



**SOUTHERN CROSS AIRPORTS
CORPORATION HOLDINGS LIMITED**

ACN 098 082 029

**FINANCIAL REPORT
FOR THE HALF YEAR ENDED 30 JUNE 2017**

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The financial report for the half year ended 30 June 2017 (the financial report) covers the consolidated entities comprising Southern Cross Airports Corporation Holdings Limited (SCACH) and its controlled entities (the Group). The Group's functional and presentation currency is Australian dollars (\$), rounded to the nearest hundred thousand dollars.

Directors

The following persons are current directors of SCACH:

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

In March 2017 Ms Mather announced her retirement as Managing Director and Chief Executive Officer (CEO). Ms Mather will remain in her role until a new CEO is appointed.

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 half 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 Corporations Instrument 2016/785 dated 29 September 2016. 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 statement of comprehensive income 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.

Registered office

SCACH's registered office is 10 Arrivals Court, Sydney International Airport, Mascot, NSW, Australia, 2020.

Principal activities

The principal activities of the Group are the provision and management of airport facilities at Sydney (Kingsford Smith) Airport. These airport facilities include aviation operations, commercial operations and property management. The nature of the consolidated entity's business has not changed during the reporting period.

Review of operations and results

The consolidated entity earned a profit before depreciation and amortisation, net finance costs and income tax (EBITDA) of \$578.5 million for the half year ended 30 June 2017 (30 June 2016: \$537.5 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was \$1.8 million (30 June 2016: \$7.8 million). The net loss is after deducting redeemable preference share costs to shareholders totalling \$144.1 million (30 June 2016: \$143.4 million) which are held by the ordinary shareholder.

Total expenses were \$135.6 million (30 June 2016: \$124.3 million). Depreciation and amortisation costs were \$161.0 million (30 June 2016: \$146.7 million).

Net finance costs were \$348.8 million (30 June 2016: \$346.0 million) and primarily consist of interest expense payable to third parties (secured senior debt) and associated debt establishment costs totalling \$212.2 million (30 June 2016: \$218.3 million), and redeemable preference shares totalling \$144.1 million (30 June 2016: \$143.4 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.

Financing metrics

The following table shows the net senior debt and selected ratios as at 30 June 2017.

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

	30 June 2017 \$m	31 December 2016 \$m	30 June 2016 \$m
Gross total debt ¹	8,153.0	7,929.8	7,854.8
Less: total cash ²	(276.5)	(227.7)	(257.3)
Net debt	7,876.5	7,702.1	7,597.5
Net senior debt	7,876.5	7,702.1	7,597.5
EBITDA (12 months historical)	1,129.8	1,088.8	1,055.0
Net debt/EBITDA³	6.8x	6.9x	7.2x
Cashflow cover ratio⁴	2.9x	2.7x	2.6x

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 Refer to Note 3.

³ EBITDA excludes WSA project costs expensed.

⁴ Cashflow 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 2017, Sydney Airport successfully refinanced A\$1.4 billion of existing bank debt facilities which are now due to mature in April 2020 (A\$470m), April 2021 (A\$480m) and April 2022 (A\$450m). These facilities will primarily be used to fund investment.

As at 30 June 2017, there was no drawn debt due to mature until July 2018 and the Group had \$1,032.0 million (30 June 2016: \$1,321.5 million) in committed undrawn facilities available.



Financing metrics (cont.)

As part of the ongoing financing arrangements, the Group has received an unconditional guarantee from the parent and other members of the Group under the Security Trust Deed. Under the Security Trust Deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of external borrowings.

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

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

Independent valuation

As at 30 June 2017, the Group has net liabilities of \$3,080.8 million (31 December 2016: \$2,807.3 million). An independent valuation by Deloitte as at 31 December 2016 supported an Equity Value that, if applied in the financial report of the Group as at 30 June 2017, would have more than absorbed the consolidated deficiency position at 30 June 2017.

The directors believe there are no known factors that would have had a significant adverse effect on the valuation since 31 December 2016. Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report.

