

**Southern Cross Airports Corporation Holdings  
Limited**

**General Purpose  
Half-Year Financial Statements**

**For the half-year ended 30 June 2009**

# **Southern Cross Airports Corporation Holdings Limited**

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**Southern Cross Airports Corporation Holdings Limited**  
**Corporate Information**  
**ACN 098 082 029**

This general purpose half-year financial statement covers the consolidated entity comprising Southern Cross Airports Corporation Holdings Limited ("SCACH") and its controlled entities. The Group's functional and presentation currency is Australian Dollars ("\$").

A description of the Group's operations and its principal activities and a review of operations and results is included in the directors' report on pages 6 to 8.

**Directors**

Max Moore-Wilton (Chairman)  
Russell Balding (Chief Executive Officer)  
Patrick Gourley  
Holger Linkweiler  
Kerrie Mather  
John Roberts  
Don Huse

**Company Secretary**

Anthony Lenehan

**Registered Office**

The Ulm Building  
1 Link Road  
Sydney International Airport  
Mascot NSW 2020

**Auditors**

PricewaterhouseCoopers

**Internet Address**

[www.sydneyairport.com.au](http://www.sydneyairport.com.au)

## **Southern Cross Airports Corporation Holdings Limited Directors' Report**

The directors present their report on the consolidated results of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its consolidated entity during the half-year ended 30 June 2009.

### **Directors**

The names and particulars of the directors of SCACH during the period and until the date of this report were as follows:

<b>Names</b>	<b>Appointment Date</b>
Max Moore-Wilton, Chairman.	22 January 2003
Russell Balding, Chief Executive Officer.	4 April 2006
Patrick Gourley	10 September 2002
Holger Linkweiler	17 October 2005
Kerrie Mather	27 June 2002
John Roberts	15 February 2006
Don Huse	15 December 2008

## **Southern Cross Airports Corporation Holdings Limited Directors' Report**

The names of the alternate directors of SCACH during the period and until the date of this report were as follows:

<b>Alternate Directors</b>	<b>Appointment Date</b>
Michael Delaney (for P Gourley)	18 September 2003
Kerrie Mather (for J Roberts)	15 February 2006
John Roberts (for K Mather)	15 February 2006
Gerhard Schroeder (for H Linkweiler)	12 October 2006
Kerrie Mather (for M Moore-Wilton)	25 June 2008
Max Moore-Wilton (for K Mather)	25 June 2008
Max Moore-Wilton (for J Roberts)	25 June 2008
John Roberts (for M Moore-Wilton)	25 June 2008
Christopher Ireland (for D Huse)	12 May 2009

Directors were in office for this entire period unless otherwise stated.

### **Company Secretary**

Anthony Lenehan Dip Law, GDLP is General Counsel and Company Secretary. Mr Lenehan was appointed on 16 March 2009, replacing Ms Clair Hodge who resigned during the period.

### **Corporate structure**

SCACH is a company limited by shares that is incorporated and domiciled in Australia. The SCACH consolidated financial statement incorporates the following wholly-owned subsidiaries controlled by it during the half- year:

- Southern Cross Airports Corporation Pty Limited ("SCAC")
- Sydney Airport Corporation Limited ("SACL")
- Airport Nova Developments Pty Limited ("Nova")
- Sydney Airport Finance Company Pty Ltd ("FinCo")
- Sydney Airport RPS Company Pty Ltd ("RPSCo")

All companies in the SCACH Group, including SCACH itself and its subsidiaries listed above, have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Class Order 98/1418

### **Principal activities**

The principal activities of the consolidated entity are the provision and management of airport facilities at Sydney (Kingsford Smith) Airport. These airport facilities include commercial operations and property management and development

# Southern Cross Airports Corporation Holdings Limited

## Directors' Report

### Review of operations and results

The consolidated earnings before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of \$325.4 million for the half-year ended 30 June 2009 (30 June 2008: \$318.6 million). EBITDA excluding specific non-recurring expenses increased to \$325.8 million (30 June 2008: \$319.5 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was \$89.6 million (30 June 2008 \$64.2 million).

EBITDA has grown 2.1% over the previous corresponding period. Total revenue increased by 1.8% over the previous corresponding period to \$404.5 million (30 June 2008: \$397.2million).

Total expenses excluding specific non-recurring expenses increased by 1.2% to \$78.7 million (30 June 2008: \$77.7 million). Total expenses including specific non-recurring expenses increased by 0.7% to \$79.2 million (30 June 2008: \$78.6 million).

Depreciation and amortisation costs increased by 16.0% to \$104.3 million (30 June 2008: \$89.9 million).

Net external finance costs decreased by 3.1% to \$203.2 million (30 June 2008: \$209.6 million) primarily due to a decrease in interest rates from the unhedged SKIES instrument.

The redeemable preference share (RPS) distributions to shareholders and SKIES payments are included as finance costs in the Income Statement.

### Financial performance

The following table shows that the cash generated by the Group, and available for debt service is significantly greater than the debt service requirement:

	6 months to June 2009 \$'m	6 months to June 2008 \$'m
Revenue	405	397
Operating Expenses	(79)	(79)
EBITDA	326	318
Interest revenue <sup>1</sup>	13	17
Cash available for debt service	339	335
Interest - Senior Debt (including Swaps) <sup>1</sup>	(176)	(178)
Interest - SKIES <sup>1</sup>	(24)	(29)
Cash available after debt service <sup>2</sup>	139	128

<sup>1</sup> These numbers are taken from the Cash Flow Statement on Page 15 of SCACH Half Year Financial Report to 30 June 2009

<sup>2</sup> Capital commitments are funded from other sources and do not impact this cash figure

\* Numbers are rounded to the nearest million and may not exactly match the financial statements

During the period the consolidated entity complied with the maximum gearing and minimum cash flow cover ratio covenants contained in its various debt agreements. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid.

