SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

ACN 098 082 029

AUDITED GENERAL PURPOSE FINANCIAL REPORT
FOR YEAR ENDED 31 DECEMBER 2014

Index

Directors' Report
for year ended 31 December 2014

This audited general purpose financial report for the year ended 31 December 2014 covers the consolidated entity (the Group) comprising Southern Cross Airports Corporation Holdings Limited (SCACH) (ACN 098 082 029) and its controlled entities. The Group's functional and presentation currency is Australian Dollars ($), rounded to the nearest hundred thousand.

Directors

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

Name	Role	Period of directorship
Max Moore-Wilton	Chairman, Non-executive director	Appointed 22 January 2003
Trevor Gerber	Non-executive director	Appointed 4 January 2012
Michael Lee	Non-executive director	Appointed 4 January 2012
John Roberts	Non-executive director	Appointed 15 February 2006
Ann Sherry	Non-executive director	Appointed 1 May 2014
Stephen Ward	Non-executive director	Appointed 4 January 2012
Robert Morris	Non-executive director	Appointed 4 January 2012, resigned 15 May 2014
Kerrie Mather	Executive director	Appointed 27 June 2002

Max Moore-Wilton has informed the Board that he will retire as director at the ASX-listed Sydney Airport Annual General Meeting in May 2015.

Director Profiles of SCACH

Max Moore-Wilton, B Ec, AC

Mr Moore-Wilton has been Chairman since April 2006. Prior to this appointment he was Chief Executive Officer of Sydney Airport Corporation Limited (SACL) from January 2003 to April 2006. He is the Chairman of ASX-listed Southern Cross Austereo Media Group. Previously, he was Secretary to the Department of the Prime Minister and Cabinet, a position he held from 1996 to 2003 and the former Chairman of the Airports Council International. Mr Moore-Wilton has held a number of key executive roles within the public and private sectors, and has extensive experience in the transport sector. He was appointed a Companion in the General Division of the Order of Australia in the Australia Day Honours List in 2001. He is a member of the Safety, Security, Environment and Health Committee.

Trevor Gerber, B Acc, CA

Mr Gerber is an independent non-executive director of the following ASX-listed entities - Tassal Group Limited, Novion Property Group, Leighton Holdings Limited and Regis Healthcare Limited. Mr Gerber has been a professional director since 2000. He previously worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust.

Hon. Michael Lee, B Sc, BE, FIE Aust

Mr Lee is the chairman of the Safety, Security, Environment and Health Committee. He is the Chairman of Communications Alliance. He is a former director of DUET, Superpartners and former Chair of the NSW TAFE Commission Board. Previously, Mr Lee served in the Australian Parliament for 17 years and held a number of senior positions in both government and opposition, including serving as Minister for Tourism, Communications and the Arts.

John Roberts, LLB

Mr Roberts is non-executive Chairman of Macquarie Infrastructure and Real Assets (MIRA) and has served on a number of boards and investment committees within MIRA, a division that has around $100 billion of assets under management. He is also a director of ASX-listed DUET Group and ASX-listed Macquarie Atlas Roads Limited. Mr Roberts joined Macquarie Group in 1991 and previously held roles within Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA), Chairman of Macquarie Infrastructure Company and executive Chairman of Macquarie Funds Group.

Directors' Report

for year ended 31 December 2014

Ann Sherry AO, BA, Grad Dip IR, FAICD, FIPAA, HonDLitt Macq

Ms Sherry is the Chief Executive Officer of Carnival Australia, a division of Carnival Corporation, the world's largest cruise ship operator which owns P&O Cruises, Princess Cruises, Cunard, Holland America, Seabourn and others which make up more than 70 per cent of the Australian and New Zealand cruise market.

Ms Sherry is also a non-executive director of ING Direct (Australia), The Myer Family Company Holdings Pty Ltd and Australian Rugby Union, as well as Chair of Safe Work Australia and Deputy Chair of the Cruise Line Industry Association (CLIA) Australasia. She previously served as First Assistant Secretary, Office of the Status of Women in the Department of Prime Minister and Cabinet, and was formerly the Chief Executive Officer of Bank of Melbourne and Westpac New Zealand, and was formerly non-executive director of Jawun-Indigenous Corporate Partnerships.

Stephen Ward, LLB

Mr Ward was on the board of MAp Airports International Limited from 2006 until 2012. He is a professional director and lawyer. He is an independent director of Sovereign Assurance Company Ltd, a subsidiary of the Commonwealth Bank of Australia, and a commercial partner of Simpson Grierson, one of New Zealand's largest law firms. He is Deputy Chair of the Life Flight Trust which operates a rescue helicopter in the Wellington region and an air ambulance service throughout New Zealand. He is a member of the Governance Board of Wellington Free Ambulance, and a member of the New Zealand Rugby Union Appeal Council.

Robert Morris, B Sc, BE, M Eng Sci

Mr Morris was previously a transport consultant and a director of Aspire Schools Financing Services (Qld) and SA Health Partnership Securitisation. He was an Executive Director of Leighton Contractors until 2003 and led the successful Leighton proposals for the Eastern Distributor and the Westlink M7 toll roads. Prior to Leighton, he was the Director of the Sydney region of the Roads and Traffic Authority, where he was closely involved with the M2, M4 and M5 motorways, as well as the Sydney Harbour Tunnel. Mr Morris resigned as a non-executive director on 15 May 2014.

Kerrie Mather, BA, MComm

Ms Mather was appointed as Sydney Airport's Managing Director and Chief Executive Officer in July 2011, and has over 18 years of international aviation and transport experience and expertise. She is Deputy Chair of the Tourism and Transport Forum's advisory board and is on the World Governing Board of Airports Council International. Ms Mather has worked with airports in multiple international jurisdictions, including as a Director on the boards of a number of UK and European airports. She has been CEO of the ASX-listed Sydney Airport Group since it was privatised in 2002. In 2011 she led the sale of Brussels and Copenhagen Airports through an asset swap with the Ontario Teachers' Pension Plan Board, and the acquisition of a further interest in Sydney Airport. In 2013 she led the corporate restructure and simplification of the ASX- listed Sydney Airport. Sydney Airport Limited now owns 100% of Sydney (Kingsford Smith) Airport. Ms Mather is a member of the Safety, Security, Environment and Health Committee.

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

Alternate directors	Period of directorship
Kerrie Mather (for J Roberts)	Appointed 15 February 2006, resigned 19 June 2014
Kerrie Mather (for M Moore-Wilton)	Appointed 25 June 2008, resigned 19 June 2014
John Roberts (for K Mather)	Appointed 15 February 2006, resigned 19 June 2014
John Roberts (for M Moore-Wilton)	Appointed 25 June 2008, resigned 19 June 2014
Max Moore-Wilton (for J Roberts)	Appointed 25 June 2008, resigned 19 June 2014
Max Moore-Wilton (for K Mather)	Appointed 25 June 2008, resigned 19 June 2014

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

Directors' Report

for year ended 31 December 2014

Company secretary

Mr Jamie Motum BEc, LLB was appointed as Company Secretary and General Counsel on 23 February 2010. He is a qualified solicitor with over 15 years experience. Prior to becoming General Counsel and Company Secretary, Mr Motum was a partner in the Corporate Group of DLA Phillips Fox specialising in mergers and acquisitions and corporate advisory work where he began his legal career in 1996.

Corporate structure

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

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

All companies in the SCACH Group (as listed above) have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Class Order 98/1418. As all companies in the Group are party to the cross guarantee, the consolidated income statement and statement of financial position of the entities party to the cross guarantee are as presented in the consolidated column of the income statement and statement of financial position.

The deed of cross guarantee ensures that each group company is jointly liable for the debts of all the companies party to the cross guarantee. This enables external stakeholders, such as creditors, to be able to rely on the consolidated accounts. The deed of cross guarantee can be found at www.sydneyairport.com.au/corporate/about-us/annual-report.aspx.

Review of operations and results

The consolidated entity earned a profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $953.1 million for the year ended 31 December 2014 (31 December 2013: $910.3 million). EBITDA excluding restructuring and redundancy costs was $953.3 million (31 December 2013: $910.4 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $260.1 million (31 December 2013: net profit of $5.3 million). The net loss is after deducting redeemable preference share distributions to shareholders totalling $285.2 million (31 December 2013: $288.3 million) which are held by the ordinary shareholders in their same proportions.

Total expenses excluding restructuring and redundancy costs were $210.4 million (31 December 2013: $204.5 million). Total expenses including restructuring and redundancy costs were $210.6 million (31 December 2013: $204.6 million). Depreciation and amortisation costs were $255.6 million (31 December 2013: $228.0 million).

Net finance costs were $791.8 million (31 December 2013: $737.0 million) and include interest expense payable to third parties (secured senior debt) totalling $461.1 million (31 December 2013: $448.2 million), and redeemable preference share costs totalling $285.2 million (31 December 2013: $288.3 million).

Management uses the above measures in comparing the Group's historical performance and believes that they provide meaningful and comparable information to users to assist in their analysis of performance relative to prior periods. EBITDA is the key component in calculating SCACH's interest coverage ratios and its distributions to shareholders, the key performance measures for debt and equity providers respectively.

Non-IFRS financial information in this Directors' Report has not been audited or reviewed by the external auditors, but has been sourced from the financial report.

Directors' Report

for year ended 31 December 2014

Financial performance and position

The table below shows an approximation of the SCACH distribution calculation for the period ending 31 December 2014 (the calculation is conducted quarterly on a rolling annual basis). The final result aligns with distributions declared by SCACH to its investors during the period. In addition, the table shows the reconciliation between the SCACH statutory result and distributions.

	31 December 2014 $m	31 December 2013 $m
Loss before income tax expense[1]	(94.3)	(54.7)
Add back: interest on redeemable preference shares (RPS) held by ordinary shareholders[1]	285.2	288.3
Add back: depreciation and amortisation[1]	255.6	228.0
Profit before tax, shareholder interest, depreciation and amortisation	446.5	461.6
Add back non-cash financial expenses		
- Capital indexed bonds (CIBs) capitalised[2]	29.7	24.4
- Amortisation of deferred debt establishment costs and other borrowing costs[2]	24.6	17.4
- Borrowing costs capitalised[2]	(8.0)	(9.6)
- Change in fair value of swaps[2]	54.6	11.6
Non-cash financial expenses	100.9	43.8
Subtract other cash movements		
Movement in cash balances with restricted use[3]	(8.7)	(12.7)
Other	(9.2)	(4.9)
Other cash movements	(17.9)	(17.6)
Cash flow available to shareholders	529.5	487.8
Interest on RPS[4]	276.4	280.7
Ordinary dividends[4]	253.1	207.1
Total distribution to shareholders	529.5	487.8

1 Numbers are taken from the Consolidated Income Statements of SCACH Financial Report to 31 December 2014.
2 Refer to note 2(e) in the Notes to the Financial Report.
3 Refer to note 25(a) in the Notes to the Financial Report.
4 Dividends declared in relation of year ended 31 December 2014. Refer to note 5 in the Notes to the Financial Report.

The following table shows the net senior debt and selected ratios as at 31 December 2014.

	31 December 2014 $m	31 December 2013 $m
Gross total debt[1]	6,926.8	6,651.0
Less: total cash[2]	(333.9)	(307.1)
Net debt	6,592.9	6,343.9
Net senior debt	6,592.9	6,343.9
EBITDA (12 months historical)	953.1	910.3
Net debt/EBITDA	6.9x	7.0x
Cashflow cover ratio[3]	2.3x	2.2x

1 Gross total debt refers to principal amount drawn, refer to note 17, and excludes shareholder related borrowing (RPS) (as they are subordinated to all other creditors) and fair value hedge adjustments on foreign currency denominated bonds.
2 Cash includes $298.9 million in note 25(a) and $35.0 million as other financial assets in note 7.
3 Cashflow Cover Ratio is calculated using defined terms in the Group's debt documents, summarised as cashflow divided by senior debt interest expense for a rolling 12 month period.

Directors' Report

for year ended 31 December 2014

In April 2014, the Group successfully issued $1.0 billion (EUR700.0 million) of senior secured notes in the Euro bond market maturing in April 2024. In May 2014, the Group successfully completed a $1.5 billion senior bank debt raising with tenor ranging from three to five years. Both of these issuances were used to refinance senior bank debt maturing in 2014, 2015, 2016 and 2017.

In 2014, the Group finalised a US Private Placement bond of A$574.0 million of 14 and 15 year senior secured notes, maturing 2028 and 2029. The receipts of proceeds were used to repay $700.0 million of bonds that matured in November 2014. The remaining balance of $126.0 million debt was repaid through bank loan.

As at 31 December 2014, there were $175.0 million and $300.0 million of debts due to mature in July 2015 and November 2015 respectively which are covered by undrawn committed bank debt facilities. There is no further debt due to mature until April 2017. At 31 December 2014, the Group had $979.8 million (31 December 2013: $662.5 million) in committed undrawn facilities available.

As part of the ongoing financing arrangements, the Group 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.

Sydney Airport Finance Company Pty Limited's senior secured debt credit ratings assigned by Standard & Poor's, Moody's remain at BBB and Baa2 respectively.

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

Independent valuation

As at 31 December 2014, the Group has net liabilities of $2,265.9 million (31 December 2013: $1,749.2 million). An independent valuation by Deloitte as at 31 December 2014 supported an Equity Value that, if applied in the financial report of the Group as at 31 December 2014, would have more than absorbed the consolidated deficiency position at 31 December 2014.