A new valuation will be carried out for each financial year end or as otherwise required.

Dividends and distributions

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

- the \$2,061.1 million carrying value of the RPS at 30 June 2017 (30 June 2016: \$2,048.7 million) is classified as borrowings rather than equity; and
- the \$137.8 million (30 June 2016: \$138.6 million) RPS interest paid to the shareholder during the period is included as interest expense rather than as a distribution of profits.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows identify the portion of net finance costs that relate respectively to external financing activities and shareholder related financing activities. Interest on RPS is only paid to the shareholder after all other financial obligations of the Group have been met. The shareholder has no acceleration rights if interest is not paid.

	Half year ended 30 June 2017 \$m	Half year ended 30 June 2016 \$m
On ordinary shares (i)	245.8	185.7
On RPS (i)	137.8	138.6
	383.6	324.3

⁽ⁱ⁾ Represents cash paid as per the Consolidated Statement of Cash Flows.

In respect of the quarter ended 30 June 2017, the directors approved an ordinary dividend of \$115.4 million (30 June 2016: \$87.4 million) and RPS distribution of \$68.9 million (30 June 2016: \$68.9 million). These amounts were paid on 27 July 2017.

Significant changes in the state of affairs

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

Events occurring after balance sheet date

Acquisition of SA (F1) Pty Limited

On 10 July 2017, Sydney Airport Corporation Limited, a 100% owned member of the SCACH Group, acquired 100% of the equity in SA (F1) Pty Limited (SAF1) for \$34.5 million. SAF1 owns the Ibis Budget Hotel on Ross Smith Avenue at the Domestic Precinct. The management agreement with Accor, the operators of the hotel, was retained by SAF1.

Dividends and distributions

In respect of the quarter ended 30 June 2017, the directors approved an ordinary dividend of \$115.4 million (30 June 2016: \$87.4 million) and RPS distribution of \$68.9 million (30 June 2016: \$68.9 million). These amounts were paid on 27 July 2017.

Auditor's independence declaration

The auditor's independence declaration required under section 307C of the Corporations Act 2001 is included on page 7 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 Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

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

On behalf of the Directors



Trevor Gerber

Sydney

21 August 2017



In the opinion of the Directors of Southern Cross Airports Corporation Holdings Limited:

1. The financial statements and notes set out on pages 10 to 20 are in accordance with the *Corporations Act 2001* including:
 - a. Giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half year ended on that date; and
 - b. Complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Trevor Gerber

Sydney

21 August 2017



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 review of Southern Cross Airports Corporation Holdings Limited for the half-year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature of Leann Yuen, written in blue ink.

Leann Yuen
Partner

Sydney
21 August 2017



Independent Auditor's Review Report

To the shareholders of Southern Cross Airports Corporation Holdings Limited

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Southern Cross Airports Corporation Holdings Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Southern Cross Airports Corporation Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the half-year ended on that date
- Notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Southern Cross Airports Corporation Holdings Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Southern Cross Airports Corporation Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

The KPMG logo, consisting of the letters 'KPMG' in a bold, blue, sans-serif font, with a stylized grid pattern behind the letters.

KPMG

A handwritten signature in black ink that reads 'Leann Yuen'.

