Sydney Airport

SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

ACN 098 082 029

FINANCIAL REPORT

FOR YEAR ENDED 31 DECEMBER 2015

CONTENTS

This audited general purpose financial report for the year ended 31 December 2015 covers the consolidated entity (the Group) comprising Southern Cross Airports Corporation Holdings Limited (SCACH, the Company) (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 are as follows:

Name	Role	Period of directorship
Trevor Gerber	Non-executive director, Chairman	Appointed director 4 January 2012, chairman 14 May 2015
Michael Lee	Non-executive director	Appointed 4 January 2012
John Roberts	Non-executive director	Appointed 15 February 2006
Stephen Ward	Non-executive director	Appointed 4 January 2012
Ann Sherry	Non-executive director	Appointed 1 May 2014
Grant Fenn	Non-executive director	Appointed 1 October 2015
Kerrie Mather	Executive director	Appointed 27 June 2002
Max Moore-Wilton	Chairman, Non-executive director	Appointed 22 January 2003, retired as director and chairman 14 May 2015

Director profiles of SCACH

TREVOR GERBER
B ACC, CA

Chairman
(Non-executive)

Mr Gerber was appointed as SCACH chairman on 14 May 2015. He is an independent non-executive director of the following ASX-listed entities - Tassal Group Limited since April 2012, Vicinity Centres since April 2014, CIMIC Group Limited since June 2014 and Regis Healthcare Limited since October 2014. 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

(Non-executive)

Mr Lee is the chairman of the Safety, Security and Sustainability Committee. He is the chairman of Communications Alliance, the peak communications industry body. He is a former director of DUET Group (August 2004 - May 2014), Superpartners, National Film and Sound Archive and former chair of the NSW TAFE Commission Board. 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

(Non-executive)

Mr Roberts is a director of Macquarie Atlas Roads Limited since February 2010 and 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 previously served for just over 10 years as a director of DUET Group (May 2004 - June 2015). 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.

STEPHEN WARD LLB (Non-executive)	Mr Ward is also a non-executive director of Sovereign Assurance Company Limited, Secure Future Wiri Limited and Secure Future Wiri Holdings Limited, Central Emergency Communications Limited, deputy chair of the Life Flight Trust, independent chair of the Advisory Council for the Financial Dispute Resolution Approved Scheme, a member of the Governance Board of Wellington Free Ambulance, member of the Investment Management Committee of Wellington Free Ambulance and a member of the New Zealand Rugby Union Appeal Council. He is also a consultant of Simpson Grierson, one of New Zealand's largest law firms.
ANN SHERRY AO, BA, GRAD DIP IR, FAICD, FIPAA, HONDLITT MACQ (Non-executive)	Ms Sherry is the executive chairman 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 Investments Pty Ltd, Australian Rugby Union, Cape York Partnership, Museum of Contemporary Art and The Palladium Group. Ms Sherry is the former chair of Safe Work Australia and Cruise Line Industry Association (CLIA) Southeast Asia and director of The Myer Family Company Limited. 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 a non-executive director of Jawun-Indigenous Corporate Partnerships.
GRANT FENN B EC, CA (Non-executive)	Mr Fenn has been the managing director and chief executive officer of ASX-listed Downer Group since July 2010. He has over 20 years' experience in operational management, strategic development and financial management. Mr Fenn was previously a member of the Qantas executive committee, chairman of Star Track Express and a director of Australian Air Express. He has held a number of senior roles at Qantas including executive general manager of Strategy and Investments and executive general manager - Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses.
KERRIE MATHER BA, MCOMM (Executive)	Ms Mather was appointed Sydney Airport's managing director and chief executive officer in July 2011. Since then, she has driven an investment program of more than $1.5 billion and has been instrumental in delivering aviation capacity and customer service improvements through tourism leadership and stakeholder engagement at Sydney Airport. She also led the acquisition of all Sydney Airport minority stakes and the simplification of the corporate structure in 2013. Ms Mather brings over 20 years of international aviation and transport experience including formerly as a board member of a number of UK and European airports and as CEO of the largest global airport investment fund from 2002 until 2011. Prior to this, she worked in investment banking during which she advised on many aviation industry transactions.

Company secretary

Mr Jamie Motum B Ec, 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, amortisation, net finance costs and income tax (EBITDA) of $1,007.4 million for the year ended 31 December 2015 (2014: $953.1 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $54.2 million (2014: $260.1 million). The net loss is after deducting redeemable preference share interest and associated debt establishment costs to shareholders totalling $286.5 million (2014: $285.2 million) which are held by the ordinary shareholders in their same proportions.

Total expenses were $221.6 million (2014: $210.6 million). Depreciation and amortisation costs were $260.6 million (2014: $255.6 million).

Net finance costs were $692.9 million (2014: $791.8 million) and primarily consist of interest expense payable to third parties (secured senior debt) and associated debt establishment costs totalling $441.7 million (2014: $461.1 million), and redeemable preference share costs totalling $286.5 million (2014: $285.2 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.

Financing metrics

The following table shows the net senior debt and selected ratios as at 31 December 2015.

	31 December 2015 $m	31 December 2014 $m
Gross total debt[1]	7,618.9	6,926.8
Less: total cash[2]	(185.5)	(333.9)
Net debt	7,433.4	6,592.9
Net senior debt	7,433.4	6,592.9
EBITDA (12 months historical)	1,007.4	953.1
Net debt/EBITDA	7.4x[3]	6.9x
Cash flow cover ratio[4]	2.5x	2.3x

1 Gross total debt refers to principal amount drawn, refer to note 2, 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 $185.5 million (2014: $298.9 million) in note 3 and $35.0 million in 2014 as other financial assets in note 15.
3 Ratio temporarily impacted by partial debt funding of the T3 transaction without the full EBITDA benefit; is expected to normalise following one year of operations.
4 Cash flow cover ratio is calculated using defined terms in the Group's debt documents, summarised as cash flow divided by senior debt interest expense for a rolling 12 month period.

In April 2015, Sydney Airport successfully issued $643.0 million (USD500.0 million) of senior secured notes in the US144A/RegS bond market that mature in April 2025.

In July and November 2015, the Group fully repaid $175.0 million and $300.0 million respectively of maturing bonds using undrawn committed bank debt facilities. As at 31 December 2015, there are no drawn debt maturities until April 2017.

At 31 December 2015, the Group had $472.0 million (2014: $979.8 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.

FinCo's senior secured debt credit ratings assigned by Standard & Poor's/Moody's remain at BBB/Baa2 respectively.

T3 Transaction

In August 2015, Sydney Airport reached an agreement with Qantas to take control of T3 from 1 September 2015 for consideration of $535.0 million, almost four years ahead of the previous lease expiry. The transaction was strategically important for future airport flexibility.

Independent valuation

As at 31 December 2015, the Group has net liabilities of $2,534.0 million (2014: $2,265.9 million). An independent valuation of SCACH equity value by Deloitte as at 31 December 2015 supported an Equity Value that, if applied in the financial report of the Group as at 31 December 2015, would have more than absorbed the consolidated deficiency position at 31 December 2015.

The directors believe that there are no known factors that would have had a significant adverse effect on the valuation since 31 December 2015. 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 ordinary shareholders is subordinated to senior debt and ordinary creditors of the Group. Under current accounting standards:

- the $2,043.1 million carrying value of the RPS at 31 December 2015 (2014: $2,033.1 million) is classified as borrowings rather than equity, and
- the $276.4 million (2014: $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 Statements 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 2015 $m	31 December 2014 $m
- on ordinary shares[1]	287.4	246.4
- on RPS[1]	276.4	276.4
	563.8	522.8

1 Represents cash paid as per the Consolidated Statements of Cash Flows. Also refer to Note 1.

In respect of the quarter ended 31 December 2015, the directors approved a final ordinary dividend of $77.4 million (2014: $60.9 million) and an RPS distribution of $69.7 million (2014: $69.7 million). These amounts were paid on 27 January 2016.

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 interest bearing liabilities, as a result of normal refinancing activities.

Significant events after the balance date

On 27 January 2016 an ordinary dividend of $77.4 million (2014: $60.9 million) and an RPS distribution of $69.7 million (2014: $69.7 million) was declared for the quarter ended 31 December 2015. The final dividend has not been recognised in this financial report because it was declared after 31 December 2015.

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

Western Sydney Airport

Under the 2002 Sydney (Kingsford Smith) Airport Sale Agreement, Sydney Airport has a Right of First Refusal, which provides the opportunity to develop and operate a second major airport within 100 kilometres of Sydney's CBD. In April 2014, the Australian Government announced that Badgerys Creek would be the site for the proposed Western Sydney airport.