In 2002, and subsequently, the economic equity for the SCACH Group was contributed to in the form of ordinary shares issued, each stapled 1:1 to RPS. The right to receive payments on the RPS held by the ordinary shareholders are subordinated to Senior Debt, SKIES and ordinary creditors of the Group. Despite this subordination, and the fact that the RPS are stapled to the ordinary shares, under current accounting standards:

- the \$1,996.8 million carrying value of the RPS at 30 June 2009 is classified as borrowings rather than equity, and
- the \$132.9 million RPS interest paid to shareholders during the period is included as interest expense rather than as a distribution of profits.

# Southern Cross Airports Corporation Holdings Limited

## Directors' Report

The Income Statement and Cash Flow Statement on pages 13 & 15 respectively identify the portion of Net Finance Costs that relate to external financing activities and shareholder related financing activities.

SCAC and Finco's senior secured debt credit ratings by Standard & Poor's, Moody's and Fitch remain at BBB, Baa2 and BBB respectively. SCACH's investment grade corporate credit rating and the rating of SKIES by Standard & Poor's remained at BBB-.

The consolidated entity has an established treasury function responsible for managing the consolidated entity's finance facilities, cash balances and interest rate risks. The treasury department operates within policies set by the Board which are consistent with the consolidated entity's various debt agreements.

### Dividends and distributions

Dividends and distributions paid during the half-year ended 30 June 2009:

	Half-year ended 30 June 2009 \$'m	Half-year ended 30 June 2008 \$'m
- on ordinary shares (i)	-	20.3
- on Sydney Kingsford Smith Airport Interest Earning Securities (i)	23.6	28.7
- on redeemable preference shares ("RPS") (i)	132.9	107.9
	<u>156.5</u>	<u>156.9</u>

The SKIES and RPS distributions are included as finance costs in the Income Statement.

(i) Represents cash paid

No ordinary dividend was declared in respect of the financial period ended 30 June 2009 (30 June 2008: \$287.2m).

### Net Finance Debt to EBITDA Ratio

The following table reflects the Net Finance Debt to EBITDA ratio as at 30 June 2009.

The Net Finance Debt to EBITDA ratio has improved with debt repayments funded through shareholder contributions in the first half of 2009.

	30-Jun-09 \$'m	31-Dec-08 \$'m	30-Jun-08 \$'m
Gross Total Debt (including SKIES) <sup>1</sup>	5,850	6,710	6,586
Less: Total Cash	(483)	(556)	(567)
Net Debt	<u>5,367</u>	<u>6,154</u>	<u>6,019</u>
Less: SKIES	(650)	(650)	(650)
Net Finance Debt (Senior)	<u>4,717</u>	<u>5,504</u>	<u>5,369</u>

EBITDA (12 months historical) <sup>2</sup>	656	649	635
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Net Finance Debt/EBITDA (Senior)	7.2x	8.5x	8.5x
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1. Gross Total Debt refers to Principal Amount Drawn, refer note 7 on page 23 and excludes shareholder related borrowings (RPS) as they are subordinated to all other creditors

2. EBITDA shown for 12 months historical, in accordance with market convention for this ratio

3. Numbers are rounded to the nearest million and may not exactly match the financial statements

# **Southern Cross Airports Corporation Holdings Limited**

## **Directors' Report**

### **Auditor's independence declaration**

The auditor's independence declaration required under section 307c of the Corporations Act 2001 is included on page 9 of the financial report.

### **Rounding**

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to SCACH under ASIC Class Order 98/0100, dated 10 July 1998. SCACH is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Max Moore-Wilton', written over a horizontal line.

Max Moore-Wilton  
Chairman

Sydney, 13 August 2009



PricewaterhouseCoopers  
ABN 52 780 433 757

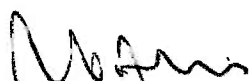
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## Auditor's Independence Declaration

As lead auditor for the review of Southern Cross Airports Corporation Holdings Limited for the half year ended 30 June 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Southern Cross Airports Corporation Holdings Limited and the entities it controlled during the period.



R L Gavin  
Partner  
PricewaterhouseCoopers

Sydney  
13 August 2009

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**Independent auditor's review report to the members of  
Southern Cross Airports Corporation Holdings Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial statements of Southern Cross Airports Corporation Holdings Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Southern Cross Airports Corporation Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Southern Cross Airports Corporation Holdings Limited (the company) and the entities it controlled during that half-year.

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

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*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 an Interim 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Southern Cross Airports Corporation Holdings Limited, 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. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. 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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

**Independent auditor's review report to the members of Southern Cross  
Airports Corporation Holdings Limited (continued)**

Our review did not involve an analysis of the prudence of business decisions made by directors or management.