The directors believe that there are no known factors that would have had a significant adverse effect on the valuation since 31 December 2014. 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 or as otherwise required.

Dividends and distributions

In 2002, and subsequently, the economic equity for the SCACH Group was contributed in the form of ordinary shares issued, each stapled 1:1 to redeemable preference shares (RPS). The right to receive payments on the RPS held by the ordinary shareholders is subordinated to senior debt and ordinary creditors of the Group. Under current accounting standards:

- the $2,033.1 million carrying value of the RPS at 31 December 2014 is classified as borrowings rather than equity, and
- the $276.4 million RPS interest paid to shareholders during the period is included as interest expense rather than as a distribution of profits.

The Consolidated Income Statements and Consolidated Statement of Cash Flows identify the portion of net finance costs that relate to external financing activities and shareholder related financing activities. 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.

Dividends and distributions paid	31 December 2014 $m	31 December 2013 $m
- on ordinary shares (i)	246.4	192.1
- on RPS (i)	276.4	280.7
	522.8	472.8

(i) Represents cash paid as per the Consolidated Statement of Cash Flows. Also refer to Note 5.

In respect of the quarter ended 31 December 2014, the directors approved a final ordinary dividend of $60.9 million (31 December 2013: $54.2 million) and an RPS distribution of $69.7 million (31 December 2013: $69.7 million). These amounts were paid on 29 January 2015.

Directors' Report

for year ended 31 December 2014

Significant changes in the state of affairs

There were no significant changes in the state of the affairs of the Group during the reporting year, aside from changes in borrowings, as a result of normal refinancing activities.

Significant events after the balance date

On 29 January 2015 an ordinary dividend of $60.9 million (31 December 2013: $54.2 million) and an RPS distribution of $69.7 million (31 December 2013: $69.7 million) was declared for the quarter ended 31 December 2014. The final dividend has not been recognised in this financial report because it was declared after 31 December 2014.

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

Likely developments and expected results

Likely developments relating to the operations of the Group in future periods include those outlined in Sydney Airport's Master Plan 2033 that was approved by the Australian Federal Government on 17 February 2014. Further information on likely developments relating to the operations of the Group in future periods and the expected results of those operations have not been included in this financial report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

The primary piece of environmental legislation applicable to Sydney Airport is the Airports Act 1996 (the Airports Act) and regulations made under it, including the Airports (Environment Protection) Regulations 1997. The main environmental requirements of the Airports Act and the Regulations include:

- The development and implementation of an environment strategy;
- The monitoring of air, soil, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Airports Act and Regulations);
- The enforcement of the provisions of the Airports Act and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers (AEOs).

Sydney Airport's Environment Strategy 2013 - 2018 (the Strategy) now forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 17 February 2014. The Strategy was developed following an extensive community and stakeholder consultation process and outlines the plans and actions of Sydney Airport to measure, monitor, enhance and report on environmental performance over the five year period from 2013 to 2018. Sydney Airport's aims, reflected in the Strategy, are to continually improve environmental performance and minimise the impact of Sydney Airport's operations on the environment. The strategy supports initiatives in environmental management beyond regulatory requirements. The strategy is available for download from Sydney Airport's website (www.sydneyairport.com.au).

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

In recognition of its environmental responsibilities Sydney Airport has a five-year Environment Strategy designed to protect the environment and ensure compliance with the relevant environmental regulations. Sydney Airport also provides an annual environment report to the Commonwealth Government outlining its performance in achieving the policies and targets of the Environment Strategy and compliance with the relevant environmental legislation. The Environment Strategy is available on Sydney Airport's website (www.sydneyairport.com.au).

Directors' Report

for year ended 31 December 2014

Indemnities and insurance of officers and auditors

Indemnities

SCACH's constitution indemnifies each officer of SCACH and its controlled entities against a liability incurred by that person as an officer unless that liability arises out of conduct involving a lack of good faith. The constitution also provides that SCACH may make a payment to an officer or employee (by way of advance, loan or otherwise) for legal costs incurred by them in defending legal proceedings in their capacity as an officer or employee.

SCACH has entered into a Deed of Access, Indemnity and Insurance with each director and alternate director which applies during their term in office and after their resignation (except where a director engages in conduct involving a lack of good faith). SCACH's constitution provides that it may indemnify its auditor against liability incurred in its capacity as the auditor of SCACH and its controlled entities. SCACH has not provided such an indemnity.

Insurance

During the reporting period and since the end of the reporting period, the consolidated entity has paid premiums in respect of a contract insuring directors and officers of the consolidated entity in relation to certain liabilities. The insurance policy prohibits disclosure of the nature of the liabilities insured and the premium paid.

During or since the year ended 31 December 2014 the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditors of SCACH and its controlled entities.

Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 31 December 2014 and the number of meetings attended by each director were as follows:

Director	Board of Directors		Safety, Security, Environment and Health Committee	
	H	A	H	A
Max Moore-Wilton	8	8	4	4
Trevor Gerber	8	8	-	-
Michael Lee	8	8	4	4
John Roberts	8	8	-	-
Ann Sherry	5	4	3	2
Stephen Ward	8	8	-	-
Bob Morris	3	3	-	-
Kerrie Mather	8	8	4	3

H – meetings held while director   A – meetings attended   '-' indicates not applicable to that director

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence, based on advice received from the Sydney Airport Limited Audit and Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Directors' Report

for year ended 31 December 2014

Auditor's independence declaration

The auditor's independence declaration required under section 307C of the Corporations Act 2001 is included on page 10 of the financial report.

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest hundred thousand dollars unless otherwise indicated under the option available to SCACH under ASIC Class Order 98/100, 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.298(2) of the Corporations Act 2001.

On behalf of the Directors

Max Moore-Wilton

Sydney

25 February 2015

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

To: the directors of Southern Cross Airports Corporation Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

25 February 2015

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

Report on the financial report

We have audited the accompanying financial report of Southern Cross Airports Corporation Holdings Limited (the Company), which comprises the statements of financial position as at 31 December 2014, and income statements and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group and Company comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of Southern Cross Airports Corporation Holdings Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 31 December 2014 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1

KPMG

KPMG

Eileen Hoggett

Eileen Hoggett
Partner

Sydney

25 February 2015

Directors' Declaration

for year ended 31 December 2014

1. In the opinion of the Directors of Southern Cross Airports Corporation Holdings Limited:
   a. the consolidated financial statements and notes that are set out on pages 14 to 66 are in accordance with the Corporations Act 2001, including;
      i. giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Company and the group entities identified in note 31 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
3. The directors draw attention to note 1 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Max Moore-Wilton

Sydney

25 February 2015

Financial Report

for year ended 31 December 2014

Consolidated Income Statements

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Revenue					
Aeronautical revenue		486.8	464.2	-	-
Aeronautical security recovery	3	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		6.2	5.6	-	-
Total revenue		1,163.6	1,114.6	-	-
Other income					
Gain on disposal of non-current assets	2(b)	0.1	0.3	-	3,012.0
Expenses					
Employee benefits expense	2(c)	(46.9)	(42.2)	-	-
Services and utilities		(52.4)	(51.8)	-	-
Property and maintenance		(19.7)	(18.7)	-	-
Security recoverable expenses	3	(71.5)	(73.1)	-	-
Other operational costs	2(d)	(19.9)	(18.7)	-	-
Restructuring and redundancy	2(f)	(0.2)	(0.1)	-	-
Total expenses before depreciation, amortisation and net finance costs		(210.6)	(204.6)	-	-
Profit before depreciation and amortisation, net finance costs and income tax (EBITDA)		953.1	910.3	-	3,012.0
Depreciation	8	(216.3)	(188.7)	-	-
Amortisation	9	(39.3)	(39.3)	-	-
Profit before net finance costs and income tax (EBIT)		697.5	682.3	-	3,012.0
External finance (costs)/income:					
Interest income	2(e)	9.1	9.9	-	0.2
Borrowing costs – senior debt	2(e)	(461.1)	(448.2)	-	(0.1)
Change in fair value of swaps	2(e)	(54.6)	(11.6)	-	-
Interest on finance leases	2(e)	-	(0.2)	-	-
Total external finance (costs)/income (i)	2(e)	(506.6)	(450.1)	-	0.1
Shareholder related finance (costs)/income:					
Borrowing costs – redeemable preference shares held by ordinary shareholders (ii)	2(e)	(285.2)	(288.3)	(285.2)	(288.3)
Interest income from loan to related party	2(e)	-	1.4	-	1.4
Total shareholder related finance (costs)/income	2(e)	(285.2)	(286.9)	(285.2)	(286.9)
Internal finance income:					
Interest income from wholly-owned subsidiaries	2(e)	-	-	1,352.2	1,159.7
Net finance (costs)/income	2(e)	(791.8)	(737.0)	1,067.0	872.9
(Loss)/profit before income tax expense (iii)		(94.3)	(54.7)	1,067.0	3,884.9
Income tax (expense)/benefit	4(b)	(165.8)	60.0	(347.7)	(307.1)
Net (loss)/profit attributable to owners of the company		(260.1)	5.3	719.3	3,577.8

Footnotes to Consolidated Income Statements on page 15

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for year ended 31 December 2014

Notes to the financial statements are included on pages 20 to 66

Footnotes to Consolidated Income Statements:

(i) Borrowing costs include interest expense, amortisation of debt establishment costs, 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 includes $285.2 million (31 December 2013: $288.3 million) of interest expense on RPS to shareholders, which is only paid after all other financial obligations to the Group have been met.

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for year ended 31 December 2014

Consolidated Statements of Comprehensive Income

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Net (loss)/profit	(260.1)	5.3	719.3	3,577.8
Items that may subsequently be reclassified to profit or loss				
Changes in fair value of cash flow hedges	(13.1)	49.7	-	-
Tax on items that may be subsequently reclassified to profit or loss	3.9	(14.9)	-	-
Total items that may subsequently be reclassified to profit or loss	(9.2)	34.8	-	-
Items that will never be reclassified to profit or loss				
Remeasurement gain/(loss) on defined benefit plans	(1.4)	4.4	-	-
Tax on items that will never be reclassified to profit or loss	0.4	(1.3)	-	-
Total items that will never be reclassified to profit or loss	(1.0)	3.1	-	-
Other comprehensive (loss)/income, net of tax	(10.2)	37.9	-	-
Total comprehensive (loss)/income	(270.3)	43.2	719.3	3,577.8
Attributable to:				
Owners of the company	(270.3)	43.2	719.3	3,577.8

Notes to the financial statements are included on pages 20 to 66

Financial Report
as at 31 December 2014

Consolidated Statements of Financial Position

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Current assets					
Cash and cash equivalents	25(a)	298.9	307.1	0.6	0.6
Trade and other receivables	6	122.2	119.8	1.0	-
Other financial assets	7	35.0	1.4	1,172.8	1,087.4
Other assets		0.2	4.1	-	-
Total current assets		456.3	432.4	1,174.4	1,088.0
Non-current assets					
Property, plant and equipment	8	2,550.6	2,513.8	-	-
Intangibles	9	3,240.4	3,279.7	-	-
Goodwill	10	688.3	688.3	-	-
Trade and other receivables	11	35.4	41.8	-	-
Other financial assets	12	-	-	9,595.0	8,852.3
Derivative financial instruments	19	442.8	9.9	-	-
Other assets	13	400.7	447.1	393.2	438.1
Deferred tax assets	4(d)	-	-	-	9.8
Total non-current assets		7,358.2	6,980.6	9,988.2	9,300.2
Total assets		7,814.5	7,413.0	11,162.6	10,388.2
Current liabilities					
Trade and other payables	15	257.4	245.5	2,093.9	1,801.2
Provisions	16	10.3	9.9	-	-
Borrowings – external	17	474.0	733.6	-	-
Derivative financial instruments	19	134.3	125.9	-	-
Finance lease liabilities	20	-	0.4	-	-
Total current liabilities		876.0	1,115.3	2,093.9	1,801.2
Non-current liabilities					
Borrowings – external	17	6,774.9	5,943.8	-	-
Borrowings – shareholder related	18	2,033.1	2,024.3	2,033.1	2,024.3
Deferred tax liabilities	4(d)	194.1	77.5	-	-
Derivative financial instruments	19	200.7	-	-	-
Provisions	21	1.6	1.3	-	-
Total non-current liabilities		9,204.4	8,046.9	2,033.1	2,024.3
Total liabilities		10,080.4	9,162.2	4,127.0	3,825.5
Net (liabilities)/assets		(2,265.9)	(1,749.2)	7,035.6	6,562.7
Equity					
Issued capital	22	1,314.0	1,314.0	1,314.0	1,314.0
Cash flow hedge reserve	23	(177.1)	(167.9)	-	-
(Accumulated losses)/retained earnings	24	(3,402.8)	(2,895.3)	5,721.6	5,248.7
Total equity		(2,265.9)	(1,749.2)	7,035.6	6,562.7