As part of the Right of First Refusal, Sydney Airport has engaged in a consultation process with the Australian Government.

Throughout the consultation period, Sydney Airport has examined many aspects of the proposed Western Sydney airport including passenger forecasting, demographics, airport design and operation, planning and commercial development, environmental analysis, funding and financial modelling.

The Australian Government has indicated that it may issue Sydney Airport with a Notice of Intention laying out all the material terms for the development and operation of the Western Sydney airport in the first half of 2016. Sydney Airport would then have four or nine months to consider the exercise of its option to develop and operate the new airport.

Sydney Airport continues to work actively to understand all stakeholder impacts and expectations.

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 Regulations). 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 is undertaken by statutory office holders of the Commonwealth Department of Infrastructure and Regional Development. 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.

Sydney Airport 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.

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 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 2015 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 2015 and the number of meetings attended by each director were as follows:

	Board of Directors		Safety, Security, Sustainability Committee[5]	
Director	**H[1]**	**A[2]**	**H[1]**	**A[2]**
Trevor Gerber[3]	5	5	-	-
Michael Lee[4]	5	5	5	5
John Roberts	5	5	-	-
Stephen Ward	5	5	-	-
Ann Sherry	5	5	5	5
Grant Fenn	1	1	-	-
Kerrie Mather	5	5	5	5
Max Moore-Wilton[6]	2	2	1	1

1 Number of meetings to which director was invited to attend
2 Actual attendance
3 Chairman of the SCACH Board
4 Chairman of the Safety, Security and Sustainability Committee
5 Safety, Security, Environment and Health Committee has been dissolved as at 31 December 2015 and replaced with the Safety, Security and Sustainability Committee effective 1 January 2016
6 Mr Moore-Wilton resigned as chairman and director on 14 May 2015

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 18 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 18 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.

Lead auditor's independence declaration

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

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest 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

Trevor Gerber

Sydney

17 February 2016

1. In the opinion of the directors of Southern Cross Airports Corporation Holdings Limited ('the Company'):
   a. the Consolidated and the Company financial statements and notes that are set out on pages 12 to 42 are in accordance with the Corporations Act 2001, including;
      i. giving a true and fair view of the Group and Company's financial position as at 31 December 2015 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 17 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 page 17 to the Consolidated and Company financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Trevor Gerber

Sydney

17 February 2016

KPMG

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 2015 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

Leann Yuen

Leann Yuen
Partner

Sydney

17 February 2016

KPMG

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 2015, 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 20 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. On page 17, 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.

KPMG

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 2015 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 on page 17.

KPMG

KPMG

Leann K Yuen

Leann Yuen
Partner

Sydney

17 February 2016

CONSOLIDATED INCOME STATEMENTS

		Consolidated		Company	
	Note	2015 $m	2014 $m	2015 $m	2014 $m
Revenue					
Aeronautical revenue		523.4	486.8	-	-
Aeronautical security recovery	7	83.3	81.5	-	-
Retail revenue		263.5	255.2	-	-
Property and car rental revenue		201.2	194.0	-	-
Parking and ground transport revenue		150.6	139.9	-	-
Other revenue		6.9	6.2	-	-
Total revenue		1,228.9	1,163.6	-	-
Other income					
Gain on disposal of non-current assets		0.1	0.1	-	-
Total revenue and other income		1,229.0	1,163.7	-	-
Expenses					
Employee benefits expense		(47.2)	(46.9)	-	-
Services and utilities expense		(56.4)	(52.4)	-	-
Property and maintenance expense		(23.9)	(19.7)	-	-
Security recoverable expense	7	(73.9)	(71.5)	-	-
Other operational costs		(20.2)	(20.1)	-	-
Total expenses before depreciation, amortisation, net finance costs and income tax		(221.6)	(210.6)	-	-
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)		1,007.4	953.1	-	-
Depreciation	9	(221.3)	(216.3)	-	-
Amortisation	10	(39.3)	(39.3)	-	-
Profit before net finance costs and income tax (EBIT)		746.8	697.5	-	-
Finance income	6	7.0	9.1	1,626.2	1,352.2
Finance costs	6	(728.2)	(746.3)	(286.5)	(285.2)
Change in fair value of swaps	6	28.3	(54.6)	-	-
Net finance costs	6	(692.9)	(791.8)	1,339.7	1,067.0
Profit/(loss) before income tax expense		53.9	(94.3)	1,339.7	1,067.0
Income tax expense	11	(108.1)	(165.8)	(487.5)	(347.7)
Net (loss)/profit attributable to owners of the company		(54.2)	(260.1)	852.2	719.3

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Items that may subsequently be reclassified to profit or loss				
Changes in fair value of cash flow hedges	15.4	(13.1)	-	-
Tax on items that may be reclassified to profit or loss	(4.6)	3.9	-	-
Total items that may subsequently be reclassified to profit or loss	10.8	(9.2)	-	-
Items that will never be reclassified to profit or loss				
Remeasurement gain/(loss) on defined benefit plans	3.3	(1.4)	-	-
Tax on items that will never be reclassified to profit or loss	(1.0)	0.4	-	-
Total items that will never be reclassified to profit or loss	2.3	(1.0)	-	-
Other comprehensive income/(loss), net of tax	13.1	(10.2)	-	-
Total comprehensive (loss)/income attributable to owners of the company	(41.1)	(270.3)	852.2	719.3

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Consolidated		Company	
	Note	2015 $m	2014 $m	2015 $m	2014 $m
Current assets					
Cash and cash equivalents	3	185.5	298.9	0.6	0.6
Trade and other receivables	8	134.0	122.2	1.0	1.0
Other financial assets	15	-	35.0	1,423.3	1,172.8
Other assets		0.3	0.2	-	-
Total current assets		319.8	456.3	1,424.9	1,174.4
Non-current assets					
Trade and other receivables	8	48.2	35.4	-	-
Property, plant and equipment	9	3,231.0	2,550.6	-	-
Intangible assets	10	3,889.4	3,928.7	-	-
Derivative financial instruments	5	668.7	442.8	-	-
Other financial assets	15	-	-	10,467.3	9,595.0
Other assets		279.8	400.7	272.4	393.2
Total non-current assets		8,117.1	7,358.2	10,739.7	9,988.2
Total assets		8,436.9	7,814.5	12,164.6	11,162.6
Current liabilities					
Trade and other payables	16	260.8	257.4	2,460.7	2,093.9
Interest bearing liabilities - external	2	-	474.0	-	-
Derivative financial instruments	5	109.5	134.3	-	-
Provisions for employee benefits		11.1	10.3	-	-
Total current liabilities		381.4	876.0	2,460.7	2,093.9
Non-current liabilities					
Interest bearing liabilities - external	2	8,193.9	6,774.9	-	-
Interest bearing liabilities – shareholder related	2	2,043.1	2,033.1	2,043.1	2,033.1
Derivative financial instruments	5	163.4	200.7	-	-
Deferred tax liabilities	11	187.2	194.1	-	-
Provisions for employee benefits		1.9	1.6	-	-
Total non-current liabilities		10,589.5	9,204.4	2,043.1	2,033.1
Total liabilities		10,970.9	10,080.4	4,503.8	4,127.0
Net (liabilities)/assets		(2,534.0)	(2,265.9)	7,660.8	7,035.6
Equity					
Issued capital		1,374.4	1,314.0	1,374.4	1,314.0
Cash flow hedge reserve		(166.3)	(177.1)	-	-
(Accumulated losses)/retained earnings		(3,742.1)	(3,402.8)	6,286.4	5,721.6
Total equity		(2,534.0)	(2,265.9)	7,660.8	7,035.6

The above Consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Consolidated	Issued capital[1] $m	Accumulated losses $m	Cash flow hedge reserve $m	Total equity $m
Total equity at 1 January 2015	1,314.0	(3,402.8)	(177.1)	(2,265.9)
Comprehensive (loss)/income	-	(51.9)	10.8	(41.1)
Dividends on ordinary shares	-	(287.4)	-	(287.4)
Equity contribution from parent[2]	60.0	-	-	60.0
Equity-settled share-based expense	0.4	-	-	0.4
Total equity at 31 December 2015	1,374.4	(3,742.1)	(166.3)	(2,534.0)
Total equity at 1 January 2014	1,314.0	(2,895.3)	(167.9)	(1,749.2)
Comprehensive loss	-	(261.1)	(9.2)	(270.3)
Dividends on ordinary shares	-	(246.4)	-	(246.4)
Total equity at 31 December 2014	1,314.0	(3,402.8)	(177.1)	(2,265.9)