*Independence*

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

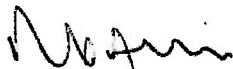
*Conclusion*

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 Southern Cross Airports Corporation Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



R L Gavin  
Partner

Sydney  
13 August 2009

## Directors' declaration

The directors declare that:

- (a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Max Moore-Wilton  
Chairman

Sydney, 13 August 2009

**Southern Cross Airports Corporation Holdings Limited**  
**Consolidated Income Statement**  
**For the half-year ended 30 June 2009**

	Note	30 June 2009 \$'000	30 June 2008 \$'000
<b>Revenue</b>			
Aeronautical revenue		159,431	154,562
Aeronautical security recovery	3	36,032	35,499
Retail revenue		91,449	95,266
Property revenue		59,727	54,662
Commercial trading revenue		55,414	55,303
Other		2,460	1,878
<b>Total revenue</b>		<b>404,513</b>	<b>397,170</b>
<b>Income</b>			
Profit on disposal of non-current assets		-	21
<b>Expenses</b>			
Employee benefits expense		(17,373)	(18,156)
Services and utilities		(44,941)	(42,865)
Other operational costs		(7,788)	(7,648)
Property and maintenance		(8,608)	(9,065)
Specific expenses:			
Restructuring and redundancy	2(b)	(390)	(846)
Non-recurring legal expenses	2(b)	(60)	(50)
<b>Total expenses before depreciation, amortisation and finance costs</b>		<b>(79,160)</b>	<b>(78,630)</b>
<b>Earnings before depreciation and amortisation, finance costs and income tax (EBITDA)</b>		<b>325,353</b>	<b>318,561</b>
Depreciation and amortisation		(104,325)	(89,918)
<b>Earnings before finance costs and income tax (EBIT)</b>		<b>221,028</b>	<b>228,643</b>
<i>External finance (costs)/income:</i>			
Interest income	2(a)	12,966	19,935
Change in fair value of interest rate swaps not qualifying as hedges	2(a)	1,901	(1,481)
Gain/(Loss) on foreign exchange transaction	2(a)	768	-
Borrowing costs – FLIERS	2(a)	-	(7)
Borrowing costs – SKIES	2(a)	(17,970)	(30,715)
Borrowing costs – senior debt	2(a)	(200,526)	(197,305)
Borrowing costs - other	2(a)	(299)	-
<i>Total external finance (costs)/income (i)</i>	2(a)	<i>(203,160)</i>	<i>(209,573)</i>
<i>Shareholder related finance (costs)/income:</i>			
Borrowing costs – redeemable preference shares held by ordinary shareholders (ii)	2(a)	(138,905)	(102,936)
Total Finance (costs)/income	2(a)	(342,065)	(312,509)
<b>(Loss)/profit before income tax expense (iii)</b>		<b>(121,037)</b>	<b>(83,866)</b>
Income tax (expense)/credit		31,467	19,661
<b>Net (loss)/profit for the period attributable to members of the parent entity</b>		<b>(89,570)</b>	<b>(64,205)</b>
<b>Earnings per share</b>			
Basic (cents)		(717.28)	(637.27)
Diluted (cents)		(717.28)	(637.27)

- (i) Borrowing costs include interest expense, amortisation of debt establishment costs and swap reset costs and, swap interest.  
(ii) Redeemable preference shares ("RPS") are stapled to ordinary shares. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid.  
(iii) This figure includes \$138.9 million (30 June 2008: \$102.9 million) of interest expense on RPS to ordinary shareholders, which is only paid after all other financial obligations to the Group have been met.

Notes to the financial statements are included on pages 17 to 28

**Southern Cross Airports Corporation Holdings Limited**  
**Consolidated Balance Sheet**  
**as at 30 June 2009**

		<b>30 June 2009 \$'000</b>	<b>31 December 2008 \$'000</b>
<b>Current assets</b>			
Cash and cash equivalents		482,747	555,998
Trade and other receivables		86,102	85,035
Other financial assets		79	-
Other assets		366	219
<b>Total current assets</b>		<b>569,294</b>	<b>641,252</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,442,295	2,367,409
Intangibles	5	3,456,417	3,476,046
Goodwill	6	688,284	688,284
Trade and other receivables		43,796	43,016
Other financial assets		13,370	-
Other assets		472	11,042
Deferred tax assets		171,428	189,165
<b>Total non-current assets</b>		<b>6,816,062</b>	<b>6,774,962</b>
<b>Total assets</b>		<b>7,385,356</b>	<b>7,416,214</b>
<b>Current liabilities</b>			
Trade and other payables		209,638	247,746
Borrowings - external	7	-	867,667
Other financial liabilities	9	75,037	9,668
Finance lease liabilities		1,064	-
Provisions		7,611	7,653
Other current liabilities		21,238	25,038
<b>Total current liabilities</b>		<b>314,588</b>	<b>1,157,772</b>
<b>Non-current liabilities</b>			
Borrowings - external	7	5,719,860	5,701,791
Borrowings - shareholder related	8	1,996,836	1,542,856
Provisions		5,134	6,302
Other financial liabilities	9	54,480	285,765
Finance lease liabilities		7,587	-
<b>Total non-current liabilities</b>		<b>7,783,897</b>	<b>7,536,714</b>
<b>Total liabilities</b>		<b>8,098,485</b>	<b>8,694,486</b>
<b>Net (liabilities)/assets</b>		<b>(713,129)</b>	<b>(1,278,272)</b>
<b>Equity</b>			
Issued capital		1,313,991	778,430
Cash flow hedge reserve		(90,828)	(209,980)
(Accumulated losses)/Retained earnings		(1,936,292)	(1,846,722)
<b>Total equity (i)</b>		<b>(713,129)</b>	<b>(1,278,272)</b>

(i) Refer to Going Concern Note 1(a) on page 17 which considers the reasons why the going concern assumption is appropriate in light of the net liability position.

