For the half year ended 30 June 2020

Interim Financial Report

Southern Cross Airports Corporation Holdings Limited

ACN 098 082 029

Contents

Directors' report

for the half year ended 30 June 2020

The interim financial report for the half year ended 30 June 2020 (the financial report) covers the consolidated entity 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 were current directors of SCACH during the year and until the date of this report:

Name	Role	Period of directorship
Trevor Gerber	Non-executive director, Chairman	Appointed director 4 January 2012, Chairman 14 May 2015
John Roberts	Non-executive director	Appointed 15 February 2006
Stephen Ward	Non-executive director	Appointed 4 January 2012
Ann Sherry AO	Non-executive director	Appointed 1 May 2014
Grant Fenn	Non-executive director	Appointed 1 October 2015
Geoff Culbert	Executive director	Appointed 21 February 2018
Abi Cleland	Non-executive director	Appointed 5 April 2018
David Gonski AC	Non-executive director	Appointed 8 October 2018

Karen Tompkins is appointed company secretary of SCACH.

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)
- SA (F1) Pty Limited (SAF1)

All companies in the SCACH Group (as listed above), excluding SAF1 and FinCo, have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Corporations Instrument 2016/785 dated 29 September 2016. 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 financial report. The deed of cross guarantee can be found at www.sydneyairport.com.au/corporate/about/reports-and-publications.

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 $304.1 million for the half year ended 30 June 2020 (30 June 2019: $648.5 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $221.5 million (30 June 2019: net profit of $27.8 million). The net loss or profit is after deducting:

- total expenses of $207.1 million (30 June 2019: $148.6 million).
- depreciation and amortisation costs of $195.5 million (30 June 2019: $187.3 million).
- net finance costs of $356.7 million (30 June 2019: $351.8 million) that includes redeemable preference share costs to shareholders totaling $148.6 million (30 June 2019: $147.2 million) which are held by the ordinary shareholder

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.

COVID-19 pandemic

The consequences of the COVID-19 pandemic for the aviation and airport community have been severe. In response, Sydney Airport has rapidly adapted to the current environment, with the first priority being to protect the health and safety of our staff and the airport community.

Whilst the Group delivered a solid start to the 2020 financial year, the subsequent spread of COVID-19 saw the aviation industry dramatically impacted from late February. Since this time, passenger traffic through Sydney Airport has been materially impacted, resulting in international and domestic passenger traffic being down 57.3% and 56.1% respectively in the first half of 2020 when compared to the prior comparative period. There were 9,002,000 passengers in the quarter ended March 2020 and 356,000 in the quarter ended June 2020. The Group expects the downturn in passenger traffic to persist until government travel restrictions are eased.

The COVID-19 pandemic has impacted the interim financial report in various ways:

- Expected credit loss provisions have been recognised for both aeronautical and commercial customers as at 30 June 2020. An amount of $21.1 million has been recognised relating to the full impairment of Virgin Group debts in respect of the period pre-administration and subsequent, up until the administrator's personal liability commenced on 27 May 2020. A further $16.8 million of provisions have been recognised across aeronautical and commercial debtors, where information available at this time indicates the probability that the debts owed may not be recovered.
- A review of all capital projects in progress was undertaken during the half year period. Following this review, a $22.2 million impairment charge was recognised in respect of certain capital projects that, due to their nature, have been or are expected to be significantly impacted or delayed.
- A range of rental concessions were provided across both the retail and property portfolios for the period to 30 June 2020. Concessions in the form of rent abatements of $52.9 million and rent deferrals of $6.0 million were negotiated. Of the abatements, $27.5 million were recognised through the provision for expected credit loss and $2.3 million was recognised as a reduction to revenue. The remaining $23.1 million of abatements will be recognised on a straight-line basis as a reduction to revenue over the remaining lease terms. This is in accordance with the relevant Accounting Standards.
  Rent deferrals provide an extension of payment terms with no impact on revenue during the period. Management has however assessed the expected recoverability of all deferred rents and have impaired the related receivables by $3.0 million based on an assessment of future recoverability.

In April 2020, the Group enrolled in the JobKeeper government assistance program for 498 eligible employees. Over the three months April 2020 to June 2020, the Group recognised $5.0 million in government assistance for employees. This has been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income for the half year ended 30 June 2020.

The Group is well positioned to manage through a range of potential recovery scenarios:

- **A strong liquidity position:** Sydney Airport had a robust balance sheet heading into 2020. In the year to date, the Group has taken proactive steps to continue to strengthen its liquidity position. Available liquidity at 30 June 2020 was $2.4 billion, comprising of $0.8 billion in available cash and $1.6 billion of undrawn bank debt facilities. The Group expects to remain compliant with its covenant requirements. Following the SCACH parent's equity raising announced subsequent to balance date, a large majority of the funds are ultimately intended to flow to the SCACH Group. Combined with cash on hand and undrawn debt facilities, this is expected to provide pro-forma adjusted liquidity of at most $4.4 billion as at 30 June 2020.
- **A focus on cash collection:** A strong focus on collecting outstanding receivables has yielded positive results in the first half of 2020 and will continue to remain a focus.
- **Tightly controlled operating expenditure:** Excluding the impact of rental abatements, expected credit loss provisions and security recoverable expenditure, operating expenditure for the half year period to 30 June 2020 was $77.9 million, a decrease of 21.7% on the prior corresponding period. This decrease was driven by the implementation of cost reduction actions across every aspect of the Group's controllable cost base. A significantly outsourced cost base enabled the Group to quickly and effectively right- size service levels to the much lower levels of activity required.
- **Re-prioritisation of capital expenditure:** A modular capex program has provided significant flexibility and enabled the Group to rapidly and sensibly scale back investment. Capital expenditure in the first half of 2020 was $152.8 million, of which $86.1 million and $66.7 million was invested in the quarters ended March and June 2020 respectively. The Group continued to deliver critical projects targeting asset resilience, safety and security and a limited number of opportunistic projects, while taking steps to ensure capacity and expansion projects can be deferred.
- **Creation of a recovery taskforce:** Sydney Airport's recovery taskforce is committed to collaborating with our airline partners, overseas airports, and Governments and agencies both in Australia and internationally to develop a safe and sustainable pathway for the resumption of domestic and international travel. The actions of the recovery taskforce will play a critical role in guiding the airport community through a period of uncertainty, as well as focusing on driving recovery in the aviation sector.
- **A fair and equitable sharing of pain with Sydney Airport tenants:** Sydney Airport has worked closely with all tenants on a case by case basis to provide fair and equitable concessions to reflect the impact of the COVID-19 pandemic. Between the period of April 2020 to June 2020 Sydney Airport offered temporary concessions to tenants in the form of rent deferrals and rent abatements. Each concession offered was assessed on a case by case basis and ranged from 0% to 100% of the relevant rental amount. Sydney Airport believes that an equitable sharing of the pain with tenants at a time when they needed it the most will deliver the best long-term outcome for securityholders.