Company	Issued capital[1] $m	Retained earnings $m	Total equity $m
Total equity at 1 January 2015	1,314.0	5,721.6	7,035.6
Comprehensive income	-	852.2	852.2
Dividends on ordinary shares	-	(287.4)	(287.4)
Equity contribution from parent[2]	60.0	-	60.0
Equity-settled share-based expense	0.4	-	0.4
Total equity at 31 December 2015	1,374.4	6,286.4	7,660.8
Total equity at 1 January 2014	1,314.0	5,248.7	6,562.7
Comprehensive income	-	719.3	719.3
Dividends on ordinary shares	-	(246.4)	(246.4)
Total equity at 31 December 2014	1,314.0	5,721.6	7,035.6

1 Issued capital comprise 13,648,394 issued and fully paid ordinary shares
2 The T3 transaction was funded with a mixture of cash, debt and ASX-listed Sydney Airport equity contribution. Refer to Note 17 for the description of related party disclosures

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Consolidated 2015 $m	Consolidated 2014 $m	Company 2015 $m	Company 2014 $m
Cash flow from operating activities					
Interest received		7.5	8.9	563.8	522.8
Receipts from customers		1,355.0	1,303.5	-	-
Payments to suppliers and employees		(357.4)	(326.9)	-	-
Interest paid		(276.8)	(233.0)	-	-
Interest rate swaps payments		(127.4)	(161.8)	-	-
Net cash flow from operating activities	3	600.9	590.7	563.8	522.8
Cash flow from investing activities					
Proceeds from disposal of property, plant and equipment		0.1	0.1	-	-
Short term financial assets		35.0	(35.0)	-	-
Acquisition of property, plant and equipment		(887.6)	(253.7)	-	-
Capitalised borrowing costs		(11.0)	(8.0)	-	-
Net cash flow used in investing activities		(863.5)	(296.6)	-	-
Cash flow from financing activities					
Proceeds received from borrowings		1,730.0	2,268.0	-	-
Repayment of borrowings		(1,053.7)	(2,022.0)	-	-
Borrowing costs paid		(23.3)	(25.1)	-	-
Repayment of finance lease		-	(0.4)	-	-
Proceeds from parent		60.0	-	60.0	-
Advances to subsidiary		-	-	(60.0)	-
Dividends paid - ordinary shares	1	(287.4)	(246.4)	(287.4)	(246.4)
Interest paid - redeemable preference shares		(276.4)	(276.4)	(276.4)	(276.4)
Net cash flow from/(used in) financing activities		149.2	(302.3)	(563.8)	(522.8)
Net decrease in cash and cash equivalents		(113.4)	(8.2)	-	-
Cash and cash equivalents at beginning of the period		298.9	307.1	0.6	0.6
Cash and cash equivalents at the end of the period	3	185.5	298.9	0.6	0.6

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

In 2015, the Financial Report has been streamlined to provide more readable and relevant content. Notes to the financial statements have been organised into six groupings to enable the reader to discover how particular events and transactions have affected the financial position and performance of the business. Accounting policies have been positioned together with the relevant note.

GENERAL

Basis of preparation and statement of compliance

This is the financial report for Southern Cross Airports Corporation Holdings Limited (SCACH, the Company) and its controlled entities (collectively referred to as the Group). The Group is a for-profit entity for the purposes of preparing the financial statements.

This financial report:

- Consists of the consolidated financial statements of the Group, as permitted by Australian Securities & Investments Commission (ASIC) Class Order 10/654;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss; and
- Is presented in Australian dollars, which is the functional currency of the Parent, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Class Order 98/100 dated 10 July 1998.

The financial report was authorised for issue by the directors on 17 February 2016.

Net current liability position

The SCACH Group is in a net current liability position of $61.6 million at 31 December 2015. This is covered by undrawn committed bank facilities of $472.0 million at 31 December 2015.

Changes to the financial report

Restructuring and redundancy costs have been reclassified as Other operational costs in the Consolidated Income Statements following the streamlining of the financial report.

Critical accounting estimates and judgements

In the process of applying the Group's accounting policies, directors have made judgements, estimates and assumptions about future events. Critical estimates and assumptions were made in relation to:

- Fair value measurement of financial instruments (refer note 2 and 4); and
- Impairment test for goodwill (refer note 10).

Significant accounting policies

This financial report contains all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate to. Other accounting policies are set out below:

i) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities comprising the consolidated entity, which are 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 17 to the financial statements.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as their parent company. In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full. There were no changes to the controlled entities structure during the year.

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.

Significant accounting policies (cont.)

ii) Revenue recognition

The Group and Company's revenue is measured at the fair value of the consideration received or receivable and recognised on the basis of the following criteria:

Revenue stream	Nature	Recognition
Aeronautical	Passenger, take-off, parking charges and exclusive first right use of gates.	Revenue is recognised when the related services are provided.
Aeronautical security recovery	Passenger and checked bag screening, counter terrorist first response and other additional security measures.	
Retail	Rental from tenants whose sale activities include duty free, food and beverage, financial and advertising services.	Revenue is recognised on a straight-line basis over the lease term.
Property	Rental for airport property including terminals, buildings and other leased areas.	
Car rental	Concession charges from car rental companies.	
Parking and ground transport	Time-based charges from the operation of car parking services.	Revenue is recognised when the related services are provided.

All revenue is generated from external customers within Australia.

Income from interest, dividends and other distributions received from investments are measured at the fair value of the consideration received or receivable and recognised in the consolidated income statements.

iii) Foreign currency transactions and balances

Foreign currency amounts are translated to the respective functional currencies of the Group entities (Australian dollars) using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date
Non-monetary assets and liabilities measured in terms of historical cost	Date of transaction

Foreign exchange gains and losses on translation are recognised in the consolidated income statement.

iv) Fair value of financial instruments

The fair values 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, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used.

The directors consider the carrying amounts of financial assets and liabilities recorded in the financial statements approximate fair value, except for fixed interest rate bonds (refer note 2).

Fair value measurements are determined as follows:

- 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).

New standards and interpretations not yet adopted

The Group and Company has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to operations and effective for the current reporting period. The adoption of these new and revised Standards and Interpretations have not had a material impact on the Group for year ended 31 December 2015.

The following Standards, amendments to Standards and Interpretations effective for annual reporting periods commencing after 1 January 2016 have not been applied by the Group in this Financial Report:

Reference	Description	Impact	Effective/application date
AASB 9: *Financial Instruments*	Addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting.	Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The extent of the impact has not been determined.	1 January 2018
AASB 15: *Revenue from Contracts with Customers*	Replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised.	No material impact is expected.	1 January 2018
IFRS 16: *Leases*	Provides a new model for accounting for leases. Early adoption is permitted under certain circumstances.	The potential effect of this standard is yet to be determined.	1 January 2019

CAPITAL MANAGEMENT

The Group manages and regularly reviews its capital structure to ensure it is able to finance current and future business activities and to continue as a going concern, while optimising the debt and equity balance and returns to security holders.

The capital structure of the Group consists of:

- Debt;
- Cash and cash equivalents;
- Issued capital;
- Reserves; and
- Retained earnings.

During year ended 31 December 2015, the Group's strategy remained unchanged.

1 DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED

Stapled ordinary and redeemable preference shares

The economic equity for the Group is in the form of ordinary shares stapled 1:1 to redeemable preference shares (RPS) at a nominal value of $150 each. RPS are redeemable at a premium of $50 per RPS on 28 June 2032.

Ordinary shareholders' entitlements

Shareholders of each fully paid ordinary share 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. Ordinary dividends are paid only after the payment of interest on RPS.

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

RPS shareholders' entitlements

The RPS 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. Principle and interest payments on the RPS are subordinated to other debt and ordinary creditors of the Group. RPS shareholders have no acceleration rights if interest is not paid.

1 DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED (CONT.)

Ordinary dividends paid and proposed during the year for the Group and the Company are shown in the table below:

	2015		2014	
	$ per share	**$m**	**$ per share**	**$m**
Amounts paid in period				
December quarter paid in January 2015 (2014: January 2014)	4.46	60.9	3.97	54.2
March quarter paid in April 2015 (2014: April 2014)	5.95	81.1	4.88	66.6
June quarter paid in July 2015 (2014: July 2014)	4.55	62.2	3.89	53.1
September quarter paid in October 2015 (2014: October 2014)	6.10	83.2	5.31	72.5
		287.4		246.4
Amounts paid after period end				
December quarter paid in January 2016 (2014: January 2015)	5.67	77.4	4.46	60.9

Total dividends attributable to the period ended 31 December 2015 were $303.9 million (2014: $253.1 million). These dividends were unfranked.