Notes to the financial statements are included on pages 17 to 28



**Southern Cross Airports Corporation Holdings Limited**  
**Consolidated Cash Flow Statement**  
**For the half-year ended 30 June 2009**

	<b>30 June 2009</b> <b>\$'000</b>	<b>30 June 2008</b> <b>\$'000</b>
<b>Cash flows from operating activities</b>		
Cash was provided from:		
Receipts from customers	440,700	440,416
Interest received	13,297	16,647
Cash was applied to:		
Payments to suppliers and employees	(134,656)	(105,699)
Interest paid - senior debt	(135,608)	(203,884)
Interest rate swaps receipts/(payments)	(40,228)	26,247
Interest paid - SKIES	(23,555)	(28,741)
<b>Net cash flows provided by operating activities</b>	<b>119,950</b>	<b>144,986</b>
<b>Cash flows from investing activities</b>		
Cash was provided from:		
Proceeds from disposal of property, plant and equipment	-	21
Cash was applied to:		
Acquisition of property, plant and equipment	(164,668)	(128,461)
Capitalised borrowing costs	(2,726)	(4,555)
<b>Net cash flows used in investing activities</b>	<b>(167,394)</b>	<b>(132,995)</b>
<b>Cash flows from financing activities</b>		
<b>External financing activities:</b>		
Cash was provided from:		
Proceeds from borrowings – medium term notes and bank loans	-	116,000
Cash was applied to:		
Repayment of borrowings – medium term notes and bank loans	(870,000)	-
Debt establishment costs	(9,959)	(1,812)
Finance lease payments	(598)	-
<b>Net cash flows provided/(used in) by external financing activities</b>	<b>(880,557)</b>	<b>114,188</b>
<b>Shareholder related financing activities:</b>		
Proceeds from issue of ordinary shares	535,560	-
Proceeds from issue of redeemable preference shares	452,137	-
Dividends paid – ordinary shares	-	(20,276)
Interest paid – redeemable preference shares	(132,947)	(107,893)
<b>Net cash flows provided/(used in) by shareholder related financing activities</b>	<b>854,750</b>	<b>(128,169)</b>
<b>Net cash flows provided by/(used in) financing activities</b>	<b>(25,807)</b>	<b>(13,981)</b>
Net increase/(decrease) in cash and cash equivalents	(73,251)	(1,990)
Cash and cash equivalents at beginning of the financial period	555,998	569,358
<b>Cash and cash equivalents at end of the financial period</b>	<b>482,747</b>	<b>567,368</b>

Notes to the financial statements are included on pages 17 to 28

**Southern Cross Airports Corporation Holdings Limited**  
**Consolidated Statement of Comprehensive Income and Consolidated Statement of**  
**Changes in Equity**  
**For the half-year ended 30 June 2009**

**Consolidated Statement of Comprehensive Income**

	<b>30 June 2009 \$'000</b>	<b>30 June 2008 \$'000</b>
Net (loss) for the period	(89,570)	(64,205)
Cash flow hedge:		
Change in fair value	164,015	17,621
Recognition of deferred tax	(49,205)	(5,286)
Amortisation of swap reset costs	4,342	4,342
<b>Other comprehensive income for the period, net of tax</b>	<b>119,152</b>	<b>16,677</b>
<b>Total comprehensive income for the period</b>	<b>29,582</b>	<b>(47,528)</b>
Attributable to:		
Equity holders of the parent	29,582	(47,528)

**Consolidated Statement of Changes in Equity**

	<b>Issued capital \$'000</b>	<b>Cash flow hedge reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total \$'000</b>
<b>At 1 January 2008</b>	<b>467,902</b>	<b>107,745</b>	<b>(1,386,696)</b>	<b>(811,049)</b>
Other comprehensive income for the period net of tax	-	16,677	-	16,677
(Loss) for the period	-	-	(64,205)	(64,205)
Dividends	-	-	(20,276)	(20,276)
<b>At 30 June 2008</b>	<b>467,902</b>	<b>124,422</b>	<b>(1,471,177)</b>	<b>(878,853)</b>
<b>At 1 January 2009</b>	<b>778,430</b>	<b>(209,980)</b>	<b>(1,846,722)</b>	<b>(1,278,272)</b>
Issue of ordinary shares	535,561	-	-	535,561
Other comprehensive income for the period net of tax	-	119,152	-	119,152
(Loss) for the period	-	-	(89,570)	(89,570)
<b>At 30 June 2009</b>	<b>1,313,991</b>	<b>(90,828)</b>	<b>(1,936,292)</b>	<b>(713,129)</b>

Notes to the financial statements are included on pages 17 to 28



# **Southern Cross Airports Corporation Holdings Limited**

## **Notes to the Financial Statements**

### **For the half-year ended 30 June 2009**

#### **1. SUMMARY OF ACCOUNTING POLICIES**

##### **Statement of compliance**

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual report for the year ended 31 December 2008.

##### **Basis of preparation**

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 31 December 2008 annual financial report for the financial year ended 31 December 2008.

The half-year financial report has been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value.

All amounts are presented in Australian dollars, unless otherwise noted.

##### **Going concern**

The financial report has been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity successfully completed a \$2.2 billion financing transaction during the 12 months ended 30 June 2009. Of the \$2.2bn funds raised \$1.4bn was contributed by shareholders and the remainder was raised through new bank debt facilities. The \$2.2bn of funds was used to repay approximately \$870m in term debt, to refinance existing debt and provides sufficient funding for capital expenditure until 2012. Due to the shareholders contributions and the subsequent de-leveraging, key financial metrics have improved.