Leann Yuen

Partner

Sydney
21 August 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months to 30 June 2017 \$m	6 months to 30 June 2016 \$m
Revenue			
Aeronautical revenue		320.6	294.1
Aeronautical security recovery	6	43.6	43.2
Retail revenue		162.6	142.3
Property and car rental revenue		106.6	103.2
Parking and ground transport revenue		77.1	75.4
Other revenue		3.6	3.6
Total revenue		714.1	661.8
Operating expenses			
Employee benefits expense		(28.1)	(27.1)
Services and utilities expense		(40.1)	(32.9)
Property and maintenance expense		(15.3)	(14.6)
Security recoverable expense	6	(39.7)	(39.0)
Other operational costs		(11.8)	(10.6)
Total operating expenses		(135.0)	(124.2)
Other expenses			
Western Sydney Airport project costs expensed		(0.6)	-
Loss on disposal of non-current assets		-	(0.1)
Total other expenses		(0.6)	(0.1)
Total expenses before depreciation, amortisation, net finance costs and income tax			
		(135.6)	(124.3)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)			
		578.5	537.5
Depreciation		(141.4)	(127.1)
Amortisation		(19.6)	(19.6)
Profit before net finance costs and income tax (EBIT)		417.5	390.8
Finance income	5	1.9	2.1
Finance costs	5	(356.3)	(361.7)
Change in fair value of swaps	5	5.6	13.6
Net finance costs	5	(348.8)	(346.0)
Profit before income tax expense		68.7	44.8
Income tax expense		(70.5)	(52.6)
Net loss attributable to owners of the company		(1.8)	(7.8)
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges		(37.9)	(47.5)
Tax on items that may be reclassified to profit or loss		11.4	14.3
Total items that may subsequently be reclassified to profit or loss		(26.5)	(33.2)
Other comprehensive loss, net of tax		(26.5)	(33.2)
Total comprehensive loss attributable to owners of the company		(28.3)	(41.0)

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2017 \$m	31 December 2016 \$m
Current assets			
Cash and cash equivalents	3	276.5	227.7
Trade and other receivables		126.5	154.8
Derivative financial instruments		-	0.5
Other assets		0.5	0.7
Total current assets		403.5	383.7
Non-current assets			
Trade and other receivables		73.0	65.6
Property, plant and equipment		3,380.8	3,355.8
Intangible assets	7	3,830.5	3,850.1
Derivative financial instruments	4	537.3	770.3
Other assets		101.3	156.5
Total non-current assets		7,922.9	8,198.3
Total assets		8,326.4	8,582.0
Current liabilities			
Trade and other payables		266.0	281.9
Derivative financial instruments	4	92.8	96.8
Provisions for employee benefits		13.0	12.3
Total current liabilities		371.8	391.0
Non-current liabilities			
Interest bearing liabilities - external	2	8,624.5	8,636.9
Interest bearing liabilities - shareholder related	2	2,061.1	2,054.7
Derivative financial instruments	4	179.5	139.1
Deferred tax liabilities		168.2	165.6
Provisions for employee benefits		2.1	2.0
Total non-current liabilities		11,035.4	10,998.3
Total liabilities		11,407.2	11,389.3
Net liabilities		(3,080.8)	(2,807.3)
Equity			
Issued capital		1,496.9	1,496.3
Cash flow hedge reserve		(188.9)	(162.4)
Accumulated losses		(4,388.8)	(4,141.2)
Total equity		(3,080.8)	(2,807.3)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital' \$m	Accumulated losses \$m	Cash flow hedge reserve \$m	Total equity \$m
Total equity at 1 January 2017	1,496.3	(4,141.2)	(162.4)	(2,807.3)
Comprehensive loss	-	(1.8)	(26.5)	(28.3)
Dividends on ordinary shares	-	(245.8)	-	(245.8)
Equity-settled shares	0.6	-	-	0.6
Total equity at 30 June 2017	1,496.9	(4,388.8)	(188.9)	(3,080.8)
Total equity at 1 January 2016	1,374.4	(3,742.1)	(166.3)	(2,534.0)
Comprehensive loss	-	(7.8)	(33.2)	(41.0)
Dividends on ordinary shares	-	(185.7)	-	(185.7)
Equity-settled shares	0.3	-	-	0.3
Total equity at 30 June 2016	1,374.7	(3,935.6)	(199.5)	(2,760.4)