2 INTEREST BEARING LIABILITIES

The Group and the Company have external and shareholder related interest bearing liabilities, as follows:

External

The Group's external debt comprises the following:

- Bank facilities;
- Domestic bonds;
- US private placement bonds (USPP);
- Other foreign bonds; and
- Capital indexed bonds (CIB).

Shareholder related

- Redeemable preference shares (RPS).

The balances and other details related to the Group's interest bearing liabilities are presented in the table on the following page. The RPS are the Company's only interest bearing liabilities.

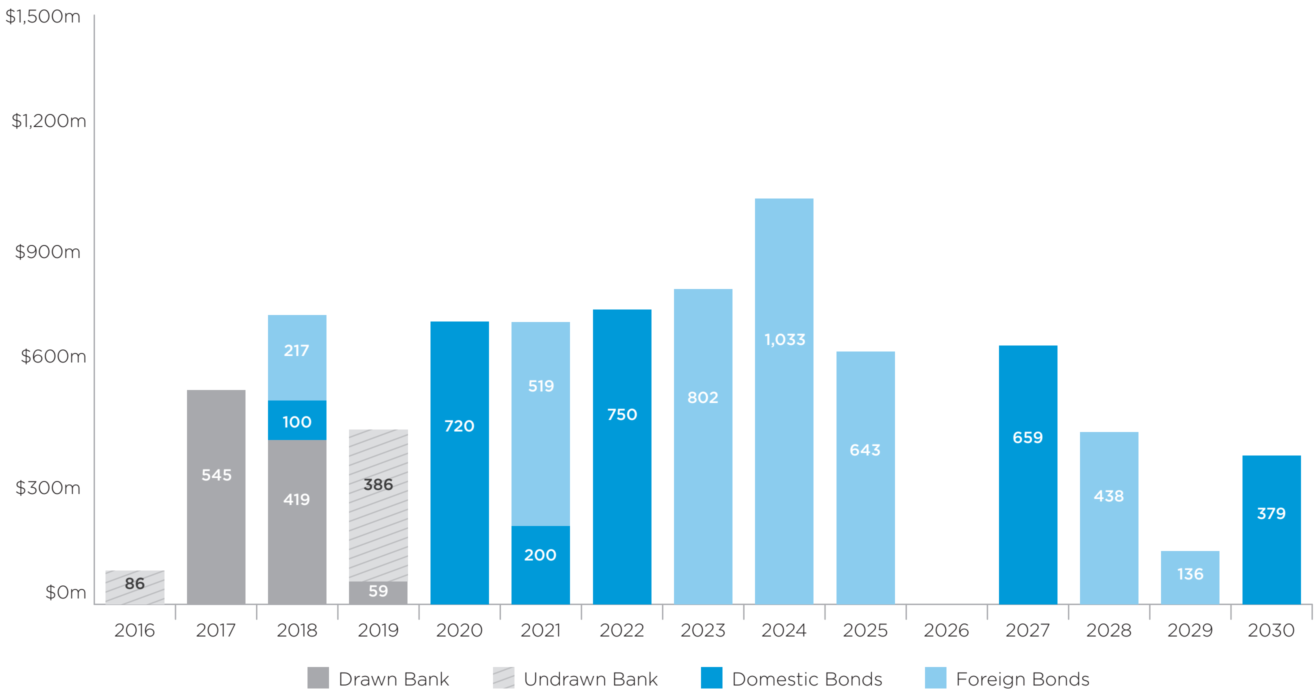
2 INTEREST BEARING LIABILITIES (CONT.)

Group	Carrying amount 2015 $m	Carrying amount 2014 $m	Fair value 2015 $m	Fair value 2014 $m	Principal amount drawn In AUD 2015 $m	Principal amount drawn In AUD 2014 $m	Principal amount drawn In original currency 2015 $m	Principal amount drawn In original currency 2014 $m	Currency	Interest rate	Maturity
Syndicated debt - Tranche A	344.1	206.4	344.1	206.4	345.0	208.0	345.0	208.0	AUD	Floating[4]	April 2017
Syndicated debt - Tranche B	416.4	222.3	416.4	222.3	419.0	226.0	226.0	226.0	AUD	Floating[4]	April 2018
Syndicated debt - Tranche C	56.2	-	56.2	-	59.0	-	59.0	-	AUD	Floating[4]	April 2019
Bilateral facility - Issue 3	99.7	39.9	99.7	39.9	100.0	40.4	100.0	40.4	AUD	Floating[4]	April 2017
Bilateral facility - Issue 4	99.7	39.8	99.7	39.8	100.0	40.3	100.0	40.3	AUD	Floating[4]	April 2017
Wrapped domestic bond - Issue 5[1,5]	-	299.3	-	299.3	-	300.0	-	300.0	AUD	Floating[4]	November 2015
Wrapped domestic bond - Issue 9[1]	198.5	198.3	198.5	198.3	200.0	200.0	200.0	200.0	AUD	Floating[4]	November 2021
Wrapped domestic bond - Issue 10[1]	740.0	738.7	740	738.7	750.0	750.0	750.0	750.0	AUD	Floating[4]	October 2022
Wrapped domestic bond - Issue 11[1]	647.6	646.8	647.6	646.8	659.0	659.0	659.0	659.0	AUD	Floating[4]	October 2027
Unwrapped domestic bond - Issue 12[2,5]	-	174.7	-	179.8	-	175.0	-	175.0	AUD	8.00%	July 2015
Unwrapped domestic bond - Issue 13[2]	99.4	99.2	113.5	117.8	100.0	100.0	100.0	100.0	AUD	7.75%	July 2018
USPP - Series A	99.3	99.2	99.3	99.2	100.0	100.0	100.0	100.0	AUD	Floating[4]	August 2028
USPP - Series B	99.3	99.2	99.3	99.2	100.0	100.0	100.0	100.0	AUD	Floating[4]	November 2028
USPP - Series C	178.7	178.7	235.5	236.2	180.0	180.0	180.0	180.0	AUD	6.04%[6]	November 2028
USPP - Series D	57.6	57.6	73.5	73.3	58.0	58.0	58.0	58.0	AUD	5.60%[6]	November 2028
USPP - Series E	135.0	135.0	174.4	174.4	136.0	136.0	136.0	136.0	AUD	5.70%[6]	November 2029
CAD bond (Canadian Maple)	221.3	235.0	244.1	261.6	217.4	217.4	225.0	225.0	CAD	4.60%[6]	July 2018
EUR bond (Euro Bond)	1,109.3	1,115.2	1,209.3	1,226.7	1,033.4	1,033.4	700.0	700.0	EUR	2.75%[6]	April 2024
USD bond (US 144A/RegS)	692.7	615.8	800.8	726.7	518.7	518.7	500.0	500.0	AUD	5.13%[6]	February 2021
USD bond (US 144A/RegS)	1,136.3	1,003.5	1,280.8	1,145.5	802.4	802.3	825.0	825.0	AUD	3.90%[6]	March 2023
USD bond April 2015 (US 144A/RegS)	689.7	-	758.8	-	643.0	-	500.0	-	AUD	3.38%[6]	April 2025
CIB - Issue 1[3]	708.1	688.9	739.7	723.9	719.5	709.2	719.5	709.2	AUD	3.76%	November 2020
CIB - Issue 2[3]	365.0	355.4	379.0	369.5	378.5	373.1	378.5	373.1	AUD	3.12%	November 2030
Total external interest bearing liabilities	8,193.9	7,248.9	8,810.2	7,825.3	7,618.9	6,926.8	n/a	n/a			
Shareholder related											
Redeemable preference shares	2,043.1	2,033.1	4,758.4	4,829.4	2,047.3	2,047.3	2,047.3	2,047.3	AUD	13.50%	June 2032
Total shareholder related interest bearing liabilities	2,043.1	2,033.1	4,758.4	4,829.4	2,047.3	2,047.3	2,047.3	2,047.3			

1 Financial guarantees are provided by MBIA Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp in 2015 and 2014.
2 Not subject to financial guarantees in 2015 and 2014.
3 Financial guarantees in respect of the CIBs are provided by MBIA Insurance Corporation and Ambac Assurance Corporation.
4 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
5 At 31 December 2014, $474.0 million were classified as current interest bearing liabilities in the Statement of Financial Position.
6 Fixed interest rates are reflective of coupons in respective currencies/markets.

2 INTEREST BEARING LIABILITIES (CONT.)

The maturity profile of interest bearing liabilities is presented in the chart below.



