	<b>9.9</b>
<b>Total revenue and other income</b>	<b>1,163.6</b>	<b>1,125.1</b>
<b>Expenses</b>		
Employee benefits expense	(46.9)	(48.1)
Services and utilities	(52.4)	(51.8)
Property and maintenance	(19.7)	(18.8)
Security recoverable expenses	(71.5)	(73.1)
Investment transaction expenses	(1.2)	(19.3)
Other operational costs	(23.4)	(20.4)
Restructuring and redundancy	(0.2)	-
<b>Total expenses before depreciation, amortisation and net finance (costs) / income</b>	<b>(215.3)</b>	<b>(231.5)</b>
<b>Profit before depreciation, amortisation, net finance (costs) / income and income tax (EBITDA)</b>	<b>948.3</b>	<b>893.6</b>
Depreciation	(225.0)	(198.2)
Amortisation	(101.4)	(101.9)
<b>Profit before net finance (costs) / income and income tax (EBIT)</b>	<b>621.9</b>	<b>593.5</b>
<b>Finance (costs) / income</b>		
Interest income	12.5	14.2
Finance costs	(464.1)	(470.1)
Change in fair value of swaps	(54.6)	(11.6)
<b>Net finance (costs) / income</b>	<b>(506.2)</b>	<b>(467.5)</b>
<b>Profit before income tax expense</b>	<b>115.7</b>	<b>126.0</b>
Income tax expense	(58.5)	(96.8)
<b>Profit after income tax expense</b>	<b>57.2</b>	<b>29.2</b>

# Sydney Airport

## Pro Forma Financial Statements

### Basis of Preparation

The Pro Forma Consolidated Statement of Comprehensive Income includes the results of ASX-listed Sydney Airport (the Group) for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Consolidated Statement of Comprehensive Income.

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

*Reconciliation of Statutory Profit / (Loss) After Income Tax Expense<sup>1</sup> to Pro Forma Profit After Income Tax Expense for year ended 31 December 2013*

Statutory Profit of \$47.1 million has been adjusted for:

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

to determine the Pro Forma Profit After Income Tax Expense of \$29.2 million.

<sup>1</sup> Statutory Profit is defined as an aggregation of the Profit After Income Tax Benefit / (Expense) for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Comprehensive Income in the Sydney Airport Financial Report for Year Ended 31 December 2014.

# Sydney Airport

## Pro Forma Financial Statements

### Pro Forma Finance (Costs) / Income

Pro forma profit before income tax expense includes the following finance (costs) / income:

	Group 31 Dec 2014 \$m	Group 31 Dec 2013 \$m
<b>Interest income</b>		
Interest income from other corporations	12.5	14.2
<b>Total Interest income</b>	12.5	14.2
<b>Finance costs</b>		
Senior debt interest paid or accrued	(263.7)	(265.8)
Net swap interest expense	(144.6)	(140.3)
Recurring borrowing cost paid	(8.3)	(12.0)
Capital Indexed Bonds capitalised	(29.7)	(24.4)
Amortisation of debt establishment costs	(24.6)	(17.4)
Borrowing costs capitalised	8.0	9.6
SCACH Redeemable Preference Shares	-	(17.0)
<b>Total borrowing costs - senior debt</b>	(462.9)	(467.3)
Borrowing costs - corporate debt	(1.2)	(2.8)
<b>Total finance costs</b>	(464.1)	(470.1)
Change in fair value of swaps	(54.6)	(11.6)
<b>Net finance (costs) / income</b>	(506.2)	(467.5)

### Basis of Preparation

The Pro Forma Consolidated Statement of Comprehensive Income includes the results of ASX-listed Sydney Airport (the Group) for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Consolidated Statement of Comprehensive Income.

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

# Sydney Airport

## Pro Forma Financial Statements

### Pro Forma Consolidated Statement of Cash Flows

	Group 31 Dec 2014 \$m	Group 31 Dec 2013 \$m
<b>Cash flows from operating activities</b>		
Airport interest received	8.9	9.9
Corporate interest received	2.8	4.9
Airport revenue received	1,303.5	1,223.6
Airport operating expenses paid	(327.1)	(332.5)
Corporate operating expenses paid	(3.3)	(9.2)
Corporate income taxes received / (paid)	0.5	(0.5)
Corporate other income received	-	0.1
<b>Net cash flows from operating activities</b>	<b>985.3</b>	<b>896.3</b>
<b>Cash flows from investing activities</b>		
Corporate net transaction items	(0.1)	2.6
(Payment) / receipt of short term financial assets	(35.0)	15.4
Payments for purchase of fixed assets	(261.7)	(236.1)
Proceeds from disposal of fixed assets	0.1	0.3
Payment for ATO settlement	-	(69.0)
Payment for stamp duty	-	(63.0)
Receipt / (payment) for escrow deposit	0.3	(0.8)
<b>Net cash flows from investing activities</b>	<b>(296.4)</b>	<b>(350.6)</b>
<b>Cash flows from financing activities</b>		
Airport borrowing costs paid	(258.4)	(270.0)
Corporate borrowing costs paid	(23.2)	(3.1)
Repayment of borrowings	(2,102.0)	(329.3)
Proceeds received from borrowings	2,266.7	634.3
Settlement of derivatives	(161.8)	(141.9)
Proceeds received from dividend reinvestment plan	78.2	-
Distributions paid to SYD security holders	(484.9)	(390.9)
Distributions and dividends paid to non-controlling interest	-	(35.2)
<b>Net cash flows from financing activities</b>	<b>(685.4)</b>	<b>(536.1)</b>
Net increase in cash and cash equivalents held	3.5	9.6
<b>Cash and cash equivalents at beginning of the period</b>	<b>443.3</b>	<b>433.7</b>
<b>Cash and cash equivalents at end of the period</b>	<b>446.8</b>	<b>443.3</b>

# Sydney Airport

## Pro Forma Financial Statements

### Basis of Preparation

The Pro Forma Consolidated Statement of Cash Flows includes the cash flows of ASX-listed Sydney Airport for year ended 31 December 2013. Measurement principles of Australian Accounting Standards other than the provisions in relation to the identification of the parent entity within AASB 3: *Business Combinations* have been applied in the preparation of the Pro Forma Consolidated Statement of Cash Flows.

