Financial Report for the
year ended 31 December 2021

Southern Cross Airports Corporation Holdings Limited

ACN 098 082 029

Financial report contents

Directors' Report
Directors' Report 2
Directors' Declaration 10

Auditor's signed reports
Lead Auditor's Independence Declaration to Directors 11
Independent Auditor's Report 12

Financial statements
Consolidated statement of comprehensive income 18
Consolidated statement of financial position 20
Consolidated statement of changes in equity 21
Consolidated statement of cash flows 22

Notes to the financial statements
General 23

Capital management
1 Dividends and distributions 30
2 Interest bearing liabilities 31
3 Cash and cash equivalents 35

Treasury and financial risk management
4 Financial risk management 36
5 Derivative financial instruments 40
6 Net finance costs 43

Financial results and financial position
7 Trade and other receivables 44
8 Property, plant and equipment 45
9 Intangible assets 47
10 Taxation 49
11 Leases 50
12 Sydney Gateway 50

Employee benefits
13 Key management personnel 51
14 Share based payments 51
15 Superannuation plan 53

Other disclosures
16 Trade and other payables 55
17 Group structure and parent entity 55
18 Related party disclosures 58
19 Remuneration of auditors 59
20 Operating lease receivable arrangements 59
21 Government assistance 59
22 Subsequent events 60

Directors' report

for the year ended 31 December 2021

This audited general purpose financial report for the year ended 31 December 2021 covers the consolidated entity (the Group) comprising Southern Cross Airports Corporation Holdings Limited (SCACH, the Company) (ACN 098 082 029) and its controlled entities. The Group's functional and presentation currency is Australian Dollars ($), rounded to the nearest hundred thousand.

Directors

The names of the directors of SCACH during the year and until the date of this report are as follows:

Name	Role	Start of directorship	End of directorship
Ash Barker	Non-executive director	9 March 2022	n/a
Ari Droga	Non-executive director	9 March 2022	n/a
Nik Kemp	Non-executive director	9 March 2022	n/a
Geoff Culbert	Executive director	21 February 2018 Appointed CEO on 15 January 2018	n/a
David Gonski AC	Chair, Non-executive director	8 October 2018 Appointed chair 21 May 2021	9 March 2022
Trevor Gerber	Chair, Non-executive director	4 January 2012 Appointed chair 14 May 2015	21 May 2021
John Roberts	Non-executive director	15 February 2006	9 March 2022
Stephen Ward	Non-executive director	4 January 2012	9 March 2022
Ann Sherry AO	Non-executive director	1 May 2014	9 March 2022
Grant Fenn	Non-executive director	1 October 2015	9 March 2022
Abi Cleland	Non-executive director	5 April 2018	9 March 2022

Director profiles of SCACH

Ash Barker
LLB(HONS), BCOM
Non-executive

Mr Barker leads the Australian infrastructure M&A activities of IFM Investors' managed and advised funds, and the origination, execution and management of infrastructure investments. Mr Barker has extensive experience in a variety of senior infrastructure, private equity and related roles. His previous experience includes positions as Director at Hastings Funds Management and investment banking roles at Credit Suisse First Boston. At IFM Investors, Mr Barker led the successful divestment of Pacific Hydro and acquisition of Ausgrid. Mr Barker is a board member of Ausgrid and has previously served as a board member of NSW Ports and Northern Territory Airports.

Ari Droga
BA, LLB, LLM
Non-executive

Mr Droga joined Global Infrastructure Partners (GIP) in 2008 and is a founding Principal and Partner of GIP Australia, based in Sydney. Mr Droga has over 25 years' investment and advisory experience, mostly in the infrastructure sector. He is a former board member of the Museum of Contemporary Art Australia, a former chair of the MCA Foundation, and a former board member and deputy chair of The Biennale of Sydney. Prior to joining GIP, Mr Droga held senior investment banking roles, locally and globally.

Nik Kemp
BE(HONS), BCOM
Non-executive

Mr Kemp is Head of Infrastructure at AustralianSuper and has over 20 years' experience in investing in the infrastructure sector. The portfolio he oversees has over $30 billion of funds under management and includes assets in Australia, North & South America, Europe and Asia. Prior to joining AustralianSuper in 2013, Mr Kemp was a founding director at Capella Capital, and before that was a member of the infrastructure teams at Babcock and Brown, and ABN AMRO.

Mr Kemp has spent time working in the UK for Henderson Global Investors and started off his career as a management consultant at the Boston Consulting Group in Melbourne.

Directors' report continued

for the year ended 31 December 2021

Geoff Culbert BEC, LLB(HONS) Executive	Mr Culbert joined Sydney Airport as Chief Executive Officer in January 2018. Prior to joining Sydney Airport, he worked at General Electric (GE) for 15 years in a number of senior roles across GE's portfolio of businesses in Asia and Australia. Most recently he was the President and Chief Executive of GE Australia and New Zealand. Mr Culbert currently serves on both the World Governing Board and Asia-Pacific Board of the Airports Council International (ACI), the global industry association representing airports around the world. He is also on the board of the St George & Sutherland Medical Research Foundation (SSMRF), chair of the Tourism, Transport, Freight and Logistics Group at the BCA and chair of the NSW Fundraising Committee for the Australian Olympic Committee.
David Gonski AC BCOM, LLB, FAICD (LIFE), FCPA Former chair Former non-executive	Mr Gonski is Chancellor of the University of New South Wales, President of the Art Gallery of NSW Trust, a non-executive chair of Barrenjoey Capital Partners Group Holdings Pty Limited and a member of the board of the Lowy Institute for International Policy. He is the former chair of: Australia and New Zealand Banking Group Ltd (2014 - 2020), Coca-Cola Amatil Ltd (2001 to 2017, director from 1997) and the Australian Securities Exchange Ltd (2008-2012, director from 2007). Mr Gonski was appointed a Companion of the Order of Australia in 2007 and received the Centenary Medal in 2003. Mr Gonski resigned as chair and a director on 9 March 2022.
John Roberts LLB Former non-executive	Mr Roberts is the chair of Axicom and non-executive chair of Macquarie Infrastructure and Real Assets (MIRA) and serves on a number of boards and investment committees within MIRA, a division that has around $130 billion of assets under management. He is a former director of DUET Group (2004 – 2015) and Atlas Arteria Limited (previously known as Macquarie Atlas Roads Limited) (2010 - 2018). Mr Roberts joined the Macquarie Group in 1991 and previously held roles within the Macquarie Group including Head of Europe, Joint Head of Macquarie Capital Advisers, Global Head of Macquarie Capital Funds (prior to it being renamed MIRA), chair of NYSE-listed Macquarie Infrastructure Company and executive chair of Macquarie Funds Group. Mr Roberts resigned as a director on 9 March 2022.
Stephen Ward LLB Former non-executive	Mr Ward is a non-executive director of several New Zealand companies including SecureFuture Wiri Limited, Restaurant Brands New Zealand Limited, Renaissance Holdings New Zealand and TCF Commercial Finance New Zealand Limited. He is the deputy chair of the National Provident Fund Trust Board and holds voluntary positions on the boards of Wellington Free Ambulance and The Life Flight Trust. Mr Ward is the independent chair of the Advisory Council for the Financial Dispute Resolution Service and a consultant to Simpson Grierson, one of New Zealand's largest law firms. Mr Wards resigned as a director on 9 March 2022.
Ann Sherry AO BA, GRAD DIP IR, HONDLITT MACQ, HONDLITT UNSW, HONDBUS UQ, FAICD, FIPAA Former non-executive	Ms Sherry is the chair of UNICEF Australia, Enero Group and Port of Townsville. Ms Sherry is a non-executive director of ASX-listed National Australia Bank. Ms Sherry is a director of Infrastructure Victoria, Cape York Partnerships, Museum of Contemporary Art Australia and the Australia and New Zealand School of Government. Ms Sherry is the former chair and chief executive officer of Carnival Australia. She was previously at Westpac for 12 years and was the chief executive officer of Bank of Melbourne and Westpac New Zealand and Pacific Banking. Ms Sherry received the Centenary Medal in 2001 and in 2004 she was awarded an Order of Australia. Ms Sherry resigned as a director on 9 March 2022.
Grant Fenn BEC, CA Former non-executive	Mr Fenn has been the managing director and chief executive officer of ASX-listed Downer Group since July 2010. He has over 30 years' experience in operational management, strategic development and financial management. Mr Fenn was previously a member of the Qantas Executive Committee, chair of Star Track Express and a director of Australian Air Express. Mr Fenn held a number of senior roles at Qantas including executive general manager of Strategy and Investments and executive general manager – Associated Businesses, responsible for the Airports, Freight, Flight Catering and Qantas Holidays businesses. Mr Fenn resigned as a director on 9 March 2022.

Directors' report continued

for the year ended 31 December 2021

Abi Cleland MBA, BCOM, GAICD Former non-executive	Ms Cleland is currently a non-executive director of ASX-listed Computershare Limited (since February 2018), Coles Group Limited (since November 2018) and Orora Limited (since February 2014). Ms Cleland has extensive global experience in strategy, M&A, digital and running businesses. This has been gained from senior executive roles in leading industrial, retail, agriculture and financial services companies, as well as from her time as Managing Director of an advisory firm. Ms Cleland resigned as a director on 9 March 2022.
Trevor Gerber BACC, CA Former chair Former non-executive	Mr Gerber is the chair of ASX-listed Vicinity Centres (since November 2019, director since April 2014). He is a former non-executive director of ASX-listed Tassal Group Limited (April 2012 - October 2020), CIMIC Group Limited (June 2014 - December 2019) and Regis Healthcare Limited (October 2014 - November 2017). Mr Gerber has been a professional director since 2000. He previously worked for Westfield Holdings Limited for 14 years as Group Treasurer and subsequently as Director of Funds Management responsible for Westfield Trust and Westfield America Trust. Mr Gerber retired as chair and a director on 21 May 2021.

Company secretary profile

Karen Tompkins BA, LLB(HONS)	Ms Tompkins joined Sydney Airport in 2016 and was appointed as General Counsel and Company Secretary in July 2019. She has over 17 years legal experience. Prior to becoming General Counsel and Company Secretary, Ms Tompkins spent nine years in the legal team in ASX-listed Stockland and before that she held positions in law firms including Minter Ellison, Herbert Geer and Henry Davis York.

Corporate structure

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

- Sydney Airport Corporation Limited (SACL)
- Southern Cross Airports Corporation Pty Limited (SCAC)
- Sydney Airport Finance Company Pty Limited (FinCo)
- Sydney Airport RPS Company Pty Limited (RPSCo)
- SA (F1) Pty Limited (SAF1)

All companies in the SCACH Group 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 consolidated income statement and statement of financial position of the entities party to the cross guarantee are presented in Note 17. The deed of cross guarantee ensures that each of the specified entities 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/crossguarantee.

Review of operations and results

The consolidated entity earned a profit before depreciation, amortisation, net finance costs and income tax (EBITDA) of $341.7 million for the year ended 31 December 2021 (2020: $605.4 million). After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $657.8 million (2020: net profit $490.1 million).

Net finance costs were $720.4 million (2020: $741.8 million). It consists of interest expense payable to third parties (secured senior debt, associated debt establishment costs, lease interest expense from the application of AASB 16 Leases) totalling $221.1 million (2020: $375.6 million), redeemable preference share costs totalling $351.0 million (2020: $311.7 million), changes in fair value of swaps totalling $156.5 million (2020: $60.4 million) and finance income totalling $8.2 million (2020: $5.9 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.

Directors' report continued

for the year ended 31 December 2021

COVID-19 pandemic

The COVID-19 pandemic has continued to have a severe impact on the aviation industry and airport community. Sydney Airport remains committed to keeping the airport open as an essential service, with our operational response guided by the principles to 'protect our people', and 'protect the business', whilst continuing 'to make Sydney proud every day'.

Passenger traffic through Sydney Airport, particularly international traffic, continues to be materially impacted, with international and domestic passengers down 95.5% and 74.0% respectively in 2021 when compared to the comparative period in 2019, which is prior to any impact of the COVID-19 pandemic.

The Group continues to closely monitor the impacts of the COVID-19 pandemic on passenger numbers, revenue, operating expenses, capital expenditures and interest rates. The Group continues to have significant levels of liquidity available and will be able to pay its debts as and when they become due and payable. Accordingly, the Group considers that the COVID-19 pandemic will not impact the ability of the Group to remain solvent or to continue to operate as a going concern.

Concessions and provision on debts recognised in the full year financial report are described below:

- Expected credit loss (ECL) provisions of $67.7 million (2020: $93.9 million) were recognised across debtors, where information available at this time indicates the probability that the debts owed may not be recovered. These relate to provisions for doubtful debts and rent deferred.
- A range of rental concessions continue to be provided across both the retail and property portfolios during the year ended 31 December 2021. Concessions in the form of rent abatements of $176.2 million (2020: $142.8 million) and rent deferrals of $1.7 million (2020: $8.4 million) were agreed during the period. Of the abatements, $68.0 million (2020: $52.5 million) was recognised through ECL expense. $13.9 million (2020: nil) in variable abatements was applied against revenue in line with variable lease payments and the remaining $94.3 million (2020: $90.3 million) of abatements will be recognised on a straight-line basis as a reduction to revenue over the remaining lease terms, in accordance with the relevant Accounting Standard. Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term totalled $58.0 million (2020: $24.3 million). Of this, $30.9 million and $27.1 million relate to 2020 and 2021 abatements respectively.
- Rent deferrals provide an extension of payment terms with no impact to revenue. The Group re-assessed the expected recoverability of all deferred rents against the related receivables as at 31 December 2021. This had a favourable impact of $5.2 million (2020: $5.2 million expense), which was recognised through the Consolidated statements of comprehensive income during the year.
- The Group assessed the recoverability of its debtors and $4.9 million (2020: $36.2 million) was recognised through the Consolidated statements of comprehensive income during the year in relation to the provision for doubtful debts.