Financing metrics

The following table shows the net senior debt and selected ratios as at 30 June 2020. The Group expects to remain compliant with its covenant requirements.

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

	30 June 2020[1] $m	31 December 2019[1] $m	30 June 2019[1] $m
Gross total debt [2]	9,959.9	9114.9	8,968.8
Less: total cash [3]	(822.4)	(321.9)	(304.0)
Net debt	9,137.5	8,793.0	8,664.8
EBITDA (12 months historical)	992.7	1,336.8	1,309.2
Net debt/EBITDA [3,4]	9.2	6.6	6.6
Cash flow cover ratio [4,5]	2.4	3.3	3.2

1. Calculations includes lease liabilities and related interest expense due to the application of AASB 16.
2. 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.
3. Excludes parent entity cash, in accordance with finance documents.
4. Calculated on a rolling 12 month basis, reflecting reported performance for the 12 months to 30 June 2020, 31 December 2019 and 30 June 2019 respectively.
5. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense.

2020 refinance summary

In February 2020, Sydney Airport successfully priced a AUD598 million equivalent multi-tranche US private placement (USPP) bond over 15, 20 and 30-year tenors. Proceeds from the bond, received on 16 June 2020, further enhanced the Group's strong liquidity position.

The bond included an AUD100m sustainability-linked tranche, demonstrating continued leadership and innovation across finance and sustainability. The sustainability-linked tranche coupon will decrease or increase depending on the airport's sustainability performance over time, further incentivising the delivery of sustainability commitments (including achieving carbon neutrality by 2025) and other sustainability improvements. The market-leading transaction represented the first sustainability-linked bond in the USPP bond market and the first sustainability-linked bond with two-way pricing across all bond markets globally.

Outcomes of this transaction were:

- Competitive fixed pricing locked in over 15 to 30 years
- Funding sources diversified with third USPP bond market issuance
- Debt maturity profile lengthened with portfolio average maturity at the time extended 10 months to mid-2026
- Debt maturity profile spread with new maturities spanning 2035 to 2050
- Direct link between sustainability performance and funding costs extended
- Currency exposures 100% hedged over the life of the bond

In April 2020, Sydney Airport successfully established AUD850m of bilateral bank debt facilities over 2 and 3-year tenors, providing significant additional flexibility.

Liquidity

The Group's liquidity position as at 30 June 2020 was $2.4 billion, comprising $0.8 billion of available cash and $1.6 billion of undrawn bank debt facilities.

Independent valuation

As at 30 June 2020, the Group had net liabilities of $5,148.1 million (31 December 2019: $4,674.7 million).

An independent valuation of the Group's equity value by Deloitte was performed at 31 December 2019 that supported an equity value that, if applied to the financial report of the Group would more than absorb the consolidated deficiency position at 31 December 2019.

Management considered the COVID-19 impacts to the business and have performed a management valuation at 30 June 2020 based on assumptions and estimates at the present time. The updated valuation continues to support an equity value that would more than absorb the consolidated deficiency position of the Group at 30 June 2020.

At the present time, management continues to consider that the COVID-19 pandemic will not impact the Group's ability to remain solvent or to continue to operate as a going concern. Management has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position. Accordingly, the going concern basis of accounting is considered to be appropriate; management considers that the Group will be able to pay its debts as and when they become due and payable; and the equity value of the Group continues to absorb the consolidated deficiency position.

Dividends and distributions

Dividends and distributions paid	Half year ended 30 June 2020 $m	Half year ended 30 June 2019 $m
On ordinary shares[1]	182.3	323.3
On RPS[1]	69.7	137.8
	252.0	461.1

1. Represents cash paid as per the Consolidated Statement of Cash Flows.

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.

The Consolidated statement of comprehensive income and Consolidated statement of cash flows identify the portion of net finance costs that relate to external financing activities and shareholder related financing activities respectively. 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.

Ordinary shares

No dividends were declared in respect of the quarters ended 31 March and 30 June 2020.

The dividend paid in relation to ordinary shares of $182.3 million reflected in the table above was in relation to the December 2019 quarter.

RPS

Under current accounting standards:

- the RPS carrying value of $2,111.6 million at 30 June 2020 (30 June 2019: $2,092.7 million) is classified as borrowings rather than equity; and
- the RPS interest paid to the shareholder during the period of $69.7 million (30 June 2019: $137.8 million) is included as interest expense rather than as a distribution of profits. This payment reflected in the table above was in relation to the December 2019 quarter.

Based on the terms of the SCACH Constitution, RPS interest is cumulative. Hence notwithstanding no RPS interest was paid relating to the quarters ended 31 March and 30 June 2020, RPS interest will continue to accrue in the absence of any declaration and payment. For the half year ended 30 June 2020, $137.8 million RPS interest was expensed (30 June 2019: $137.8 million).

Significant changes in the state of affairs

Other than that described above, there were no other significant changes in the state of affairs of the Group during the reporting period.