As at 30 June 2009, the consolidated entity has net liabilities of \$713.1 million (31 December 2008: \$1,278.3 million). An independent valuation by KPMG as at 31 December 2008 supported an increase in the SCACH Equity Value since privatisation in 2002 of approximately \$3,481 million (prior equivalent period, year to 30 June 2007: \$3,655 million). This valuation increment, if applied in the financial statements of the consolidated entity, would have more than absorbed the consolidated current deficiency at 30 June 2009. As part of the financing arrangements, the company has received an unconditional guarantee from the parent and other members of the SCACH Group under the Security Trust Deed. Under the Security Trust Deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of external borrowings.

The Directors believe that, considering the degree of excess of the 31 December 2008 SCACH valuation over the deficiency position at 30 June 2009, the unconditional guarantee and there being no known factors that would have had a significant adverse effect on the valuation since 31 December 2008, that the going concern basis is appropriate.

Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report. A new valuation will be carried out for each financial year end.

##### **Segment reporting**

The Group has applied AASB 8 *Operating Segments* from 1 January 2009. AASB 8 requires a "management approach" under which segment information is presented on the same basis that is used for internal reporting purposes.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer ("CEO"), who makes strategic decisions.

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
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**2. REVENUE AND EXPENSES**

	<b>Consolidated</b>	
	<b>Half-year ended 30 June 2009 \$'000</b>	<b>Half-year ended 30 June 2008 \$'000</b>
<b>(a) Finance (costs)/income</b>		
<i>External finance (costs)/income</i>		
<i>Interest income</i>		
Bank interest	12,466	19,518
Other organisations	500	417
	<u>12,966</u>	<u>19,935</u>
<i>Other finance income / (expenses)</i>		
Fair value adjustment to interest rate swaps not qualifying as hedges	1,901	(1,481)
Foreign currency gain	768	-
	<u>2,669</u>	<u>(1,481)</u>
<i>Interest expense</i>		
Amortisation of deferred debt establishment costs and other recurring borrowings costs	-	(7)
FLIERS interest expense	-	(7)
SKIES interest paid or accrued	(17,166)	(30,025)
Amortisation of deferred debt establishment costs and other recurring borrowings costs	(804)	(690)
SKIES interest expense	<u>(17,970)</u>	<u>(30,715)</u>
Bank loan and medium term note interest paid or accrued	(132,068)	(219,999)
Amortisation of deferred debt establishment costs and other borrowings costs	(66,842)	22,480
Amortisation of swap reset costs	(4,342)	(4,342)
Borrowing costs capitalised	2,726	4,556
Bank loan and medium term note interest expense	<u>(200,526)</u>	<u>(197,305)</u>
Interest expense on finance leases	(299)	-
Total interest expense	<u>(218,795)</u>	<u>(228,027)</u>
<i>Total external finance (costs)/income</i>	<u>(203,160)</u>	<u>(209,573)</u>
<i>Shareholder related finance (costs)/income</i>		
Redeemable preference share held by ordinary shareholders distributions paid or accrued	(137,062)	(101,781)
Amortisation of deferred debt establishment costs and other borrowings costs	(1,843)	(1,155)
Redeemable preference shares interest expense	<u>(138,905)</u>	<u>(102,936)</u>
<b>Total finance (cost)/income</b>	<u><u>(342,065)</u></u>	<u><u>(312,509)</u></u>

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2009**

**2. REVENUE AND EXPENSES (cont'd)**

<b>Consolidated</b>	
<b>Half-year ended</b>	<b>Half-year ended</b>
<b>30 June 2009</b>	<b>30 June 2008</b>
<b>\$'000</b>	<b>\$'000</b>

**(b) Specific non-recurring expenses**

(i) Restructuring and redundancy costs	390	846
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During the period SCACH undertook an organisation review, in the course of this process some restructuring and redundancy costs were incurred.

(ii) Non-recurring legal expenses	60	50
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Costs incurred on non-operational legal matters, largely in relation to the land rich stamp duty issue as disclosed in Note 11

**3. AERONAUTICAL SECURITY RECOVERY**

The income statement includes both revenues and costs relating to aeronautical security recovery. Security recovery charges are set at appropriate levels to ensure cost recovery only, in accordance with Australian Competition and Consumer Commission ("ACCC") guidelines for pass-through of Government mandated security costs.

Aeronautical security recoveries include charges in relation to services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than in relation to Terminal 2 checked bag screening and passenger screening services). Aeronautical security recoveries are for the following services, all of which are mandated government requirements:

- a) International services include checked baggage screening, passenger screening, additional and enhanced security measures. All charges are levied on a per passenger basis.
- b) Domestic services include additional and enhanced security measures, Terminal 2 checked bag screening and Terminal 2 passenger screening. All charges are levied on a per passenger basis.

Security recoveries include any direct operating expenses incurred together with recovery of depreciation expense and the recovery of the borrowing costs associated with the assets employed in providing the services required.