The Group recognised $2.6 million (2020: $13.0 million) in assistance under the Federal Government's JobKeeper program prior to its completion on 28 March 2021. This has been recognised as an offset to Employee benefits in the Consolidated statement of comprehensive income for the year ended 31 December 2021. The Group received $3.9 million cash in respect of JobKeeper assistance in the year ended 31 December 2021 (2020: $11.7 million). This is reflected in the Consolidated statement of cash flows.

Sydney Airport, as an eligible airport under the Domestic Airport Security Costs Support (DASCS) program, is entitled to the Federal Government's program funding allocation for security screening costs. This program commenced in March 2021 and concluded in December 2021. The Group recognised $14.6 million as part of Aeronautical security recovery in the Consolidated statement of comprehensive income for the year ended 31 December 2021. The cash received associated to DASCS amounted to $8.5 million and is reflected in the Consolidated statement of cash flows. Any funding not received is recognised as receivables in the Consolidated statements of financial position.

In September 2021, the Federal Government announced the International Aviation Security Charges Rebate (IASCR) program, designed to cover the in-month shortfall in security operating cost recovery for international operations. The program runs from 1 October 2021 to 31 March 2022. Sydney Airport is an eligible airport under the program but has not yet received any funding from the IASCR during the period ended 31 December 2021. Any funding not received is recognised as receivables in the Consolidated statements of financial position.

Similar to the prior year, a review of all capital projects in progress was undertaken during the year. Following the review, a $10.5 million (2020: $28.2 million) impairment charge was recognised in respect of certain capital projects, that due to their nature, are not expected to progress. This is reflected in the Consolidated statements of comprehensive income.

Directors' report continued

for the year ended 31 December 2021

Response through the recovery

The Group continues to be well-positioned to manage through a range of potential recovery scenarios:

- **A strong liquidity position:** the Group has a robust balance sheet. Available liquidity at 31 December 2021 was $2.4 billion (2020: $3.1 billion), comprised of $0.2 billion (2020: $0.8 billion) in available cash and $2.2 billion (2020: $2.3 billion) of undrawn bank debt facilities. On 15 March 2022, the Group undertook a refinancing of bank debt facilities. Refer to Note 22 of the financial report for further detail. The Group expects to remain compliant with its covenant requirements.
- **Tightly-controlled operating expenditure:** the Group's cost base has significantly reduced following a wide range of cost saving initiatives implemented since the start of 2020. Excluding the impact of rental abatements, ECL provisions and security recoverable expenditure, operating expenditure for the full year period to 31 December 2021 was $157.2 million, down 22.0% on the 2019 corresponding period. The increase in expenditure on the 2020 corresponding period of $22.7 million or 16.9% in part reflects the emerging recovery of activity at the airport.
- **Continued discipline in capital expenditure program:** an investment of $190.8 million across the full year ending 31 December 2021 reflects the Group's focus on prioritising its critical projects targeting asset resilience, safety and security.

Sydney Airport continues to collaborate with our airline partners and tenants, overseas airports, Governments and agencies both in Australia and internationally to develop a safe and sustainable pathway for the resumption of domestic and international travel.

Financing metrics

The following table shows the net senior debt and selected ratios as at 31 December 2021. Non-IFRS financial information in this Directors' Report has not been audited or reviewed by the external auditors, but has been sourced from the financial report.

	31 December 2021[1]	31 December 2020[1]
	$m	$m
Gross total debt [2]	7,935.5	8,542.3
Less: total cash [3]	(188.0)	(840.2)
Net debt	7,747.5	7,702.2
EBITDA (12 months historical)	341.7	605.4
Net debt/EBITDA [3,4]	22.7x	12.7x
Cash flow cover ratio [4,5]	1.7x	1.8x

1. Calculations includes lease liabilities and related interest expense due to the application of AASB 16 Leases.
2. Gross total debt refers to principal amounts drawn, refer to Note 2 and excludes shareholder related borrowings (RPS) (as they are subordinated to all other creditors) and fair value hedge adjustments on foreign currency denominated bonds. Numbers may not add due to rounding differences.
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 31 December 2021 and 2020.
5. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense.

As at 31 December 2021, the next drawn debt maturity is in October 2022 (wrapped domestic bond of $750.0 million with carrying value of $748.7 million). At reporting date, the Group has $2.2 billion (2020: $2.3 billion) of undrawn bank facilities available to refinance any maturing debt. On 15 March 2022, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established.

As part of the ongoing financing arrangements, the Group has received an unconditional guarantee from members of the SCACH Group, except for SA(F1) Pty Limited, under the Security Trust Deed. Under the Security Trust Deed, each guarantor unconditionally and irrevocably guarantees the due and punctual payment of external borrowings. FinCo's senior secured debt credit ratings assigned by Standard & Poor's / Moody's are BBB+ / Baa1 respectively.

Directors' report continued

for the year ended 31 December 2021

Independent valuation

As at 31 December 2021, the Group had net liabilities of $3,987.8 million (2020: $3,664.6 million).

An independent valuation of the SCACH Group equity value by Deloitte as at 31 December 2021 supported an equity value that, if applied in the financial report of the Group as at 31 December 2021, would have more than absorbed the consolidated deficiency position at 31 December 2021. The valuation was updated for ongoing COVID-19 impacts to the business and included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates.

The Group considers that the COVID-19 pandemic will not impact it's ability to remain solvent or to continue to operate as a going concern. 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.

Dividends and distributions

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

- the RPS carrying value of $2,145.6 million at 31 December 2021 (2020: $2,122.4 million) is classified as borrowings rather than equity; and
- the RPS interest expensed to shareholders during the period of $327.8 million (2020: $290.2 million) is included as interest expense rather than as a distribution of profits.

The consolidated statement of comprehensive income and the consolidated statement of cash flows identify the portion of net finance costs that relate to external financing activities and shareholder related financing activities. Interest on RPS is only paid to shareholders after all other financial obligations of the Group have been met. Shareholders have no acceleration rights if interest is not paid.

During the financial year ended 31 December 2021, SCACH did not pay dividends or RPS interest. RPS interest continues to accrue and any unpaid interest is cumulative.

Dividends and distributions paid	31 December 2021 $m	31 December 2020 $m
– on ordinary shares [1]	-	182.3
– on RPS [1]	-	69.7
	-	252.0

1. Represents cash paid as per the Consolidated statements of cash flows.

Significant events after the balance date

Acquisition of Sydney Airport via Schemes of Arrangement and Trust Scheme

On 13 September 2021, Sydney Airport announced that it had received a further revised indicative, conditional and non-binding proposal from a consortium of infrastructure investors (the Consortium) for $8.75 per stapled security to acquire 100% of the stapled securities in Sydney Airport by way of scheme of arrangement and trust scheme. The further revised indicative proposal followed an initial indicative proposal from the Consortium for $8.25 cash per stapled security as announced on 5 July 2021, and a revised indicative proposal for $8.45 cash per stapled security as announced on 16 August 2021, both of which the SAL and SAT1 Boards determined not to be in the best interests of Sydney Airport securityholders.

Both the SAL and SAT1 Boards considered the further indicative proposal against their assessment of the long-term value of Sydney Airport, including obtaining advice from their financial and legal advisers, and determined that it was in the best interests of Sydney Airport securityholders to provide the Consortium with access to due diligence on a non-exclusive basis. The SAL and SAT1 Boards also determined, subject to completion of due diligence and the agreement of acceptable transaction documentation, to unanimously recommend the further revised offer in the absence of a superior proposal.

On 8 November 2021, following the completion of due diligence, Sydney Airport announced that it had entered into a Scheme Implementation Deed with Sydney Aviation Alliance Pty Limited, an entity controlled by the Consortium. Under the Scheme Implementation Deed Sydney Airport agreed to put the scheme of arrangement and trust scheme (the Schemes) to a vote of Sydney Airport securityholders by way of Scheme Meetings. The SAL and SAT1 Boards unanimously recommended that Sydney Airport securityholders vote in favour of the Schemes at the Scheme meetings, in the absence of a superior proposal and subject to an independent expert concluding that the Schemes were in the best interests of Sydney Airport securityholders (other than UniSuper).

Directors' report continued

for the year ended 31 December 2021

On 17 December 2021, Sydney Airport announced lodgement of the Scheme Booklet which provided Sydney Airport securityholders an explanatory statement and information about the Schemes for the purposes of the Scheme Meetings. The Scheme Booklet included the independent experts report which concluded the Schemes were in the best interests of securityholders (other than Unisuper) and were also fair and reasonable.

On 3 February 2022, Sydney Airport announced the results of the Scheme Meetings in which Sydney Airport securityholders had approved, by substantially exceeding the requisite majorities, the Schemes pursuant to which the Consortium would acquire 100% of the stapled securities in Sydney Airport.

On 9 February 2022, Sydney Airport announced that the Schemes were legally effective. This followed approval of the Schemes by the Supreme Court of New South Wales and the lodgement of the court orders made by the Supreme Court of New South Wales with the Australian Securities and Investments Commission. Sydney Airport securities were suspended from trading on the ASX from the close of trade on 9 February 2022. The securities were delisted from the ASX on 10 March 2022.

Refinancing of bank debt facilities

On 15 March 2022, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established.

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

Significant changes in the state of affairs

Other than that described in the Review of operations and results, there were no other significant changes in the state of the affairs of the Group during the reporting year.

Environmental regulation and performance

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

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

The Group's Environment Strategy 2019 – 2024 forms part of the Sydney Airport Master Plan and was approved by the Australian Government on 28 March 2019. The Group's aims, reflected in the 2019 – 2024 Strategy, are to continually improve environmental performance and minimise the impact of the Group's operations on the environment. The 2019 – 2024 Strategy supports initiatives in environmental management beyond regulatory requirements. The 2019 – 2024 Strategy is available for download from Sydney Airport's website: www.sydneyairport.com.au.

The Group is not aware of any significant breaches of the above regulations.

The Group provides an annual Environment Report to the Commonwealth Government outlining its performance in achieving the policies and actions outlined in the strategy and compliance with the relevant environmental legislation.

Indemnities and insurance of officers and auditors

Indemnities

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

SCACH has entered into a Deed of Access, Indemnity and Insurance with each director which applies during their term in office and after their resignation (except where a director engages in conduct involving a lack of good faith).

Directors' report continued

for the year ended 31 December 2021

Insurance

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

During or since the year ended 31 December 2021, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditors of SCACH and its controlled entities.

Directors' meetings

The number of meetings of directors (including meetings of board committees) held (H) during the year ended 31 December 2021 and the number of meetings attended (A) by each director were as follows:

Directors		David Gonski AC[3]	John Roberts	Stephen Ward	Ann Sherry AO	Grant Fenn	Geoff Culbert	Abi Cleland	Trevor Gerber
Board of Directors	H[1]	7	7	7	7	7	7	7	2
	A[2]	7	7	7	7	7	7	7	2

1. Number of meetings to which director was invited to attend.
2. Actual attendance.
3. Chair of the SCACH Board.

Non-assurance services

There are no non-assurance services provided by the auditors during the year ended 31 December 2021. This is outlined in Note 19 to the financial statements.

The directors of SCACH are of the opinion that the services relevant to the respective groups as disclosed in Note 19 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- KPMG has confirmed their independence by providing an Audit Independence Declaration as required by s307C of the *Corporations Act*; and
- There were no non-assurance services provided to the Group during the year.

Lead auditor's independence declaration

KPMG have been the lead auditors of the Group commencing 2010.

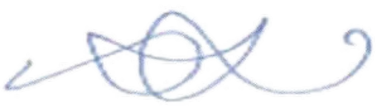
The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 11 of the financial report.

Rounding of amounts in the Directors' Report and the consolidated financial statements

The SCACH Group is of a kind referred to in Australian Securities & Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016, and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest hundred thousand dollars unless otherwise stated.

Signed in accordance with a resolution of the directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the directors:



Ash Barker
Sydney
15 March 2022

Statement by the Directors of Southern Cross Airports Corporation Holdings Limited

for the year ended 31 December 2021

1. In the opinion of the directors of Southern Cross Airports Corporation Holdings Limited (the Company):
   a. the consolidated financial statements and notes for the SCACH Group that are set out on pages 18 to 60 are in accordance with the *Corporations Act 2001*, including;
      i. giving a true and fair view of the SCACH Group's financial position as at 31 December 2021 and of its performance, for the financial year ended on that date; and
      ii. complying with Australian Accounting Standards and the Corporations Regulations 2001; and
   b. there are reasonable grounds to believe that the SCACH Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the SCACH Group will be able to meet any obligations or liabilities to which it is or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the group entities as identified in Note 17, pursuant to ASIC Corporations Instrument 2016/785 dated 29 September 2016.
3. The directors draw attention to page 23 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Ash Barker
Sydney
15 March 2022

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

To the Directors of Southern Cross Airports Corporation Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Southern Cross Airports Corporation Holdings Limited for the year ended 31 December 2021 there have been:

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney
15 March 2022

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's Report

To the shareholders of Southern Cross Airports Corporation Holdings Limited

Opinion

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

In our opinion, the accompanying Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2021;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Revenue recognition and measurement
- Hedging and valuation of derivatives
- Carrying value of intangible assets

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.