Directors’ report

for the half year ended 30 June 2020

Events occurring after balance sheet date

Aeronautical agreements

The Group has been working through numerous expiring or expired aeronautical agreements and have reached the following agreements in the period following balance date:

- An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021. In addition, Sydney Airport and Qantas entered new twelve-month agreements until 30 June 2021, extending Qantas’ use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.
- The Board of Airline Representatives Australia (BARA) have endorsed Sydney Airport’s proposal to its member airlines for international services. This endorsed agreement extends the pricing and service provisions under the previous five-year agreement for another twelve months to 30 June 2021. Sydney Airport is now in the process of contracting with BARA airlines individually.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve. The Victorian Government implemented Stage 4 lock down across parts of Victoria, including Melbourne. The Queensland Government also announced the temporary reclosing of the Queensland border to NSW and ACT residents. These actions have had an adverse impact on domestic traffic levels.

Interest rate swap resets

Since the end of the half year, the Group has executed $5.2 billion of interest rate swap reset transactions. This involved making upfront payments totaling $138.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions will be incorporated in the results of future reporting periods. The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of the SCACH Group, reached an agreement with the NSW Government on Sydney Gateway. In exchange for the Australian Government granting an easement to the NSW Government over part of the Sydney Airport site (the easement sites), the NSW Government agreed to compensate SACL to the value of $170 million, escalating annually at 5% over 3 years from the date of the agreement. Access to easement sites commenced from July 2020.

Proceeds following parent entity equity raising

As at the date of signing, the parent entity of SCACH is intending to raise additional equity capital of $2 billion by way of a fully underwritten renounceable entitlement offer to all its existing securityholders. A large majority of these funds are ultimately intended to flow to the SCACH Group. Combined with cash on hand and undrawn debt facilities, this will provide pro-forma adjusted liquidity of at most $4.4 billion as at 30 June 2020.

Other than these, the directors of SCACH are not aware of any matter or circumstance not otherwise dealt with in the Directors’ Report that has significantly affected or may significantly affect the operations of the SCACH 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 2020.

Auditor’s independence declaration

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

Rounding

The amounts contained in this report and in the financial statements have been rounded to the nearest hundred thousand dollars unless otherwise indicated, under the option available to SCACH under ASIC Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191 dated 1 April 2016.

Throughout this interim financial report, percentage change calculations have been prepared using non-rounded balances.

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
11 August 2020

Statement by the Directors of Southern Cross Airports Corporation Holdings Limited

for the half year ended 30 June 2020

In the opinion of the Directors of Southern Cross Airports Corporation Holdings Limited and its controlled entities:

1. The consolidated financial statements and notes set out on pages 13 to 28 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 2020 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*.
3. There are reasonable grounds to believe that the SCACH Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

Trevor Gerber
Sydney
11 August 2020

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 2020 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.

KPMG

Leann Yuen
Partner

Sydney
11 August 2020

KPMG

Independent Auditor's Review Report

To the shareholders of Southern Cross Airports Corporation Holdings Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Southern Cross Airports Corporation Holdings Limited (the Company).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim 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 2020 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date
- Pages 17 to 28 comprising a summary of significant accounting policies and other explanatory information including notes 1 to 11
- The Directors' Declaration.

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

The ***Interim Period*** is the 6 months ended on 30 June 2020.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim 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 2020 and its performance for the interim period 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 an Interim 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*.

KPMG

KPMG

Leann Yuen
Partner

Sydney
11 August 2020

Consolidated statement of comprehensive income

for the half year ended 30 June 2020

	Note	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Revenue			
Aeronautical revenue		173.0	361.3
Aeronautical security recovery		41.5	50.1
Retail revenue		147.2	184.2
Property and car rental revenue		108.9	120.3
Parking and ground transport revenue		38.1	77.6
Other revenue		2.5	3.6
Total revenue		511.2	797.1
Operating expenses			
Employee benefits expense	10	(22.3)	(29.8)
Services and utilities expense		(31.2)	(40.3)
Property and maintenance expense		(11.5)	(15.3)
Security recoverable expense		(38.6)	(46.7)
Expected credit loss expense	7	(68.4)	-
Other operational costs		(12.9)	(14.1)
Total operating expenses		(184.9)	(146.2)
Other expenses			
Write-off of non-current assets	8	(22.2)	-
Restructuring and redundancy expenses		-	(2.4)
Total other expenses		(22.2)	(2.4)
Total expenses before depreciation, amortisation, net finance costs and income tax		(207.1)	(148.6)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)		304.1	648.5
Depreciation	8	(175.9)	(167.7)
Amortisation	9	(19.6)	(19.6)
Profit before net finance costs and income tax (EBIT)		108.6	461.2
Finance income	6	1.2	1.9
Finance costs	6	(364.7)	(350.0)
Change in fair value of swaps	6	6.8	(3.7)
Net finance costs		(356.7)	(351.8)
(Loss)/profit before income tax expense		(248.1)	109.4
Income tax benefit/(expense)		26.6	(81.6)
Net (loss)/gain attributable to owners of the company		(221.5)	27.8
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges		(92.8)	(282.6)
Changes in fair value of foreign currency basis spread		(6.9)	4.1
Tax on items that may be reclassified to profit or loss		29.9	83.6
Total items that may subsequently be reclassified to profit or loss		(69.8)	(194.9)
Other comprehensive loss, net of tax		(69.8)	(194.9)
Total comprehensive loss attributable to owners of the company		(291.3)	(167.1)

The above Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

as at 30 June 2020

	Note	30 June 2020 $m	31 December 2019 $m
Current assets			
Cash and cash equivalents	3	822.9	322.4
Trade and other receivables	7	131.6	199.7
Derivative financial instruments	5	249.8	14.8
Other assets		0.5	0.7
Total current assets		1,204.8	537.6
Non-current assets			
Trade and other receivables	7	123.7	79.4
Property, plant and equipment	8	3,475.5	3,514.2
Intangible assets	9	3,725.0	3,744.6
Derivative financial instruments	5	975.5	936.7
Deferred tax assets		26.3	-
Other assets		13.5	12.9
Total non-current assets		8,339.5	8,287.8
Total assets		9,544.3	8,825.4
Current liabilities			
Trade and other payables		617.8	616.3
Interest bearing liabilities - external	2	1,496.5	760.3
Lease liabilities		0.3	0.4
Derivative financial instruments	5	133.3	125.7
Provisions for employee benefits		10.0	9.7
Total current liabilities		2,257.9	1,512.4
Non-current liabilities			
Interest bearing liabilities – external	2	9,644.1	9,353.4
Interest bearing liabilities – shareholder related	2	2,111.6	2,100.8
Lease liabilities		0.2	0.2
Derivative financial instruments	5	674.8	500.6
Deferred tax liabilities		-	29.1
Provisions for employee benefits		3.8	3.6
Total non-current liabilities		12,434.5	11,987.7
Total liabilities		14,692.4	13,500.1
Net liabilities		(5,148.1)	(4,674.7)
Equity			
Issued capital		1,533.7	1,533.5
Accumulated losses		(6,113.5)	(5,709.7)
Cash flow hedge reserve		(558.4)	(493.4)
Foreign currency basis spread reserve		(9.9)	(5.1)
Total equity		(5,148.1)	(4,674.7)