Assets pledged as security

All external interest bearing liabilities of the Group are of equal rank with respect to all its assets (excluding deferred tax and goodwill) pledged as security. The security consists of fixed and floating charges over the assets of the Group and a mortgage over the Airport lease.

Recognition and measurement

The Group and Company recognises interest bearing liabilities on the date that they become a party to the contractual provisions of the instrument. These are initially recognised at fair value less any attributable transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective rate yield basis.

At 31 December 2015 and 2014, all fixed interest rate bonds were determined based on observable market inputs, categorised as Level 2.

The Group and Company derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

CIBs explained

Capital indexed bonds are inflation linked bonds. The principal amount of the bond is indexed against the Consumer Price Index with the revised capital amount due for repayment at maturity.

Effective interest rate method explained

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.

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash and subject to an insignificant risk of changes in value and, at balance date, have a remaining term to maturity of three months or less. They are used for the purpose of meeting short-term cash commitments of the Group.

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

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Cash on hand	149.7	162.7	-	-
Deposits[1]	35.8	136.2	0.6	0.6
Total cash and cash equivalents[2]	185.5	298.9	0.6	0.6
Cash flow information				
Reconciliation of profit after tax to net cash flows from operations				
(Loss)/profit for year	(54.2)	(260.1)	852.2	719.3
Non cash interest expense	43.1	67.8	10.1	8.8
Borrowing costs paid	12.7	3.7	-	-
Redeemable preference shares interest	276.4	276.4	276.4	276.4
(Gain)/loss on derivative instruments	(28.3)	54.6	-	-
Depreciation and amortisation	260.6	255.6	-	-
Net gain in sale of non-current assets	(0.1)	(0.1)	-	-
Operating lease straight lining adjustment	(11.9)	2.2	-	-
LTI share based payment expense	0.4	-	-	-
(Increase)/decrease in receivables and other assets	(13.5)	7.3	(1,062.4)	(829.4)
Increase in payables and other liabilities	7.6	17.5	-	-
Increase in tax liabilities	108.1	165.8	487.5	347.7
Net cash flow from operating activities	600.9	590.7	563.8	522.8

1 At 31 December 2014, a $35.0 million term deposit with maturity date greater than three months but less than one year was reclassified to other financial assets (note 15).
2 Included in the Group's consolidated cash balance is $35.7 million (2014: $136.2 million) held by SACL, of which $35.7 million (2014: $30.2 million) is restricted for maintenance. The remainder of 2014 balance was restricted for other purposes including debt service.

TREASURY AND FINANCIAL RISK MANAGEMENT

The Group and Company's treasury operations include financing and investment activities, cash management and financial risk management. The strategic focus is to provide support to the business by maintaining the Group's financial flexibility and a minimum credit rating of BBB/Baa2.

This section explains the Group and Company's exposure to and management of various financial risks, and their potential effects on the Group and Company's financial position and performance. It also details finance income and costs incurred during the year.

4 FINANCIAL RISK MANAGEMENT

Risk management framework

The Group and Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group and Company's financial performance. Treasury, under policies approved by the Board, manages the Group and Company's exposure to market risk (including foreign currency risk, inflation risk and interest rate risk), credit risk and liquidity risk.

Treasury identifies, evaluates and hedges exposure to financial risks in close co-operation with the operating units while investing excess liquidity. Speculative trading is specifically prohibited by Board policy.

4.1 Foreign currency risk

The Group's treasury policy is to hedge 100% of foreign currency exposures related to borrowings and to hedge foreign currency exposures relating to revenue, operating expenditure and capital expenditure over certain thresholds.

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (CAD, EUR and USD). At 31 December 2015 and 2014, these interest bearing liabilities are 100% hedged through cross currency swaps until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

The Group's exposures to foreign currency risk, based on notional amounts were:

	2015				2014			
	CADm	EURm	USDm	Equivalent Total AUDm	CADm	EURm	USDm	Equivalent Total AUDm
Senior secured bonds	(225.0)	(700.0)	(1,825.0)	(3,214.9)	(225.0)	(700.0)	(1,325.0)	(2,571.8)
Cross currency swaps	225.0	700.0	1,825.0	3,214.9	225.0	700.0	1,325.0	2,571.8
	-	-	-	-	-	-	-	-

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates, where interest rate movements can impact the Group's cash flow exposures.

The Company has no exposure to interest rate movements.

The Group uses interest rate swap (IRS) contracts to mitigate interest rate risk. The Group's policy is to maintain a minimum average hedge position of 55% for a five year average look forward basis.

Interest rate swap contracts

By entering into IRS contracts, the Group agrees to exchange the net difference between fixed rates and floating interest rate amounts (based on Australian BBSW) calculated by reference to agreed notional principal amounts. IRS settle on a quarterly basis.

All floating for fixed IRS are designated as cash flow hedges. The IRS and the interest payments on the related loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

The fair value of IRS at reporting date is determined by discounting the related future cash flows using the cash and swap curves at reporting date and credit risk inherent in the contract.

4 FINANCIAL RISK MANAGEMENT (CONT.)

The table below details the notional principal amounts and remaining terms of floating for fixed IRS contracts outstanding at balance date:

	Average contracted fixed interest rate[1]		Notional principal amount		Fair value	
	2015 %	2014 %	2015 $m	2014 $m	2015 $m	2014 $m
1 year or less	5.50%	6.26%	1,829.3	955.0	(36.9)	(19.4)
1 to 2 years	-	5.50%	-	1,829.3	-	(88.7)
2 to 5 years	3.56%	4.65%	1,439.1	200.0	(60.2)	(13.6)
5 years or more	3.80%	3.76%	2,300.8	3,154.1	(131.3)	(166.3)
	n/a	n/a	5,569.2	6,138.4	(228.4)	(288.0)

1 The average interest rate is based on the outstanding balance at reporting date

The weighted average interest rate of the Group's external interest bearing liabilities was 5.7% for year ended 31 December 2015 (2014: 6.1%).

At 31 December 2015, 77.6% (2014: 83.4%) of senior drawn borrowings were hedged through IRS.

The Group uses IRS on a five year average look forward basis, targeting a range of forecast average debt exposures in each year below:

- Year 1 70%-95%
- Year 2-3 50%-75%
- Year 4-5 40%-65%

Interest rate sensitivities

In reviewing interest rate sensitivities, a 150 basis point (bp) movement is used by management to assess possible changes in interest rates at balance date.

	2015 $m	2014 $m
Increase in interest rate +150bp		
Profit/(loss) after tax	(17.9)	(12.1)
Equity	63.5	124.7
Decrease in interest rate -150bp		
Profit/(loss) after tax	17.9	12.1
Equity	(64.6)	(135.7)

4.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The credit quality of financial assets are regularly monitored by management to identify any potential adverse changes.

The Group's policy is that all financial institution derivative counterparties must have a minimum rating of Standard & Poor's A- or Moody's long-term rating of A3 and deposit counterparties a minimum rating of A/A2. The Group also has policies limiting the amount of credit exposure to any single financial institution by both volume and term.

Credit risks on receivables relate to aeronautical, retail and property trade receivables at the airport asset level. These corporate counterparties have a range of credit ratings. At 31 December 2015, less than 5.0% (2014: less than 5.0%) of trade receivables were overdue. Key aeronautical customers include the Qantas and Virgin Groups which accounted for 40.0% to 50.0% of aeronautical revenue for year ended 31 December 2015 (2014: 40.0% to 50.0%).

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

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Groups' maximum exposure to credit risk without taking into account the value of any collateral obtained.

4 FINANCIAL RISK MANAGEMENT (CONT.)

4.4 Liquidity risk

Liquidity risk refers to the risk that the Group and Company have insufficient liquidity to meet their financial obligations when they fall due.

The Group and Company have built in appropriate liquidity management requirements as part of its risk management framework. Due to the capital intensive nature of the underlying business, Treasury works to achieve flexibility in funding by maintaining levels of undrawn committed bank facilities available for working capital and capital investment, and capital expenditure reserve.

The table below details the Group's and Company's remaining undiscounted principal and interest cash flows and their contractual maturity based on the earliest date on which the Group and Company are required to pay.