KPMG

Revenue recognition and measurement (A$621.2m)	
Refer to Consolidated Statement of Comprehensive income	
The key audit matter	**How the matter was addressed in our audit**
Revenue recognition was identified as a key audit matter due to the varying recognition and measurement principles in underlying contracts across the revenue streams. Assessing revenue recognition, measurement and disclosures required significant audit effort across each revenue stream and contract type. Rental concessions in the form of lease abatements relating to both commercial and retail leases were provided to tenants as result of COVID-19. This impacted primarily Retail revenue and Property and car rental revenue. Rental concessions were therefore an additional key area of focus due to the complexity of the concession arrangements, their individualised terms, and value of abatements granted.	Our procedures included: • Understanding processes and testing the key control over revenue streams, being the input and authorisation of new or amended contracts; • For aeronautical and parking and ground transport revenue we checked a sample of revenue transactions to cash received per the bank statements and assessed the correlation of revenue recognised to movements in passenger numbers; • Checking a sample of Retail revenue and Property and car rental revenue calculations for accuracy of measurement and conformity of recognition with underlying contracts and Accounting Standards. • Checking a sample of COVID-19 lease abatement concessions granted for accuracy of measurement against the unique terms of the respective rental concession agreements and recognition in line with Accounting Standards; • Requesting and obtaining confirmations from a sample of airlines of passenger numbers used in the procedures above; and • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

KPMG

<table>
<tr><th colspan="2">Hedging and valuation of derivatives (A$347.5m)</th></tr>
<tr><td colspan="2">Refer to Note 5 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>The valuation of derivatives and associated hedge accounting was identified as a key audit matter due to the complexities arising from the application of multiple derivatives to hedge each underlying financial instrument.

Our assessment is made more challenging given the high level of judgement involved in evaluating the Group's valuation assumptions and inputs such as yield curves and credit value adjustments.

Additionally, several complex derivative reset transactions were undertaken during the year across multiple derivatives.

We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.</td><td>Involving our specialists, our procedures included:

• Understanding the processes and testing key controls for the approval of new derivative contracts;
• Obtaining hedge documentation relating to new hedge relationships and assessing it against the conditions for measurement and reporting in the accounting standard requirements;
• For a sample of derivatives and hedge relationships, we checked the inputs of each item to confirmations we requested and obtained from counterparties;
• Performing an independent valuation of a sample of derivatives impacted by the reset transactions which we compared to the Group's valuation. To do this we obtained the derivative reset transaction documentation, performed an independent valuation and assessed the methodology applied against the requirements of the Accounting Standards;
• Performing an independent valuation of a sample of derivatives which we compared to the Group's valuation. To do this we obtained externally sourced market data from platforms such as Bloomberg for assumptions and inputs adopted in the valuation e.g. yield curves and credit value adjustments; and
• Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.</td></tr>
</table>

KPMG

<table>
<tr><th colspan="2">Carrying value of intangible assets (A$3,608.1m)</th></tr>
<tr><td colspan="2">Refer to Note 9 to the Financial Report</td></tr>
<tr><td>The key audit matter</td><td>How the matter was addressed in our audit</td></tr>
<tr><td>Carrying value of intangible assets was identified as a key audit matter due to the significant level of judgment used by the Group in forecasting and discounting future cash flows. Particular judgment is required when assessing the significant length of time relevant to an airport operation, which forms the basis for assessing intangible assets for impairment. There is also higher estimation uncertainty resulting from the business disruption impact of the COVID-19 global pandemic, particularly in relation to the expected rate of recovery.

In addition, judgment is involved in considering the appropriateness of the single cash generating unit (CGU) for impairment testing. Impairment testing is performed on a single CGU on the basis that the Group considers all income streams are intrinsically linked and cannot be separated from the airport operations.

We focused on the significant forward-looking assumptions the Group applied in their discounted cash flow model, including:
• Using a financial model covering a twenty-year period;
• Future cash flows, passenger numbers, growth rates and the terminal growth rate; and
• Discount rate

The business disruption globally and locally caused by COVID-19 as well as the ongoing government responses, as they relate to travelling, increases the risk of inaccurate forecasting for the Group.

An external expert is engaged annually to perform a valuation of the airport, including intangibles. The Group's forecast discounted cash flows form the basis of this valuation.

We involved valuation specialists to supplement our senior audit team</td><td>Involving our specialists, our procedures included:
• Assessing the Group's methodology, including the use of a model covering a twenty- year period, against market and industry practices and accounting standards;
• Evaluating the determination of a single CGU based on our understanding of the operations of the business and how independent cash inflows were generated against the accounting standard requirements;
• Understanding the Group's cash flow forecasting process and testing the key approvals for the internal reporting of forecast income streams and cash flows;
• Meeting with management to understand the impact of COVID-19 on the Group and impact of government response programs for the 2021 results;
• Assessing the historical accuracy of forecasts by comparing to actual results, to use in our evaluation of forecasts included in the discounted cash flow model;
• Assessing the consistency of the assumptions incorporated into the forecasts for alignment to the Sydney Airport COVID-19 adjusted Corporate Plan through inquiries and our industry knowledge. Comparing COVID-19 adjusted growth related assumptions to external data such as industry wide expectations of passenger activity and the Gross Domestic Product as published by the Reserve Bank of Australia;
• Analysing the discount rate against publicly available data of a group of comparable entities;
• Performing a sensitivity analysis on key assumptions, in particular, the discount rate and passenger numbers to assess the risk of bias or inconsistency in application;
• Comparing the value of the airport as determined by the acquisition price of the</td></tr>
</table>

KPMG

members in assessing this key audit matter.	Sydney Airport Limited Group against the valuation as determined by the independent expert; • Assessing the objectivity, scope, and competency of the external expert; and • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Sydney Airport's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

KPMG

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf.This description forms part of our Auditor's Report.

KPMG

KPMG

Nigel Virgo

Partner

Sydney

15 March 2022

Consolidated statements of comprehensive income

for the year ended 31 December 2021

	Note	2021 $m	2020 $m
Revenue			
Aeronautical revenue		182.1	238.2
Aeronautical security recovery		55.1	68.7
Retail revenue		165.8	244.2
Property and car rental revenue		172.8	199.1
Parking and ground transport revenue		39.9	49.1
Other revenue		5.5	4.5
Total revenue		621.2	803.8
Other income			
Gain on de-recognition of non-current assets	12	-	128.6
Other income		9.4	-
Total revenue and other income		630.6	932.4
Operating expenses			
Employee benefits expense		(66.4)	(39.3)
Services and utilities expense		(43.4)	(49.0)
Property and maintenance expense		(19.9)	(19.5)
Security recoverable expense		(53.5)	(62.9)
Expected credit loss expense	7	(67.7)	(93.9)
Other operational costs		(27.5)	(26.7)
Total operating expenses		(278.4)	(291.3)
Other expenses			
Write-off of non-current assets	8	(10.5)	(28.2)
Restructuring and redundancy expenses		-	(7.5)
Total other expenses		(10.5)	(35.7)
Total expenses before depreciation, amortisation, net finance costs and income tax		(288.9)	(327.0)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)		341.7	605.4
Depreciation	8	(358.6)	(353.3)
Amortisation	9	(38.5)	(39.2)
(Loss)/profit before net finance costs and income tax (EBIT)		(55.4)	212.9
Finance income	6	8.2	5.9
Finance costs	6	(572.1)	(687.3)
Change in fair value of swaps	6	(156.5)	(60.4)
Net finance costs		(720.4)	(741.8)
(Loss) before income tax benefit		(775.8)	(528.9)
Income tax benefit	10	118.0	38.8
(Loss) attributable to owners of the company		(657.8)	(490.1)

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

Consolidated statements of comprehensive income

for the year ended 31 December 2021

	Note	2021 $m	2020 $m
Items that may subsequently be reclassified to profit or loss			
Changes in fair value of cash flow hedges		458.9	(64.2)
Changes in fair value of foreign currency basis spread		18.0	(32.9)
Tax on items that may be reclassified to profit or loss [1]		(148.0)	5.9
Total items that may subsequently be reclassified to profit or loss		328.9	(91.2)
Items that will never be reclassified to profit or loss			
Remeasurement gain on defined benefit plan [2]	15	3.0	-
Tax on items that will never be reclassified to profit or loss [2]		(0.9)	-
Total items that will never be reclassified to profit or loss		2.1	-
Other comprehensive income/(loss), net of tax		331.0	(91.2)
Total comprehensive (loss) attributable to owners of the company		(326.8)	(581.3)

1. The Group entered into interest rate swap resets during the years ended 31 December 2021 and 31 December 2020. Refer to further detail in Note 4.2. The unamortised balance of reset swaps at reporting date of $94.0 million (2020: $77.5 million) does not give rise to a temporary difference for tax purposes. Hence tax has not been calculated on the unamortised balance.
2. The 2020 balances for the remeasurement gain on the defined benefit plan is $0.05 million and the associated tax is $0.01 million. These have been rounded to nil in the Consolidated statements of comprehensive income.

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

Consolidated statements of financial position

as at 31 December 2021

	Note	2021 $m	2020 $m
Current assets			
Cash and cash equivalents	3	188.6	840.6
Trade and other receivables	7	127.5	331.6
Derivative financial instruments	5	17.9	149.9
Other assets		3.0	1.5
Total current assets		337.0	1,323.6
Non-current assets			
Trade and other receivables	7	167.1	142.1
Property, plant and equipment	8	3,284.9	3,456.5
Intangible assets	9	3,608.1	3,646.6
Derivative financial instruments	5	608.6	543.8
Other assets		16.2	21.4
Total non-current assets		7,684.9	7,810.4
Total assets		8,021.9	9,134.0
Current liabilities			
Payables and deferred income	16	561.7	660.8
Interest bearing liabilities - external	2	748.7	848.1
Lease liabilities	11	0.2	0.1
Derivative financial instruments	5	45.5	77.6
Provisions		8.8	8.5
Total current liabilities		1,364.9	1,595.1
Non-current liabilities			
Interest bearing liabilities – external	2	7,754.3	8,356.4
Interest bearing liabilities – shareholder related	2	2,145.6	2,122.4
Lease liabilities	11	0.2	0.1
Derivative financial instruments	5	233.5	670.0
Payables and deferred income		381.3	-
Deferred tax liabilities	10	126.3	50.8
Provisions		3.6	3.8
Total non-current liabilities		10,644.8	11,203.5
Total liabilities		12,009.7	12,798.6
Net liabilities		(3,987.8)	(3,664.6)
Equity			
Issued capital		3,310.8	3,307.2
Accumulated losses		(7,037.8)	(6,382.1)
Cash flow hedge reserve		(241.3)	(557.6)
Foreign currency basis spread reserve		(19.5)	(32.1)
Total equity		(3,987.8)	(3,664.6)

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

Consolidated statements of changes in equity

for the year ended 31 December 2021

	Issued capital [1] $m	Accumulated losses $m	Cash flow hedge reserve $m	Foreign currency basis spread reserve $m	Total equity $m
Total equity at 1 January 2021	3,307.2	(6,382.1)	(557.6)	(32.1)	(3,664.6)
Loss after tax	-	(657.8)	-	-	(657.8)
Other comprehensive loss	-	2.1	316.3	12.6	331.0
Equity-settled shares	3.6	-	-	-	3.6
Total equity at 31 December 2021	3,310.8	(7,037.8)	(241.3)	(19.5)	(3,987.8)
Total equity at 1 January 2020	1,533.5	(5,709.7)	(493.4)	(5.1)	(4,674.7)
Loss after tax	-	(490.1)	-	-	(490.1)
Other comprehensive loss	-	-	(64.2)	(27.0)	(91.2)
Dividends on ordinary shares	-	(182.3)	-	-	(182.3)
Equity contribution from parent	1,773.3	-	-	-	1,773.3
Equity-settled shares	0.4	-	-	-	0.4
Total equity at 31 December 2020	3,307.2	(6,382.1)	(557.6)	(32.1)	(3,664.6)

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

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

Consolidated statements of cash flows

for the year ended 31 December 2021

	Note	2021 $m	2020 $m
Cash flow from operating activities			
Receipts from customers		640.9	780.2
Interest received		1.1	3.7
Government subsidies	21	12.4	11.7
Payments to suppliers and employees		(297.8)	(352.9)
Interest paid		(221.8)	(314.3)
Interest rate swaps receipts/(payments)		22.8	(48.2)
Net cash flow from operating activities	3	157.6	80.2
Cash flow from investing activities			
Proceeds from de-recognition of non-current assets		197.0	-
Acquisition of property, plant and equipment		(191.8)	(347.1)
Capitalised borrowing costs	6	(3.9)	(7.2)
Net cash flow from/(used in) investing activities		1.3	(354.3)
Cash flow from financing activities			
Proceeds received from borrowings		100.0	1,212.0
Repayment of borrowings		(718.7)	(1,791.8)
Borrowing costs paid		(10.8)	(11.6)
Interest rate swap reset		(181.4)	(137.6)
Proceeds from equity contribution from Parent		-	1,773.3
Dividends paid – ordinary shares		-	(182.3)
Interest paid – redeemable preference shares		-	(69.7)
Net cash flow (used in)/from financing activities		(810.9)	792.3
Net (decrease)/increase in cash and cash equivalents		(652.0)	518.2
Cash and cash equivalents at beginning of the year		840.6	322.4
Cash and cash equivalents at the end of the year	3	188.6	840.6

The above Consolidated statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

for the year ended 31 December 2021

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 consolidated financial statements.

This financial report:

- Consists of the consolidated financial statements of the Group, as permitted by Australian Securities & Investments Commission (ASIC) Class Order 10/654;
- Is a general purpose financial report;
- Is prepared in accordance with the Corporations Act 2001, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss; and
- Is presented in Australian dollars, which is the functional currency of the 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 15 March 2022.

Going concern

The 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.