The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

for the half year ended 30 June 2020

	Issued capital [1]	Accumulated losses	Cash flow hedge reserve	Foreign currency basis spread reserve	Total equity
	$m	$m	$m	$m	$m
Total equity at 1 January 2020	1,533.5	(5,709.7)	(493.4)	(5.1)	(4,674.7)
Loss for the period	-	(221.5)	-	-	(221.5)
Other comprehensive loss	-	-	(65.0)	(4.8)	(69.8)
Dividends on ordinary shares	-	(182.3)	-	-	(182.3)
Equity-settled shares	0.2	-	-	-	0.2
Total equity at 30 June 2020	1,533.7	(6,113.5)	(558.4)	(9.9)	(5,148.1)
Total equity at 1 January 2019	1,533.4	(5,157.0) [2]	(316.4)	2.4	(3,937.6)
Profit for the period	-	27.8	-	-	27.8
Other comprehensive loss	-	-	(197.8)	2.9	(194.9)
Dividends on ordinary shares	-	(323.3)	-	-	(323.3)
Equity-settled shares	(0.4)	-	-	-	(0.4)
Total equity at 30 June 2019	1,533.0	(5,452.5)	(514.2)	5.3	(4,428.4)

1. Issued capital comprise 13,648,394 issued and fully paid ordinary shares.
2. Accumulated losses were adjusted on 1 January 2019 to include the transition adjustments of AASB16 *Leases*.

The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

for the half year ended 30 June 2020

	Note	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Cash flow from operating activities			
Receipts from customers		507.5	938.3
Interest received		1.3	2.1
Payments to suppliers and employees		(205.1)	(249.5)
Interest paid		(183.8)	(172.0)
Interest rate swaps payments		(11.7)	(19.3)
Net cash flow from operating activities		108.2	499.6
Cash flow from investing activities			
Acquisition of property, plant and equipment		(177.9)	(146.3)
Capitalised borrowing costs		(4.3)	(5.1)
Net cash flow used in investing activities		(182.2)	(151.4)
Cash flow from financing activities			
Proceeds received from borrowings		832.0	603.5
Repayment of borrowings		-	(395.0)
Borrowing costs paid		(5.5)	(10.6)
Dividends paid – ordinary shares	1	(182.3)	(323.3)
Interest paid – redeemable preference shares		(69.7)	(137.8)
Net cash flow from/(used in) financing activities		574.5	(263.2)
Net increase in cash and cash equivalents		500.5	85.0
Cash and cash equivalents at beginning of the period		322.4	219.5
Cash and cash equivalents at the end of the period	3	822.9	304.5

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 interim 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 consolidated financial statements.

This interim 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 2019 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 interim financial report was authorised for issue by the directors on 11 August 2020.

Going concern
The interim financial report of the Group has been prepared on a going concern basis that requires directors to have reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The Directors reviewed the cash flow projections factoring in the impact of the COVID-19 pandemic on the Group covering a period of at least 12 months after reporting date. This takes into account forecast revenue, operating cash flows, forecast capital expenditure and the Group's liquidity position. The Group expects to remain compliant with covenant requirements.

At 30 June 2020, the Group had $2.4 billion in liquidity with $1.6 billion in undrawn bank debt facilities (comprising the syndicated and bilateral facilities - refer Note 2) and $0.8 billion of available cash. The refinancing of maturing debt is a permitted use under the bank debt facilities. If required, this is sufficient to cover the Group's interest bearing liabilities that are due to expire within 12 months of reporting date with principal value of $1,295.9 million (carrying value of $1,496.5 million). These are capital indexed bonds with principal value of $777.2 million expiring in November 2020 and US144A/RegS bond with principal value of $518.7 million expiring in February 2021. The Group has implemented a range of counter measures to preserve liquidity in the near term that include reductions to operating costs and capital expenditure. It has also undertaken measures to continue to strengthen the Group's liquidity position.

At 30 June 2020, the Group was in a net liability position of $5,148.1 million (31 December 2019: $4,674.7 million). Management considered the impacts of COVID-19 to the business and performed an assessment of impairment to the Group and considered if there was an impairment to goodwill. In making this assessment, Management updated key valuation assumptions . These are referred to in the Critical accounting estimates, assumptions and judgements. The result of this confirms that the equity value of the Group continues to absorb the consolidated deficiency of the Group and there is no impairment to goodwill at reporting date.

At the present time, management continues to consider that the COVID-19 pandemic will not impact the Group's ability to remain solvent or to continue to operate as a going concern. Management has continued to preserve liquidity in the short term that include reductions to operating cost levels and capital expenditure. Accordingly, the going concern basis of accounting is considered to be appropriate; it is considered that the Group will be able to pay its debts as and when they become due and payable; and the equity value of the Group continues to absorb the consolidated deficiency position.

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 Financial Report for the year ended 31 December 2019.

General

Critical accounting estimates, assumptions and judgements

The preparation of this interim financial report requires the use of critical accounting estimates, assumptions and judgements that affect the reported amounts in the financial statements and the application of accounting policies. Such estimates and judgements are reviewed on an ongoing basis.