Notes to the financial statements are included on pages 20 to 66

Financial Report

for year ended 31 December 2014

Consolidated Statement of Cash Flows

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		1,303.5	1,223.5	-	-
Interest received		8.9	9.9	522.8	472.5
Cash was applied to:					
Payments to suppliers and employees		(326.9)	(329.4)	-	-
Interest – senior debt		(233.0)	(250.2)	-	-
Interest rate swaps		(161.8)	(141.9)	-	-
Net cash flows provided by operating activities	25(b)	590.7	511.9	522.8	472.5
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		0.1	0.3	-	-
Cash was applied to:					
Payments for purchase of short term financial assets		(35.0)	-	-	-
Acquisition of property, plant and equipment		(253.7)	(226.5)	-	-
Capitalised borrowing costs		(8.0)	(9.6)	-	-
Net cash flows used in investing activities		(296.6)	(235.8)	-	-
Cash flows from financing activities					
External financing activities:					
Cash was provided from:					
Proceeds from borrowings – bonds and bank loans		2,268.0	442.0	-	-
Cash was applied to:					
Repayment of borrowings – bonds and bank loans		(2,022.0)	(217.0)	-	-
Debt establishment costs		(25.1)	(17.5)	-	-
Finance lease payments		(0.4)	(2.3)	-	-
Net cash flows provided by external financing activities		220.5	205.2	-	-
Shareholder related financing activities:					
Cash was provided from:					
Repayment of loan to related party	31	-	112.3	-	112.3
Cash was applied to:					
Dividends paid – ordinary shares	5	(246.4)	(192.1)	(246.4)	(192.1)
Interest paid – redeemable preference shares	5	(276.4)	(280.7)	(276.4)	(280.7)
Loan to related party	31	-	(112.3)	-	(112.3)
Net cash flows used in shareholder related financing activities		(522.8)	(472.8)	(522.8)	(472.8)
Net cash flows used in financing activities		(302.3)	(267.6)	(522.8)	(472.8)
Net (decrease)/increase in cash and cash equivalents		(8.2)	8.5	-	(0.3)
Cash and cash equivalents at beginning of the year		307.1	298.6	0.6	0.9
Cash and cash equivalents at end of the year	25(a)	298.9	307.1	0.6	0.6

Notes to the financial statements are included on pages 20 to 66

Financial Report

for year ended 31 December 2014

Consolidated Statements of Changes in Equity

Statements of Changes in Equity – Consolidated

	Issued capital $m	Cash flow hedge reserve $m	Accumulated losses $m	Total $m
At 1 January 2013	**1,314.0**	**(202.7)**	**(2,711.6)**	**(1,600.3)**
Total comprehensive (loss)/income	-	34.8	8.4	**43.2**
Dividends on ordinary shares	-	-	(192.1)	**(192.1)**
At 31 December 2013	**1,314.0**	**(167.9)**	**(2,895.3)**	**(1,749.2)**
At 1 January 2014	**1,314.0**	**(167.9)**	**(2,895.3)**	**(1,749.2)**
Total comprehensive (loss)/income	-	(9.2)	(261.1)	**(270.3)**
Dividends on ordinary shares	-	-	(246.4)	**(246.4)**
At 31 December 2014	**1,314.0**	**(177.1)**	**(3,402.8)**	**(2,265.9)**

Statements of Changes in Equity – Company

	Issued capital $m	Retained earnings $m	Total $m
At 1 January 2013	**1,314.0**	**1,863.0**	**3,177.0**
Total comprehensive income	-	3,577.8	**3,577.8**
Dividends on ordinary shares	-	(192.1)	**(192.1)**
At 31 December 2013	**1,314.0**	**5,248.7**	**6,562.7**
At 1 January 2014	**1,314.0**	**5,248.7**	**6,562.7**
Total comprehensive income	-	719.3	**719.3**
Dividends on ordinary shares	-	(246.4)	**(246.4)**
At 31 December 2014	**1,314.0**	**5,721.6**	**7,035.6**

Notes to the financial statements are included on pages 20 to 66.

Notes to the Financial Report

for year ended 31 December 2014

1. Summary of Significant Accounting Policies

Reporting entity

The financial report includes the separate financial statements of Southern Cross Airports Corporation Holdings Limited (the Company) and the consolidated financial statements of the company and its controlled entities.

Southern Cross Airports Corporation Holdings Limited and its controlled entities have elected to apply Class Order CO10/654 which allows companies that present consolidated financial statements to include parent entity financial statements as part of their financial report under Chapter 2M of the Corporations Act 2001. Therefore, both the consolidated entity and the parent entity financial reports are presented for the period ended 31 December 2014.

SCACH is not a disclosing entity under the Corporations Act 2001. There are no reasons to suspect SCACH may become a disclosing entity in the next reporting period.

Basis of preparation

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and complies with other requirements of the law.

The consolidated financial report of the Group (the 'Consolidated entity' or 'Group') and the financial report of the company comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors on 25 February 2015.

Basis of measurement

The financial report has been prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value, and defined benefit asset/liabilities measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised remeasurement losses, less unrecognised remeasurement gains and the present value of the defined benefit obligation. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in Australian dollars.

Functional and presentation currency

The company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Net current liability position

The Group is in a net current liability position of $419.7 million as at 31 December 2014. This is due to $474.0 million of bonds classified as current borrowings (previously non-current borrowings), which is fully covered by undrawn committed bank debt facilities.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. Certain comparative amounts have been reclassified to conform to the current year's presentation.

Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities and comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127: *Consolidated and Separate Financial Statements*. Controlled entities are listed in note 31 to the financial statements. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting principles.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all intercompany balances and transactions arising within the consolidated entity are eliminated in full.

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions, held for the purpose of meeting short-term cash commitments. These are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and have a term to maturity of three months or less at balance date.

Deposits held at call with an original term to maturity of greater than three months at balance date are classified separately as other financial assets.

b) Investments and Other financial assets

Investments

Investments are recognised and derecognised on trade date where a purchase or sale of an investment is under a

Notes to the Financial Report

for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially valued at fair value, net of transaction costs.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements.

Other financial assets

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss'; 'held-to-maturity' investments; 'available-for-sale financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

c) Other assets

Other assets comprise prepayments made relating to goods and services to be rendered and deferred debt establishment costs.

d) Property, plant and equipment

All classes of property, plant and equipment are stated at cost less accumulated depreciation and impairment.

Cost

Assets acquired are recorded at the cost of acquisition, being the purchase consideration plus costs incidental to the acquisition. Assets constructed include all direct costs incurred. These costs include materials, labour, borrowing costs and other directly attributable expenditure.

Depreciation

Property, plant and equipment assets are depreciated on a straight-line basis at various rates being the shorter of the average useful life for that asset type and, if relevant, over the remaining period of the lease. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Depreciation periods of each class of asset are:

Freehold land	99 years
Buildings	5-60 years
Runways, taxiways and aprons	6-99 years
Other infrastructure	9-40 years
Operational plant and equipment	14-20 years
Other plant and equipment	3-60 years

e) Maintenance

Major periodic maintenance expenditure on runways, taxiways and aprons are capitalised and depreciated over the period between major repairs to the extent the maintenance enhances the economic benefit associated with the asset or the relevant component has been depreciated. This recognises that major maintenance will increase the value of the asset and therefore the cost is apportioned over the period of related benefit. Other maintenance costs are expensed as incurred.

f) Intangible assets

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

The useful lives of the intangible assets are assessed to be either finite or indefinite. Where amortisation is charged on assets with finite lives, this expense is taken to the income statement.

Intangible assets are tested for impairment where an indicator of impairment exists, and in the case of indefinite life intangibles annually, either individually or at the cash generating unit level. Useful lives are also examined on an

Notes to the Financial Report
for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

annual basis and adjustments, where applicable, are made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

A summary of the policies applied to the Group's intangible assets is as follows:

	Leasehold Land	Airport Operator Licence
Nature	Right to use the land of Sydney Airport	Right to operate Sydney Airport
Useful lives	Finite	Finite
Amortisation method used	95 years from 28 June 2002 on a straight line basis	95 years from 28 June 2002 on a straight line basis
Impairment test	When an indicator of impairment exists	When an indicator of impairment exists

g) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or group of CGUs) and then to the other assets in the CGU (or groups of CGUs). An impairment of goodwill is recognised immediately in profit or loss and is not subsequently reversed.

h) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

i) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has two categories of non-derivative financial liabilities on the statement of financial position: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

j) Financial instruments issued by the company

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Notes to the Financial Report
for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates interest paid on the financial liability. Fair value is determined in the manner as described in note 26.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments.

k) Derivative financial instruments

Accounting treatment

Derivative financial instruments are made up of interest rate swaps and cross currency swaps transacted to hedge the Group's interest rate and foreign currency risks. Speculative trading is specifically prohibited by Board policy.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group holds derivative financial instruments to hedge foreign currency and interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit and loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other

Notes to the Financial Report
for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value estimation

The fair value of financial instruments with embedded derivatives traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of derivative financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

l) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, incentives, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rates expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Provision for employees' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in directors' remuneration as applicable, once these benefits have vested with the employee.

All employees of the Group are entitled to benefits from the Group's superannuation plan on retirement, disability or death. The Group has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability/(asset).

The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment,

Notes to the Financial Report
for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on a settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payment made directly by the Group in connection with the settlement.

m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Aeronautical revenue

Aeronautical revenue with the exception of international passenger flights is generated from:

i. charges levied on aircraft runway movements (take off and landing) where the invoiced amount is based on the maximum take off weight of fixed wing aircraft and movements of rotary wing aircraft;
ii. charges levied on arriving and departing passengers;
iii. time based aircraft parking charges; and
iv. charges for exclusive first right use of gates.

Aeronautical revenue for international flights is derived from:

i. a passenger service charge (incorporating runway and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and positioning crew; and
ii. time-based aircraft parking charges.

Aeronautical revenue is recognised on a straight-line basis or based on the completion of the rendering of the above-listed services.

Aeronautical security recovery

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 passenger screening services). Aeronautical security recoveries are for the following services:

i. international services include checked bag screening, passenger screening, counter terrorist first response and additional security measures. All charges are levied on a per passenger basis.
ii. domestic services include counter terrorist first response and additional security measures levied on a per passenger basis and passenger screening (Terminal 2 only).

Aeronautical security recovery is recognised based on the completion of the rendering of the above-listed services.

Retail revenue

Retail revenue comprises rental from tenants whose activities include the sale of duty free, food and beverage and other retail products as well as the rendering of finance and advertising services. Rental income from the tenants is recognised on a straight-line basis over the lease term. Contingent rental income is recognised in the periods in which the contingent event occurs.

Property and car rental revenue

Property revenue relates to rent due from airport property, including terminals, buildings and other leased areas and is recognised on a straight-line basis over the lease term. Contingent rental income is recognised in the periods in which the contingent event occurs. Car rental revenue relates to concession charges from car rental and is recognised when the related services are provided.

Car parking and ground transport revenue

Car parking and ground transport revenue includes time-based charges from public and staff car parking. Revenue is recognised when the related services are provided.

Notes to the Financial Report
for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

o) Lease assets

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis of the lease term.

p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they were incurred.

q) Finance costs

Finance costs consist of borrowing costs and the fair value adjustments of the derivative instruments.

r) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the statement of financial position. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred income tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are released or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Notes to the Financial Report

for year ended 31 December 2014

1. Summary of Significant Accounting Policies (continued)

SCACH

SCACH and its wholly owned Australian entities are part of the Sydney Airport Limited (SAL) tax-consolidated group (TCG) formed under Australian income tax law on 3 December 2013. The head entity, SAL and entities in the SAL TCG account for their own current and deferred tax accounts. Tax expense and deferred tax assets and liabilities arising from temporary differences of members of the SAL TCG are recognised in their separate financial statements using the 'stand-alone tax payer' approach.

Under the tax sharing agreement between SAL TCG entities, amounts are recognised as payable to or receivable by each member of the TCG in relation to the tax contribution amounts paid or payable between SAL and members of the TCG.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Income taxes

The Group is subject to income taxes in Australia. Judgement is required in determining the provision for income taxes. There are some transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

b) Critical judgements in applying the entity's accounting policies

There were no critical judgements in applying the entity's accounting policies for the period ended 31 December 2014.

New standards and interpretations

The Group has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to Group's operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations has not had a material impact on the Group for the year ended 31 December 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 Group's 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 Group does not plan to adopt this standard early and the extent of the impact has not been determined. AASB 15: *Revenue from contracts with customers* becomes mandatory for the Group's 2017 consolidated financial statements. The Groups do not plan to adopt this standard early and it is not expected to have a material impact to the Group.

Notes to the Financial Report

for year ended 31 December 2014

2. Revenue and Expenses

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(a) Revenue					
Operating lease rental revenue:					
Contingent rental revenue (i)		111.8	106.1	-	-
(b) Other income/expenses					
Included in other income/expenses:					
Gain on disposal of non-current assets		0.1	0.3	-	3,012.0
(c) Employee benefits expense					
Wages, salaries and bonus		38.7	35.1	-	-
Defined benefit superannuation expense	28	1.5	1.6	-	-
Defined contribution superannuation expense		3.5	3.2	-	-
Payroll and fringe benefit taxes		3.4	3.2	-	-
Worker's compensation costs		0.6	0.5	-	-
Other		2.3	1.9	-	-
		50.0	45.5	-	-
Less:					
Security recoverable employee benefits expense	3	(3.1)	(3.3)	-	-
		46.9	42.2		
Redundancy costs	2(f)	0.2	0.1	-	-
		47.1	42.3	-	-
(d) Other operational costs					
Software		4.7	4.4	-	-
Marketing costs		3.0	3.3	-	-
Insurance costs		3.8	3.9	-	-
Legal fees		0.3	0.7	-	-
Bad and doubtful debt expenses		-	-	-	-
Operating lease payments		0.5	0.8	-	-
Other		8.1	6.4	-	-
		20.4	19.5	-	-
Less:					
Security recoverable other operational costs	3	(0.5)	(0.8)	-	-
		19.9	18.7	-	-

(i) Contingent rental revenue is derived from retail, property and car rental and some car parking and ground transport areas.