At reporting date, the Group has met its debt covenant requirements. The SCACH 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 the accounts are authorised for issue. 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 31 December 2021, the Group had $2.4 billion in liquidity with $2.2 billion of undrawn bank debt facilities (comprising the syndicated and bilateral facilities - refer to Note 2) and $0.2 billion of available cash. On 15 March 2022, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established. The refinancing of maturing debt is a permitted use under the bank debt facilities. If required, this is sufficient to cover the Group's current asset deficiency of $1,027.9 million (31 December 2020: $271.5 million). The net current liability is mainly due to the Group's:

- Interest bearing liabilities that are due to mature within 12 months of reporting date with principal value of $750.0 million (carrying value of $748.7 million). This relates to a wrapped domestic bond maturing in October 2022.; and
- The unpaid redeemable preference shares (RPS) interest since Q1 2020, which accrues at 13.5%.

At 31 December 2021, the Group was in a net liability position of $3,987.8 million (31 December 2020: $3,664.6 million). At the present time, the Group considers the impacts of COVID-19 to the business and that it does not result in going concern issues, given the independent valuation of the airport confirms that the equity value of the Group continues to absorb the consolidated deficiency of the Group. 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.

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

Critical accounting estimates, assumptions and judgements

The preparation of the 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 markets inputs, categorised as Level 2 in accordance with AASB 13 *Fair Value Measurement*. Level 2 fair value measurements are determined by inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as priced) or indirectly (derived from prices).

Coronavirus (COVID-19) pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of this full year 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 full year ended 31 December 2021 are described below. It reflects the deterioration of the airport industry from late February 2020 resulting in disrupted passenger traffic through Sydney Airport, with international and domestic passengers down 95.5% and 74.0% respectively when compared to the comparative period in 2019, which was prior to any impact from the COVID-19 pandemic.

Allowance for expected credit losses

- ECL provisions of $67.7 million (2020: $93.9 million) were recognised across debtors, where information available at this time indicates the probability that the debts owed may not be recovered. These relate to provisions for doubtful debts and rent deferral.
- A range of rental concessions continue to be provided across both the retail and property portfolios during the year ended 31 December 2021. Concessions in the form of rent abatements of $176.2 million (2020: $142.8 million) and rent deferrals of $1.7 million (2020: $8.4 million) were agreed during the period. Of the abatements, $68.0 million (2020: $52.5 million) was recognised through ECL expense. $13.9 million (2020: nil) in variable abatements was applied against revenue in line with variable lease payments and the remaining $94.3 million (2020: $90.3 million) of abatements will be recognised on a straight line basis as a reduction to revenue over the remaining lease terms, in accordance with the relevant accounting standard. Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term totalled $58.0 million (2020: $24.3 million). Of this, $30.9 million and $27.1 million relate to 2020 and 2021 abatements respectively.
- Rent deferrals provide an extension of payment terms with no impact to revenue. The Group re-assessed the expected recoverability of all deferred rents against the related receivables as at 31 December 2021. This had a favourable impact of $5.2 million (2020: $5.2 million expense), which was recognised through the Consolidated statements of comprehensive income during the year.
- The Group assessed the recoverability of its debtors and $4.9 million (2020: $36.2 million) was recognised through the Consolidated statements of comprehensive income during the year in relation to the provision for doubtful debts.

The movement in the ECL allowance is in Note 7.

Impairment assessment on non-current assets

Similar to the prior year, a review of all capital projects in progress was undertaken during the year. Following the review, a $10.5 million (2020: $28.2 million) impairment charge was recognised in respect of certain capital projects, that due to their nature, are not expected to progress. This is reflected in the Consolidated statements of comprehensive income and in Note 8.

Impairment test of goodwill

As described in the Going concern note above, an independent valuation was undertaken at 31 December 2021. The valuation was updated for ongoing COVID-19 impacts to the business and included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to the valuation methodology from the previous year. The result of the updated valuation indicated that the Group's equity value continued to absorb the consolidated deficiency of the Group and no impairment was required at reporting date. There are no known factors that would have had a significant adverse effect on the valuation since 31 December 2021. Valuation assumptions have been described in Note 9.

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

Significant accounting policies

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

i) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities comprising the consolidated entity, which are the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127: Consolidated and Separate Financial Statements. Controlled entities are listed in Note 17 to the financial statements.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as their parent company. In preparing the Consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

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

ii) Foreign currency transactions and balances

Foreign currency amounts are translated into the functional currencies of the Group's (Australian dollars) using the following applicable exchange rates:

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

Foreign exchange gains and losses on translation are recognised in the Consolidated statements of comprehensive income.

iii) Fair value of financial instruments

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on a discounted cash flow analysis using prices from observable current market transactions.

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

Fair value measurements are determined as follows:

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

The Group's value of financial instruments are determined based on observable market inputs, categorised as Level 2.

iv) Measurement of financial instruments

Financial instruments are classified by the following categories – amortised cost, fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial asset and whether contractual cash flows are solely from payments of principal and interest (SPPI).

v) Revenue recognition

Aeronautical revenues

Aeronautical revenue is primarily generated from contracts with airlines for the provision of access to terminals, infrastructure, apron parking, airfield and terminal facilities. Revenue is recognised as the service is provided:

- Passenger charges: On a per passenger basis as they arrive or depart;
- Runway charges: On a per passenger basis or on the basis of maximum take-off weight; and
- Aircraft parking charges: Over the duration of time the aircraft is parked and maximum take-off weight.

Aeronautical revenues are billed and collected on a monthly basis.

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

Incentives or discounts are provided in line with terms of contracts with airlines and are generally based on passenger numbers, flight frequency and/or new routes. Revenues from passenger charges are therefore variable consideration and estimated monthly. Discounts and incentives represent a reduction to revenue. They are paid annually based on contract commencement date and any unpaid amount is recognised as a payable. Variable revenue is only recognised when it is highly probable the revenues will not reverse. Whilst contracts with airlines exceed 12 months, revenue recognised is the amount to which we have the right to invoice for the current year.

Aeronautical security recovery revenues

Aeronautical security recovery revenue is primarily generated from contracts with airlines for the provision of government mandated security services. These include passenger and checked bag screening. Revenue is recognised as the expense is incurred. Aeronautical security recovery revenues are billed and collected on a monthly basis.

Retail revenues and Property and car rental revenues

Retail revenues comprises the lease of commercial space to tenants whose activities include duty free, food and beverage, financial and advertising services. Property and car rental revenues comprises the lease of terminal space, buildings and other space at Sydney Airport. Both revenue streams are accounted for as operating lease revenues where rental revenues are recognised on a straight line basis over the lease term. Concession fees are recognised based on sales turnover in accordance with the concession agreement.

Abatements provided to tenants are recognised in accordance with applicable accounting standards. Abatements provided prior to the execution of an agreement are expensed through ECL. Abatements provided on execution of an agreement are amortised from the date of the agreement as a reduction to revenue over the remaining lease term. Variable abatements agreed during the year are applied against revenue.

vi) Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group expects to comply with any conditions relevant to the grant. Refer to Note 21 of the financial report for further information.

Changes in accounting standards

During the year ended 31 December 2021 the Group adopted COVID-19 Related Rent Concessions (Amendments to AASB 16) and Interest Rate Benchmark Reform – Phase 2 (Amendments to AASB 9, AASB 139, AASB 7, AASB 4 and AASB 116).

COVID-19 Related Rent Concessions (Amendments to AASB16) introduced an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVD-19. This practical expedient has been extended to apply to lease payments originally due on or before 31 December 2021, with application retrospective. These amendments do not apply.

The interest rate benchmark reform aims to discontinue Interbank Offered Rates (IBORs) and replace these interest rate benchmarks with alternate Risk Free Rates (RFRs).

In the prior year the Group adopted AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (AASB 2019-3). These amendments modify specific hedge accounting requirements and allow the Group to apply certain exceptions in respect of hedge relationships that are impacted by market-wide interest rate benchmark reform.

In the current year, the Group adopted AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (AASB 2020-8). These amendments are mandatory for annual reporting periods beginning on or after 1 January 2021. Phase 2 amendments enable the Group to reflect the effects of transitioning IBORs to RFRs without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Risks arising from the interest rate benchmark reform

The Group has performed an assessment of exposures linked to USD LIBOR. At 31 December 2021, the Group has not identified any debt instruments or Cross Currency Interest Rate Swaps (CCIRS) directly linked to USD LIBOR as all offshore bonds issued are issued in fixed rate and on the CCIRS, the Group receives fixed USD/EUR.

Whilst not having a direct exposure to USD LIBOR on its debt or swap instruments, the Group has designated derivative hedging instruments in hedge accounting relationships against the fair value exposure of the Group's USD fixed rate debt associated with USD LIBOR benchmark interest rate risk. This will therefore result in an indirect exposure to changes in these benchmark interest rates. There is no intention of the Regulator to replace EURIBOR at the time of this assessment.

The valuation of some CCIRS hedging instruments are based on USD LIBOR swap rates, which will be impacted upon USD LIBOR discontinuation. The Group is working closely with its treasury management system vendor and swap counterparties to understand the impact that the transition might have on the availability and liquidity in forward interest rate curves and any impact on the valuation of the CCIRS. Despite the progress made on understanding the impacts of the IBOR transition, this has not resulted in any changes to risk management practices.

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

Accounting impacts arising from the application of the interest rate benchmark reform

The Group has an indirect exposure to the USD LIBOR3m benchmark within its hedge accounting relationships, which are subject to interest rate benchmark reform, with transition not expected to occur until 2023. Despite not having any direct LIBOR3m linked debt or swap instruments, all cross currency swap hedge relationships reference USD LIBOR3m for both hedge accounting and valuation purposes. The Group has performed an initial high level IBOR exposure review and has not identified any direct USD LIBOR3m exposures or any additional indirect USD LIBOR3m exposures, other than those included in the schedule below.

Notional foreign currency ($m)	Notional AUD $m	Maturity	Hedge relationship	Hedging instrument (prior to transition)	Hedged item	Transition progress
USD 1,250	AUD 1,390.9	2023 to 2034	Fair value hedge	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m.	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond.	The overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR3m, however, should any benchmark rates change this will be effected in the underlying hedge relationships. At 31 December 2021 no hedging instruments or related hedged items have transitioned to alternative benchmark rates.
			Cash flow hedge	Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date.	USD principal repayment of the bond from first repayment date until maturity of the bond	
			Cash flow hedge	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	USD margin above benchmark rate component of the USD fixed coupon payable on the bond (equivalent to credit margin on debt) over the term of the bond	
USD 120	AUD 116.9	2023	Fair value hedge	Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay AUD BBSW 3m.	Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond, and USD principal repayment of the bond	
			Cash flow hedge	Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m.	USD margin above benchmark rate component of the USD fixed coupon payable on the bond (equivalent to credit margin on debt) over the term of the bond	

Management have performed an assessment and believe the impact of these changes to be negligible to other assets held at fair value, including lease right-of-use assets.

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

New standards and interpretations not yet adopted

The accounting standards that are applicable to the Groups in future periods and have not been early adopted for the year ended 31 December 2021 are detailed below.

Accounting standard	Requirement	Impact on financial statements
Onerous Contracts: Cost of Fulfilling a Contract (Amendments to AASB 37)	Onerous Contracts: Cost of Fulfilling a Contract (Amendments to IAS 37) clarify what are considered to be costs of fulfilling a contract, when determining whether a contract is onerous. The amendments are effective for annual periods beginning on or after 1 January 2022.	No material impact is expected
Annual Improvements to IFRS Standards 2018-2020	'Annual Improvements to IFRS Standards 2018–2020' contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project: – AASB 3 Business Combinations – AASB 9 Financial Instruments – AASB 116 Property, Plant and Equipment and – AASB 137 Provisions, Contingent Liabilities and Contingent Assets The amendments are effective for annual reporting periods beginning on or after 1 January 2022.	No material impact is expected
Property, Plant and Equipment: Proceeds before intended use (Amendments to AASB 16)	Amendments made to AASB 116 Property Plant and Equipment including: – Sales proceeds will no longer be deducted from the cost of PPE, where the sale occurs before the PPE is available for use; – Clarification that testing where PPE is functioning will require assessment of technical and physical performance, rather than financial; and – Additional disclosures required for sales proceeds and production costs, where sales are made outside of a company's ordinary activities. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.	No material impact is expected
Classifications of Liabilities as Current or Non-current (Amendments to AASB 101)	'Classification of Liabilities as Current or Non-current (Amendments to AASB 101)' provides a more general approach to the classification of liabilities under AASB 101 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.	No material impact is expected
AASB 17 Insurance Contracts	This new standard focuses on 'contracts' rather than 'companies', and so introduces recognition and measurement criteria for all companies with insurance contracts. The amendments are effective for annual reporting periods beginning on or after 1 January 2023.	No material impact is expected
Definition of Accounting Estimate (Amendments to AASB 108)	Amendments to IAS8 introduce a definition for accounting estimates to promote consistency in distinguishing between accounting estimates and accounting policies across companies. The amendments are effective for annual reporting periods on or after 1 January 2023.	No material impact is expected

Notes to the financial statements continued

for the year ended 31 December 2021

General continued

Accounting standard	Requirement	Impact on financial statements
Disclosure of Accounting Policies (Amendments to IAS 1, IFRS...Practice Statement 2)	Amendments have been made to accounting standards on the application of materiality to disclosure of accounting policies. The amendments are effective on annual reporting periods on or after 1 January 2023.	No material impact is expected
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to AASB 112)	Amendments to IAS12 Income Taxes have been made, in order to clarify how companies should account for deferred tax on certain transactions including lease and decommissioning provisions. The amendments are effective on annual reporting periods on or after 1 January 2023.	No material impact is expected

Notes to the financial statements continued

for the year ended 31 December 2021

Capital management

Overview

The capital structure of the Group consists of:

- debt;
- cash and cash equivalents;
- issued capital;
- reserves; and
- retained earnings.