	Carrying value $m	Contractual cash flows $m	1 year or less $m	1 to 5 years $m	5 years or more $m
Consolidated					
2015					
Bank facilities	1,016.1	1,099.0	40.8	1,058.2	-
Bonds – domestic	1,685.5	2,093.4	52.1	277.5	1,763.8
Bonds – USPP	569.9	971.3	30.3	120.8	820.2
Bonds – other foreign	3,849.3	3,526.8	150.5	694.4	2,681.9
Capital indexed bonds	1,073.1	1,447.0	38.3	159.8	1,248.9
Redeemable preference shares	2,043.1	7,272.8	277.1	1,106.3	5,889.4
Derivatives	272.9	264.8	85.6	167.5	11.7
Trade and other payables	225.9	225.9	225.9	-	-
	10,735.8	16,901.0	900.6	3,584.5	12,415.9
2014					
Bank facilities	508.4	571.6	20.5	551.1	-
Bonds – domestic	2,157.0	2,699.8	547.2	313.9	1,838.7
Bonds – USPP	569.7	1,013.1	31.0	124.2	857.9
Bonds – other foreign	2,969.5	3,734.2	156.6	820.6	2,757.0
Capital indexed bonds	1,044.3	1,774.4	37.7	160.6	1,576.1
Redeemable preference shares	2,033.1	7,549.3	276.4	1,106.3	6,166.6
Derivatives	335.0	335.0	134.3	200.7	-
Trade and other payables	225.8	225.8	225.8	-	-
	9,842.8	17,903.2	1,429.5	3,277.4	13,196.3
Company					
2015					
Redeemable preference shares	2,043.1	7,272.8	277.1	1,106.3	5,889.4
Trade and other payables[1]	2,460.7	2,460.7	2,460.7	-	-
	4,503.8	9,733.5	2,737.8	1,106.3	5,889.4
2014					
Redeemable preference shares	2,033.1	7,549.3	276.4	1,106.3	6,166.6
Trade and other payables[1]	2,093.9	2,093.9	2,093.9	-	-
	4,127.0	9,643.2	2,370.3	1,106.3	6,166.6

1 Includes intercompany loan liabilities of $2,410.7 million (2014: $2,043.9 million) as disclosed in note 16.

5 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks, as described in note 4. The net derivative position at the reporting date is presented below:

	2015			2014		
$m	**Cross currency swaps**	**Interest rate swaps**	**Total**	**Cross currency swaps**	**Interest rate swaps**	**Total**
Non-current assets	663.6	5.1	668.7	442.8	-	442.8
Current liabilities	(39.4)	(70.1)	(109.5)	(47.0)	(87.3)	(134.3)
Non-current liabilities	-	(163.4)	(163.4)	-	(200.7)	(200.7)
Net derivative position	624.2	(228.4)	395.8	395.8	(288.0)	107.8

Recognition and measurement

Hedge accounting

On initial designation of the derivative as the hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transactions. The Group documents its assessment, both at hedge inception and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting changes in fair value or cash flows of the hedged items, and whether the actual results of each hedge are in a range of 80 to 125 percent.

The recognition and measurement of the derivative, depending on whether the underlying risk is the variation in expected cash flow, being a cash flow hedge, or change in the hedged item's fair value, being a fair value hedge, is as follows:

Cash flow hedges

The Group's IRS are accounted for as cash flow hedges. They are used to hedge the exposure to variability in forecasted cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of the derivative is recognised immediately in profit or loss.

The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecasted transactions are not expected to occur any more.

Fair value hedges

The Group's cross currency swaps are accounted for as fair value hedges. They are used to hedge the exposure to variability in the fair value of assets or liabilities that could affect profit or loss. Initial recognition of the derivative is at fair value of the hedging instrument and subsequent changes, being hedging gain or loss, are recognised in profit or loss. The carrying value of the hedged items are adjusted for the hedging gain or loss, with the adjustment being recognised in profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and any adjustment between the carrying amount and the face value of a hedged item is amortised through profit or loss using the effective interest rate method.

Critical estimates and assumptions - fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date.

At 31 December 2015 and 2014, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2.

6 NET FINANCE COSTS

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

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Finance income				
Bank interest	7.0	9.1	-	-
Interest from wholly-owned subsidiaries	-	-	1,626.2	1,352.2
Total finance income	7.0	9.1	1,626.2	1,352.2
Finance costs				
Senior debt interest paid or accrued	(283.9)	(261.9)	-	-
Net swap interest expense	(123.0)	(144.6)	-	-
CIBs capitalised	(15.8)	(29.7)	-	-
Amortisation of debt establishment costs	(23.1)	(24.6)	-	-
Recurring borrowings costs paid	(6.9)	(8.3)	-	-
Borrowing costs capitalised	11.0	8.0	-	-
RPS interest paid or accrued	(276.4)	(276.4)	(276.4)	(276.4)
Amortisation of RPS debt establishment costs	(10.1)	(8.8)	(10.1)	(8.8)
Total finance costs	(728.2)	(746.3)	(286.5)	(285.2)
Change in fair value of swaps	28.3	(54.6)	-	-
Net finance costs	(692.9)	(791.8)	1,339.7	1,067.0

Recognition and measurement

Finance income relates to the interest income on cash and loan receivable balances which are brought to account using the effective interest rate method.

Finance costs are recognised as expense when incurred using the effective interest rate method, except where they are directly attributable to the acquisition, construction or production of qualifying assets.

Capitalisation of borrowing costs

Finance 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, are capitalised as part of the cost of those assets. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the finance costs eligible for capitalisation.

FINANCIAL RESULTS AND FINANCIAL POSITION

This section provides additional information about those individual line items in the financial statements that are considered relevant to the operations of the Group and Company.

7 AERONAUTICAL SECURITY RECOVERY

The consolidated income statement includes both revenues and costs relating to aeronautical security recovery.

These recovery charges are in accordance with ACCC guidelines for pass-through of Government mandated security costs. The charges are levied on a per passenger basis, and are for the following services:

a. International services include checked bag screening, passenger screening and additional security measures.
b. Domestic services include additional security measures, Terminal 2 checked bag screening and Terminal 2 passenger screening.

Security charges are not levied on regional passenger services (other than as noted above).

Security recovery details:

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Revenue				
Security recovery	83.3	81.5	-	-
Expenses				
Employee benefits expense	(3.0)	(3.1)	-	-
Services and utilities	(67.1)	(65.5)	-	-
Other operational costs	(0.4)	(0.5)	-	-
Property and maintenance	(3.4)	(2.4)	-	-
Total direct costs	(73.9)	(71.5)	-	-
Depreciation	(6.3)	(6.3)	-	-
Borrowing costs	(3.1)	(3.7)	-	-
Surplus/(deficit)	-	-	-	-

Recognition and measurement

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

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

8 TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Current				
Trade receivables	67.2	71.1	-	-
Provision for doubtful debts	-	(0.1)	-	-
Accrued revenue	54.8	39.2	-	-
Other receivables	12.0	12.0	1.0	1.0
Total current receivables	134.0	122.2	1.0	1.0
Non-current				
Accrued revenue	11.1	12.0	-	-
Operating lease receivable	35.4	20.9	-	-
Other receivables	1.7	2.5	-	-
Total non-current receivables	48.2	35.4	-	-

Trade receivables are generally collected within 30 days of invoice date.

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for any doubtful debts based on an ongoing review of all outstanding amounts.

9 PROPERTY, PLANT AND EQUIPMENT

Consolidated ($m)	Freehold land	Buildings	Runways, taxis and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
2015								
Cost								
Opening balance	11.3	1,749.5	829.3	819.4	358.3	237.2	176.9	4,181.9
Additions[1]	-	436.4	-	42.8	77.7	-	344.8	901.7
Transfers	-	138.4	42.8	83.8	32.3	45.4	(342.7)	-
Disposals	-	(0.6)	-	-	-	(0.6)	-	(1.2)
Closing balance	11.3	2,323.7	872.1	946.0	468.3	282.0	179.0	5,082.4
Accumulated depreciation								
Opening balance	(1.6)	(679.8)	(228.4)	(273.7)	(253.0)	(194.8)	-	(1,631.3)
Depreciation	(0.1)	(106.5)	(28.4)	(46.7)	(17.9)	(21.7)	-	(221.3)
Disposals	-	0.6	-	-	-	0.6	-	1.2
Closing balance	(1.7)	(785.7)	(256.8)	(320.4)	(270.9)	(215.9)	-	(1,851.4)
Total carrying amount	9.6	1,538.0	615.3	625.6	197.4	66.1	179.0	3,231.0
2014								
Cost								
Opening balance	11.3	1,627.0	785.2	770.6	350.7	221.6	162.8	3,929.2
Additions[1]	-	-	-	-	-	-	253.1	253.1
Transfers	-	122.5	44.1	48.8	7.6	16.0	(239.0)	-
Disposals	-	-	-	-	-	(0.4)	-	(0.4)
Closing balance	11.3	1,749.5	829.3	819.4	358.3	237.2	176.9	4,181.9
Accumulated depreciation								
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)
Disposals	-	-	-	-	-	0.4	-	0.4
Closing balance	(1.6)	(679.8)	(228.4)	(273.7)	(253.0)	(194.8)	-	(1,631.3)
Total carrying amount	9.7	1,069.7	600.9	545.7	105.3	42.4	176.9	2,550.6

1 Includes capitalised borrowing costs of $11.0 million (2014: $8.0 million).

The Company has no Property, Plant and Equipment.