Notes to the Financial Report
for year ended 31 December 2014

2. Revenue and Expenses (continued)

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(e) Finance (costs)/income				
External finance (costs)/income				
Interest income				
Bank Interest	9.1	9.9	-	0.2
Borrowing costs - senior debt				
Senior debt interest paid or accrued	(261.9)	(263.7)	-	-
Net swap interest expense	(144.6)	(140.3)	-	-
Capital indexed bonds (CIBs) capitalised during the period	(29.7)	(24.4)	-	-
Amortisation of debt establishment costs and other borrowing costs	(24.6)	(17.4)	-	-
Recurring borrowings costs paid	(8.3)	(12.0)	-	(0.1)
Borrowing costs capitalised	8.0	9.6	-	-
	(461.1)	(448.2)	-	(0.1)
Change in fair value of swaps	(54.6)	(11.6)	-	-
Interest on finance leases	-	(0.2)	-	-
Total external finance costs	(506.6)	(450.1)	-	0.1
Shareholder related finance costs				
Redeemable preference shares interest expense				
Redeemable preference shares held by ordinary shareholders interest paid or accrued	(276.4)	(280.7)	(276.4)	(280.7)
Amortisation of deferred debt establishment costs	(8.8)	(7.6)	(8.8)	(7.6)
	(285.2)	(288.3)	(285.2)	(288.3)
Internal finance income				
Interest income				
Interest from loan to related party	-	1.4	-	1.4
Interest from wholly-owned subsidiaries	-	-	1,352.2	1,159.7
	-	1.4	1,352.2	1,161.1
Net finance (costs)/income	(791.8)	(737.0)	1,067.0	872.9
(f) Non-recurring expenses				
Restructuring and redundancy costs (ii)	0.2	0.1	-	-

(ii) Costs relate to redundancies paid during the year.

Notes to the Financial Report

for year ended 31 December 2014

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 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 and additional security measures. All charges are levied on a per passenger basis.

b. Domestic services include additional 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:

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Revenue				
Security recovery	81.5	83.7	-	-
Expenses				
Employee benefits expense	(3.1)	(3.3)	-	-
Services and utilities	(65.5)	(67.1)	-	-
Other operational costs	(0.5)	(0.8)	-	-
Property and maintenance	(2.4)	(1.9)	-	-
Total direct costs	(71.5)	(73.1)	-	-
Depreciation	(6.3)	(6.4)	-	-
Borrowing costs	(3.7)	(4.2)	-	-
Surplus/(deficit)	-	-	-	-

Notes to the Financial Report

for year ended 31 December 2014

4. Income Taxes

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(a) Income tax recognised in profit or loss				
Tax benefit/(expense) comprises:				
Current income tax				
Current income tax (expense)/benefit	-	-	(347.7)	(307.1)
Deferred income tax				
Relating to origination and reversal of temporary differences	(165.8)	60.0	-	-
Income tax (expense)/benefit reported in income statement	(165.8)	60.0	(347.7)	(307.1)
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
(Loss)/profit before income tax	(94.3)	(54.7)	1,067.0	3,884.9
Income tax benefit/(expense) calculated at 30%	28.3	16.4	(320.1)	(1,165.5)
Expenses that are not deductible	(97.0)	(11.8)	(49.0)	903.6
Adjustments recognised in the current year in relation to the prior year	-	(59.2)	-	(57.9)
Recognition of previously unrecognised tax losses	21.4	-	21.4	-
Tax cost adjustments on joining SAL TCG (i)	(118.5)	114.6	-	12.7
Income tax (expense)/benefit reported in income statement	(165.8)	60.0	(347.7)	(307.1)

(i) Refer to note 1(r).

(c) Tax losses

At 31 December 2014 all tax assets arising from tax losses have been recognised.

Notes to the Financial Report

for year ended 31 December 2014

4. Income Taxes (continued)

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(d) Deferred taxes				
Deferred income taxes are calculated in full on temporary differences under the comprehensive liability method using the income tax rates applicable for all group companies.				
The movement on the deferred income tax account is as follows:				
At the beginning of the year	(77.5)	316.8	9.8	504.9
Transferred from common controlled entities	-	-	-	-
Reclassify tax losses to Other Non-Current Assets (i)	44.9	(438.1)	-	(188.0)
Charged to equity	4.3	(16.2)	-	-
Charged to income statement	(165.8)	60.0	(9.8)	(307.1)
At the end of the year	(194.1)	(77.5)	-	9.8
(e) Deferred tax balances				
Deferred tax assets comprise:				
Temporary differences	49.5	5.6	-	9.8
Deferred tax liabilities comprise:				
Temporary differences	243.6	83.1	-	-

(i) The Group joined the SAL TCG from 3 December 2013. Under the tax sharing agreement with SAL TCG, $393.2 million has been reclassed to non-current other assets (Note 13) (31 December 2013: $438.1 million).

Consolidated 31 December 2014	Opening balance $m	Charged to income $m	Transfer to Other Non-Current Assets $m	Charged to equity $m	Closing balance $m
Gross deferred tax liabilities:					
Deferred debt establishment cost	-	(11.4)	-	-	(11.4)
Accrued revenue	(6.8)	(0.9)	-	-	(7.7)
Property, plant and equipment	(73.4)	(166.8)	-	-	(240.2)
Remeasurement gains and losses on defined benefit plan	(1.0)	-	-	0.4	(0.6)
Borrowings	-	17.7	-	-	17.7
Prepayments	(1.3)	0.4	-	-	(0.9)
Defined benefit plan (deficit)/asset	(0.6)	0.1	-	-	(0.5)
	(83.1)	(160.9)	-	0.4	(243.6)
Gross deferred tax assets:					
Accrued expenses and provisions	8.7	0.9	-	-	9.6
Deferred income	(0.9)	1.1	-	-	0.2
Derivatives	(7.1)	42.9	-	3.9	39.7
Tax losses	-	(44.9)	44.9	-	-
TOFA asset	4.9	(4.9)	-	-	-
	5.6	(4.9)	44.9	3.9	49.5
Net deferred tax (liabilities)/assets	(77.5)	(165.8)	44.9	4.3	(194.1)

Notes to the Financial Report

for year ended 31 December 2014

4. Income Taxes (continued)

Consolidated 31 December 2013	Opening balance $m	Charged to income $m	Transfer to Other Non-Current Assets $m	Charged to equity $m	Closing balance $m
Gross deferred tax liabilities:					
Deferred debt establishment cost	(21.8)	21.8	-	-	-
Accrued revenue	(9.4)	2.6	-	-	(6.8)
Property, plant and equipment	(256.6)	183.2	-	-	(73.4)
Remeasurement gains and losses on defined benefit plan	0.3	-	-	(1.3)	(1.0)
Borrowings	(53.4)	53.4	-	-	-
Prepayments	(1.7)	0.4	-	-	(1.3)
Defined benefit plan (deficit)/asset	(0.7)	0.1	-	-	(0.6)
	(343.3)	261.5	-	(1.3)	(83.1)
Gross deferred tax assets:					
Accrued expenses and provisions	8.4	0.3	-	-	8.7
Deferred income	(0.4)	(0.5)	-	-	(0.9)
Derivatives	106.4	(98.6)	-	(14.9)	(7.1)
Tax losses	536.3	(98.2)	(438.1)	-	-
TOFA asset	9.4	(4.5)	-	-	4.9
	660.1	(201.5)	(438.1)	(14.9)	5.6
Net deferred tax assets/(liabilities)	316.8	60.0	(438.1)	(16.2)	(77.5)

Company 31 December 2014	Opening balance $m	Charged to income $m	Transfer to Other Non-Current Assets $m	Other (i) $m	Closing balance $m
Gross deferred tax assets:					
Tax losses	-	-	-	-	-
TOFA asset	9.8	(9.8)	-	-	-
	9.8	(9.8)	-	-	-
Net deferred tax assets/(liabilities)	9.8	(9.8)	-	-	-

(i) Tax losses and current tax liabilities from subsidiaries are transferred to the head entity of the tax consolidated group.

Company 31 December 2013	Opening balance $m	Charged to income $m	Transfer to Other Non-Current Assets $m	Other (i) $m	Closing balance $m
Gross deferred tax liabilities:					
Deferred debt establishment cost	(9.1)	9.1	-	-	-
Borrowings	(41.8)	41.8	-	-	-
	(50.9)	50.9	-	-	-
Gross deferred tax assets:					
Tax losses	536.3	(348.3)	(438.1)	250.1	-
TOFA asset	19.5	(9.7)	-	-	9.8
	555.8	(358.0)	(438.1)	250.1	9.8
Net deferred tax assets/(liabilities)	504.9	(307.1)	(438.1)	250.1	9.8

(i) Tax losses and current tax liabilities from subsidiaries are transferred to the head entity of the tax consolidated group.

Notes to the Financial Report

for year ended 31 December 2014

4. Income Taxes (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets relate to the same fiscal authority.

(f) Tax consolidation

SCACH and its wholly-owned subsidiaries are part of a tax-consolidated group (TCG) under Australian taxation law, headed by Sydney Airport Limited (SAL).

Tax expense and income, deferred tax liabilities and assets arising from temporary differences of the members of the TCG are recognised in the separate financial statements of the members of the TCG. The amounts recognised are calculated using the assumptions set out in the tax funding agreement, using the "stand-alone tax payer" approach. Current tax liabilities and assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company.

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to, or receivable by, the company and each member of the group in relation to the tax contribution amounts paid or payable between SAL and members of the TCG.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

The consolidated entity has not paid income tax during the year and has not recorded a current income tax liability at 31 December 2014. The franking account balance is $0.3 million (31 December 2013: $0.3 million).

(g) Tax expense/(income) relating to items of other comprehensive income

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Cash flow hedges	3.9	(14.9)	-	-
Remeasurement movements on defined benefit obligation	0.4	(1.3)	-	-
	4.3	(16.2)	-	-

Notes to the Financial Report
for year ended 31 December 2014

5. Dividends and Distributions Paid and Proposed

The economic equity for the SCACH Group is in the form of ordinary shares stapled 1:1 to redeemable preference shares (RPS). Payments on the RPS are subordinated to senior debt and ordinary creditors of the Group. Interest payments in respect of RPS are included as borrowing costs in the Consolidated Income Statement consistent with the classification in the Consolidated Statement of Financial Position of the related instrument. Ordinary dividends are only paid on shares if there is cash available after payment of RPS interest.

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
RPS				
Accrued interest at the beginning of the period	(50.0)	(50.0)	(50.0)	(50.0)
Interest paid	276.4	280.7	276.4	280.7
Accrued interest at the end of the period	50.0	50.0	50.0	50.0
RPS interest expense	276.4	280.7	276.4	280.7

	31 December 2014		31 December 2013	
	$ per share	Total $m	$ per share	Total $m
Ordinary shares				
Amounts paid in period				
December quarter paid in January 2014 (31 December 2013: January 2013)	3.97	54.2	2.87	39.1
March quarter paid in April 2014 (31 December 2013: April 2013)	4.88	66.6	3.99	54.4
June quarter paid in July 2014 (31 December 2013: December 2013)	3.89	53.1	2.94	40.1
September quarter paid in October 2014 (31 December 2013: December 2013)	5.31	72.5	4.28	58.5
		246.4		192.1
Amounts paid after period end				
December quarter paid in January 2015 (31 December 2013: January 2014)	4.46	60.9	3.97	54.2

In respect of the financial quarter ended 31 December 2014, the directors approved a final ordinary dividend of $60.9 million (31 December 2013: $54.2 million). This was paid on 29 January 2015 (31 December 2013: 28 January 2014). Total dividends attributable to the period ended 31 December 2014 were $253.1 million (31 December 2013: $207.2 million). These dividends were all unfranked.

In August 2013, a loan of $112.3 million was made to Sydney Airport Trust 2, a related party. The loan incurred interest at 4.0% per annum. This loan was extinguished in December 2013 via an in-specie ordinary dividend and RPS interest payment of $40.1 million and $72.2 million respectively. The in-specie ordinary dividend and RPS interest has been reflected gross in the Consolidated Statement of Cash Flows under Shareholder related financing activities. The interest accrued on the loan of $1.4 million was reflected in Current Other Financial Assets. This balance was paid in full during 2014.

Notes to the Financial Report
for year ended 31 December 2014

6. Current Trade and Other Receivables

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Trade receivables	(i)	71.1	76.2	-	-
Provision for impairment of receivables	(ii)	(0.1)	(0.1)	-	-
		71.0	76.1	-	-
Accrued revenue		39.2	34.9	-	-
Credit note provision		(0.5)	(0.6)	-	-
Operating lease receivable		4.6	1.9	-	-
Prepaid expenses		3.4	3.7	-	-
Other receivables		4.5	3.8	1.0	-
		122.2	119.8	1.0	-

Refer to note 11 for non-current portion of trade receivables.

(i) Trade receivables are generally non-interest bearing and are on 30 day terms. The total value of trade receivables past due date but not impaired is $1.24 million (31 December 2013: $1.23 million).