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

During the year ended 31 December 2021, the Group has continued to maintain focus on ensuring adequate levels of liquidity in response to the COVID-19 pandemic. At 31 December 2021, the Group has $2.4 billion in liquidity with $0.2 billion in cash and $2.2 billion of undrawn bank debt facilities. On 15 March 2022, the Group undertook a refinancing of bank debt facilities. Refer to Note 22 of the financial report for further detail.

1. Dividends and distributions

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. RPS interest continues to accrue and any unpaid interest is cumulative.

During the year ended 31 December 2021, the Group continued to accrue for RPS interest of $327.8 million (31 December 2020: $290.2 million). The higher RPS interest accrual against prior period is due to additional interest on unpaid cumulative RPS interest. There was no cash payment of RPS interest to shareholders.

Ordinary dividends paid during the years ended 31 December 2021 and 2020 are shown in the table below:

	2021		2020	
	$ per share	$m	$ per share	$m
Amounts paid in period				
December quarter paid in January	-	-	13.35	182.3
March quarter paid in April	-	-	-	-
June quarter paid in July	-	-	-	-
September quarter paid in October	-	-	-	-
		-		182.3

During the year ended 31 December 2021, no dividends were declared or paid.

Notes to the financial statements continued

for the year ended 31 December 2021

Capital management continued

2. Interest bearing liabilities

The Group has the following external and shareholder related interest bearing liabilities at reporting date:

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

External

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

Shareholder related

- Redeemable preference shares (RPS).

The Group has drawn down $100.0 million from its bank debt facilities leaving $2.2 billion undrawn at 31 December 2021 (31 December 2020: $2.3 billion undrawn).

Subsequent to 31 December 2021, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. This occurred on 15 March 2022. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established.

At 31 December 2021, 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.

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

Notes to the financial statements continued

for the year ended 31 December 2021

Capital management continued

2. Interest bearing liabilities continued

	Maturity	Carrying amount [9]		Fair value		Principal amount drawn				Issue currency	Interest rate
						In AUD		In original currency			
External		31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m	31 Dec 2021 $m	31 Dec 2020 $m		
Syndicated facility	April 2023	99.5	-	99.5	-	100.0	-	100.0	-	AUD	Floating [4,6]
Wrapped domestic bond [1]	November 2021	-	199.7	-	199.7	-	200.0	-	200.0	AUD	Floating [3]
Wrapped domestic bond [1,8]	October 2022	748.7	747.2	748.7	747.2	750.0	750.0	750.0	750.0	AUD	Floating [3]
Wrapped domestic bond [1]	October 2027	653.0	652.0	653.0	652.0	659.0	659.0	659.0	659.0	AUD	Floating [3]
USPP bond	August 2028	99.6	99.6	99.6	99.6	100.0	100.0	100.0	100.0	AUD	Floating [3]
USPP bond	November 2028	99.6	99.6	99.6	99.6	100.0	100.0	100.0	100.0	AUD	Floating [3]
USPP bond	November 2028	179.2	179.1	213.3	235.4	180.0	180.0	180.0	180.0	AUD	6.04% [5]
USPP bond	November 2028	57.7	57.7	67.2	74.0	58.0	58.0	58.0	58.0	AUD	5.60% [5]
USPP bond	November 2029	135.4	135.3	160.0	179.0	136.0	136.0	136.0	136.0	AUD	5.70% [5]
USPP bond	February 2034	72.6	73.6	71.8	74.3	62.5	62.5	45.0	45.0	USD	4.25% [5]
USPP bond	February 2039	134.3	134.2	157.0	178.6	135.0	135.0	135.0	135.0	AUD	4.76% [5]
USPP bond	February 2044	99.5	99.4	119.3	137.6	100.0	100.0	100.0	100.0	AUD	4.85% [5]
USPP bond	February 2049	99.5	99.4	121.8	142.9	100.0	100.0	100.0	100.0	AUD	4.90% [5]
USPP bond	June 2035	71.2	67.1	71.7	73.8	77.1	77.2	52.0	52.0	USD	2.83% [5]
USPP bond	June 2035	77.9	78.8	74.6	84.5	80.9	80.9	50.0	50.0	EUR	1.06% [5]
USPP bond	June 2040	99.6	99.5	95.3	109.2	100.0	100.0	100.0	100.0	AUD	3.28% [5,6]
USPP bond	June 2040	219.0	218.9	209.6	240.2	220.0	220.0	220.0	220.0	AUD	3.28% [5]
USPP bond	June 2050	119.5	119.4	115.7	137.9	120.0	120.0	120.0	120.0	AUD	3.53% [5]
Euro bond	April 2024	1,133.6	1,181.6	1,154.6	1,203.9	1,033.4	1,033.4	700.0	700.0	EUR	2.75% [5]
Euro bond	April 2028	817.1	861.4	819.5	862.1	796.1	796.1	500.0	500.0	EUR	1.75% [5]
US144A/RegS bond	February 2021	-	648.4	-	652.7	-	518.7	-	500.0	USD	5.13% [5]
US144A/RegS bond	March 2023	1,163.6	1,130.5	1,172.6	1,138.8	802.3	802.4	825.0	825.0	USD	3.90% [5]
US144A/RegS bond	April 2025	666.2	645.7	722.5	706.1	643.0	643.0	500.0	500.0	USD	3.38% [5]
US144A/RegS bond	April 2026	1,233.5	1,163.0	1,312.2	1,290.3	1,163.4	1,163.4	900.0	900.0	USD	3.63% [5]
CIB [2]	November 2030	423.2	413.4	405.4	422.1	418.4	406.7	418.4	406.7	AUD	3.12% [5]
Total external interest bearing liabilities		8,503.0	9,204.5	8,764.5	9,741.5	7,935.1	8,542.3	n/a	n/a		
Shareholder related											
Redeemable preference shares [7]	June 2032	2,145.6	2,122.4	3,575.2	4,119.6	2,047.3	2,047.3	2,047.3	2,047.3	AUD	13.50%
Total shareholder related interest bearing liabilities		2,145.6	2,122.4	3,575.2	4,119.6	2,047.3	2,047.3	2,047.3	2,047.3		

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

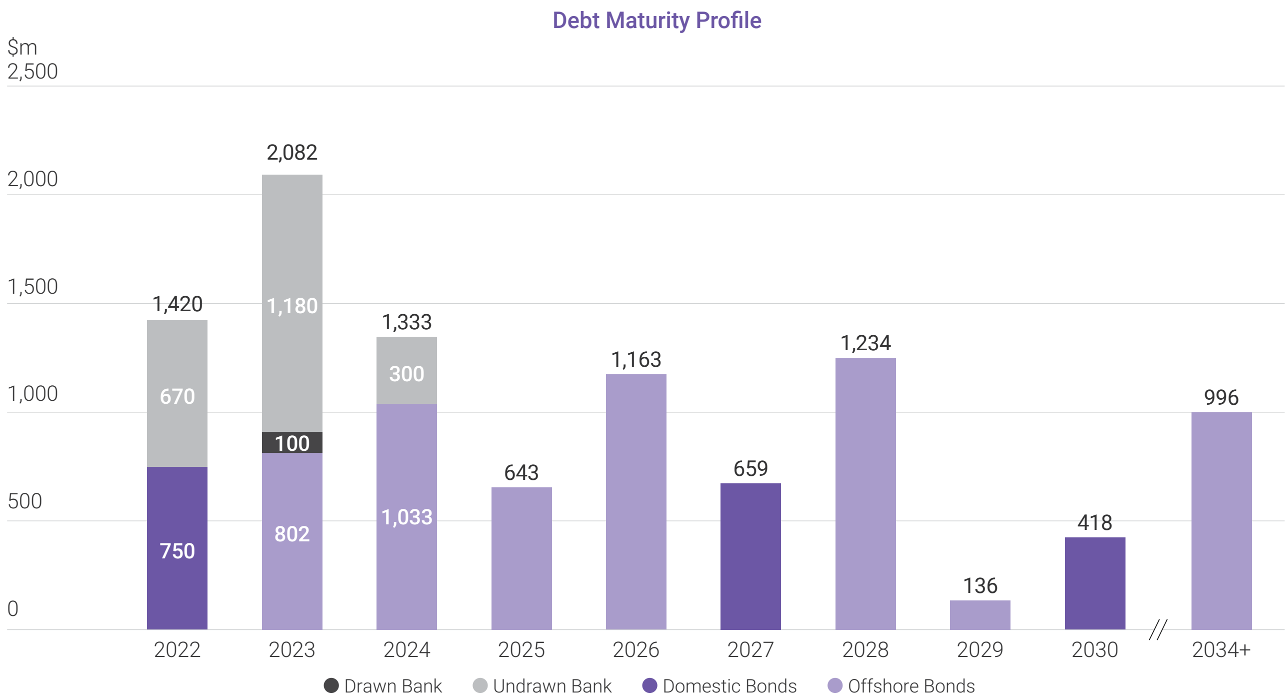
Notes to the financial statements continued

for the year ended 31 December 2021

Capital management continued

2. Interest bearing liabilities continued

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



Assets pledged as security

All external interest bearing liabilities of the Group are of equal rank with respect to security. 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.

Recognition and measurement

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

The carrying value of foreign denominated interest bearing liabilities that are in a fair value hedge relationship includes the hedge gain/loss. Refer to Note 5 on fair value hedges.

At 31 December 2021 and 31 December 2020, the fair values of all fixed interest rate bonds were determined based on observable market inputs, categorised as Level 2. Bonds are valued using a discounted Cash flow model, with available comparative market curves adopted as key inputs.

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

CIBs explained

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

Effective interest rate method explained

A method of calculating the amortised cost of a financial liability, allocating interest expense over the term of the loan. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Notes to the financial statements continued

for the year ended 31 December 2021

Capital management continued

2. Interest bearing liabilities continued

Reconciliation of movements of liabilities to cashflows arising from financing activities:

	2021		2020	
	Loans and Borrowings [1] $m	Interest rate swaps and foreign exchange contracts used for hedging-liabilities [2] $m	Loans and Borrowings [1] $m	Interest rate swaps and foreign exchange contracts used for hedging-liabilities [2] $m
Balance at 1 January	(11,326.9)	(53.9)	(12,214.5)	325.2
Changes from financing cashflows				
Interest swap payments	-	(22.8)	-	48.2
Interest rate swap resets	-	181.4	-	137.6
Proceeds received from borrowings	(100.0)	-	(1,212.0)	-
Repayments of borrowings	718.7	-	1,791.8	-
Total changes from financing cash flows	618.7	158.6	579.8	185.8
Liability related other changes				
Effects of changes in foreign currency rates	(25.0)	25.0	379.0	(379.0)
Changes in fair value	125.3	217.8	(20.1)	(185.9)
Other	(40.7)	-	(51.1)	-
Total liability related other changes	59.6	242.8	307.8	(564.9)
Balance at 31 December	(10,648.6)	347.5	(11,326.9)	(53.9)

1. Loans and Borrowings includes shareholder related Redeemable preference shares.
2. Prior year presentation reclassified to align with current year classification.

Notes to the financial statements continued

for the year ended 31 December 2021

Capital management continued

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 of less than three months. They are used for the purpose of meeting short-term commitments of the Group.

	2021 $m	2020 $m
Cash on hand	178.6	828.8
Deposits [1]	10.0	11.8
Total cash and cash equivalents	188.6	840.6
Cash flow information		
Reconciliation of profit after tax to net cash flows from operating activities		
(Loss) for the year	(657.8)	(490.1)
Net interest & borrowing costs	14.9	31.0
Redeemable preference shares	351.0	311.7
Change in fair value of swaps	156.5	60.4
Depreciation and amortisation	397.1	392.5
Write-off of non-current assets	10.5	28.2
Gain on de-recognition of non-current assets	-	(128.6)
Operating lease straight lining adjustment	(9.2)	(20.8)
Share based payment expense	3.6	0.2
Decrease in receivables and other assets	2.5	10.4
Increase/(decrease) in payables	6.5	(75.9)
(Decrease) in tax liabilities	(118.0)	(38.8)
Net cash flows from operating activities	157.6	80.2

1. Included in the Group's consolidated deposit balance is $10.0 million (2020: $11.8 million) held by SACL which is restricted to fund maintenance capital expenditure.

Recognition and measurement

Cash and cash equivalents are recognised in the Consolidated statement of financial position at the date when cash is received or contractual terms of deposit accepted. Their fair value is considered equal to the carrying value. Cash and cash equivalents in foreign currencies are translated to AUD at the reporting date and foreign exchange gains or losses resulting from translation are recognised in the Consolidated statements of comprehensive income.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management

Overview

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

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

4. Financial risk management

Financial risk management framework

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

The Group's treasury operations identifies, evaluates and hedges exposures to financial risks in close co-operation with the Group's operating units while investing excess liquidity. Speculative trading is specifically prohibited.