1 Issued capital comprise 13,648,394 issued and fully paid ordinary shares.

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



CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	6 months to 30 June 2017 \$m	6 months to 30 June 2016 \$m
Cash flow from operating activities			
Receipts from customers		809.4	736.0
Interest received		1.9	2.1
Payments to suppliers and employees		(222.0)	(197.3)
Interest paid		(157.0)	(152.2)
Interest rate swaps payments		(30.7)	(37.6)
Net cash flow from operating activities		401.6	351.0
Cash flow from investing activities			
Acquisition of property, plant and equipment		(163.0)	(166.1)
Capitalised borrowing costs		(4.7)	(4.6)
Net cash flow used in investing activities		(167.7)	(170.7)
Cash flow from financing activities			
Proceeds received from borrowings		479.0	1,380.4
Repayment of borrowings		(271.0)	(1,153.0)
Borrowing costs paid		(9.5)	(11.6)
Dividends paid - ordinary shares	1	(245.8)	(185.7)
Interest paid - redeemable preference shares		(137.8)	(138.6)
Net cash flow used in financing activities		(185.1)	(108.5)
Net increase in cash and cash equivalents		48.8	71.8
Cash and cash equivalents at beginning of the period		227.7	185.5
Cash and cash equivalents at the end of the period	3	276.5	257.3

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

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 to be read in conjunction with the annual report of the Group for the year ended 31 December 2016 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*;
- Is a general purpose financial report;
- Is prepared in accordance with Corporations Act 2001 and the Australian Accounting Standard 134: *Interim Financial Reporting* adopted by the Australian Accounting Standards Board (AASB);
- 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 Group, with all values rounded to the nearest hundred thousand dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

The financial report was authorised for issue by the directors on 21 August 2017.

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 notes 2 and 4).

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Group's 31 December 2016 annual financial report.

New standards and interpretations not yet adopted

The Group has adopted any 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 new and revised Standards and Interpretations have not had a material impact on the Group for the half year ended 30 June 2017.

The following Standards, amendments to Standards and Interpretations effective for annual reporting periods commencing after 1 January 2018 have not been applied by the Group in this financial report:

Accounting Standard	Requirement	Impact on Financial Statements
AASB 9: <i>Financial Instruments</i>	AASB 9 addresses the classification, measurement and derecognition of financial assets and liabilities, and may impact hedge accounting. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	Potential change of classification and measurement of financial assets and liabilities and impact on hedge accounting. The quantitative impact is currently being assessed.
AASB 15: <i>Revenue from Contracts with Customers</i>	AASB 15 replaces existing revenue recognition guidance and provides a comprehensive new framework for determining whether, how much and when revenue is recognised. The standard becomes mandatory for the December 2018 financial year and will be applied prospectively.	No material impact is expected.
AASB 16: <i>Leases</i>	AASB 16 provides a new model for accounting for leases. Early adoption is permitted under certain circumstances. The standard becomes mandatory for the December 2019 financial year and will be applied prospectively.	The extent of the impact has not been determined.



CAPITAL MANAGEMENT

- 1 Dividends and Distributions Paid and Proposed
- 2 Interest Bearing Liabilities
- 3 Cash and Cash Equivalents

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.

Ordinary dividends paid and proposed during the period are shown in the table below:

	6 months to 30 June 2017		6 months to 30 June 2016	
	\$ per share	\$m	\$ per share	\$m
<i>Amounts paid in period</i>				
December quarter paid in January 2017 (2016: January 2016)	8.4	115.2	5.7	77.4
March quarter paid in April 2017 (2016: April 2016)	9.6	130.6	7.9	108.3
		245.8		185.7
<i>Amounts paid after period end</i>				
June quarter paid in July 2017 (2016: July 2016)	8.5	115.4	6.4	87.4

Total dividends attributable to the half year ended 30 June 2017 were \$246.0 million (30 June 2016: \$195.7 million). These dividends were unfranked.

2 INTEREST BEARING LIABILITIES

The Group has external and shareholder related interest bearing liabilities, as follows:

External

- Bank facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds;
- Euro bond; and
- Canadian Maple bond.

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.