(ii) Movement in the allowance for doubtful debts is shown in the table below:

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Balance at beginning of the year		0.1	0.1	-	-
(Decrease)/increase in allowance recognised in other operational costs	2(d)	-	-	-	-
Increase/(decrease) in allowance recognised in revenue		-	-	-	-
Balance at end of the year		0.1	0.1	-	-

7. Current Other Financial Assets

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
At amortised cost					
Term deposit greater than 3 months to maturity		35.0	-	-	-
Loans to entities in the wholly-owned group	(i)	-	1.4	1,172.8	1,087.4
		35.0	1.4	1,172.8	1,087.4

(i) Terms and conditions are disclosed in note 31.

Refer to note 12 for the non-current portion of other current financial assets.

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for year ended 31 December 2014

8. Property, Plant and Equipment

Consolidated reconciliation of gross carrying amount	Freehold land $m	Buildings on leasehold land $m	Runways, taxis and aprons $m	Other infrastructure $m	Operational plant and equipment $m	Other plant and equipment $m	Capital works in progress $m	Total $m
	31 December 2014							
Opening balance	11.3	1,627.0	785.2	770.6	350.7	221.6	162.8	3,929.2
Additions	-	-	-	-	-	-	253.1	253.1
Transfers	-	122.5	44.1	48.8	7.6	16.0	(239.0)	-
Disposals	-	-	-	-	-	(0.4)	-	(0.4)
Adjustments	-	-	-	-	-	-	-	-
Closing balance	11.3	1,749.5	829.3	819.4	358.3	237.2	176.9	4,181.9

Consolidated reconciliation of accumulated depreciation and impairment	Freehold land $m	Buildings on leasehold land $m	Runways, taxis and aprons $m	Other infrastructure $m	Operational plant and equipment $m	Other plant and equipment $m	Capital works in progress $m	Total $m
	31 December 2014							
Opening balance	(1.5)	(575.1)	(195.6)	(230.9)	(236.1)	(176.2)		(1,415.4)
Depreciation	(0.1)	(104.7)	(32.8)	(42.8)	(16.9)	(19.0)		(216.3)
Transfers	-	-	-	-	-	-		-
Disposals	-	-	-	-	-	0.4		0.4
Adjustments	-	-	-	-	-	-		-
Closing balance	(1.6)	(679.8)	(228.4)	(273.7)	(253.0)	(194.8)		(1,631.3)
Net book value	9.7	1,069.7	600.9	545.7	105.3	42.4	176.9	2,550.6

Consolidated reconciliation of gross carrying amount	Freehold land $m	Buildings on leasehold land $m	Runways, taxis and aprons $m	Other infrastructure $m	Operational plant and equipment $m	Other plant and equipment $m	Capital works in progress $m	Total $m
	31 December 2013							
Opening balance	11.4	1,545.8	752.7	745.5	341.2	194.1	93.4	3,684.1
Additions	-	-	-	-	-	-	245.3	245.3
Transfers	-	81.2	32.5	25.1	9.4	27.8	(175.9)	0.1
Disposals	-	-	-	-	-	(0.3)	-	(0.3)
Adjustments	(0.1)	-	-	-	0.1	-	-	-
Closing balance	11.3	1,627.0	785.2	770.6	350.7	221.6	162.8	3,929.2

Consolidated reconciliation of accumulated depreciation and impairment	Freehold land $m	Buildings on leasehold land $m	Runways, taxis and aprons $m	Other infrastructure $m	Operational plant and equipment $m	Other plant and equipment $m	Capital works in progress $m	Total $m
	31 December 2013							
Opening balance	(1.4)	(489.6)	(170.7)	(200.2)	(212.5)	(152.6)		(1,227.0)
Depreciation	(0.1)	(85.5)	(24.9)	(30.7)	(23.6)	(23.9)		(188.7)
Transfers	-	-	-	-	-	-		-
Disposals	-	-	-	-	-	0.3		0.3
Adjustments	-	-	-	-	-	-		-
Closing balance	(1.5)	(575.1)	(195.6)	(230.9)	(236.1)	(176.2)		(1,415.4)
Net book value	9.8	1,051.9	589.6	539.7	114.6	45.4	162.8	2,513.8

Notes to the Financial Report
for year ended 31 December 2014

8. Property, Plant and Equipment (continued)

The Company has no Property, plant and equipment.

Domestic terminal leases

Domestic terminal leases include a term that requires SACL to buy buildings constructed by a tenant at market value at the date the lease terminates in 2019.

Notes to the Financial Report
for year ended 31 December 2014

9. Intangible Assets

Consolidated	Leasehold land $m	Airport operator licence $m	Total $m
Gross carrying costs			
At 31 December 2014	1,672.0	2,058.1	3,730.1
Accumulated amortisation			
Opening accumulated amortisation as at 1 January 2014	(201.2)	(249.2)	(450.4)
Amortisation	(17.6)	(21.7)	(39.3)
At 31 December 2014	(218.8)	(270.9)	(489.7)
At 31 December 2014			
Cost (gross carrying amount)	1,672.0	2,058.1	3,730.1
Accumulated amortisation	(218.8)	(270.9)	(489.7)
Net carrying amount	1,453.2	1,787.2	3,240.4
Gross carrying costs			
At 31 December 2013	1,672.0	2,058.1	3,730.1
Accumulated amortisation			
Opening accumulated amortisation as at 1 January 2013	(183.6)	(227.5)	(411.1)
Amortisation	(17.6)	(21.7)	(39.3)
At 31 December 2013	(201.2)	(249.2)	(450.4)
At 31 December 2013			
Cost (gross carrying amount)	1,672.0	2,058.1	3,730.1
Accumulated amortisation	(201.2)	(249.2)	(450.4)
Net carrying amount	1,470.8	1,808.9	3,279.7

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, 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 licence	
	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Carrying amount	1,453.2	1,470.8	1,787.2	1,808.9
Remaining useful life	82.5 years	83.5 years	82.5 years	83.5 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 of Sydney Airport Corporation Limited (SACL) by Southern Cross Airports Corporation Pty Limited (SCAC). Both assets are tested for impairment annually and where an indicator of impairment arises.

Leasehold land and the airport operator licence have been tested for impairment based on a single cash generating unit approach. All income streams are inextricably linked to one single cash generating unit and individual cash flows cannot be separated from airport operations. Refer to note 10 on Goodwill for the impairment testing methodology.

Notes to the Financial Report

for year ended 31 December 2014

10. Goodwill

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Gross carrying amount	688.3	688.3	-	-
Accumulated impairment losses	-	-	-	-
Net book value				
At the beginning of the financial year	688.3	688.3	-	-
At the end of the financial year	688.3	688.3	-	-

Goodwill relates to the acquisition of SACL by SCAC on 28 June 2002 and is considered as an indefinite life asset.

Indefinite life intangible assets, such as goodwill, are reviewed annually for impairment. The recoverable amount of such assets is assessed by reference to their value in use. Value in use is determined by reference to discounted cash flow forecasts for the cash generating unit of Sydney Airport.

The cash flows used in the discounted cash flow analysis were projected based on a financial model covering a twenty-year period. Cash flows for the first five years of this twenty year period were based on a detailed business planning process referencing historical performance and the Group's views on key drivers. Long term cash flows to equity after year five were extrapolated consistent with an average growth rate that is ahead of forecast Australian Gross Domestic Product. Terminal value was calculated as a multiple of earnings before interest, taxation, depreciation and amortisation in the twentieth year. Cash flows were discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). In estimating individual components of the CAPM the Group has taken into account historical and related market data. An increase of approximately twenty percentage points in the risk premium (a component of the discount rate) would not result in an impairment of goodwill.

Other key assumptions used in the fair value less costs to sell calculation include international and domestic passenger numbers and inflation. Total passenger numbers were 38.5 million for year ended 31 December 2014 (31 December 2013: 37.9 million) and experienced growth of 1.7% during 2014 (31 December 2013: 2.8%). Average long term inflation rates were assumed to be within the Reserve Bank of Australia (RBA) target range.

During the financial year, no such assets were found to be impaired (31 December 2013: $Nil).

Valuation of Sydney Airport

As at 31 December 2014, the Group has net liabilities of $2,265.9 million (31 December 2013: $1,749.2 million). An independent valuation by Deloitte as at 31 December 2014 supported an Equity Value that, if applied in the financial report of the Group as at 31 December 2014, would have more than absorbed the consolidated deficiency position at 31 December 2014.

The directors believe that it is appropriate to rely on the valuation for 31 December 2014 reporting period and are unaware of any factors occurring since the valuation date that would have a material negative impact on the valuation.

Notes to the Financial Report
for year ended 31 December 2014

11. Non-Current Trade and Other Receivables

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Accrued revenue	12.0	12.6	-	-
Operating lease receivable	20.9	25.8	-	-
Prepayments	2.5	3.4	-	-
	35.4	41.8	-	-

12. Non-Current Other Financial Assets

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
At amortised cost:					
Loans to entities in the wholly-owned group	(i)	-	-	(85.8)	(828.5)
Investment in subsidiaries	(ii)	-	-	9,680.8	9,680.8
		-	-	9,595.0	8,852.3

(i) Terms and conditions are disclosed in note 31
(ii) Includes contribution to subsidiaries arising from tax consolidation.

13. Non-Current Other Assets

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Superannuation plan asset	28	3.7	5.4	-	-
Deferred costs		-	0.2	-	-
Deferred debt establishment costs	(i)	3.8	3.4	-	-
Other receivables		393.2	438.1	393.2	438.1
		400.7	447.1	393.2	438.1

(i) Deferred debt establishment costs represent prepaid borrowing costs on debt facilities undrawn at 31 December.

Other receivables represents tax losses that are to be utilised within the SCACH group.

14. Assets Pledged as Security

In accordance with the security arrangements of liabilities, as disclosed in note 17 to the financial statements, all assets of the Group, including the Airport Lease, except deferred tax and goodwill, have been pledged as security. Financial guarantees in respect of the wrapped bonds and wrapped capital indexed bonds are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.

Notes to the Financial Report

for year ended 31 December 2014

15. Current Trade and Other Payables

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Trade payables	(i)	12.3	3.3	-	-
Other payables and accruals	(i)	92.9	92.9	-	0.3
Accrued interest – Redeemable preference shares	(ii)	50.0	50.0	50.0	50.0
Bank loan and bond accrued interest	(iii)	64.9	61.2	-	-
Goods and services tax payable	(iv)	5.7	7.2	-	-
Tax payable to entities in wholly owned group	(v)	-	-	2,043.9	1,750.9
Unearned revenue		31.6	30.9	-	-
		257.4	245.5	2,093.9	1,801.2

(i) Trade payables and other payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Refer to note 5.
(iii) Interest payable is either settled quarterly or bi-annually.
(iv) The net of GST payable and GST receivable is remitted to the Australian Taxation Office on a monthly basis.
(v) Refer to note 4(e).

16. Current Provisions

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Employee benefits	(i)	10.3	9.9	-	-

(i) Refer to note 21 for non-current employee benefits.

Notes to the Financial Report

for year ended 31 December 2014

17. Borrowings - External

Group	Note	Principal amount drawn 31 December 2014 $m	Principal amount drawn 31 December 2013 $m	Carrying Amount 31 December 2014 $m	Carrying Amount 31 December 2013 $m
At amortised cost:					
Current					
Bank loans	(i)	-	35.5	-	35.4
Bonds - domestic	(ii)	475.0	700.0	474.0	698.2
		475.0	735.5	474.0	733.6
Non-current					
Bank loans	(i)	514.7	1,140.5	508.4	1,129.3
Bonds - domestic	(ii)	1,709.0	2,184.0	1,683.0	2,153.2
Bonds - USPP - AUD	(iii)	574.0	-	569.7	-
Bonds – foreign currency	(iv)	2,571.8	1,538.4	2,548.7	1,517.9
Capital indexed bonds	(v)	1,082.3	1,052.6	1,044.3	1,014.1
		6,451.8	5,915.5	6,354.1	5,814.5
Fair value hedge adjustments		-	-	420.8	129.3
		6,451.8	5,915.5	6,774.9	5,943.8
Total borrowings - external		6,926.8	6,651.0	7,248.9	6,677.4

External borrowings listed are all subject to the same security arrangements, whereby SCACH has pledged all of its assets (excluding deferred tax and goodwill) as security for all its interest bearing liabilities. The security consists of fixed and floating charges over the assets of the Group and a mortgage over the Airport lease. All bonds rank pari passu with the senior bank debt and capital indexed bonds.

Carrying amounts reflect financial liabilities measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability, allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Notes to the Financial Report

for year ended 31 December 2014

17. Borrowings - External (continued)

(i) Bank loans

Senior bank debt facilities as at 31 December 2014 comprised of four drawn tranches (31 December 2013: nine tranches) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Current					
Syndicated debt					
Tranche M	31-Oct-2014	-	35.5	-	35.4
Non-current					
Syndicated debt					
Tranche A	30-Apr-2017	208.0	-	206.4	-
Tranche B	30-Apr-2018	226.0	-	222.3	-
Tranche N	31-Oct-2015	-	438.0	-	434.4
Tranche O	31-Oct-2017	-	227.0	-	225.2
Tranche P	30-Jun-2016	-	245.0	-	243.3
Tranche Q	30-Jun-2016	-	13.5	-	12.5
Tranche T	23-Nov-2016	-	110.0	-	108.9
Tranche U	23-Nov-2017	-	12.0	-	11.0
		434.0	1,045.5	428.7	1,035.3
Bilateral facilities					
Issue 1	23-Aug-2017	-	75.0	-	74.2
Issue 2	30-Nov-2016	-	20.0	-	19.8
Issue 3	30-Apr-2017	40.4	-	39.9	-
Issue 4	30-Apr-2017	40.3	-	39.8	-
		80.7	95.0	79.7	94.0
		514.7	1,140.5	508.4	1,129.3

Interest is charged at the Bank Bill Swap Bid Rate (BBSY) plus a predetermined margin. Refer to note 26 for disclosure of the effective interest rate.