Fair value measurement of financial instruments

Management provides an estimate of the fair value of financial instruments at each reporting date. The value of financial instruments are determined based on observable market inputs, categorised as Level 2 in accordance with AASB 13 *Fair Value Measurement*. Level 2 fair value measurements are determined by inputs other than quote prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of this interim financial report. The Group's rationale and explanation of the critical estimates, assumptions and judgements that have been considered in light of the severe consequences of the COVID-19 pandemic for the aviation and airport community for this half year ended 30 June 2020 are described below. It reflects the deterioration to the airport industry from late February resulting in disrupted passenger traffic through Sydney Airport, with international and domestic passenger traffic being down 57.3% and 56.1% when compared to the prior comparative period. The Group expects the downturn in passenger traffic to persist until government travel restrictions are eased.

Allowance for expected credit losses

The Group recognised a larger allowance for expected credit losses against its aeronautical and commercial customers as at 30 June 2020. These were individually assessed and based on management's judgement on information available at the time, where there were indications that the debt owed may not be repaid. The allowance also includes abatements provided to retail and property tenants expensed in accordance with Accounting Standards.

The abatements and allowances incorporate Management's judgements and assumptions taking into account each individual debtors circumstances, the age of the debt, collection trends and expectations of future economic conditions including government restrictions. This resulted in expected credit loss expensed of $68.4 million reflected through the Consolidated statements of comprehensive income during the period.

The expected credit loss allowance in Note 7 reflects:

- A provision of $21.1 million recognised relating to the Virgin Group for debts pre-administration and during the administration until the administrator's personal liability commenced on 27 May 2020;
- Provisions of $19.8 million made across aeronautical and commercial debtors, where information available at the time indicated that the debt owed may not be repaid; and
- Provision of $27.5 million for abatements provided to retail and property tenants that are required to be expensed and provided for in compliance with Accounting Standards.

Impairment test of goodwill

As described under the Going Concern note above, Management undertook a management valuation at 30 June 2020 updated for COVID-19 impacts to the business. The valuation updates included assumptions regarding passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology. The result of the updated valuation indicated that the Group would continue to absorb the consolidated deficiency at 30 June 2020 and no impairment was required. Goodwill is referenced in Note 9.

Impairment assessment on non-current assets

Following Management's review of the capital expenditure and the re-prioritisation exercise to ensure the Group was well positioned to continue delivering critical projects, an assessment of the recoverable value of the capital works in progress was made. This resulted in a write-off of $22.2 million in respect of certain capital works in progress. This is reflected in the Consolidated statements of comprehensive income and in Note 8.

New standards and interpretations not yet adopted

There are no new accounting standards, amendments and interpretations that are effective for the financial year beginning 1 January 2020 that are expected to have a material impact on the Groups.

Capital management

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. Principal 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.

Dividends

During the half year ended 30 June 2020, no dividends were declared or proposed. This is reflected in the table below. Dividends paid in January 2020 of $182.3 million related to the December 2019 quarter.

RPS Interest

During the half year ended 30 June 2020, the Group continued to accrue for RPS interest of $137.8 million based on the terms of the SCACH Contribution. There was no cash payment of RPS interest to shareholders other than the RPS interest for the December 2019 quarter.

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

	6 months to 30 June 2020		6 months to 30 June 2019	
	$ per share	$m	$ per share	$m
Amounts paid in period				
December quarter paid in January 2020 (2019: January 2019)	13.35	182.3	12.15	165.8
March quarter paid in April 2020 (2019: April 2019)	-	-	11.54	157.5
		182.3		323.3

Ordinary dividends proposed subsequent to 30 June are shown in the table below.

	6 months to 30 June 2020		6 months to 30 June 2019	
	$ per share	$m	$ per share	$m
Amounts paid after period end				
June quarter paid in July 2020 (2019: July 2019)	-	-	10.13	138.3

Total dividends attributable to the half year ended 30 June 2019 were $295.8 million. These dividends were unfranked.

Capital management

2. Interest bearing liabilities

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

External

- Syndicated sustainability-linked bank debt facilities;
- Bilateral bank debt facilities;
- Domestic bonds (including capital indexed bonds (CIB));
- US private placement bonds (USPP);
- US144A/RegS bonds; and
- Euro bonds.

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 2020 and 31 December 2019, 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 continued