4.1 Foreign currency risk

Group policy

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

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (USD and EUR). At 31 December 2021 and 2020, these interest bearing liabilities were 100% hedged through cross currency swaps (CCS) until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

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

	2021			2020		
	EURm	USDm	Equivalent total AUDm	EURm	USDm	Equivalent total AUDm
Senior secured bonds	(1,250.0)	(2,322.0)	(4,658.7)	(1,200.0)	(2,770.0)	(5,019.5)
Cross currency swaps	1,250.0	2,322.0	4,658.7	1,200.0	2,770.0	5,019.5
Exposure	-	-	-	-	-	-

	31 December 2021		31 December 2020	
	Notional maturity profile		Notional maturity profile	
Cross currency interest rate swaps	EUR	USD	EUR	USD
1 year or less (m)	-	-	-	500.0
1 to 2 years (m)	-	825.0	-	-
2 to 5 years (m)	700.0	1,400.0	700.0	1,325.0
5 years or more (m)	550.0	97.0	550.0	997.0
Average foreign exchange rate	0.65	0.84	0.65	0.86
Average interest rate [1]	3M BBSW+166bps	3M BBSW+213bps	3M BBSW + 166bps	3M BBSW + 242bps

1. BBSW refers to the bank bill swap rate.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

4. Financial risk management continued

4.2 Interest rate risk

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

Group policy

The Group uses interest rate swap contracts to mitigate interest rate risk. The Group's policy is to maintain hedging arrangements in accordance with the annual bands below:

Year 1–2	65%–95%
Year 3–4	50%–80%
Year 5–6	35%–65%
Year 7–8	20%–50%
Year 9–10	5%–35%

Interest rate swap (IRS) contracts

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

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

The fair value of IRS contracts at reporting date are determined by discounting the related future cash flows using the cash and swap curves at the reporting date and credit risk inherent in the contract. The table below details the notional principal amounts and remaining terms of floating for fixed IRS contracts outstanding at the reporting date:

	Average contracted fixed interest rate [1]		Notional principal amount		Fair value	
	2021 %	2020 %	2021 $m	2020 $m	2021 $m	2020 $m
1 year or less	2.66	2.85	750.0	1,618.7	1.1	(6.5)
1 to 2 years	3.19	2.66	1,102.4	750.0	(17.2)	(20.9)
2 to 5 years	3.14	3.16	1,935.4	3,037.7	(66.2)	(232.7)
5 years or more	2.67	2.67	5,155.1	5,155.1	(158.8)	(398.7)
	n/a	n/a	8,942.9	10,561.5	(241.1)	(658.8)

1. The average interest rate is based on the outstanding balance at reporting date excluding impact of interest rate swap resets.

The weighted average cash interest rate of the Group's interest bearing liabilities was approximately 2.5% for the year ended 31 December 2021 (2020: 4.0%). The equivalent rate excluding interest rate swap reset benefits was approximately 4.5% (2020: 4.6%).

At 31 December 2021, 98.0% (2020: 94.6%) of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

Swap reset

During the year, the Group executed a further $6.7 billion of interest rate swap reset transactions. This involved making upfront payments totaling $181.4 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions of $87.4 million have been recognised during the year ended 31 December 2021, with the remainder of $94.0 million to be incorporated in the results of future reporting. Straight line amortisation during the year of $164.9 million relating to all reset swaps transactions ($87.4 million for interest rate swaps resets executed during the year and $77.5 million for interest rate swap resets executed during the year ended 31 December 2020) was recognised in the Consolidated statements of comprehensive income during the year. These are included in the Change in fair value of swaps.

The level of senior drawn borrowings (bank debt and capital markets debt) hedged through interest rate swaps remains unchanged following these transactions.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

4. Financial risk management continued

Interest rate sensitivities

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

	2021 $m	2020 $m
Increase in interest rate +150bp		
Loss after tax	(1.7)	(4.3)
Equity	162.0	206.8
Decrease in interest rate -150bp		
Profit after tax	1.7	4.3
Equity	(184.7)	(238.3)

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.

Group policy

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

Credit risks on receivables relate to aeronautical, retail and property trade receivables at the airport asset level. These corporate counterparties have a range of credit ratings. Refer to further detail included at Note 7.

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

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

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

4. Financial risk management continued

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 requirements as part of its financial risk management framework. Due to the capital intensive nature of the underlying business, the Group's treasury operations works to achieve flexibility in funding by maintaining levels of undrawn committed bank facilities available for working capital and capital investment and maintaining a capital expenditure reserve.

The Group's available liquidity position as at 31 December was $2.4 billion, comprising $0.2 billion of available cash and $2.2 billion of undrawn bank debt facilities. Subsequent to 31 December 2021, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. This occurred on 15 March 2022. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established.

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

	Carrying value $m	Contractual cash flows $m	1 year or less $m	1 to 5 years $m	5 years or more $m
Consolidated					
2021					
Trade payables and accrued interest	918.0	918.0	908.2	9.8	-
Lease liabilities	0.4	1.8	0.3	0.7	0.8
Bonds – domestic	1,401.7	1,424.4	754.2	9.4	660.8
Bank facilities	99.5	101.1	0.9	100.2	-
USPP bonds- AUD	1,342.9	2,198.2	56.6	226.7	1,914.9
USPP bonds- USD	3,207.1	3,578.1	117.0	3,291.9	169.2
USPP bonds - EUR	77.9	89.4	0.8	3.3	85.3
EMTN Euro bonds	1,950.7	2,035.0	43.8	1,190.3	800.9
Capital indexed bonds	423.2	651.8	13.2	56.4	582.2
Redeemable preference shares	2,145.6	6,229.3	875.1	1,106.3	4,247.9
Derivatives [1]	279.0	(278.8)	9.3	(325.0)	36.9
- *Cross currency swaps* [1]	17.0	(530.6)	(33.2)	(522.1)	24.7
Inflows	n/a	(5,702.5)	(161.6)	(4,485.5)	(1,055.4)
Outflows	n/a	5,171.9	128.4	3,963.4	1,080.1
- *Interest rate swaps* [1]	262.0	251.8	42.5	197.1	12.2
	11,846.0	16,948.3	2,779.4	5,670.0	8,498.9
2020					
Trade payables and accrued interest	602.2	602.2	602.2	-	-
Lease liabilities	0.2	2.0	0.3	0.7	1.0
Bonds – domestic	1,598.9	1,632.8	5.4	963.6	663.8
USPP bonds- AUD	1,342.1	2,255.1	56.2	227.3	1,971.6
USPP bonds- USD	3,728.3	4,141.0	764.2	2,679.8	697.0
USPP bonds - EUR	78.8	91.3	0.8	3.3	87.2
EMTN Euro bonds	2,043.0	2,104.7	44.4	1,235.6	824.7
Capital indexed bonds	413.4	661.7	12.8	54.8	594.1
Redeemable preference shares	2,122.4	6,318.4	546.2	1,106.3	4,665.9
Derivatives [1]	747.6	156.3	(594.9)	(687.7)	1,438.9
- *Cross currency swaps* [1]	88.4	(522.4)	(673.1)	(1,156.6)	1,307.3
Inflows	n/a	(6,336.9)	(809.4)	(3,918.7)	(1,608.8)
Outflows	n/a	5,814.5	136.3	2,762.1	2,916.1
- *Interest rate swaps* [1]	659.2	678.7	78.2	468.9	131.6
	12,676.9	17,965.5	1,437.6	5,583.7	10,944.2

1. For the above table, the carrying value disclosed represents the liability position only.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

5. Derivative financial instruments

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

	2021			2020		
$m	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	16.4	1.5	17.9	149.9	-	149.9
Non-current assets	589.2	19.4	608.6	543.3	0.5	543.8
Current liabilities	(17.0)	(28.5)	(45.5)	(24.8)	(52.8)	(77.6)
Non-current liabilities	-	(233.5)	(233.5)	(63.6)	(606.4)	(670.0)
Net derivative position	588.6	(241.1)	347.5	604.8	(658.7)	(53.9)

Recognition and measurement

Hedge accounting

On initial designation of a derivative as a hedging instrument, the Group documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy for undertaking the hedge transaction.

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. Any gains or losses arising from changes in fair value of derivatives, except those that qualify as effective hedges, are immediately recognised in profit or loss. When the Group designates certain derivatives to be part of a hedging relationship, and they meet the criteria for hedge accounting, the hedges are classified as either fair value or cash flow hedges.

The hedge ratio is one, due to the notional value of the hedged item being hedged equating to the notional value of the hedge instrument.

Cash flow hedges

The Group's interest rate swaps are accounted for as cash flow (CF) hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss. If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur any more.

Fair value hedges

The Group's cross currency swaps are accounted for as fair value (FV) hedges. They are used to hedge the exposure to variability in the fair value of assets or liabilities that could affect profit or loss. Initial recognition of the derivative is at fair value and subsequent changes, being hedging gains/losses, are recognised in profit or loss. The hedge adjustment is included in the carrying value of the hedged items and in the profit or loss. The cross currency swaps are considered to be highly effective hedges as they are matched against underlying foreign currency exposures. There is no significant fair value hedge ineffectiveness in the current year or prior year.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and any remaining adjustment included in the carrying amount of the hedged item is amortised through profit or loss using the effective interest rate method.

Foreign currency basis spread is recognised as a component of equity. This represents the fair value of the cost to convert foreign currency to Australian dollars for cross currency swaps.

Critical estimates and assumptions – fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date. At 31 December 2021 and 31 December 2020, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2, in accordance with AASB 9.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

5. Derivative financial instruments continued

Hedge Accounting

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows. All amounts are presented in AUD, unless otherwise stated.

	Fair value hedges		Cash flow hedges			Total
At 31 December 2021	**EUR CCIRS $m**	**USD CCIRS $m**	**EUR CCIRS $m**	**USD CCIRS $m**	**AUD IRS $m**	**$m**
Notional amount [1]	EUR1,200.0	USD1·370.0	A1·910.3	A2·748.4	A3·359.0	n/a
Carrying amount of the hedging instrument						
– Assets	36.3	80.8	122.8	424.8	20.5	685.2
– Liabilities	(17.0)	(22.4)	(115.7)	(35.7)	(146.8)	(337.6)
Total carrying amount of the hedging instrument	19.3	58.4	7.1	389.1	(126.3)	347.5
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount)	(77.6)	(23.9)	n/a	n/a	n/a	(101.5)
Carrying amount of the hedged item recognised in the statement of financial position	(1,950.7)	(1·902.4)	n/a	n/a	n/a	(3,853.1)
Balance in CF hedge reserve on continuing hedges [4]	n/a	n/a	(34.3)	(38.8)	71.1	(2.0)
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	154.3	94.6	85.3	334.2
During the year:						
Change in value of hedging instrument used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	(45.1)	(70.9)	2.2	188.0	158.0	232.2
- on hedge relationships discontinued during the year [2]	-	-	40.6	4.1	9.2	53.9
Cash payment on restructure of IRS during the year	-	-	56.2	70.0	55.2	181.4
Change in value of hedged item used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	45.5	73.4	(4.0)	(185.1)	(163.4)	(233.6)
- on hedge relationships discontinued during the year [2]	-	-	(42.0)	(5.0)	(9.8)	(56.8)
Change in CF hedge reserve of the hedging instrument recognised in reserves:						
- continuing hedge relationships [4]	n/a	n/a	57.3	71.8	159.4	288.5
- hedge relationships discontinued during the year [4]	n/a	n/a	40.0	10.2	9.8	60.0
Gain/(loss) reclassified from CF hedge reserve to P&L on discontinued hedges [4]	n/a	n/a	39.9	36.1	52.2	128.2
Change in profit or loss:						
Ineffectiveness recognised in P&L (continuing hedge relationships) [3]	0.4	2.6	(29.8)	(27.9)	(2.8)	(57.5)
Amount reclassified to P&L on discontinued hedges	24.5	6.0	(39.9)	(36.1)	(52.2)	(97.8)
Ineffectiveness recognised in P&L (hedge relationships discontinued during the year) [3,5]	-	-	(0.3)	(1.6)	0.7	(1.1)
Amount reclassified from hedge reserve to P&L [5]	-	-	24.4	(137.8)	-	(113.4)

1. Depending on the nature of the cross CCS, a single CCS may be broken down into a FV hedge and a CF hedge. Each structure has a notional amount. Hence the notional amount disclosed will be greater than the principal amount of the debt hedged.
2. Hedge effectiveness is the extent to which the changes in FV of the hedging instrument offsets changes in the FV of the hedged item.
3. Hedge ineffectiveness is the extent to which the changes in the FV or the CF of the hedging instrument are greater or less than those on the hedged item. The source of ineffectiveness includes the effect of credit risk on the hedging instrument.
4. Balance includes FV of foreign currency basis spreads recognised in the Cost of hedging reserve. Balances are before tax.
5. Includes $1.3 million loss in Cost of hedging reserve reclassified to profit or loss during the period, due to hedge de-designations.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

5. Derivative financial instruments continued

	Fair value hedges		Cash flow hedges			Total
At 31 December 2020	**EUR CCIRS $m**	**USD CCIRS $m**	**EUR CCIRS $m**	**USD CCIRS $m**	**AUD IRS $m**	**$m**
Notional amount [1]	EUR1,200.0	USD1,620.0	A1,910.3	A3,007.7	A3,559.0	n/a
Carrying amount of the hedging instrument						
– Assets	70.8	132.1	152.1	316.9	0.5	672.4
– Liabilities	(6.4)	(2.8)	(244.1)	(189.6)	(349.3)	(792.2)
Total carrying amount of the hedging instrument	64.4	129.3	(92.0)	127.3	(348.8)	(119.8)
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount)	(147.5)	(79.3)	n/a	n/a	n/a	(226.8)
Carrying amount of the hedged item recognised in the statement of financial position	(2,042.9)	(2,175.4)	n/a	n/a	n/a	(4,218.3)
Balance in CF hedge reserve on continuing hedges [4]	n/a	n/a	155.3	103.3	246.2	504.8
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	102.0	70.6	131.7	304.3
During the year:						
Change in value of hedging instrument used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	9.3	44.9	(101.8)	(344.4)	(98.9)	(490.9)
- on hedge relationships discontinued [2]	(1.0)	12.2	(1.0)	26.0	(24.3)	11.9
Cash payment on restructure of IRS during the year	-	-	33.5	48.2	55.6	137.3
Change in value of hedged item used for calculating hedge effectiveness:						
- on continuing hedge relationships [2]	(7.3)	(39.7)	95.2	344.7	97.5	490.4
- on hedge relationships discontinued [2]	0.2	(11.6)	1.2	(40.4)	25.1	(25.5)
Change in CF hedge reserve of the hedging instrument recognised in reserves:						
- continuing hedge relationships [4]	n/a	n/a	(57.8)	24.7	(98.0)	(131.1)
- hedge relationships discontinued [4]	n/a	n/a	(19.1)	21.7	(24.8)	(22.2)
Gain/(loss) reclassified from CF hedge reserve to P&L on discontinued hedges [4]	n/a	n/a	14.6	16.3	25.4	56.3
Change in profit or loss:						
Ineffectiveness recognised in P&L (continuing hedge relationships) [3]	2.0	5.2	(6.7)	(22.6)	(0.9)	(23.0)
Amount reclassified to P&L on discontinued hedges	11.7	6.5	(14.6)	(16.3)	(25.4)	(38.1)
Ineffectiveness recognised in P&L (hedge relationships discontinued) [3,5]	(0.9)	0.5	(1.2)	1.6	0.5	0.5
Amount reclassified from hedge reserve to P&L [5]	-	-	17.6	351.2	-	368.8