Notes to the Financial Report

for year ended 31 December 2014

17. Borrowings - External (continued)

(ii) Bonds – domestic

Bonds as at 31 December 2014 comprised of six issues (31 December 2013: seven issues) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Current					
Wrapped[1]					
Issue 4	20-Nov-2014	-	700.0	-	698.2
Issue 5	20-Nov-2015	300.0	-	299.3	-
		300.0	700.0	299.3	698.2
Unwrapped					
Issue 12	6-Jul-2015	175.0	-	174.7	-
		475.0	700.0	474.0	698.2
Non-current					
Wrapped[1]					
Issue 5	20-Nov-2015	-	300.0	-	298.6
Issue 9	20-Nov-2021	200.0	200.0	198.3	198.0
Issue 10	11-Oct-2022	750.0	750.0	738.7	737.4
Issue 11	11-Oct-2027	659.0	659.0	646.8	646.0
		1,609.0	1,909.0	1,583.8	1,880.0
Unwrapped					
Issue 12	6-Jul-2015	-	175.0	-	174.2
Issue 13	6-Jul-2018	100.0	100.0	99.2	99.0
		100.0	275.0	99.2	273.2
		1,709.0	2,184.0	1,683.0	2,153.2

1 Wrapped refers to credit wrapped bonds.

Fixed interest is charged on the following bonds at the following rates

$175m (Issue 12):	8.00%
$100m (Issue 13):	7.75%

The remaining floating rate notes are at the Bank Bill Swap Rate (BBSW) plus a predetermined margin.

The Group has issued a mixture of fixed and floating interest rate bonds. Financial guarantees in respect of the notes with carrying amounts as at 31 December 2014 of $1,883.1 million (31 December 2013: $2,578.2 million) are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.

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for year ended 31 December 2014

17. Borrowings - External (continued)

(iii) Bonds – USPP - AUD

Bonds as at 31 December 2014 comprised of five series (31 December 2013: none) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Series A	20-Aug-2028	100.0	-	99.2	-
Series B	20-Nov-2028	100.0	-	99.2	-
Series C	20-Nov-2028	180.0	-	178.7	-
Series D	20-Nov-2028	58.0	-	57.6	-
Series E	20-Nov-2029	136.0	-	135.0	-
		574.0	-	569.7	-

Fixed interest is charged on the following series at the following rates

$180m (Series C): 6.04%

$58m (Series D): 5.60%

$136m (Series E): 5.70%

In 2014, the Group finalised a US Private Placement bond of A$574.0 million of 14 and 15 year senior secured notes, maturing 2028 and 2029.

(iv) Bonds – foreign currency

Bonds as at 31 December 2014 comprised of four issues (31 December 2013: three) with the following maturities:

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Non-current					
CAD bond[1]	6-Jul-2018	217.4	217.4	216.0	215.7
USD bond[2]	22-Feb-2021	518.7	518.7	512.0	511.2
USD bond[3]	22-Mar-2023	802.3	802.3	794.6	791.0
EUR bond[4]	23-Apr-2024	1,033.4	-	1,026.1	-
		2,571.8	1,538.4	2,548.7	1,517.9
Fair value hedge adjustments		-	-	420.8	129.3
		2,571.8	1,538.4	2,969.5	1,647.2

1 On 21 June 2011, Sydney Airport Finance Company Pty Limited issued C$225 million in guaranteed senior secured notes maturing in 2018 at a fixed interest rate of 4.602% per annum (payable semi-annually) into the Canadian Maple bond markets. The total CAD dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

2 On 30 September 2010, Sydney Airport Finance Company Pty Limited issued US$500 million in guaranteed senior secured notes maturing in 2021 at a fixed interest rate of 5.125% per annum (payable semi-annually) into the US 144A/RegS bond markets. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

3 On 16 and 25 October 2012, Sydney Airport Finance Company Pty Limited issued US$600 million and US$225 million respectively, in guaranteed senior secured notes maturing in 2023 at a fixed interest rate of 3.900% per annum (payable semi-annually) into the US 144A/RegS bond markets. The total US dollar proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

4 On 23 April 2014, Sydney Airport Finance Company Pty Limited issued EUR700 million in guaranteed senior secured notes maturing in 2024 at a fixed interest rate of 2.750% per annum (payable annually) into the Euro bond market. The total Euro proceeds were swapped into Australian dollars and fully hedged through a cross currency swap until maturity of the notes.

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for year ended 31 December 2014

17. Borrowings - External (continued)

(v) Capital indexed bonds (CIBs)

		Principal amount drawn		Carrying amount	
	Maturity date	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Issue 1	20-Nov-2020	709.2	689.8	688.9	668.5
Issue 2	20-Nov-2030	373.1	362.8	355.4	345.6
		1,082.3	1,052.6	1,044.3	1,014.1

Interest is charged at a fixed rate of 3.76% p.a. on Issue 1 and 3.12% on Issue 2. The Group has issued two tranches of domestic secured Capital Index Bonds (CIBs). The bond principal for both tranches increases through to maturity by the Consumer Price Index (CPI). Both tranches of CIBs pay a fixed interest rate that is calculated on the increasing bond principal. Financial guarantees in respect of the bonds are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.

(vi) Deferred debt establishment costs

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

(vii)Bank financing facilities available

At reporting date, the following bank financing facilities had been negotiated and were available:

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Total committed bank facilities available		1,494.5	1,838.5	-	-
Bank facilities drawn at reporting date		(514.7)	(1,176.0)	-	-
Bank facilities undrawn at reporting date	(i)	979.8	662.5	-	-

(i) Bank facilities undrawn at reporting date represent senior bank debt facilities. Undrawn facilities have maturities between April 2016 and April 2019.

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for year ended 31 December 2014

18. Borrowings - Shareholder Related

Redeemable preference shares (RPS)

Group	Principal amount drawn		Carrying amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Maturity date	$m	$m	$m	$m
28-Jun-2032	2,047.3	2,047.3	2,033.1	2,024.3

Company	Principal amount drawn		Carrying amount	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Maturity date	$m	$m	$m	$m
28-Jun-2032	2,047.3	2,047.3	2,033.1	2,024.3

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 interest at a rate of 13.5% p.a. Interest is payable quarterly, subject to availability of cash within the Group and distributable profits within SCACH. RPS shareholders have no acceleration rights if interest is not paid. Failure to pay RPS interest will trigger restrictions on payment of ordinary share dividends.

Carrying amounts reflect RPS measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest rate method is a method of calculating the amortised cost of a financial liability, allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the RPS.

19. Derivative Financial Instruments

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Non-current assets				
Cross currency swaps	442.8	102.2	-	-
Current liabilities				
Cross currency swaps	47.0	24.4	-	-
Interest rate swaps	87.3	101.5	-	-
	134.3	125.9	-	-
Non-current liabilities				
Interest rate swaps	200.7	92.3		

The non-current derivative financial instruments asset of $9.9 million disclosed in the Group Consolidated Statement of Financial Position for year ended 31 December 2013 is the net of the non-current cross currency swap asset of $102.2 million and the non-current interest rate swap liability of $92.3 million in the table above.

Refer to note 26 for a description of the Group's policy for interest rate and cross currency swaps and managing interest rate and foreign currency risk.

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for year ended 31 December 2014

20. Finance lease Liabilities

There was no current finance lease liabilities at 31 December 2014 (31 December 2013: $0.4 million).

There were no non-current finance lease liabilities at 31 December 2014 and 31 December 2013.

Refer to note 27(b)(iii) for finance lease detail.

21. Non-Current Provisions

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Employee benefits	1.6	1.3	-	-

Employee benefits - Long-service leave provision

A provision for long service leave is recognised in accordance with the Long Service Leave Act of NSW. Assumptions used in the calculation of the provision for long service leave relate to the probability of employees anticipated to accumulate the years to become eligible for the benefits and the anticipated increase of rate of salaries over the next few years. The discount rate used for the calculation of the net present value is in compliance with bonds issued by the Commonwealth Government. On-costs to account for payroll related costs are included in the calculation of the total balance of long service leave provision.

22. Issued Capital

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Issued capital	1,314.0	1,314.0	1,314.0	1,314.0

	31 December 2014		31 December 2013	
	No.	$m	No.	$m
Fully paid ordinary shares				
13,648,394 issued and fully paid ordinary shares	1,314.0	1,314.0	1,314.0	1,314.0

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of and amounts paid up on shares held.

Each fully paid ordinary share entitles its holder to one vote, either in person or by proxy, at a meeting of the company.

Each of the fully paid ordinary shares has been stapled to one RPS, as referred to in note 18.

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23. Cash Flow Hedge Reserve

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Cash flow hedge reserve	(177.1)	(167.9)	-	-
Cash flow hedge reserve				
Balance at beginning of financial year	(167.9)	(202.7)	-	-
Change in fair value	(13.1)	49.7	-	-
Deferred tax arising on hedges	3.9	(14.9)	-	-
Balance at end of financial year	(177.1)	(167.9)	-	-

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy. Details of the movements are disclosed in the statements of comprehensive income.

24. (Accumulated Losses)/Retained Earnings

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Balance at beginning of financial year		(2,895.3)	(2,711.6)	5,248.7	1,863.0
Remeasurement gain/(loss) on defined benefit plans	28	(1.4)	4.4	-	-
Recognition of deferred tax		0.4	(1.3)	-	-
Dividends	5	(246.4)	(192.1)	(246.4)	(192.1)
Net (loss)/profit for the year		(260.1)	5.3	719.3	3,577.8
Balance at end of financial year		(3,402.8)	(2,895.3)	5,721.6	5,248.7

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for year ended 31 December 2014

25. Notes to the Statement of Cash Flows

	Note	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(a) Reconciliation of cash and cash equivalents					
Cash at bank and in hand – available for general use	(i)	162.7	179.6	-	-
Cash and term deposits – with restricted use	(ii)	136.2	127.5	0.6	0.6
		298.9	307.1	0.6	0.6

(i) Cash at bank and in hand earns interest at floating rates based on daily bank deposit rates. Term deposit greater than three months but under one year has been reclassified under other financial assets in note 7.

(ii) Term deposits are generally made for a period of three months and earn interest at the respective term deposit rates. The deposits are certain cash reserve accounts which have restricted use.

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
(b) Reconciliation from net (loss)/ profit after tax to net cash flows from operating activities				
(Loss)/profit for the year	(260.1)	5.3	719.3	3,577.8
Depreciation and amortisation of non-current assets	255.6	228.0	-	-
Net gain on disposal of non-current assets	(0.1)	(0.3)	-	(3,012.0)
Operating lease straight lining adjustment	2.2	2.7	-	-
Loss/(gain) on fair value through profit and loss of derivatives	54.6	11.6	-	-
Bad debt expense	-	-	-	-
Finance lease interest	-	0.2	-	-
Non cash interest expense	67.8	45.8	8.8	7.6
Borrowing costs included in financing activities (borrowing costs paid)	3.7	15.6	-	0.1
Changes in working capital:				
Receivables	6.9	(17.2)	(829.4)	(688.8)
Payables and provisions	15.8	(3.8)	-	-
Other assets	0.4	0.4	-	-
Other liabilities	0.9	1.4	-	-
Increase in provisions	0.8	1.5	-	-
Movement in tax balances	165.8	(60.0)	347.7	307.1
Redeemable preference shares interest	276.4	280.7	276.4	280.7
Net cash flows generated by operating activities	590.7	511.9	522.8	472.5

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for year ended 31 December 2014

26. Financial Instruments

(a) Capital risk management

The SCACH Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while considering the optimisation of the debt and equity balance, managing the cost of capital and increasing returns to shareholders.

The capital structure of the Group consists of:

- debt (including bank facilities, bonds (domestic and foreign) and Capital Indexed Bonds);
- cash and cash equivalents;
- equity attributable to equity holders of the parent comprising of redeemable preference shares;
- issued capital;
- reserves; and
- retained earnings.

The Group monitors its capital structure on a regular basis. As part of the review process, management considers the risks and costs of each class of capital. The Group balances its overall capital structure through the:

- issue of new debt;
- retiring of existing debt; and
- shareholder distributions.

During the year ended 31 December 2014, the Group's strategy remained unchanged.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(c) Categories of financial instruments

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Financial assets				
Cash and cash equivalents	298.9	307.1	0.6	0.6
Loans and other receivables	192.6	163.0	1,088.0	258.9
Investment in subsidiary	-	-	9,680.8	9,680.8
Derivative instruments	442.8	102.2	-	-
	934.3	572.3	10,769.4	9,940.3
Financial liabilities				
Trade and other payables	257.4	245.5	2,093.9	1,801.2
Borrowings at amortised cost	9,282.0	8,701.7	2,033.1	2,024.3
Derivative instruments	335.0	218.2	-	-
Finance lease liabilities	-	0.4	-	-
	9,874.4	9,165.8	4,127.0	3,825.5

Notes to the Financial Report
for year ended 31 December 2014

26. Financial Instruments (continued)

(d) Financial risk management objectives

The Group has exposure to the following risks arising from financial instruments:

- market risk (including currency risk, inflation risk and interest rate risk);
- credit risk; and
- liquidity risk.