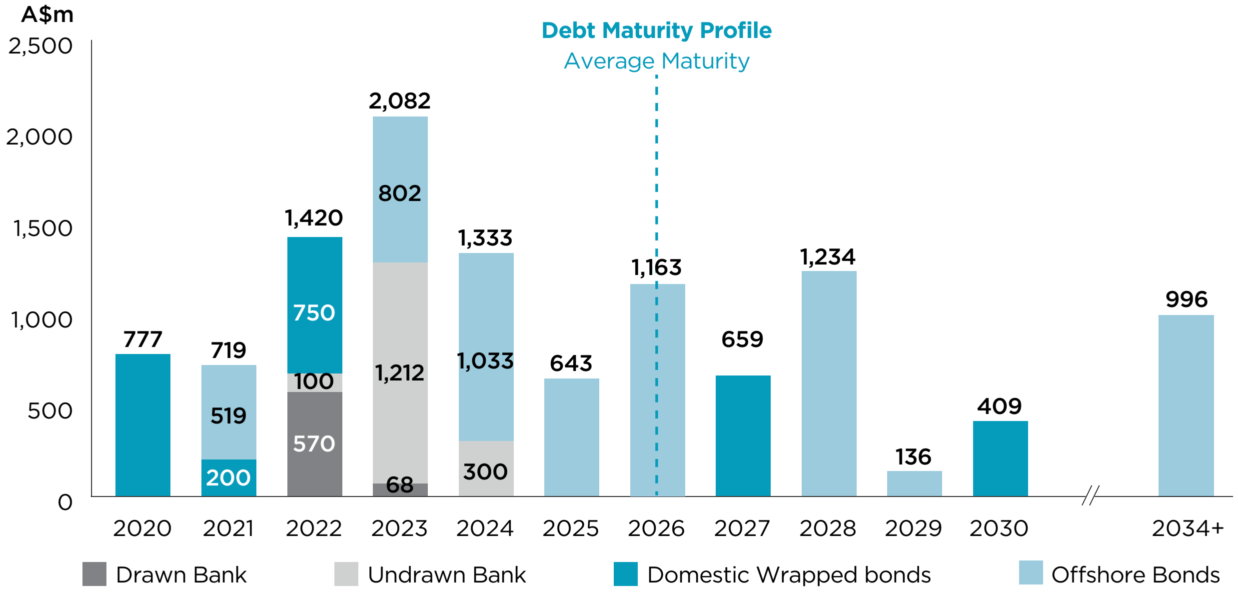
	Maturity	Carrying amount [10]		Fair value		Principal amount drawn: In AUD		Principal amount drawn: In original currency		Issue Currency	Interest rate
External		30 June 2020 $m	31 Dec 2019 $m	30 June 2020 $m	31 Dec 2019 $m	30 June 2020 $m	31 Dec 2019 $m	30 June 2020 $m	31 Dec 2019 $m		
Syndicated facility	April 2022	565.7	402.7	565.7	402.7	570.0	404.0	570.0	404.0	AUD	Floating [4]
Syndicated facility	April 2023	66.9	-	66.9	-	68.0	-	68.0	-	AUD	Floating [4]
Wrapped domestic bond [1]	November 2021	199.6	199.5	199.6	199.5	200.0	200.0	200.0	200.0	AUD	Floating [5]
Wrapped domestic bond [1]	October 2022	746.4	745.7	746.4	745.7	750.0	750.0	750.0	750.0	AUD	Floating [5]
Wrapped domestic bond [1]	October 2027	651.5	651.1	651.5	651.1	659.0	659.0	659.0	659.0	AUD	Floating [5]
USPP bond	August 2028	99.5	99.5	99.5	99.5	100.0	100.0	100.0	100.0	AUD	Floating [5]
USPP bond	November 2028	99.5	99.5	99.5	99.5	100.0	100.0	100.0	100.0	AUD	Floating [5]
USPP bond	November 2028	179.1	179.1	227.1	224.1	180.0	180.0	180.0	180.0	AUD	6.04% [6]
USPP bond	November 2028	57.7	57.7	71.2	70.2	58.0	58.0	58.0	58.0	AUD	5.60% [6]
USPP bond	November 2029	135.3	135.3	172.3	167.4	136.0	136.0	136.0	136.0	AUD	5.70% [6]
USPP bond	February 2034	86.0	73.7	81.3	71.5	62.5	62.5	45.0	45.0	USD	4.25% [6]
USPP bond	February 2039	134.2	134.2	171.3	158.8	135.0	135.0	135.0	135.0	AUD	4.76% [6]
USPP bond	February 2044	99.4	99.4	132.2	120.7	100.0	100.0	100.0	100.0	AUD	4.85% [6]
USPP bond	February 2049	99.4	99.4	136.6	123.2	100.0	100.0	100.0	100.0	AUD	4.90% [6]
USPP bond [2]	June 2035	74.9	-	79.9	-	77.1	-	52.0	-	USD	2.83% [6]
USPP bond [2]	June 2035	80.9	-	79.2	-	80.8	-	50.0	-	EUR	1.06% [6]
USPP bond [2]	June 2040	99.4	-	104.0	-	100.0	-	100.0	-	AUD	3.28% [6,7]
USPP bond [2]	June 2040	218.6	-	228.7	-	220.0	-	220.0	-	AUD	3.28% [6]
USPP bond [2]	June 2050	119.3	-	128.6	-	120.0	-	120.0	-	AUD	3.53% [6]
Euro bond	April 2024	1,230.2	1,208.5	1,197.4	1,240.0	1,033.4	1,033.4	700.0	700.0	EUR	2.75% [6]
Euro bond	April 2028	889.7	853.8	821.0	867.9	796.1	796.1	500.0	500.0	EUR	1.75% [6]
US144A/RegS bond [9]	February 2021	727.4	711.6	740.8	735.4	518.7	518.7	500.0	500.0	USD	5.13% [6]
US144A/RegS bond	March 2023	1,278.1	1,210.6	1,251.8	1,231.9	802.4	802.4	825.0	825.0	USD	3.90% [6]
US144A/RegS bond	April 2025	724.1	711.5	740.1	737.0	643.0	643.0	500.0	500.0	USD	3.38% [6]
US144A/RegS bond	April 2026	1,299.6	1,276.5	1,414.5	1,333.5	1,163.4	1,163.4	900.0	900.0	USD	3.63% [6]
CIB [3,9]	November 2020	769.1	760.3	783.7	774.1	777.2	768.6	777.2	768.6	AUD	3.76% [6]
CIB [3]	November 2030	409.1	404.1	455.2	419.8	409.0	404.3	409.0	404.3	AUD	3.12% [6]
Total external interest bearing liabilities		11,140.6	10,113.7	11,446.0	10,473.5	9,959.6	9,114.4	n/a	n/a		
Shareholder related											
Redeemable preference shares [8]	June 2032	2,111.6	2,100.8	3,917.4	3,767.8	2,047.3	2,047.3	2,047.3	2,047.3	AUD	13.50%
Total shareholder related interest bearing liabilities		2,111.6	2,100.8	3,917.4	3,767.8	2,047.3	2,047.3	2,047.3	2,047.3		

1. Financial guarantees are provided by either MBIA Insurance Corporation or Assured Guaranty Municipal Corp (depending on each instrument footnoted).
2. USPP bonds proceeds were received on 16 June 2020.
3. Financial guarantees are provided by either MBIA Insurance Corporation or Ambac Assurance Corporation (depending on each instrument footnoted).
4. Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin.
5. Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
6. Fixed interest rates reflective of coupons in respective currencies/markets.
7. Represents base margin for the sustainability-linked tranche with an opportunity to earn a discount or incur a premium.
8. The $50 premium on redemption on 28 June 2032 is included in the calculation of fair value.
9. Classified as Current liability in the Consolidated statement of financial position.
10. Carrying amount includes amortised capitalised establishment costs.

Capital management

2. Interest bearing liabilities continued

The maturity profile of interest bearing liabilities as at 30 June 2020 is presented in the chart below.