The following is a summary of all revenues and expenses associated with security recovery:

	<b>Consolidated</b>	
	<b>Half-year ended</b>	<b>Half-year ended</b>
	<b>30 June 2009</b>	<b>30 June 2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue</i>		
Security recovery	36,032	35,499
<i>Expenses</i>		
Direct costs	(26,589)	(25,015)
Depreciation	(5,866)	(5,671)
Borrowing costs	(3,577)	(4,813)
Surplus / (deficit)	-	-

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2009**

**4. DIVIDENDS AND DISTRIBUTIONS PAID  
AND PROPOSED**

	Half-year ended 30 June 2009		Half-year ended 30 June 2008	
	\$ per share	Total \$'000	\$ per share	Total \$'000
<i>Ordinary shares</i>				
<u>Recognised amounts</u>				
Fourth quarter (January)	-	-	1.1104	11,187
First quarter (April)	-	-	0.9022	9,089
		<u>-</u>		<u>20,276</u>
Dividends for the half-year ended 30 June 2008 were paid on 17 January 2008 and 17 April 2008. These dividends were all unfranked.				
<u>Unrecognised amounts</u>				
Final dividend	-	-	28.5090	287,228

	Consolidated	
	Half-year ended 30 June 2009 \$'000	Half-year ended 30 June 2008 \$'000
<i>Sydney Kingsford Smith Interest Earning Securities ("SKIES")</i>		
Accrued interest at the beginning of the period	(14,352)	(14,188)
Interest paid	23,555	28,740
Accrued interest at the end of the period	7,963	15,473
Cash paid (i)	<u>17,166</u>	<u>30,025</u>
<i>Redeemable preference shares ("RPS")</i>		
Accrued interest at the beginning of the period	(91,618)	(42,444)
Interest paid	132,947	107,893
Accrued interest at the end of the period	95,733	36,332
Cash paid (i)	<u>137,062</u>	<u>101,781</u>

- (i) Interest payments in respect of SKIES and RPS (which are stapled to ordinary shares) are included as borrowing costs in the income statement consistent with the balance sheet classification of the related instrument.

Accrued interest includes only that portion of interest that is attributable to the accounting period. Interest payments in respect of SKIES were made on 27 January 2009 and 27 April 2009. Distributions in respect of RPS were made on 24 February 2009 and 27 April 2009.

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2009**

**5. INTANGIBLE ASSETS**

<b>Consolidated</b>	<i>Airport operator</i>		<i>Total</i>
	<i>Leasehold land</i>	<i>licence</i>	
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>30 June 2009</b>			
<b>Gross carrying amount</b>	<b>1,672,044</b>	<b>2,058,070</b>	<b>3,730,114</b>
<b>Accumulated amortisation</b>			
Opening accumulated amortisation as at 1 January 2009	(113,264)	(140,804)	(254,068)
Amortisation	(8,799)	(10,830)	(19,629)
At 30 June 2009	(122,063)	(151,634)	(273,697)
<b>At 30 June 2009</b>			
Cost (gross carrying amount)	1,672,044	2,058,070	3,730,114
Accumulated amortisation and impairment	(122,063)	(151,634)	(273,697)
Net carrying amount	1,549,981	1,906,436	3,456,417

<b>Consolidated</b>	<i>Airport operator</i>		<i>Total</i>
	<i>Leasehold land</i>	<i>licence</i>	
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
<b>31 December 2008</b>			
<b>Gross carrying amount</b>	<b>1,672,044</b>	<b>2,058,070</b>	<b>3,730,114</b>
<b>Accumulated amortisation</b>			
Opening accumulated amortisation as at 1 January 2008	(95,669)	(119,141)	(214,810)
Amortisation	(17,595)	(21,663)	(39,258)
At 31 December 2008	(113,264)	(140,804)	(254,068)
<b>At 31 December 2008</b>			
Cost (gross carrying amount)	1,672,044	2,058,070	3,730,114
Accumulated amortisation and impairment	(113,264)	(140,804)	(254,068)
Net carrying amount	1,558,780	1,917,266	3,476,046

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2009**

**5. INTANGIBLE ASSETS (cont'd)**

**Significant intangible assets**

The consolidated entity holds the right to operate the leasehold land as an airport. As at 30 June 1998, the Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary, the ownership of a 50 plus 49 year lease of land. At the same time, an airport operator license was granted, which is subject to meeting certain requirements set by governing bodies in Australia on an annual basis.

The carrying amounts and remaining useful lives of the intangibles are:

	Leasehold land		Airport operator license	
	30 June 2009 \$'000	31 December 2008 \$'000	30 June 2009 \$'000	31 December 2008 \$'000
Carrying amount	1,549,981	1,558,780	1,906,436	1,917,266
Remaining useful life	87.5 years	88 years	87.5 years	88 years

Leasehold land and the airport operator licence have been recognised at their respective cost of acquisition by reference to the purchase consideration and independent professional valuation advice. Both intangibles have been assessed as having a finite life and are amortised using the straight line method over a period of 95 years from 28 June 2002, being the date of acquisition. Both assets are tested for impairment where an indicator of impairment arises.

**6. GOODWILL**

	Consolidated	
	30 June 2009 \$'000	31 December 2008 \$'000
Gross carrying amount	688,284	688,284
Accumulated impairment losses	-	-
<b>Net book value</b>		
At the beginning of the financial year	688,284	688,284
At the end of the financial year	688,284	688,284



**Southern Cross Airports Corporation Holdings Limited**  
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**7. BORROWINGS - EXTERNAL**

7. BORROWINGS - EXTERNAL		Principal amount drawn		Carrying amount	
		30 June 2009 \$'000	31 December 2008 \$'000	30 June 2009 \$'000	31 December 2008 \$'000
At amortised cost:					
Current					
Bank loans	(i)	-	450,000	-	449,534
Medium term notes	(ii)	-	420,000	-	418,133
		-	870,000	-	867,667
Non-current					
Bank loans	(i)	748,705	748,705	736,477	735,631
Medium term notes	(ii)	3,506,000	3,506,000	3,443,341	3,439,370
Capital indexed bonds	(iii)	945,108	934,555	906,107	893,631
SKIES	(iv)	650,000	650,000	633,935	633,159
		5,849,813	5,839,260	5,719,860	5,701,791