The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department under policies approved by the Board of Directors covering specific areas, such as:

- foreign exchange risk;
- interest rate risk;
- use of derivative financial instruments;
- use of non-derivative financial instruments; and
- investing excess liquidity.

Speculative trading is specifically prohibited by Board policy. Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

(e) Market risk

The Group's activities expose it primarily to the financial risks of changes in interest rates and foreign exchange rate movements (see note 26(f) and 26(i)).

The Group enters into interest rate and cross currency swap contracts to mitigate interest rate and foreign exchange risks. Market risk exposures are measured using a sensitivity analysis.

During year ended 31 December 2014, there was no change to the Group's manner in which it manages or measures market risk.

(f) Currency risk

The Group operates domestically and is currently a party to borrowings in three foreign currencies (Euro, USD and CAD). Foreign exchange risk also arises from future commercial transactions. To manage foreign exchange risk arising from future commercial transactions, Group entities may use forward contracts, transacted by Group Treasury. The Group's risk management policy is to fully hedge foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds. At 31 December 2014 there were no unhedged foreign currency exposures over the set threshold (31 December 2013: $Nil).

Sydney Airport Finance Company Pty Limited (a subsidiary of SCACH) has issued the following guaranteed senior secured foreign currency bonds. The total foreign currency proceeds were exchanged into Australian dollars and the borrowings are fully hedged through cross currency swaps until maturity of the bond.

	Bond market	Maturity date	Currency	31 December 2014 $m	31 December 2013 $m
CAD bond	Canadian Maple	July 2018	CAD	225.0	225.0
USD bond	US 144A/RegS	February 2021	USD	500.0	500.0
USD bond	US 144A/RegS	March 2023	USD	825.0	825.0
EUR bond	Euro Bond	April 2024	EUR	700.0	-

Notes to the Financial Report
for year ended 31 December 2014

26. Financial Instruments (continued)

The Group's exposure to foreign currency risk was as follows, based on notional amounts:

	31 December 2014				31 December 2013			
	AUD $m	USD $m	CAD $m	EUR $m	AUD $m	USD $m	CAD $m	EUR $m
Secured senior bonds – foreign currency	(2,571.8)	(1,325.0)	(225.0)	(700.0)	(1,538.4)	(1,325.0)	(225.0)	-
Cross currency swaps	2,571.8	1,325.0	225.0	700.0	1,538.4	1,325.0	225.0	-
	-	-	-	-	-	-	-	-

As the foreign currency borrowing exposures are fully hedged, a strengthening or weakening of the AUD will have no impact on profit or loss or equity. At 31 December 2014, the Group had no exposure to foreign exchange risk on the above senior secured bonds (2013: $Nil).

(g) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Derivative counterparties and cash balances are limited to high credit quality financial institutions. It is Group policy that all financial institution derivative counterparties must have a minimum Standard & Poor's/Moody's long-term rating of A-/A3 and for cash deposit counterparties a minimum rating of A/A2. The Group has policies limiting the amount of credit exposure to any financial institution by both volume and term.

The credit risk against corporates relates to aeronautical, retail and property trade receivables. These counterparties have a range of credit ratings. Credit risk against corporates could be materially affected by the performance of key aeronautical customers including the QANTAS and Virgin Groups that accounted for between 40.0% and 50.0% of aeronautical revenue for the year ended 31 December 2014 (2013: between 40.0% and 50.0%). As at 31 December 2014, less than 5.0% (31 December 2013: less than 5.0%) of trade receivables are overdue.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is regularly monitored by management in order to identify any potential adverse changes in the credit quality.

There are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been past due or impaired.

Financial assets and other credit exposures

Refer to note 31 for details on the deed of cross guarantee.

(h) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed undrawn borrowing facilities and the ability to close out market positions. Due to the capital intensive nature of the underlying business, Group Treasury aims to maintain flexibility in funding by maintaining committed undrawn borrowing lines available from a number of counterparties. A liquidity policy is in place to maintain liquidity including the following:

- capital levels of undrawn committed bank facilities available for working capital and capital investment; and
- maintenance capital expenditure reserve.

Maturity of financial liabilities

The following tables detail the Group's and the Company's remaining contractual maturity for its financial liabilities and derivative financial liabilities. The contractual cash flows reflect the undiscounted cash flows of financial liabilities and derivative financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. The adjustment columns represent the contractual future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the statement of financial position.

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for year ended 31 December 2014

26. Financial Instruments (continued)

Consolidated 31 December 2014	Total contractual cashflows Less than 1 year $m	1 – 5 years $m	5+ years $m	Adjustment $m	Carrying Amount $m
Borrowings – bank loans	(20.5)	(551.1)	-	63.2	(508.4)
Borrowings – bonds – domestic	(547.2)	(313.9)	(1,838.7)	542.8	(2,157.0)
Borrowings – bonds – USPP	(31.0)	(124.2)	(857.9)	443.4	(569.7)
Borrowings – bonds – foreign currency	(156.6)	(820.6)	(2,757.0)	764.7	(2,969.5)
Borrowings – CIB	(37.7)	(160.6)	(1,576.1)	730.1	(1,044.3)
Borrowings – RPS	(276.4)	(1,106.3)	(6,166.6)	5,516.2	(2,033.1)
Derivatives	(134.3)	(200.7)	-	-	(335.0)
Trade and other payables	(257.4)	-	-	-	(257.4)
	(1,461.1)	(3,277.4)	(13,196.3)	8,060.4	(9,874.4)

Consolidated 31 December 2013	Total contractual cashflows Less than 1 year $m	1 – 5 years $m	5+ years $m	Adjustment $m	Carrying Amount $m
Borrowings – bank loans	(56.4)	(1,266.7)	-	158.4	(1,164.7)
Borrowings – bonds – domestic	(796.7)	(700.3)	(1,980.5)	626.1	(2,851.4)
Borrowings – bonds – foreign currency	(111.2)	(345.6)	(1,717.5)	527.1	(1,647.2)
Borrowings – CIB	(36.9)	(157.0)	(1,619.0)	798.8	(1,014.1)
Borrowings – RPS	(276.4)	(1,106.3)	(6,515.3)	5,873.7	(2,024.3)
Derivatives	(125.9)	(92.3)	-	-	(218.2)
Trade and other payables	(245.5)	-	-	-	(245.5)
	(1,649.0)	(3,668.2)	(11,832.3)	7,984.1	(9,165.4)

Company 31 December 2014	Total contractual cashflows Less than 1 year $m	1 – 5 years $m	5+ years $m	Adjustment $m	Carrying Amount $m
Borrowings – RPS	(276.4)	(1,106.3)	(6,166.6)	5,516.2	(2,033.1)
Trade and other payables[1]	(2,093.9)	-	-	-	(2,093.9)
	(2,370.3)	(1,106.3)	(6,166.6)	5,516.2	(4,127.0)

Company 31 December 2013	Total contractual cashflows Less than 1 year $m	1 – 5 years $m	5+ years $m	Adjustment $m	Carrying Amount $m
Borrowings – RPS	(276.4)	(1,106.3)	(6,515.3)	5,873.7	(2,024.3)
Trade and other payables[1]	(1,801.2)	-	-	-	(1,801.2)
	(2,077.6)	(1,106.3)	(6,515.3)	5,873.7	(3,825.5)

1 Includes intercompany loan liabilities of $2,043.9 million (31 December 2013: $1,750.9 million) as disclosed in note 15.

(i) Interest rate risk

The Group's interest rate risk arises from borrowings and cash balances held. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group policy is to ensure that, in the medium term a minimum of 55.0% of its senior debt is either issued at a fixed rate or hedged through the use of interest rate swaps on a five year average look forward basis. This is achieved by targeting a range of forecast average debt exposure in each year of: Year 1 70-95%, Year 2-3 50-75%, Year 4-5 40-65%. At 31 December 2014, 83.4% (31 December 2013: 92.7%) of senior drawn borrowings were either fixed rate or hedged through interest rate swaps.

Notes to the Financial Report

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26. Financial Instruments (continued)

The Group's sensitivity to future interest rates has decreased due to the level of forward start interest rate hedging executed during the year ended 31 December 2014.

The Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under interest rate swaps, the Group agrees with other parties to exchange at periodic intervals the difference between fixed contract rates and floating interest rate amounts calculated by reference to the agreed notional principal amounts.

Interest rate sensitivity

The following table summarises the impact of an increase/(decrease) of interest rates by 150 basis points (2013: 150 basis points) while all other variables were held constant. 150 basis points is used when reviewing interest rates internally by key finance management and represents their assessment of a possible change in interest rates over a 12 month period.

	Impact on profit after tax		Impact on equity net of tax	
	Consolidated +/- $m	Company +/- $m	Consolidated +/- $m	Company +/- $m
31 December 2014				
Interest rates – 150 basis point increase	(12.1)	-	124.7	-
Interest rates – 150 basis point decrease	12.1	-	(135.7)	-
31 December 2013				
Interest rates – 150 basis point increase	(5.1)	-	17.6	-
Interest rates – 150 basis point decrease	5.1	-	(11.4)	-

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating interest amounts calculated on agreed principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the cash and swap curves at reporting date and the credit risk inherent in the contract. In the table below the average interest rate is based on the outstanding balances at the end of the financial year.

The table below details the notional principal amounts and remaining terms of floating for fixed interest rate swap contracts outstanding as at reporting dates:

	Average contracted fixed interest rates		Notional Principal Amount		Fair Value	
Outstanding floating for fixed contracts	31 December 2014 %	31 December 2013 %	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Less than 1 year	6.26%	4.53%	955.0	391.0	(19.4)	(5.3)
1 to 2 years	5.50%	6.30%	1,829.3	1,453.0	(88.7)	(63.0)
2 to 5 years	4.65%	5.42%	200.0	2,029.3	(13.6)	(118.7)
5 years +	3.76%	4.12%	3,154.1	844.1	(166.4)	(6.8)
			6,138.4	4,717.4	(288.1)	(193.8)

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is Australian BBSW. The Group will settle the difference between the fixed and floating interest rate on a net basis.

All interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are designated as cash flow hedges. This reduces the Group's profit and loss volatility. The interest rate swaps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

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26. Financial Instruments (continued)

The table below reflects the weighted average interest rates of senior debt instruments and the carrying value of senior debt instruments (including impact of cross currency swaps):

	Weighted average interest rate		Carrying value	
	31 December 2014 %	31 December 2013 %	31 December 2014 $m	31 December 2013 $m
Senior debt (including swaps)	6.11	6.38	7,248.9	6,677.4

(j) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined:

- in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- using market prices for the fair value of derivative instruments. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

The directors consider the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values, except as detailed below:

	Carrying amount		Fair Value	
Consolidated	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Financial liabilities				
RPS[1]	2,033.1	2,024.3	3,885.7	3,308.5
$175m bond[1]	174.7	174.2	179.8	188.3
$100m bond[1]	99.2	99.0	117.8	116.2
$180m bond[1]	178.7	-	236.3	-
$58m bond[1]	57.6	-	73.2	-
$136m bond[1]	135.0	-	174.4	-
US$500m bond[1]	615.9	547.9	726.7	658.2
US$825m bond[1]	1,003.6	864.7	1,145.5	996.9
CAD$225m bond[1]	235.0	234.6	261.6	262.5
EUR700m bond[1]	1,115.2	-	1,226.7	-
	5,648.0	3,944.7	8,027.7	5,530.6

1 Level 2 per the fair value measurement hierarchy. Refer to note 26(k).

	Carrying amount		Fair Value	
Company	31 December 2014 $m	31 December 2013 $m	31 December 2014 $m	31 December 2013 $m
Financial liabilities				
RPS[1]	2,033.1	2,024.3	3,885.7	3,308.5

1 Level 2 per the fair value measurement hierarchy. Refer to note 26(k).

Notes to the Financial Report
for year ended 31 December 2014

26. Financial Instruments (continued)

(k) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below analyses financial instruments measured and recognised at fair value, which is determined by:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2014.