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 have an initial 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 2020 $m	31 December 2019 $m
Cash on hand	811.6	311.2
Deposits [1]	11.3	11.2
Total cash and cash equivalents	822.9	322.4

1. Included in the Group's consolidated deposit balance is $11.3 million (31 December 2019: $11.2 million) held by SACL which is restricted to fund maintenance capital expenditure.

Treasury and financial risk management

4. Financial risk management

Financial risk management framework

There have been no changes to the Group's financial risk management program during the period.

4.1 Foreign currency risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities in foreign currencies. At 30 June 2020, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds.

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

	30 June 2020			31 December 2019		
	EURm	USDm	Equivalent total AUDm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(1,250.0)	(2,822.0)	(6,127.3)	(1,200.0)	(2,770.0)	(5,019.5)
Cross currency swaps	1,250.0	2,822.0	6,127.3	1,200.0	2,770.0	5,019.5
Exposure	-	-	-	-	-	-

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. The Group enters into floating for fixed interest rate swap contracts to hedge risk of rising interest rates in accordance with the Group's annual bands.

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

	Average contracted fixed interest rate [1]		Notional principal amount		Fair value	
	30 June 2020 %	31 December 2019 %	30 June 2020 $m	31 December 2019 $m	30 June 2020 $m	31 December 2019 $m
1 year or less	2.48	3.38	918.7	1,239.1	(13.7)	(4.3)
1 to 2 years	3.35	2.85	700.0	1,618.7	(29.0)	(47.7)
2 to 5 years	3.06	3.14	3,787.7	3,144.7	(342.4)	(225.6)
5 years or more	2.68	2.67	5,315.9	5,798.1	(409.7)	(305.8)
	n/a	n/a	10,722.3	11,800.6	(794.8)	(583.4)

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

The weighted average cash interest rate of the Group's interest bearing liabilities was 4.2% annualised for the half year ended 30 June 2020.
At 30 June 2020, 89.0% of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

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.

Credit risks on receivables relate to aeronautical, retail and property trade receivables. These counterparties have varying levels of creditworthiness. Following the impact of COVID-19 and its consequence on the aviation and airport community, Management reviewed the trade receivables balance and made an assessment of the expected credit loss provision based on information available at the time. The detail is included in Note 7.

4.4 Liquidity risk

Liquidity risk refers to the risk that the Group has insufficient liquidity to meet its financial obligations when they fall due. The Group has built in appropriate liquidity management required as part of its financial risk management framework.

The Group's available liquidity position as at 30 June 2020 was $2.4 billion, comprising $0.8 billion of available cash and $1.6 billion of undrawn bank debt facilities.

Treasury and financial risk management

5. 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:

	30 June 2020			31 December 2019		
$m	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	249.8	-	249.8	14.3	0.5	14.8
Non-current assets	975.5	-	975.5	926.6	10.1	936.7
Current liabilities	(9.4)	(123.9)	(133.3)	(32.4)	(93.3)	(125.7)
Non-current liabilities	-	(674.8)	(674.8)	-	(500.6)	(500.6)
Net derivative position	1,215.9	(798.7)	417.2	908.5	(583.3)	325.2

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

At 30 June 2020 and 31 December 2019, all derivative financial instruments were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

6. Net finance costs

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

	6 months to 30 June 2020 $m	6 months to 30 June 2019 $m
Finance income		
Bank interest	1.2	1.9
Total finance income	1.2	1.9
Finance costs		
Senior debt interest paid or accrued	(165.2)	(113.1)
Net swap interest expense	(33.6)	(89.1)
CIBs capitalised	(13.2)	(9.5)
Amortisation of debt establishment costs	(5.5)	7.1
Recurring borrowings costs paid	(2.8)	(3.2)
Borrowing costs capitalised	4.3	5.1
RPS interest paid or accrued	(137.8)	(137.8)
Lease interest expense	(0.1)	(0.1)
Amortisation of RPS debt establishment costs	(10.8)	(9.4)
Total finance costs	(364.7)	(350.0)
Change in fair value of swaps	6.8	(3.7)
Net finance costs	(356.7)	(351.8)

Financial results and financial position

7. Receivables

	30 June 2020 $m	31 December 2019 $m
Current		
Trade receivables	175.6	100.5
Allowance for expected credit loss	(68.5)	(0.1)
Net trade receivables	107.1	100.4
Accrued contract revenue	10.6	79.5
Other receivables	13.9	19.8
Total current receivables	131.6	199.7
Non-current		
Accrued contract revenue	7.0	7.4
Operating lease receivable	115.7	70.2
Other receivables	1.0	1.8
Total non-current receivables	123.7	79.4

The movement in allowance for expected credit loss (ECL) during the period is shown below:

	$m
As at 1 January 2019	-
New and increased provisions	(0.1)
Balance at 31 December 2019	**(0.1)**
New and increased provisions	(68.4)
Balance at 30 June 2020	**(68.5)**

The SCACH Group applies the simplified impairment approach of expected credit losses, as permitted by AASB 9. This requires that expected lifetime losses be recognised from initial recognition of all financial assets. This is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

The increased provisions during the half year ended 30 June 2020 represents Management's judgement based on information available at the time on the impact of COVID-19 on the recoverability of its aeronautical and commercial debtors. $68.4 million was recognised through the Consolidated statements of comprehensive income during the period.

Included in Other receivables at 30 June 2020 is $23.1 million that relates to abatements to be amortised as a reduction to revenue over the remaining lease term of the retail and property leases.