At 30 June 2017 and 31 December 2016, the value of all fixed interest rate bonds were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

2 INTEREST BEARING LIABILITIES (CONT.)

Type	Maturity	Carrying amount			Fair value			Principal amount drawn			Issue Currency	Interest rate
		30 June 2017	31 Dec 2016	30 June 2017	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016	30 June 2017	31 Dec 2016		
		\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m		
External												
Syndicated facility ¹	April 2018	-	158.5	-	158.5	-	160.0	-	160.0	-	AUD	Floating ⁴
Syndicated facility	April 2020	366.1	-	366.1	-	368.0	-	368.0	-	368.0	AUD	Floating ⁴
Wrapped domestic bond ²	November 2021	198.9	198.7	198.9	198.7	200.0	200.0	200.0	200.0	200.0	AUD	Floating ⁵
Wrapped domestic bond ²	October 2022	742.1	741.4	742.1	741.4	750.0	750.0	750.0	750.0	750.0	AUD	Floating ⁵
Wrapped domestic bond ²	October 2027	648.9	648.4	648.9	648.4	659.0	659.0	659.0	659.0	659.0	AUD	Floating ⁵
Unwrapped domestic bond	July 2018	99.7	99.7	106.0	108.6	100.0	100.0	100.0	100.0	100.0	AUD	7.75% ⁶
USPP bond	August 2028	99.4	99.3	99.4	99.3	100.0	100.0	100.0	100.0	100.0	AUD	Floating ⁵
USPP bond	November 2028	99.4	99.3	99.4	99.3	100.0	100.0	100.0	100.0	100.0	AUD	Floating ⁵
USPP bond	November 2028	178.8	178.9	236.8	235.9	180.0	180.0	180.0	180.0	180.0	AUD	6.04% ⁶
USPP bond	November 2028	57.6	57.6	73.8	73.5	58.0	58.0	58.0	58.0	58.0	AUD	6.6% ⁶
USPP bond	November 2029	135.1	135.1	176.3	175.4	136.0	136.0	136.0	136.0	136.0	AUD	6.7% ⁶
Canadian Maple bond	July 2018	225.5	231.6	233.9	244.9	217.4	217.4	225.0	225.0	225.0	CAD	4.6% ⁶
Euro bond	April 2024	1,122.0	1,121.1	1,197.8	1,201.3	1,033.4	1,033.4	700.0	700.0	700.0	EUR	2.76% ⁶
US144A/RegS bond	February 2021	638.2	686.2	726.8	783.9	518.7	518.7	500.0	500.0	500.0	USD	6.13% ⁶
US144A/RegS bond	March 2023	1,084.4	1,147.8	1,183.7	1,265.8	802.4	802.4	825.0	825.0	825.0	USD	3.9% ⁶
US144A/RegS bond	April 2025	650.1	693.5	707.8	753.6	643.0	643.0	500.0	500.0	500.0	USD	3.38% ⁶
US144A/RegS bond	April 2026	1,164.2	1,239.7	1,304.0	1,388.2	1,163.4	1,163.4	900.0	900.0	900.0	USD	3.63% ⁶
CIB ³	November 2020	734.7	725.6	753.7	738.3	736.4	726.4	736.4	726.4	726.4	AUD	3.76% ⁶
CIB ³	November 2030	379.4	374.5	343.1	366.7	387.3	382.1	387.3	382.1	382.1	AUD	3.12% ⁶
Total external interest bearing liabilities		8,624.5	8,636.9	9,198.5	9,281.7	8,153.0	7,929.8	n/a	n/a	n/a		
Shareholder related												
Redeemable preference shares	June 2032	2,061.1	2,054.7	4,687.4	4,702.9	2,047.3	2,047.3	2,047.3	2,047.3	2,047.3	AUD	13.50%
Total shareholder related interest bearing liabilities		2,061.1	2,054.7	4,687.4	4,702.9	2,047.3	2,047.3	2,047.3	2,047.3	2,047.3		

1 Refinanced in April 2017.

2 Financial guarantees are provided by MBI/A Insurance Corporation, Ambac Assurance Corporation and Assured Guaranty Municipal Corp.

3 Financial guarantees are provided by MBI/A Insurance Corporation and Ambac Assurance Corporation.

4 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.