Additions in 2015 included the T3 transaction of $535.0 million from 1 September 2015.

Capital expenditure commitments

At reporting date, the Group has capital expenditure commitments of $101.8 million (2014: $61.6 million).

Recognition and measurement

The Group recognises items of property, plant and equipment at cost which includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The subsequent measurement of items of property, plant and equipment is at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of property, plant and equipment is on a straight-line basis in profit or loss over the estimated useful lives of each component, from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the assets are completed and ready for use.

Subsequent expenditure is capitalised only when it is probable that future economic benefits will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

10 INTANGIBLE ASSETS

Consolidated ($m)	Goodwill	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	95	95	
2015				
Cost				
Opening balance	688.3	2,058.1	1,672.0	4,418.4
Closing balance	688.3	2,058.1	1,672.0	4,418.4
Accumulated amortisation				
Opening balance	-	(270.9)	(218.8)	(489.7)
Amortisation	-	(21.7)	(17.6)	(39.3)
Closing balance	-	(292.6)	(236.4)	(529.0)
Total carrying amount	688.3	1,765.5	1,435.6	3,889.4
2014				
Cost				
Opening balance	688.3	2,058.1	1,672.0	4,418.4
Closing balance	688.3	2,058.1	1,672.0	4,418.4
Accumulated amortisation				
Opening balance	-	(249.2)	(201.2)	(450.4)
Amortisation	-	(21.7)	(17.6)	(39.3)
Closing balance	-	(270.9)	(218.8)	(489.7)
Total carrying amount	688.3	1,787.2	1,453.2	3,928.7

Intangible assets items explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary, a 50 plus 49 year lease of land and granted it an airport operator licence.

Leasehold land and the airport operator licence have been recognised at their cost of acquisition by reference to the purchase consideration and independent valuation.

Recognition and measurement

Except for goodwill, the Group recognises intangible assets at cost directly attributable to the acquisition of the asset. The subsequent measurement of intangible assets is at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is accounted for on a straight-line basis in profit or loss over the assets' estimated useful lives from the date they are available for use.

Goodwill arises on acquisition of a business. It is subsequently measured at cost less accumulated impairment losses and tested for impairment annually.

Impairment of intangible assets

The carrying amounts of the Group's intangible assets other than deferred tax assets are reviewed at each reporting date to determine indication of impairment. Assets with finite lives are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they may be impaired.

An impairment loss is recognised in profit and loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows - cash generating units (CGU).

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of other assets in the CGU on a pro-rata basis.

10 INTANGIBLE ASSETS (CONT.)

An impairment loss in respect of goodwill is never reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

For year ended 31 December 2015 no intangible assets were impaired (2014: nil).

Critical estimates and assumptions - impairment test for goodwill

Assessing value in use requires directors to make significant estimates and assumptions.

Goodwill has been allocated to the Group's CGU, identified as being the investment in Sydney Airport. Discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated cash flows are discounted to their present value using a post-tax discount rate. The discount rate used reflects current market assessment of the time value of money and the risks specific to Sydney Airport as CGU.

The cash flows used are projected based on a Financial Model covering a twenty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process referencing historical performance and the Group's views on key drivers
- Long-term cash flows to equity after year five are extrapolated consistent with an average growth rate that is ahead of forecast Australian Gross Domestic Product, and
- Terminal value is calculated as a multiple of EBITDA in the twentieth year.

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). The Group takes into account historical and related market data in estimating individual components of the CAPM. 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 39.7 million for year ended 31 December 2015 (2014: 38.5 million) and experienced growth of 3.0% during 2015 (2014: 1.7%). Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range.

The valuation derived from this discounted cash flow methodology is benchmarked to other sources such as the ASX-listed Sydney Airport security price, analyst consensus and recent market transactions to ensure the valuation provides a reliable value in use measure.

Valuation of Sydney Airport

As at 31 December 2015, the Group has net liabilities of $2,534.0 million (2014: $2,265.9 million). An independent valuation of SCACH equity value by Deloitte as at 31 December 2015 supported an Equity Value that, if applied in the financial report of the Group as at 31 December 2015, would have more than absorbed the consolidated deficiency position at 31 December 2015.

11 TAXATION

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Profit/(loss) before income tax	53.9	(94.3)	1,339.7	1,067.0
Income tax (expense)/benefit calculated at 30%	(16.1)	28.3	(401.9)	(320.1)
Expenses that are not deductible	(97.4)	(97.0)	(85.6)	(49.0)
Change in recognised deductible temporary differences	5.4	-	-	-
Tax cost adjustments on joining SAL TCG[1]	-	(118.5)	-	-
Recognition of previously unrecognised tax losses	-	21.4	-	21.4
Income tax expense reported in the income statement	(108.1)	(165.8)	(487.5)	(347.7)

1 Refer recognition and measurement on the following page.

Deferred taxes

The movements in deferred tax balances for the Group and Company are shown in the tables below:

Consolidated 2015	Opening balance $m	Charged to income $m	Transfer to Non-current other assets $m	Charged to Equity $m	Closing Balance $m
Gross deferred liabilities:					
Property, plant and equipment	(240.2)	0.5	-	-	(239.7)
Deferred debt establishment costs	(11.4)	3.9	-	-	(7.5)
Accrued revenue and prepayments	(8.6)	(3.6)	-	-	(12.2)
Defined benefits plan	(1.1)	0.2	-	(1.0)	(1.9)
Total gross deferred liabilities	(261.3)	1.0	-	(1.0)	(261.3)
Gross deferred tax assets					
Deferred income	0.2	(0.1)	-	-	0.1
Other payables	9.6	3.3	-	-	12.9
Cash flow hedges	39.7	9.2	-	(4.6)	44.3
Interest bearing liabilities	17.7	(0.9)	-	-	16.8
Tax losses	-	(120.8)	120.8	-	-
Total gross deferred assets	67.2	(109.3)	120.8	(4.6)	74.1
Net deferred tax liabilities	(194.1)	(108.3)	120.8	(5.6)	(187.2)

11 TAXATION (CONT.)

Consolidated 2014	Opening balance $m	Charged to income $m	Transfer to Non-current other assets $m	Charged to Equity $m	Closing Balance $m
Gross deferred tax liabilities:					
Property, plant and equipment	(73.4)	(166.8)	-	-	(240.2)
Deferred debt establishment costs	-	(11.4)	-	-	(11.4)
Accrued revenue and prepayments	(8.1)	(0.5)	-	-	(8.6)
Defined benefits plan	(1.6)	0.1	-	0.4	(1.1)
Total gross deferred liabilities	(83.1)	(178.6)	-	0.4	(261.3)
Gross deferred tax assets					
Deferred income	(0.9)	1.1	-	-	0.2
Other payables	8.7	0.9	-	-	9.6
Cash flow hedges	(7.1)	42.9	-	3.9	39.7
Interest bearing liabilities	-	17.7	-	-	17.7
Tax losses	-	(44.9)	44.9	-	-
TOFA asset	4.9	(4.9)	-	-	-
Total gross deferred assets	5.6	12.8	44.9	3.9	67.2
Net deferred tax liabilities	(77.5)	(165.8)	44.9	4.3	(194.1)

The Company has no deferred tax transactions or balances.

Recognition and measurement

Tax expense comprises of current and deferred tax expense recognised in the profit and loss except where related to items recognised directly in equity. Tax expense is measured at the tax rates that have been enacted or substantially enacted based on the national tax rate for each applicable jurisdiction at the reporting date.

Current tax is the expected tax payable or receivable on taxable income or loss for the year and any adjustment in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities.

Deferred tax assets and liabilities arise from timing differences between the recognition of gains and losses in the financial statements and their recognition in the tax computation. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset. These are recognised only to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

SCACH and its wholly owned Australian subsidiaries are part of the Sydney Airport Limited (SAL) tax-consolidated group (TCG) under Australian income tax law, with SAL the head entity. Each entity in the SAL TCG accounts for current and deferred tax with tax expense and deferred tax assets and liabilities arising from temporary differences recognised in their separate financial statements using the 'standalone 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 SAL TCG in relation to the tax contribution amounts paid or payable between SAL Company and members of the SAL TCG. Any tax losses and current tax liabilities from subsidiaries are transferred to SAL.