8. Property, plant and equipment

Useful life (years)	Freehold land 99	Buildings 5-60	Runways, taxiways and aprons 6-99	Other infrastructure 9-40	Operational plant and equipment 14-20	Other plant and equipment 3-60	Capital works in progress	Total
At 30 June 2020								
Cost								
Opening balance as at 1 January 2020	11.3	3,026.1	991.1	1,303.4	538.2	428.6	252.1	6,550.8
Additions [1]	-	-	-	-	-	-	159.4	159.4
Impairment							(22.2)	(22.2)
Transfers	-	12.4	0.8	5.8	0.9	11.5	(31.4)	-
Closing balance	11.3	3,038.5	991.9	1,309.2	539.1	440.1	357.9	6,688.0
Accumulated depreciation								
Opening balance as at 1 January 2020	(2.2)	(1,375.2)	(403.7)	(569.2)	(363.2)	(323.1)	-	(3,036.6)
Depreciation	(0.1)	(88.6)	(19.1)	(34.9)	(12.4)	(20.8)	-	(175.9)
Closing balance	(2.3)	(1,463.8)	(422.8)	(604.1)	(375.6)	(343.9)	-	(3,212.5)
Total carrying amount	9.0	1,574.7	569.1	705.1	163.5	96.2	357.9	3,475.5
At 31 December 2019								
Cost								
Opening balance as at 1 January 2019	11.3	2,785.2	970.7	1,248.1	511.2	392.4	363.2	6,282.1
Additions [1]	-	-	-	-	-	0.8	314.4	315.2
Transfers	-	263.3	20.4	55.6	27.0	59.2	(425.5)	-
Disposals	-	(22.4)	-	(0.3)	-	(23.8)	-	(46.5)
Closing balance	11.3	3,026.1	991.1	1,303.4	538.2	428.6	252.1	6,550.8
Accumulated depreciation								
Opening balance as at 1 January 2019	(2.1)	(1,223.7)	(365.4)	(498.3)	(336.5)	(306.6)	-	(2,732.6)
Depreciation	(0.1)	(173.9)	(38.3)	(71.2)	(26.7)	(40.3)	-	(350.5)
Disposals	-	22.4	-	0.3	-	23.8	-	46.5
Closing balance	(2.2)	(1,375.2)	(403.7)	(569.2)	(363.2)	(323.1)	-	(3,036.6)
Total carrying amount	9.1	1,650.9	587.4	734.2	175.0	105.5	252.1	3,514.2

[1] Includes capitalised borrowing costs of $4.3 million. The 31 December 2019 full year additions included capitalised borrowing cost of $9.7 million.

During the half year ended 30 June 2020, the SCACH Group recognised an impairment of $22.2 million in respect of certain capital works in progress following the review and re-prioritisation of projects as a result of the impact of COVID-19 (2019: Nil).

9. Intangible assets

Consolidated ($m)	Goodwill	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	95	95	
At 30 June 2020				
Cost				
Opening balance as at 1 January 2020	700.7	2,058.1	1,672.0	4,430.8
Closing balance	700.7	2,058.1	1,672.0	4,430.8
Accumulated amortisation				
Opening balance as at 1 January 2020	-	(379.4)	(306.8)	(686.2)
Amortisation	-	(10.8)	(8.8)	(19.6)
Closing balance	-	(390.2)	(315.6)	(705.8)
Total carrying amount	700.7	1,667.9	1,356.4	3,725.0
At 31 December 2019				
Cost				
Opening balance as at 1 January 2019	700.7	2,058.1	1,672.0	4,430.8
Closing balance	700.7	2,058.1	1,672.0	4,430.8
Accumulated amortisation				
Opening balance as at 1 January 2019	-	(357.7)	(289.2)	(646.9)
Amortisation	-	(21.7)	(17.6)	(39.3)
Closing balance	-	(379.4)	(306.8)	(686.2)
Total carrying amount	700.7	1,678.7	1,365.2	3,744.6

Intangible assets items explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary of SCACH, 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.

Impairment test of goodwill

Management undertook a management valuation at 30 June 2020 updated for COVID-19 impacts to the business. The valuation updates included assumptions regarding passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology. The result of the updated valuation indicated that significant headroom remains and hence no impairment was required.

Other disclosures

10. Government assistance

In April 2020, the SCACH Group enrolled for the JobKeeper government assistance program for 498 eligible employees. For the half year ended 30 June 2020, the Group recognised $5.0 million in government assistance. This has been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income for the half year ended 30 June 2020, as permitted by AASB 120 *Government Grants.* Excluding the impact of JobKeeper, the Employee benefits expense would have been $27.3 million for the half year ended 30 June 2020.

11. Events occurring after balance sheet date

Aeronautical agreements

The Group has been working through numerous expiring or expired aeronautical agreements and have reached the following agreements in the period following balance date:

- An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2021. In addition, Sydney Airport and Qantas entered new twelve-month agreements until 30 June 2021, extending Qantas' use of the Jet Base and associated infrastructure, while providing for hand back of land specific to the development of Sydney Gateway.
- The Board of Airline Representatives Australia (BARA) have endorsed Sydney Airport's proposal to its member airlines for international services. This endorsed agreement extends the pricing and service provisions under the previous five-year agreement for another twelve months to 30 June 2021. Sydney Airport is now in the process of contracting with BARA airlines individually.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve. The Victorian Government implemented Stage 4 lock down across parts of Victoria, including Melbourne. The Queensland Government also announced the temporary reclosing of the Queensland border to NSW and ACT residents. These actions have had an adverse impact on domestic traffic levels.

Interest rate swap resets

Since the end of the half year, the Group has executed $5.2 billion of interest rate swap reset transactions. This involved making upfront payments totaling $138.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions will be incorporated in the results of future reporting periods. The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly owned subsidiary of the SCACH Group, reached an agreement with the NSW Government on Sydney Gateway. In exchange for the Australian Government granting an easement to the NSW Government over part of the Sydney Airport site (the easement sites), the NSW Government agreed to compensate SACL to the value of $170 million, escalating annually at 5% over 3 years from the date of the agreement. Access to easement sites commenced from July 2020.

Proceeds following parent entity equity raising

As at the date of signing, the parent entity of SCACH is intending to raise additional equity capital of $2 billion by way of a fully underwritten renounceable entitlement offer to all its existing securityholders. A large majority of these funds are ultimately intended to flow to the SCACH Group. Combined with cash on hand and undrawn debt facilities, this will provide pro-forma adjusted liquidity of at most $4.4 billion as at 30 June 2020.

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 2020.

Southern Cross Airports
Corporation Holdings Limited