1. Depending on the nature of the CCS, a single CCS may be broken down into a FV hedge and a CF hedge. Each structure has a notional amount. Hence the notional amount disclosed will be greater than the principal amount of the debt hedged.
2. Hedge effectiveness is the extent to which the changes in FV of the hedging instrument offsets changes in the FV of the hedged item.
3. Hedge ineffectiveness is the extent to which the changes in the FV or the CF of the hedging instrument are greater or less than those on the hedged item. The source of the ineffectiveness includes the effect of credit risk on the hedging instrument.
4. Balance includes FV of foreign currency basis spreads recognised in the Cost of hedging reserve. Balances are before tax.
5. Includes $3.1 million loss in Cost of hedging reserve reclassified to profit or loss during the period, due to hedge de-designations.

Notes to the financial statements continued

for the year ended 31 December 2021

Treasury and financial risk management continued

6. Net finance costs

	Note	2021 $m	2020 $m
Finance income			
Bank interest [1]		8.2	5.9
Total finance income		8.2	5.9
Finance costs			
Senior debt interest paid or accrued		(214.5)	(312.5)
Net swap interest income/(expense)		19.6	(29.5)
CIBs capitalised		(11.7)	(7.6)
Amortisation of debt establishment costs		(8.3)	(26.2)
Recurring borrowings costs paid		(9.9)	(6.8)
Borrowing costs capitalised	8	3.9	7.2
RPS interest paid or accrued		(327.8)	(290.2)
Amortisation of RPS debt establishment costs		(23.2)	(21.5)
Lease interest expense		(0.2)	(0.2)
Total finance costs		(572.1)	(687.3)
Change in fair value of swaps [2]		(156.5)	(60.4)
Net finance costs		(720.4)	(741.8)

1. $7.2 million relates to interest income on Sydney Gateway (2020: $2.3 million). Refer to Note 12.
2. $164.9 million relates to the straight line amortisation of swap reset costs (2020: $60.1 million). Refer to Note 4.2 for further detail.

Recognition and measurement

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

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

Capitalisation of borrowing costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are capitalised as part of the cost of those assets.

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position

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

7. Trade and other receivables

	2021 $m	2020 $m
Current		
Trade receivables	38.9	135.1
Allowance for expected credit loss	(33.2)	(61.3)
Net trade receivables	5.7	73.8
Accrued contract revenue	43.8	19.3
Other receivables [1,2]	78.0	238.5
Total current receivables	127.5	331.6
Non-current		
Trade receivables	-	1.4
Accrued contract revenue	5.8	6.6
Other receivables [2]	161.3	134.1
Total non-current receivables	167.1	142.1

1. The 2020 balance includes the Gateway receivable ($189.8 million) recognised for the agreement reached in September 2018 between SACL, a wholly-owned subsidiary of the Sydney Airport Limited (SAL) Group, and the NSW Government, to grant an easement over part of the Sydney Airport site. The receivable relates to compensation per the agreement. The full amount has been received during the year ended 31 December 2021. Refer to Note 12.
2. Abatements to be amortised against future revenues of $102.4 million (2020: $66.0 million) are included in Other receivables. Those expected to be amortised in the following 12 months from reporting date are classified as Current of $60.2 million (2020: $43.6 million); the remainder has been classified as Non-current of $42.2 million (2020: $22.4 million).

Trade receivables are generally collected within 30 days of invoice date. The table above reflects $38.9 million current trade receivables at 31 December 2021. Of this, $9.4 million (2020: $47.0 million) relates to revenues earned from contracts with customers (Aeronautical and Parking and ground transport revenues), as explained in Significant accounting policies. The remainder relates to revenues from leases (Retail and Property and car rental revenues).

Accrued revenue represents revenues the Group is entitled to receive but has not invoiced at reporting date.

The movement in allowance for expected credit loss during the year is shown below:

	$m
As at 1 January 2020	(0.1)
New and increased provisions [3]	(93.9)
Increased provisions in relation to contracts with customers	(3.8)
Receivables provided for now written off as uncollectible	36.5
Balance at 31 December 2020	(61.3)
New and increased provisions [3]	(67.7)
Receivables provided for now written off as uncollectible	95.8
Balance at 31 December 2021	(33.2)

3. ECL expense in the Consolidated statements of comprehensive income.

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

7. Trade and other receivables continued

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value and includes transaction costs directly attributable to the acquisition of the asset. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for doubtful debts based on expected lifetime credit losses. The Group applies the simplified impairment approach of ECL, 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.

Credit risk on receivables relate to aeronautical, retail and property trade receivables at the airport asset level. The Group assesses the recoverability of receivables on an individual debtor basis. Assessment is based on information available at the time and the Group's best judgement, with a relevant ECL provision applied at reporting date. The Group will continue to assess the recoverability of trade debtors on an ongoing basis.

Concessions and provision on debts recognised in the full year financial report are described below:

- ECL provisions of $67.7 million (2020: $93.9 million) were recognised across debtors, where information available at this time indicates the probability that the debts owed may not be recovered. These relate to provisions for doubtful debts and rent deferred.
- A range of rental concessions continue to be provided across both the retail and property portfolios during the year ended 31 December 2021. Concessions in the form of rent abatements of $176.2 million (2020: $142.8 million) and rent deferrals of $1.7 million (2020: $8.4 million) were agreed during the period. Of the abatements, $68.0 million (2020: $52.5 million) was recognised through ECL expense. $13.9 million (2020: nil) in variable abatements was applied against revenue in line with variable lease payments and the remaining $94.3 million (2020: $90.3 million) of abatements will be recognised on a straight line basis as a reduction to revenue over the remaining lease terms, in accordance with the relevant accounting standard. Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term totalled $58.0 million (2020: $24.3 million). Of this, $30.9 million and $27.1 million relate to 2020 and 2021 abatements respectively.
- Rent deferrals provide an extension of payment terms with no impact to revenue. The Group re-assessed the expected recoverability of all deferred rents against the related receivables as at 31 December 2021. This had a favourable impact of $5.2 million (2020: $5.2 million expense), which was recognised through the Consolidated statements of comprehensive income during the year.
- The Group assessed the recoverability of its debtors and $4.9 million (2020: $36.2 million) was recognised through the Consolidated statements of comprehensive income during the year in relation to the provision for doubtful debts.

8. Property, plant and equipment

	Freehold land [1]	Buildings [1]	Runways, taxiways and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
At 31 December 2021								
Cost								
Opening balance as at 1 January 2021	11.3	3,054.3	998.0	1,402.7	540.6	465.0	374.5	6,846.4
Additions [2]	-	-	-	-	-	0.5	197.0	197.5
Impairments	-	-	-	-	-	-	(10.5)	(10.5)
Transfers	-	30.3	26.8	38.3	55.3	105.8	(256.5)	-
Closing balance	11.3	3,084.6	1,024.8	1,441.0	595.9	571.3	304.5	7,033.4
Accumulated depreciation								
Opening balance as at 1 January 2021	(2.3)	(1,551.8)	(441.7)	(640.3)	(387.8)	(366.0)	-	(3,389.9)
Depreciation	(0.1)	(160.9)	(37.2)	(71.6)	(26.1)	(62.7)	-	(358.6)
Closing balance	(2.4)	(1,712.7)	(478.9)	(711.9)	(413.9)	(428.7)	-	(3,748.5)
Total carrying amount	8.9	1,371.9	545.9	729.1	182.0	142.6	304.5	3,284.9

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

8. Property, plant and equipment continued

	Freehold land [1]	Buildings [1]	Runways, taxiways and aprons	Other infrastructure	Operational plant and equipment	Other plant and equipment	Capital works in progress	Total
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
At 31 December 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 [2]	-	-	-	-	-	-	323.8	323.8
Impairments	-	-	-	-	-	-	(28.2)	(28.2)
Transfers	-	28.2	6.9	99.3	2.4	36.4	(173.2)	-
Closing balance	11.3	3,054.3	998.0	1,402.7	540.6	465.0	374.5	6,846.4
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)	(176.6)	(38.0)	(71.1)	(24.6)	(42.9)	-	(353.3)
Closing balance	(2.3)	(1,551.8)	(441.7)	(640.3)	(387.8)	(366.0)	-	(3,389.9)
Total carrying amount	9.0	1,502.5	556.3	762.4	152.8	99.0	374.5	3,456.5

1. A percentage of these assets are subject to operating leases with third parties. These vary from year to year.
2. Includes capitalised borrowing costs of $3.9 million (2020: $7.2 million).

During the year ended 31 December 2020, the Group acquired Jet Fuel storage and reticulation assets for $85.0 million.

Similar to the prior year, a review of all capital projects in progress was undertaken during the year. Following the review, a $10.5 million (2020: $28.2 million) impairment charge was recognised in respect of certain capital projects, that due to their nature, are not expected to progress. This is reflected in the Consolidated statements of comprehensive income.

Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of $163.5 million (2020: $168.1 million) which spans across the years 2022 to 2026.

Recognition and measurement

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

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

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

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

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

9. Intangible assets

Consolidated ($m)	Goodwill	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	95	95	
At 31 December 2021				
Cost				
Opening balance as at 1 January 2021	700.7	2,058.1	1,599.1	4,357.9
Closing balance	700.7	2,058.1	1,599.1	4,357.9
Accumulated amortisation				
Opening balance as at 1 January 2021	-	(401.1)	(310.2)	(711.3)
Amortisation	-	(21.7)	(16.8)	(38.5)
Closing balance	-	(422.8)	(327.0)	(749.8)
Total carrying amount	700.7	1,635.3	1,272.1	3,608.1
At 31 December 2020				
Cost				
Opening balance as at 1 January 2020	700.7	2,058.1	1,672.0	4,430.8
Disposal [1]	-	-	(72.9)	(72.9)
Closing balance	700.7	2,058.1	1,599.1	4,357.9
Accumulated amortisation				
Opening balance as at 1 January 2020	-	(379.4)	(306.8)	(686.2)
Amortisation	-	(21.7)	(17.5)	(39.2)
Disposal [1]	-	-	14.1	14.1
Closing balance	-	(401.1)	(310.2)	(711.3)
Total carrying amount	700.7	1,657.0	1,288.9	3,646.6

1. During the year ended 31 December 2020, the Group de-recognised leasehold land with a cost of $72.9 million and accumulated depreciation of $14.1 million relating to the Sydney Gateway transaction. Refer to Note 12.

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.

Recognition and measurement

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

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

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

9. Intangible assets continued

Impairment of intangible assets

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

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

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

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

For year ended 31 December 2021 no intangible assets were impaired (2020: nil).

Valuation of Sydney Airport

As at 31 December 2021, the Group had net liabilities of $3,987.8 million (2020: $3,664.6 million). An independent valuation of the SCACH Group equity value by Deloitte as at 31 December 2021 supported an equity value that, if applied in the financial report of the Group as at 31 December 2021, would have more than absorbed the consolidated deficiency position at 31 December 2021. The valuation was updated for ongoing COVID-19 impacts to the business and included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates. There were no changes to valuation methodology from prior year. The result of the updated valuation indicated that no goodwill impairment was required.

Critical estimates and assumptions – impairment test for goodwill

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

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

The cash flows consider the decreased traffic, operational forecasts, cost of debt and uncertainty around the COVID-19 recovery. They are projected based on a financial model covering a twenty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process incorporating the Group's views on key drivers such as passenger numbers;
- Long-term cash flows to equity after year five are extrapolated based on top-down forecasting incorporating the Group's views on key drivers such as passenger numbers but also the Group's longer term capital structure; and
- Terminal value is calculated using the Gordon Growth Model.

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). Given the significant headroom of valuation above carrying value, a material change, such as twenty percentage points on top of the discount rate, would not result in an impairment of goodwill.

Other key assumptions used in the value-in-use calculation include international and domestic passenger numbers, operating costs, capital investment, interest rates and inflation. Total passenger numbers were 7.9 million for the year ended 31 December 2021 (2020: 11.2 million). Interest rates are assumed to reflect prevailing market implied projections. Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range. A reasonably possible change in any such assumptions would not be expected to lead to an impairment of goodwill.