The Pro Forma Consolidated Statement of Cash Flows differs from an aggregation of the cash flows for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report by eliminating the cash flows for the period from 3 December 2013 to 31 December 2013 (29 days) of the post-Restructure SAT1 Group on a standalone basis.

*Reconciliation of Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held<sup>1</sup> to Pro Forma Net Increase in Cash and Cash Equivalents Held for Year Ended 31 December 2013:*

*Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held of \$11.1 million has been adjusted for:*

- net cash flows from operating activities relating to operating expenses paid of (\$0.5 million);
- net cash flows from investing activities relating to transfer of cash balances on Restructure of (\$13.0 million) and corporate transaction items of \$1.8 million; and
- net cash flows from financing activities relating to related party transfers of \$10.2 million

to determine the Pro Forma Net Increase in Cash and Cash Equivalents Held of \$9.6 million.

<sup>1</sup> Statutory Net Increase / (Decrease) in Cash and Cash Equivalents Held is defined as an aggregation of the Net Increase / (Decrease) in Cash and Cash Equivalents Held for the SAL Group for the period ended 31 December 2013 and the SAT1 Group for year ended 31 December 2013 disclosed in the Consolidated Statements of Cash Flows in the Sydney Airport Financial Report for Year Ended 31 December 2014.



## **Independent limited assurance report on Sydney Airport Limited's compilation of Pro Forma Consolidated Financial Statements**

We have completed our limited assurance engagement to report on Sydney Airport Limited's (the Group's) compilation of the Pro Forma Consolidated Financial Statements for the year ended 31 December 2014, comprising the Pro Forma Consolidated Statement of Comprehensive Income, Pro Forma Finance Costs/ Income and Pro Forma Consolidated Statement of Cash Flows for the Group with Sydney Airport Limited ("SAL") as Parent entity of the Group ("the Pro Forma Consolidated Financial Statements"). The applicable criteria on which Management have compiled the Pro Forma Consolidated Financial Statement is described in a basis of preparation paragraph included below each individual Pro Forma Consolidated Financial Statement (in aggregate "the Basis of Preparation").

The Pro Forma Consolidated Financial Statements have been prepared and compiled by Management to illustrate the financial performance and cash flows of the Group for the year ended 31 December 2014 when SAL was the parent entity of the Group, compared to the year ended 31 December 2013 comparatives prepared as if SAT1 was the parent entity of the Group for the full year.

### *Management's responsibility for the Pro Forma Consolidated Financial Statements*

Management of the Group are responsible for properly compiling the Pro Forma Consolidated Financial Statements in accordance with the Basis of Preparation. This responsibility includes such internal control as Management determine is necessary to enable the preparation of the Pro Forma Consolidated Financial Statements that are free from material misstatement whether due to fraud or error.

### *Assurance practitioner's responsibility*

Our responsibility is to express a conclusion on whether anything has come to our attention that causes us to believe that the Pro Forma Consolidated Financial Statements are not compiled, in all material respects, by Sydney Airport Limited in accordance with the Basis of Preparation.

We have conducted our limited assurance engagement in accordance with the Assurance Standards applicable to pro forma financial information issued by the Auditing and Assurance Standards Board.

A limited assurance engagement involves performing procedures to assess whether the Basis of Preparation used by Management in the compilation of the Pro Forma Consolidated Financial Statements does not provide a reasonable basis for presenting the Pro Forma Consolidated Financial Statements.

The procedures we performed were based on our professional judgement and included making enquiries, primarily of persons responsible for financial and accounting matters, observation of processes performed, inspection of documents, analytical procedures, evaluating the appropriateness of supporting documentation and agreeing or reconciling with underlying records, and other procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement. As a result, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Statements.





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

#### *Independence*

In conducting our limited assurance engagement, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

#### *Conclusion*

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Pro Forma Consolidated Financial Statements are not compiled, in all material respects, by Sydney Airport Limited in accordance with the Basis of Preparation.

#### *Consent*

KPMG has consented to this report being made available to investors and potential investors of Sydney Airport Limited in its full form and context in which it has been compiled.

#### *Basis of Preparation*

Without modifying our conclusion, we draw attention to the Basis of Preparation of the Pro Forma Consolidated Financial Statements which comprises the individual basis of preparation paragraphs below each individual Pro Forma Consolidated Financial Statement. In the comparative Pro Forma Consolidated Financial Statements, Management have not applied AASB 3 principles in determining the Parent entity of the Sydney Airport Limited Group and have assumed SAT 1 to be the parent entity for the 365 day period ended 31 December 2013. Sydney Airport Limited is the parent entity for the year ended 31 December 2014 in accordance with AASB 3.

KPMG

Sydney

25 February 2015