Consolidated – as at 31 December 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets/(Liabilities)				
Non-current asset derivatives used for hedging	-	442.8	-	442.8
Current liability derivatives used for hedging	-	(134.3)	-	(134.3)
Non-current liability derivatives used for hedging	-	(200.7)	-	(200.7)

Consolidated – as at 31 December 2013	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets/(Liabilities)				
Non-current asset derivatives used for hedging	-	102.2	-	102.2
Current liability derivatives used for hedging	-	(125.9)	-	(125.9)
Non-current liability derivatives used for hedging	-	(92.3)	-	(92.3)

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for year ended 31 December 2014

27. Commitments and Contingencies

(a) Capital expenditure commitments

At 31 December 2014, the Group has estimated capital expenditure commitments of $61.6 million (31 December 2013: $21.2 million). These principally relate to:

	31 December 2014 $m	31 December 2013 $m
Improvements to runway, taxiways and aprons	10.5	8.0
Upgrade of buildings	31.3	9.0
Plant and utilities' improvements	4.4	0.5
Various other fixed asset projects	15.4	3.7

The commitments contracted for at reporting date, but not provided for:

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Payable within one year	61.6	21.2	-	-
Payable later than one year but not later than five years	-	-	-	-
Payable after five years	-	-	-	-
	61.6	21.2	-	-

(b) Operating commitments

(i) Lease commitments-Group as lessee

SCACH has entered into operating leases for the storage and shipment of containers. The lease period expires in 2031. Below are details of the minimum lease payments in relation to the operating lease payments.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Payable within one year	0.1	0.1	-	-
Payable later than one year but not later than five years	0.5	0.5	-	-
Payable after five years	1.4	1.6	-	-
Aggregate lease expenditure contracted for at balance sheet date	2.0	2.2	-	-

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27. Commitments and Contingencies (continued)

(ii) Lease commitments – Group as lessor

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Receivable within one year	240.0	242.1	-	-
Receivable later than one year but not later than five years	745.0	468.0	-	-
Receivable after five years	365.8	116.4	-	-
	1,350.8	826.5	-	-

Future minimum lease revenue due includes rents payable on leases that are based on minimum passenger throughput rents, where a minimum guaranteed amount can be determined. It excludes rent that is subject to variability in the amount of passenger throughput, excludes percentage rentals which may become receivable on the basis of sales in excess of a stipulated minimum, and also excludes recovery of outgoings. No present value discount rate has been applied to minimum lease payments. Minimum lease payments due should not be read as a forecast.

(iii) Finance leases

The Group no longer has any finance leases (31 December 2013: $0.4 million).

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Commitments in relation to finance leases are payable as follows:				
Within one year	-	0.4	-	-
Later than one year but not later than five years	-	-	-	-
	-	0.4	-	-
Future finance charges	-	-	-	-
Recognised as a liability	-	0.4	-	-
Representing lease liabilities:				
Current (note 20)	-	0.4	-	-
Non-current (note 20)	-	-	-	-
	-	0.4	-	-

(c) Contingencies

Contingent assets and liabilities

In accordance with the provisions of the Australian Accounting Standard AASB 137: Provisions, Contingent Liabilities and Contingent Assets, there are no material unrecorded liabilities at 31 December 2014 nor are there any claims against the Group that, in the expectation of the directors, will give rise to a material loss in the future.

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28. Superannuation Plan

Employees are entitled to varying levels of benefits on retirement, disability or death. The Sydney Airport Superannuation Plan consists of a defined benefit plan which is fully funded and provides benefits based on years of service, final average salary and a defined contribution plan. The plan also provides accumulation style benefits for the Superannuation Guarantee Charge and Members Contributions. Employees contribute to the plan at various percentages of their wages and salaries. Contributions by the entity of up to 9.5% of employees' wages and salaries are legally enforceable in Australia.

The following table summarises the components of the net benefit recognised in the income statement and the funded status and amounts recognised in the statement of financial position for the plan:

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Amounts recognised in the income statement in respect of these defined benefit plans are as follows:				
Current service costs	1.7	1.6	-	-
Interest costs	(0.2)	-	-	-
Total included in 'employee benefit expense'	1.5	1.6	-	-
Remeasurement losses/(gains) recognised in statements of comprehensive income	1.0	(3.1)	-	-
Cumulative remeasurement (gains)/losses recognised in the statements of comprehensive income	(1.4)	(2.4)	-	-
Amounts included in the statement of financial position arising from the entity's obligations in respect of its defined benefit plans is as follows:				
Present value of funded defined benefit obligations	(24.0)	(21.2)	-	-
Fair value plan assets	27.7	26.6	-	-
Net asset arising from defined benefit obligations	3.7	5.4	-	-

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Included in the statement of financial position:				
Non-current assets (note 13)				
Defined benefit superannuation plan asset	3.7	5.4	-	-

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28. Superannuation Plan (continued)

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Movements in the present value of the defined benefit obligations in the current year were as follows:				
Defined benefit obligations at 1 January	21.2	22.4	-	-
Current service costs	1.7	1.6	-	-
Interest costs	0.9	0.7	-	-
Remeasurement losses/(gains)	2.4	(2.3)	-	-
Benefits paid	(1.8)	(0.9)	-	-
Taxes, premiums and expenses paid	(0.4)	(0.3)	-	-
Defined benefit obligations at 31 December	24.0	21.2	-	-
Movements in the fair value of the plan assets in the current year were as follows:				
Fair value of plan assets at 1 January	26.6	23.7	-	-
Interest income	1.0	0.8	-	-
Return on plan assets, excluding interest income	1.0	2.1	-	-
Employer contributions	1.3	1.3	-	-
Benefits paid	(1.8)	(0.9)	-	-
Taxes, premiums and expenses paid	(0.4)	(0.4)	-	-
Fair value of plan assets at 31 December	27.7	26.6	-	-

The actual return on plan assets was an increase of $1.1 million (31 December 2013: increase of $2.9 million), with all participants being active plan participants. The weighted average duration of the defined benefit obligation is 8.0 years (31 December 2013: 9.0 years).

The Group expects to contribute at the current recommended rates of 14.1% (including 3.0% productivity contributions) of salaries of defined benefit members, 9.50% of salaries of defined contribution members.

The key risks to the plan and principal actuarial assumptions used in determining superannuation plan liability for the Group's plan are:

	Consolidated 31 December 2014	Consolidated 31 December 2013	Company 31 December 2014	Company 31 December 2013
Discount rate	3.0%	4.3%	-	-
Future salary increases	3.5%	3.5%	-	-

Sensitivity analysis	0.5% increase $m	0.5% decrease $m
Discount rate	(1.1)	1.2
Future salary increases	1.0	(1.0)

Plan assets comprise investments in unquoted securities $27.7 million (31 December 2013: $26.6 million).

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28. Superannuation Plan (continued)

The percentage invested in each asset class as at reporting date is:

	31 December 2014	31 December 2013
Australian equity instruments	21.0%	19.0%
International equity instruments	25.0%	21.0%
Fixed income	25.0%	26.0%
Property	7.0%	10.0%
Alternatives/other	9.0%	2.0%
Cash	13.0%	22.0%

	Consolidated 31 December 2014 $m	Consolidated 31 December 2013 $m	Company 31 December 2014 $m	Company 31 December 2013 $m
Defined benefit				
Employer contributions	1.3	1.3	-	-
Employee contributions	0.8	0.7	-	-
	2.1	2.0	-	-
Defined contribution				
Employer contributions	3.5	3.2	-	-
Employee contributions	0.2	0.2	-	-
	3.7	3.4	-	-

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29. Auditor's Remuneration

	Consolidated 31 December 2014 $	Consolidated 31 December 2013 $	Company 31 December 2014 $	Company 31 December 2013 $
Amounts received or due and receivable by KPMG for:				
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	377,500	367,500	-	-
- other assurance related services in relation to the entity and any other entity in the consolidated entity	196,582	136,154	-	-
	574,082	503,654	-	-
Amounts received or due and receivable by KPMG for non-audit related services	225,000	-	-	-
	799,082	503,654	-	-

30. Key Management Personnel

Key management personnel compensation

Key management personnel (KMP) compensation comprised:

	31 December 2014 $	31 December 2013 $
Short term employee benefits – salary and fees	3,630,000	2,696,740
Short term employee benefits – bonus	2,071,592	2,013,462
Post employment benefits – superannuation	73,968	47,772
Other long term employee benefits	-	-
Termination benefits	502,632	-
	6,278,192	4,757,974

The remuneration structure of KMP and other Executives comprises of:

- Fixed annual remuneration (FAR), consisting of base salary and benefits inclusive of the minimum regulatory superannuation contribution; and
- At risk remuneration (ARR), being the components which are variable and directly linked to the delivery of individual key performance targets and Sydney Airport's key financial and business objectives.

In the event of termination of KMP with cause, there is no termination payment payable except for their statutory entitlements.

In the event of termination with cause, the CEO's contract allows for the payment of 12 months FAR and the discretionary bonus for the whole of the current year. For other executives, termination with cause prior to the payment of any deferred element of short term incentives results in this element being forfeited.

During the 2013 financial year, a portion of KMP responsibilities related to work performed for ASX-listed Sydney Airport, the ultimate parent entity. This was recharged under a resource agreement and appropriately disclosed as a related party transaction. The restructure of the ASX-listed Sydney Airport group in the prior year led to 100% ownership of the SCACH group. Post simplification, the recharge between the entities is no longer relevant and no such recharge has been made in the 2014 financial year.

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31. Related Party Disclosure

The consolidated financial statements include the financial statements of Southern Cross Airports Corporation Holdings Limited (SCACH) and its subsidiaries as follows:

		Equity interest %	
Name	Country of incorporation	31 December 2014	31 December 2013
Parent entity			
Southern Cross Airports Corporation Holdings Limited ("SCACH") (i)	Australia		
Subsidiaries			
Sydney Airport Corporation Limited ("SACL") (i)	Australia	100	100
Southern Cross Airports Corporation Pty Limited ("SCAC") (i)	Australia	100	100
Sydney Airport Finance Company Pty Limited ("FinCo") (i)	Australia	100	100
Sydney Airport RPS Company Pty Limited ("RPSCo") (i)	Australia	100	100

SCACH is the parent entity of the Group. The ultimate parent entity and Australian parent entity is Sydney Airport Limited (SAL).

The registered office and principal place of business of SCACH is:

10 Arrivals Court
Sydney International Airport
Mascot NSW 2020

All companies in the SCACH Group (as listed above) have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Class Order 98/1418. As all companies in the Group are party to the cross guarantee, the consolidated income statement and statement of financial position of the entities party to the cross guarantee are as presented in the consolidated column of the income statement and statement of financial position presented in these financial statements.

No liability was recognised by the parent entity in relation to this guarantee as the fair value of the guarantee is immaterial.

(i) SCACH and its subsidiaries joined the SAL tax-consolidated group from 3 December 2013.

The following related party transactions occurred during the year ended 31 December 2014:

Transactions within the wholly-owned group

Loans granted by SCACH to SCAC are repayable on 30 June 2048. Interest on the loan is charged at 18.0% per annum and interest on unpaid interest is charged at 19.0% per annum. These rates were set as at the date of establishment of the intercompany loan to approximate the required rate of return for what is notionally the equity in Sydney Airport based on other relevant benchmarks.

Other related party transactions

ASX-listed Sydney Airport consists of SAL and SAT1. The shares and units are stapled, quoted and traded on the ASX. SAL is the deemed parent entity and the ultimate parent entity of SCACH.

SACL and The Trust Company (Sydney Airport) Limited (TTCSAL), a related party, have entered into a Resources Agreement under which SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity of SAT1 and one of its subsidiaries SAT2. Fees are charged from SACL to TTCSAL for resources provided, calculated per the relevant provisions in Resources Agreement. There were $134,547 fees charged by SACL to TTCSAL for year ended 31 December 2014 (31 December 2013: $Nil) and $134,547 remains unpaid at 31 December 2014 (31 December 2013: $Nil).

In August 2013, a loan of $112.3 million was made to SAT2, a related party. The loan incurred interest at 4.0% per annum. This loan was extinguished in December 2013 via an in-specie ordinary dividend and RPS interest payment of $40.1 million and $72.2 million respectively. The in-specie ordinary dividend and RPS interest has been reflected gross in the Consolidated Statement of Cash Flows under Shareholder related financing activities. The interest accrued on the loan of $1.4 million was reflected in Current Other Financial Assets. This balance was paid in full during 2014.

In 2013 SACL paid SAT2 $363,961 in relation to director fees. There was no payment in 2014 to SAT2 for director fees.

In 2013 there was a net charge from MAT2 Holdings Pty Limited, a wholly owned subsidiary of SAT2 to SACL of $4,219,978 relating to the cost sharing agreement, and uptake of provisions for employees previously employed by MAT2 Holdings Pty

Notes to the Financial Report
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31. Related Party Disclosure (continued)

Limited. No accrual existed for the year ended 31 December 2013. There were no related party transactions under MAT2 Holdings Pty Limited in 2014.

In 2013 Airport Strategic Consulting Pty Ltd, a related party of Hochtief, was paid $358,157 for strategic consultancy services provided to SCACH on arm's length terms. There was no accrual for year ended 2013 for strategic consultancy services. Airport Strategic Consulting Pty Ltd is not a related party in 2014.

Transactions with entities with joint-control or significant influence over the Group

A number of directors of SCACH also hold directorships on the Boards of Directors of related companies. Transactions between the Group and related entities are stated above. SCACH's directors do not derive any direct personal benefit from the transactions between the Group and these businesses.

Terms and conditions of transactions with related parties

Transactions between related parties are made under normal commercial terms and conditions. For the year ended 31 December 2014 and 31 December 2013, the Group has not raised any allowance for doubtful debts relating to the loans granted from SCACH to SCAC as the payment history of the interest charges is strong. This assessment is undertaken at each reporting period through examining the financial position of SCAC and the market in which the entity operates.

32. Events After the Balance Sheet Date

On 29 January 2015 an ordinary dividend of $60.9 million (31 December 2013: $54.2 million) and an RPS distribution of $69.7 million (31 December 2013: $69.7 million) was declared for the quarter ended 31 December 2014. The final dividend has not been recognised in this financial report because it was declared after 31 December 2014.

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, the results of those operations, or the state of affairs of the Group in future reporting periods.