**(i) Bank loans**

Senior bank debt facilities as at 30 June 2009 comprised of three drawn tranches (31 December 2008: four tranches) with the following maturities:

Maturity date	Principal amount drawn		Carrying amount		
	30 June	31 December	30 June	31 December	
	2009	2008	2009	2008	
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	
<b>Current</b>					
Tranche A*	8 September 2009	-	450,000	-	449,534
<b>Non-current</b>					
Tranche B	8 September 2011	348,105	348,105	346,972	345,207
Tranche F	30 September 2011	375,600	375,600	365,209	366,096
Tranche G	30 September 2011	25,000	25,000	24,296	24,328
		748,705	748,705	736,477	735,631

\* Tranche A was repaid on 31 March 2009.

Interest is charged at Bank Bill Swap Bid Rate ("BBSY") plus a pre-determined margin.

Bank loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Senior bank debt ranks pari passu with the medium term notes and capital indexed bonds.

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
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**7. BORROWINGS -EXTERNAL (CONT'D)**

**(ii) Medium term notes ("MTN")**

MTN as at 30 June 2009 comprised of nine issues (31 December 2008: ten issues) with the following maturities:

	Maturity date	Principal amount drawn		Carrying amount	
		30 June 2009 (\$'000)	31 December 2008 (\$'000)	30 June 2009 (\$'000)	31 December 2008 (\$'000)
<b>Current</b>					
Issue 2*	20 November 2009	-	420,000	-	418,133
<b>Non-current</b>					
Issue 3	11 October 2012	280,000	280,000	274,014	273,096
Issue 4	20 November 2014	700,000	700,000	690,358	689,579
Issue 5	20 November 2015	300,000	300,000	295,546	295,249
Issue 6	21 November 2011	150,000	150,000	148,728	148,349
Issue 7	21 November 2011	250,000	250,000	247,081	246,576
Issue 8	20 November 2013	217,000	217,000	214,598	214,353
Issue 9	20 November 2021	200,000	200,000	197,155	197,067
Issue 10	11 October 2022	750,000	750,000	732,631	732,152
Issue 11	11 October 2027	659,000	659,000	643,230	642,949
		3,506,000	3,506,000	3,443,341	3,439,370

\* Issue 2 was repaid on 19 May 2009.

Fixed interest is charged on the following MTN's at the following rates

\$40m facility included in Issue 3: 6.425%

\$250m facility (Issue 7): 6.25%

The remaining floating rate notes at the Bank Bill Swap Rate ("BBSW") plus a pre-determined margin.

MTN's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation, Ambac Assurance Corporation, and Financial Security Assurance. Medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

**(iii) Capital indexed bonds ("CIB")**

	Maturity date	Principal amount drawn		Carrying amount	
		30 June 2009 (\$'000)	31 December 2008 (\$'000)	30 June 2009 (\$'000)	31 December 2008 (\$'000)
Issue 1	20 November 2020	619,292	612,377	603,397	588,688
Issue 2	20 November 2030	325,816	322,178	302,710	304,943
		945,108	934,555	906,107	893,631

Interest is charged at a fixed rate of 3.76% p.a. on Issue 1 and 3.12% on Issue 2. Additionally, the principal repayable for both issues is increased through to maturity linked to the rate of inflation ("CPI"). The fixed interest charged is calculated on the increasing liability.

CIB's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. Capital indexed bonds rank pari passu with the senior bank debt and medium term notes.



**Southern Cross Airports Corporation Holdings Limited**  
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**7. BORROWINGS - EXTERNAL (cont'd)**

**(iv) Sydney Kingsford Smith Interest Earning Securities ("SKIES")**

	Principal amount drawn		Carrying amount	
	30 June 2009 (\$'000)	31 December 2008 (\$'000)	30 June 2009 (\$'000)	31 December 2008 (\$'000)
Maturity date				
20 December 2016	650,000	650,000	633,935	633,159

The SKIES issued by SCACH on 20 December 2006 are a subordinated debt instrument carrying a cumulative interest cost of BBSW plus a margin of 1.8%. The first remarketing date for the margin is 1 January 2012.

The SKIES mature on 20 December 2016.

Holders of the SKIES rank in priority to ordinary shares and redeemable preference shares for the payment of distributions and return of capital.

SKIES are listed and traded on the Australian Securities Exchange.

**(v) Deferred debt establishment costs**

Deferred establishment costs are amortised over the term of maturity of the underlying financial instrument following the effective interest rate method.

**8. BORROWINGS – SHAREHOLDER RELATED**

**Redeemable preference shares ("RPS")**

	Principal amount drawn		Carrying amount	
	30 June 2009 (\$'000)	31 December 2008 (\$'000)	30 June 2009 (\$'000)	31 December 2008 (\$'000)
Maturity date				
28 June 2032	2,047,259	1,595,122	1,996,836	1,542,856

Each RPS is stapled to one ordinary share of SCACH at a nominal value of \$150 each. RPS are redeemable at a premium of \$50 per RPS on 28 June 2032.