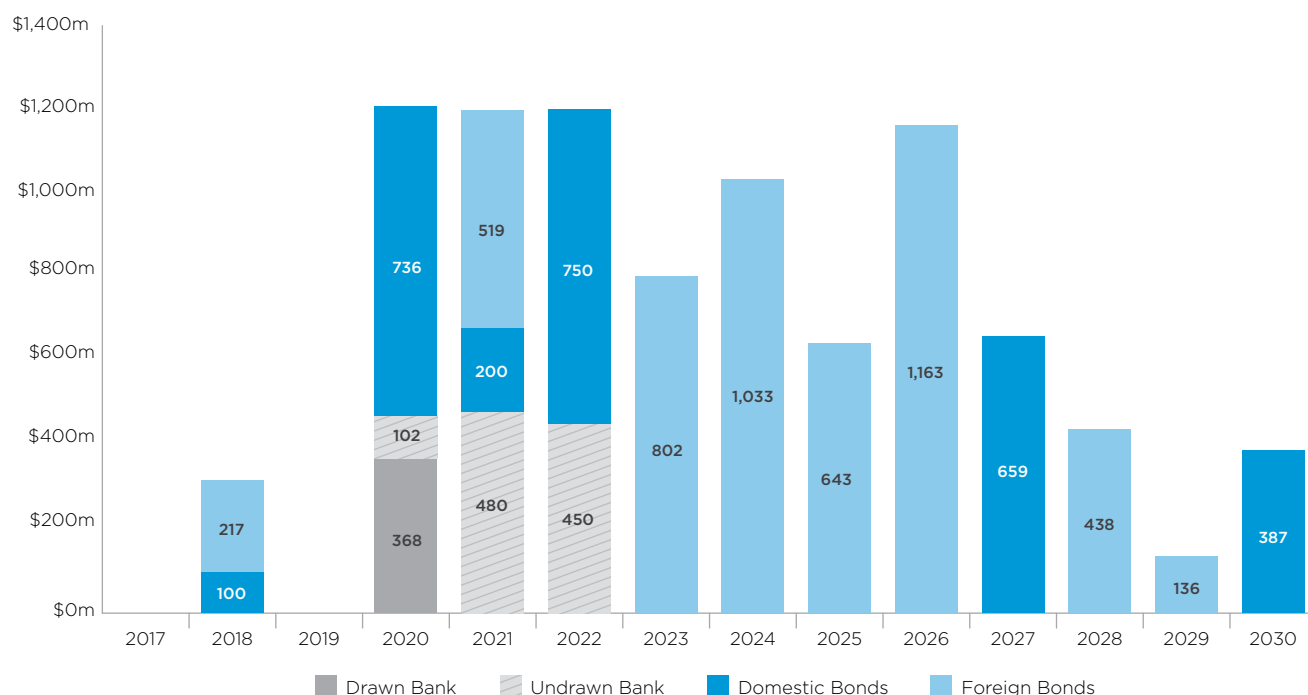
5 Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.

6 Fixed interest rates 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.



There is no debt maturing until July 2018.

Assets pledged as security

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

3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and short-term deposits.

Deposits classified as cash equivalents are considered to be readily convertible to known amounts of cash, 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 the short-term cash commitments of the Group.

	30 June 2017 \$m	31 December 2016 \$m
Cash on hand	112.2	74.3
Deposits ¹	164.3	153.4
Total cash and cash equivalents	276.5	227.7

¹ Included in the Group's consolidated deposit balance is \$14.3 million (31 December 2016: \$23.4 million) held by SACL, which is restricted for maintenance.