EMPLOYEE BENEFITS

The Group aims to attract, retain and motivate high performing individuals and has various compensation and reward programs in place for employees and management, which are detailed in this section.

12 KEY MANAGEMENT PERSONNEL

The remuneration structure of key management personnel (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.

KMP compensation for the Group for the period comprised the following:

	2015 $	2014 $
Short term employee benefits	6,012,247	4,919,720
Post employment benefits - superannuation	74,605	48,968
Share based payments - LTI	277,801	n/a
Total KMP compensation	6,364,653	4,968,688

13 LONG TERM INCENTIVE PLAN

In March 2015, the Sydney Airport Long Term Incentive Plan (LTIP) was put in place to provide an incentive for certain management personnel, linking their remuneration to Sydney Airport's long-term financial performance and security holder returns.

Under the LTIP, the Board has granted contractual rights (Rights) to receive Sydney Airport stapled securities at a future date subject to the following performance conditions being satisfied:

- For one third of the Rights granted, a market comparative Total Shareholder Return performance condition (TSR tranche);
- For one third of the Rights granted, a cash flow per stapled security performance condition (CPS tranche); and
- For one third of the Rights granted, non-financial performance conditions specific to each individual with vesting subject to the absolute discretion of the Board (Other tranche).

13 LONG TERM INCENTIVE PLAN (CONT.)

Fair value calculations

The fair value of rights granted for each tranche is described below:

- The TSR tranche was determined at grant date using the Monte Carlo model.
- The CPS tranche was determined at grant date using the binomial option pricing model.
- The Other Tranche will be remeasured each year until vesting as the grant date for this tranche has not been reached due to the Board's discretion referred to above.

Performance conditions are measured over a three year period. Performance rights do not have distribution entitlements during the vesting period, and their fair value has been adjusted accordingly. Performance rights that do not satisfy the performance conditions will lapse immediately. If a participant resigns or has their employment terminated with cause, all of their unvested rights will immediately lapse.

Any rights that vest are expected to be satisfied by way of the transfer of stapled securities purchased on-market.

The Board granted the following rights in April 2015:

Condition	Number of rights	Weighted average fair value	Vesting date
TSR tranche	112,961	$2.69	31 December 2017
CPS tranche	112,961	$4.60	31 December 2017
Other tranche	112,961	$5.40	31 December 2017

14 SUPERANNUATION PLAN

Group employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum or pension benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees. 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 remuneration. Contributions by the Group of 9.5% of employees' remuneration are legally enforceable in Australia and for the year ended 31 December 2015 amounted to $3.7 million (2014: $3.5 million).

The following table discloses the Group's details pertaining to the defined benefit plan.

	2015 $m	2014 $m
Amounts recognised in Consolidated Statements of Comprehensive Income in respect of defined benefit plans:		
Current service costs	1.8	1.7
Interest income	(0.1)	(0.2)
Total included in employee benefit expense	1.7	1.5
Remeasurement gains/(losses) recognised in other comprehensive income	3.3	(1.4)
The amounts included in the Consolidated Balance Sheets arising from the Groups' obligations in respect of its defined benefit plans were:		
Present value of defined benefit obligations	(21.3)	(24.0)
Fair value plan assets[1]	27.8	27.7
Net asset arising from defined benefit obligations	6.5	3.7

1 Plan assets comprise investments in unquoted securities of $15.6 million (2014: $15.0 million).

14 SUPERANNUATION PLAN (CONT.)

Recognition and measurement

Defined contribution plan

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.

Defined benefit plan (DBP)

The net obligation in respect of DBP 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 or income on the net defined benefit liability or 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 or asset.

The discount rate is the yield at the reporting date on corporate 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.

The principal actuarial assumptions used in determining the Plan liability and sensitivities were:

	Consolidated	
	2015	**2014**
Discount rate	4.0%	3.0%
Future salary increases	3.5%	3.5%

	0.5% increase	0.5% decrease
Discount rate ($m)	(1.0)	1.0
Future salary increases ($m)	0.9	(0.8)

Remeasurements arising from DBP 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 DBP 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, 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 DBP 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.

OTHER DISCLOSURES

This section provides details on other required disclosures relating to the Group to comply with accounting standards and other pronouncements.

15 OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
At amortised cost:				
Current				
Term deposit greater than 3 months to maturity	-	35.0	-	-
Loans to entities in the wholly-owned group	-	-	1,423.3	1,172.8
Total current other financial assets	-	35.0	1,423.3	1,172.8
Non-current				
Loans to entities in the wholly-owned group	-	-	726.1	(85.8)
Investment in subsidiaries[1]	-	-	9,741.2	9,680.8
Total non-current other financial assets	-	-	10,467.3	9,595.0
Total other financial assets	-	35.0	11,890.6	10,767.8

1 Includes contribution to subsidiaries arising from tax consolidation of $120.8 million (2014: $44.9 million).

Recognition and measurement

Investments in subsidiaries

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

The Group's other financial assets are initially recognised at fair value, which are estimated to approximate their carrying value, and are subsequently measured at amortised cost using the effective interest rate method, less an allowance for impairment.

16 TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2015 $m	2014 $m	2015 $m	2014 $m
Trade and other payables	119.3	110.9	-	-
Accrued interest	106.6	114.9	50.0	50.0
Unearned revenue	34.9	31.6	-	-
Payable to entities in wholly-owned group	-	-	2,410.7	2,043.9
	260.8	257.4	2,460.7	2,093.9

Trade payables and other payables are non-interest bearing and are normally settled on 30 day terms.

Recognition and measurement

The Group and Company's trade and other payables are initially recognised at fair value, which are estimated to approximate their carrying value, and are subsequently measured at amortised cost using the effective interest rate method, which is also estimated to approximate fair value.

17 RELATED PARTY DISCLOSURES

Group structure and corporate information

SCACH is the parent entity of the Group that has 100% equity interest in the following subsidiaries:

- 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 subsidiaries are incorporated in Australia. There was no change to the subsidiaries ownership interest from 31 December 2014.

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.

The ultimate parent entity and Australian parent entity of SCACH is Sydney Airport Limited (SAL). SAL and Sydney Airport Trust 1 (SAT1) form the ASX-listed Sydney Airport, with The Trust Company (Sydney Airport) Limited (TTCSAL) being the Responsible Entity of SAT1. Shares and units in Sydney Airport consist of one share in SAL and one unit in SAT1. They are stapled, quoted and traded on the Australian Securities Exchange (ASX) as if they were a single security.

Related party transactions

i) Loans from SCACH to SCAC

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.

For the year ended 31 December 2015 and 31 December 2014, the Group has not raised any allowance for doubtful debts relating to these loans 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.

ii) Resources Agreement Fee

SACL and TTCSAL 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 the Resources Agreement. There were $82,447 fees charged by SACL to TTCSAL for year ended 31 December 2015 (2014: $134,547) and $15,443 remains unpaid at 31 December 2015 (2014: $134,547).

iii) 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.

iv) Transaction with SAL

The T3 transaction was funded with a mixture of cash, debt and ASX-listed equity contribution.

18 REMUNERATION OF AUDITORS

	Consolidated 2015 $	Consolidated 2014 $	Company 2015 $	Company 2014 $
Amounts paid or payable to auditors (KPMG) for:				
Audit and review of financial statements	347,400	377,500	-	-
Other services				
- Advisory services	1,920,474	225,000	-	-
- Other assurance services	383,192	196,582	-	-
Total amount paid or payable to auditors	2,651,066	799,082	-	-

Advisory services in 2015 relate to Western Sydney Airport during the Notice to Consult phase. Other assurance services in 2015 and 2014 included amounts charged for work relating to the refinancing of senior debt and the provision of accounting assistance.

19 CONTINGENT ASSETS

Future minimum rentals are receivable under non-cancellable operating leases. The associated revenue will be recognised on a straight-line basis over the lease term in future periods. These are as follows:

	Consolidated 2015 $m	Consolidated 2014 $m	Company 2015 $m	Company 2014 $m
Receivable within one year	331.8	240.0	-	-
Receivable later than one year but no later than five years	1,032.2	745.0	-	-
Receivable after five years	356.9	365.8	-	-
	1,720.9	1,350.8	-	-

20 EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 27 January 2016 an ordinary dividend of $77.4 million (2014: $60.9 million) and an RPS distribution of $69.7 million (2014: $69.7 million) was declared for the quarter ended 31 December 2015. The final dividend has not been recognised in this financial report because it was declared after 31 December 2015.

Since the end of the year, the directors are not aware of any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group and Company, the results of those operations or the state of affairs of the Group and Company in the period subsequent to year ended 31 December 2015.