The shares carry an entitlement to a fixed cumulative dividend at a rate of 13.5% p.a.. Dividends are payable quarterly, subject to availability of cash within the consolidated entity and distributable profits within SCACH. RPS shareholders have no acceleration rights if interest is not paid. Failure to pay RPS dividends will trigger restrictions on payment of ordinary share dividends.

During the period ended 30 June 2009, an additional 3,014,247 redeemable preference shares were issued, each stapled to one ordinary share under the same terms and conditions as above.

Shareholders have no acceleration rights if interest is not paid.

**Deferred debt establishment costs**

Deferred establishment costs are amortised over the term of maturity of the underlying financial instrument following the effective interest rate method.

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
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**9. OTHER FINANCIAL LIABILITIES**

	<b>30 June 2009 \$'000</b>	<b>31 December 2008 \$'000</b>
<b>At fair value:</b>		
<b>Current</b>		
Interest rate swaps	75,037	9,668
<b>Non-current</b>		
Interest rate swaps	54,480	285,765

**10. SEGMENT INFORMATION**

**(a) Description of segments**

Management has determined the operating segments based on the reporting reviewed by the CEO that is used to make strategic decisions. The CEO considers the business from a product revenue perspective and has identified six reportable sources of revenue. The CEO monitors the revenue from those sources separately. All business is conducted in Sydney, NSW, Australia and so there is no geographical split. There has been no change in segments during the period.

**(b) Segment information provided to the CEO**

The CEO assesses the performance of the operating segments based on their revenue results. Revenue is considered to be the result for the segment. Costs (operating expenses, depreciation, amortisation, finance costs and income tax) support the whole of the business and are not directly associated to operating segments. The total revenue result ties directly to revenue as reported in the consolidated income statement. Segment assets represents those trade receivables directly attributable to the segment revenues.

The revenue from external parties reported to the CEO is measured in a manner consistent with that in the income statement.

The amounts provided to the CEO with respect to total receivables are measured in a manner consistent with the financial statements. These receivables are allocated based on the operations of the segment.

**Southern Cross Airports Corporation Holdings Limited**  
**Notes to the Financial Statements**  
**For the half-year ended 30 June 2009**

**10. SEGMENT INFORMATION (Cont'd)**

*(b) Segment information provided to the CEO (cont'd)*

Half Year to 30 June 2009	Aeronautical	Aeronautical Security Recovery	Retail	Property	Commercial Trading	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total segment revenue	159,431	36,032	91,449	59,727	55,414	2,460	404,513
Revenue from external customers	159,431	36,032	91,449	59,727	55,414	2,460	404,513
Profit on disposal of non-current assets							-
Expenses							(79,160)
EBITDA							325,353
Depreciation and amortisation							(104,325)
Finance costs							(342,065)
Loss before tax							(121,037)
Income tax credit							31,467
Loss after tax							(89,570)
<b>Half Year to 30 June 2008</b>							
Total segment revenue	154,562	35,499	95,266	54,662	55,303	1,878	397,170
Revenue from external customers	154,562	35,499	95,266	54,662	55,303	1,878	397,170
Profit on disposal of non-current assets						21	
Expenses							(78,630)
EBITDA							318,561
Depreciation and amortisation							(89,918)
Finance costs							(312,509)
Loss before tax							(83,866)
Income tax credit							19,661
Loss after tax							(64,205)
<b>Total Segment Assets (share of trade debtors)</b>							
30 June 2009	44,537	9,745	19,372	42,849	3,283	10,112	129,898
31 December 2008	45,109	8,956	24,472	38,200	3,443	7,871	128,051

# **Southern Cross Airports Corporation Holdings Limited**

## **Notes to the Financial Statements**

### **For the half-year ended 30 June 2009**

#### **11. EVENTS AFTER THE BALANCE SHEET DATE**

The directors approved an RPS interest payment of \$80.1 million on 23 July 2009 (30 June 2008: \$50.9 million).

Other than the matter referred to above, there has not been any matter or circumstance other than that referred to in the financial statements that has arisen since the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Group or the Company, the results of those operations, or the state of affairs of the Group and the Company in future reporting periods.

#### **12. CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

##### **Contingencies**

##### *Contingent liabilities*

There are no material unrecorded liabilities at 30 June 2009 nor are there any claims against the consolidated entity that, in the expectation of the directors, will give rise to a material loss in the future. In accordance with the provisions of the Australian Accounting Standard AASB 137 "Provisions, Contingent Liabilities and Contingent Assets", the following contingent liability is disclosed:

##### *Land Rich Stamp Duty*

In June 2002, the Commonwealth Government privatised Sydney Airport by selling all of its shareholding in SACL to SCAC. As part of SCAC's acquisition of SACL, the Commonwealth agreed to pay any land rich stamp duty assessed to SCAC by the NSW Office of State Revenue in relation to the transfer of the shares to SCAC (including any penalties or interest that are payable).

On 17 November 2006, SCAC received a notice of assessment for stamp duty from the NSW Office of State Revenue ("OSR"). SCAC wrote to the Commonwealth providing a copy of the notice and directing the Commonwealth to pay the assessment amount in accordance with the share sale agreement. The assessment amount was for duty of \$258.9 million plus interest of \$142.6 million.

Under the terms of the share sale agreement, the Commonwealth has the carriage of proceedings to object to or otherwise dispute or compromise any land rich assessment issued by the OSR Commissioner. SCAC understands that the Commonwealth considers that the sale of SACL in June 2002 was not a land rich transaction and has appealed the decision by the OSR to disallow an objection lodged by the Commonwealth in SCAC's name, disputing the assessment.