TREASURY

- 4 Derivative Financial Instruments
- 5 Net Finance Costs

4 DERIVATIVE FINANCIAL INSTRUMENTS

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

\$m	30 June 2017			31 December 2016		
	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	-	-	-	0.5	-	0.5
Non-current assets	534.5	2.8	537.3	764.2	6.1	770.3
Current liabilities	(31.8)	(61.0)	(92.8)	(38.7)	(58.1)	(96.8)
Non-current liabilities	(34.6)	(144.9)	(179.5)	-	(139.1)	(139.1)
Net derivative position	468.1	(203.1)	265.0	726.0	(191.1)	534.9

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

At 30 June 2017 and 31 December 2016, all derivative financial instruments were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

5 NET FINANCE COSTS

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

	6 months to 30 June 2017 \$m	6 months to 30 June 2016 \$m
Finance income		
Bank interest	1.9	2.1
Total finance income	1.9	2.1
Finance costs		
Senior debt interest paid or accrued	(145.4)	(148.5)
Net swap interest expense	(46.5)	(53.0)
CIBs capitalised	(15.2)	(8.5)
Amortisation of debt establishment costs	(6.5)	(10.6)
Recurring borrowings costs paid	(3.3)	(2.3)
Borrowing costs capitalised	4.7	4.6
RPS interest paid or accrued	(137.8)	(137.8)
Amortisation of RPS debt establishment costs	(6.3)	(5.6)
Total finance costs	(356.3)	(361.7)
Change in fair value of swaps	5.6	13.6
Net finance costs	(348.8)	(346.0)



FINANCIAL RESULTS AND FINANCIAL POSITION

- 6 Aeronautical Security Recovery
- 7 Intangible Assets

6 AERONAUTICAL SECURITY RECOVERY

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

These recovery charges are in accordance with the Australian Competition and Consumer Commission (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 including checked bag screening, passenger screening and additional security measures.
- b. Domestic services including additional security measures, Domestic Terminal checked bag screening and Domestic Terminal passenger screening.

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

Security recovery details:

	6 months to 30 June 2017 \$m	6 months to 30 June 2016 \$m
Revenue		
Security recovery	43.6	43.2
Expenses		
Employee benefits expense	(1.5)	(1.6)
Services and utilities	(36.2)	(35.4)
Other operational costs	(0.2)	(0.2)
Property and maintenance	(1.8)	(1.8)
Total direct costs	(39.7)	(39.0)
Depreciation	(2.8)	(2.9)
Borrowing costs	(1.1)	(1.3)
Surplus/(deficit)	-	-

7 INTANGIBLE ASSETS

Consolidated (\$m)	Goodwill	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	95	95	
At 30 June 2017				
Cost				
Opening balance as at 1 January 2017	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 as at 1 January 2017	-	(314.3)	(254.0)	(568.3)
Amortisation	-	(10.8)	(8.8)	(19.6)
Closing balance	-	(325.1)	(262.8)	(587.9)
Total carrying amount	688.3	1,733.0	1,409.2	3,830.5
At 31 December 2016				
Cost				
Opening balance as at 1 January 2016	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 as at 1 January 2016	-	(292.6)	(236.4)	(529.0)
Amortisation	-	(21.7)	(17.6)	(39.3)
Closing balance	-	(314.3)	(254.0)	(568.3)
Total carrying amount	688.3	1,743.8	1,418.0	3,850.1

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.

OTHER DISCLOSURES

8 EVENTS OCCURRING AFTER BALANCE SHEET DATE

Acquisition of SA (F1) Pty Limited

On 10 July 2017, Sydney Airport Corporation Limited, a 100% owned member of the SCACH Group, acquired 100% of the equity in SA (F1) Pty Limited (SAF1) for \$34.5 million. SAF1 owns the Ibis Budget Hotel on Ross Smith Avenue at the Domestic Precinct. The management agreement with Accor, the operators of the hotel, was retained by SAF1.

Dividends

On 27 July 2017 an ordinary dividend of \$115.4 million (30 June 2016: \$87.4 million) and an RPS distribution of \$68.9 million (30 June 2016: \$68.9 million) was declared for the quarter ended 30 June 2017. The interim dividend has not been recognised in this financial report because it was declared after 30 June 2017.

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, the results of those operations or the state of affairs of the Group in the period subsequent to the half year ended 30 June 2017.