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

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

10. Taxation

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	Consolidated	
	2021 $m	2020 $m
(Loss) before income tax	(775.8)	(528.9)
Income tax expense calculated at 30%	232.7	158.7
Expenses that are not deductible	(114.7)	(119.9)
Income tax benefit	118.0	38.8

	Consolidated	
	2021 $m	2020 $m
Current tax		
Total current income tax benefit	45.6	69.8
Deferred tax		
Origination and reversal of temporary differences	70.9	(29.8)
Adjustments for the prior year	1.5	1.7
Total deferred income tax benefit/(expense)	72.4	(28.1)
Total income tax benefit in the Consolidated statements of comprehensive income	118.0	38.8

Deferred taxes

The movements in deferred tax balances for the Group are shown in the tables below.

	Balance 1 January 2020 $m	Temporary movements recognised $m	Balance 31 December 2020 $m	Temporary movements recognised $m	Balance 31 December 2021 $m
Deferred assets/(liabilities):					
Property, plant and equipment	(212.0)	29.1	(182.9)	12.4	(170.5)
Deferred debt establishment costs	(2.5)	4.5	2.0	(0.5)	1.5
Accrued revenue and prepayments	(24.9)	(83.0)	(107.9)	41.6	(66.3)
Defined benefits plan [1]	(2.2)	-	(2.2)	(0.9)	(3.1)
Deferred income	-	0.1	0.1	1.1	1.2
Other payables and lease liabilities	13.3	24.2	37.5	22.0	59.5
Cash flow hedge and Foreign currency basis reserve [1]	24.3	112.4	136.7	(121.4)	15.3
Interest bearing liabilities	174.9	(109.0)	65.9	(29.8)	36.1
Total	(29.1)	(21.7)	(50.8)	(75.5)	(126.3)

1. $148.9 million (2020: $5.9 million) was charged to equity. $148.0 million relates to changes in the fair value of cashflow hedges and the fair value of the foreign currency basis reserve. $0.9 million relates to the remeasurement of the defined benefit plan.

Recognition and measurement

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

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

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

Notes to the financial statements continued

for the year ended 31 December 2021

Financial results and financial position continued

10. Taxation continued

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

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

11. Leases

Leases recognised as right-of-use assets where the SCACH Group is a lessee are described below.

Amounts recognised in the Consolidated statements of financial position

Included in Property, Plant and Equipment is $0.4 million being the carrying amount of right-of-use assets at 31 December 2021 (2020: $0.4 million). These relate mainly to the lease of data centre space. These leases expire between 2022 and 2031.

Lease liabilities included on the balance sheet are $0.2 million recognised as Current lease liabilities (2020: $0.1 million) and $0.2 million as Non-current lease liabilities (2020: $0.1 million).

There were additions of $0.5 million in relation to right-of-use assets during the 2021 financial year.

Amounts recognised in the Consolidated statements of comprehensive income

	Consolidated	
	2021 $m	2020 $m
Lease interest expense	0.2	0.2
Depreciation expense	0.5	0.4

Recognition and measurement

The cost of right-of-use assets is comprised of the initial measurement of the liability, any lease payments pre-commencement date, offset by any lease incentives received, initial direct costs and restoration costs, if applicable. The cost is depreciated over the shorter of the asset's useful life and the life of the lease on a straight line basis.

Lease liabilities are measured by the net present value of fixed payments, offset by any lease incentives receivable; variable lease payments linked to an index or rate if applicable; the exercise price of a purchase option (where the Group is reasonably certain to exercise that option); and payment of penalties for terminating the lease (where the life of the lease has assumed termination). Payments made are allocated between lease liability and finance cost, with the finance cost charged to interest expense over the life of the lease. The weighted average incremental borrowing rate was applied to the lease liabilities.

12. Sydney Gateway

In September 2018, Sydney Airport Corporation Limited (SACL), a wholly-owned subsidiary of the SAL 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 (easement sites). The NSW Government agreed to compensate the Group to the value of $170.0 million, escalating annually at 5% over three years from the date of the agreement. This escalation is recognised as interest income from the date of de-recognition of leasehold land.

Following the derecognition of certain leasehold land sites during the financial year ended 31 December 2020, a compensation of $189.8 million was recognised as receivable from the NSW Government. This escalated by $7.2 million of interest to $197.0 million during the year, based on the terms of the September 2018 agreement.

During the 2021 year, the $197.0 million receivable has been paid in full by the NSW Government.

Notes to the financial statements continued

for the year ended 31 December 2021

Employee benefits

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

13. Key management personnel

The remuneration structure of key management personnel (KMP) and other executives comprises of:

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

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

The CEO's contract: The CEO's employment may be terminated for any reason by giving six months' notice. In the event of any serious, willful or persistent misconduct, the Group may immediately terminate the CEO's employment. If employment is terminated as a consequence of an uncontrollable event (which includes death, permanent disability, retirement and termination without cause), subject to Board discretion any unvested STI or LTI award that has been awarded will remain on foot and vest in accordance with its terms.

Treatment of STI Deferral: Resignation or termination for serious and willful misconduct or persistent breach results in outstanding deferral elements being forfeited. Termination in all other circumstances results in outstanding deferral elements being payable, subject to the statutory requirements under the Corporations Act.

KMP compensation for the Group comprised the following:

	SCACH Group	
	2021 $	2020 $
Short term employee benefits – salary and fees	4,229,289	4,357,074
Short term employee benefits – bonus and other	-	-
Post employment benefits – superannuation	134,961	140,135
Share based payments (LTI)[1]	2,603,860	322,861
Total KMP compensation	6,968,110	4,820,070

1. $2.1 million relates to the retention plan granted in October 2020 with a three year vesting period. The grant value at 31 December 2021 was $7.03 (31 December 2020: $4.96).

14. Share based payments

Sydney Airport provides incentives to executives in the form of share based payments. Share based payments expensed during the year was $3,570,648 (2020: $359,868).

Long-term incentive plan

Sydney Airport has put in place a Long-Term Incentive Plan (LTIP) to provide an incentive for certain management personnel, linking their remuneration to Sydney Airport's long-term financial performance and securityholder returns. The Board granted contractual rights (Rights) to certain management personnel to receive Sydney Airport stapled securities at a future date subject to the following performance conditions being satisfied.

Under the LTIP for the 2021 – 2023 LTI series:

- 100% of the Rights granted are based on a comparative Total Shareholder Return performance condition (TSR tranche).

Under the LTIP for the 2020 – 2022 and 2019 – 2021 LTI series:

- half of the Rights granted are based on a market comparative Total Shareholder Return performance condition (TSR tranche); and
- half of the Rights granted are based on cash flow per stapled security performance conditions (CPS tranche).

Notes to the financial statements continued

for the year ended 31 December 2021

Employee benefits continued

14. Share based payments continued

Fair value calculations

Performance conditions are measured over a three year period. Rights do not have distribution entitlements during the vesting period. If a participant ceases employment due to circumstances such as death, permanent disability or redundancy, unvested rights may, at the Board's discretion, remain on foot, vest or lapse. If the participant resigns or is dismissed for cause, the rights lapse. These rights may be cash settled at the Board's discretion.

Any rights that vest are expected to be satisfied by stapled securities that may be issued or purchased on-market.

Recognition and measurement

Equity-settled share-based transactions are measured at fair value at the date of grant. The costs of these transactions are recognised in the profit or loss and credited to equity over the vesting period. At each reporting date, the Group revises its estimates of the number of rights that are expected to vest for service and non-market performance conditions. The expense recognised each year takes into account the most recent estimate.

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

- the TSR tranche was determined at grant date using the Monte Carlo model; and
- the CPS tranche was determined at grant date using the binomial option pricing model.

On 9 February 2022, as a result of the Scheme approval, all rights fully vested. The impact of this will be reflected in the 2022 financial statements.

LTI Series 2021 – 2023

The Board granted 905,283 LTI rights in 2021. Of these, 54,622 rights were forfeited during the year. At 31 December 2021, the following rights remain unvested.

Condition	Number of rights	Grant value	Vesting date
TSR tranche	850,661	$2.36	February 2024

LTI Series 2020 – 2022

The Board granted 475,721 LTI rights in 2020. Of these,13,212 rights were forfeited during the year (2020: 118,469). At 31 December 2021, the following rights remain unvested.

Condition	Number of rights	Grant value	Vesting date
TSR tranche	172,020	$1.09	February 2023
CPS tranche	172,020	$5.21	February 2023

LTI Series 2019 – 2020

The Board granted 527,668 LTI rights in 2019. Of these,15,010 rights were forfeited during the year (2020: 108,372). At 31 December 2021, the following rights remain unvested.

Condition	Number of rights	Grant value	Vesting date
TSR tranche	202,143	$3.34	February 2022
CPS tranche	202,143	$6.11	February 2022

Retention plan

Sydney Airport implemented a retention plan for KMP in 2020 to ensure leadership continuity through the COVID-19 crisis and recovery. Under the plan, 842,635 rights were granted in October 2020 with a three year vesting period. Providing the relevant KMP remain employed by Sydney Airport and performs to the Board's satisfaction during the vesting period, 100% of the rights will vest in October 2023. The grant value of each right at 31 December 2021 was $7.03 (31 December 2020: $4.96). On 9 February 2022, as a result of the Scheme approval, all rights fully vested. The impact of this will be reflected in the 2022 financial statements.

Notes to the financial statements continued

for the year ended 31 December 2021

Employee benefits continued

15. Superannuation plan

The Group's employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum or pension benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees. The Plan also provides accumulation style benefits for the Superannuation Guarantee and Members' Contributions. Employees contribute to the Plan at various percentages of their remuneration.

Since 1 July 2021, the Group contributes 10.0% of employees' remuneration on defined contribution plans. Prior to this, 9.5% was contributed. This is legally enforcable in Australia. For the year ended 31 December 2021, these contributions amounted to $6.0 million (2020: $6.3 million).

The following table discloses details pertaining to the defined benefit plan:

	2021 $m	2020 $m
Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of defined benefit plans:		
Current service costs	(1.4)	(1.5)
Interest income	0.1	0.1
Total included in employee benefit expense	(1.3)	(1.4)
Remeasurement gains recognised in other comprehensive income [1]	3.0	-
The amounts included in the Consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plans were:		
Present value of defined benefit obligations	(27.7)	(29.9)
Fair value plan assets [2]	37.8	37.2
Net asset arising from defined benefit obligations	10.1	7.3

1. The 2020 balances for remeasurement gain on defined benefit plan is $0.05 million. These have been rounded to nil in the consolidated statements of comprehensive income.
2. Plan assets are held in managed funds, of which 41% are held in international and domestic equity investments, 29% in fixed income, 14% in cash and 16% in other asset classes (2020: 41%, 32%, 11% and 16% respectively).

Recognition and measurement

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in future payments is available.

Defined benefit plan (DBP)

The net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense or income on the net defined benefit liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

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

Notes to the financial statements continued

for the year ended 31 December 2021

Employee benefits continued

15. Superannuation plan continued

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

	2021	2020
Discount rate	2.8%	1.3%
Future salary increases	2.8%	2.0%
	0.5% decrease	0.5% increase
Discount rate ($m) [1]	(1.1)	0.9
Future salary increases ($m) [1]	1.6	(0.9)

1. Plan liabilty increases with 0.5% decrease in discount rate. Plan liabilty decreases with 0.5% decrease in future salary.

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

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs.

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

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures

Overview
This section provides details on other required disclosures relating to the Group's compliance with accounting standards and other pronouncements.

16. Trade and other payables

	2021 $m	2020 $m
Current		
Trade and other payables	53.4	46.0
Accrued interest on external interest bearing liabilities	27.3	35.2
Accrued interest on shareholder related RPS	226.0	269.8
Unearned revenue	48.3	58.6
Intercompany tax payable to parent entity	206.7	251.2
Total current payables and deferred income	561.7	660.8
Non-current		
Trade and other payables	9.8	-
Accrued interest on shareholder related RPS	371.5	-
Total non-current payables and deferred income	381.3	-

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

Unearned revenue represents amounts invoiced in advance but is not earned at reporting date. All unearned revenue is recognised as revenue in the following reporting period.

The SCACH Group had an intercompany tax payable to its parent entity as the head of the SAL tax consolidated group at 31 December 2021 and 31 December 2020.

Recognition and measurement

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

17. Group structure and parent entity

Group structure and corporate information

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

- Sydney Airport Corporation Limited (SACL)
- Southern Cross Airports Corporation Pty Limited (SCAC)
- Sydney Airport Finance Company Pty Limited (FinCo)
- Sydney Airport RPS Company Pty Limited (RPSCo)
- SA (F1) Pty Limited (SAF1)

All subsidiaries are incorporated in Australia. SAF1 is a 100% owned member of the SCACH Group, acquired in July 2017. There was no change to ownership interest during this financial year.

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

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

10 Arrivals Court
Sydney International Airport
Mascot NSW 2020

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures continued

17. Group structure and parent entity continued

Deed of cross guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (the Instrument) the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports and Directors' Reports.

It is a condition of the Instrument that the parent entity and each of the subsidiaries enter into a deed of cross guarantee (the Deed). The effect of the Deed is that the parent entity (Southern Cross Airport Corporation Holdings Limited), guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the parent entity will only be liable in the event that any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the parent entity is wound up.

The subsidiaries subject to the Deed are:

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

The SCACH Group consolidated financial statements include SAF1 and FinCo that are not party to the Deed. Consolidated information in respect of the SCACH Group that is part of the Deed is set out as follows:

Financial result of the SCACH Group excluding SAF1 and FinCo	2021 $m	2020 $m
Revenue	621.2	803.8
Other income	9.4	128.6
Total revenue and other income	630.6	932.4
Total operating expenses	(278.4)	(291.3)
Write off of non-current assets	(10.5)	(28.2)
Other expenses	-	(7.5)
Total other expenses	(10.5)	(35.7)
Total expenses before depreciation, amortisation, net finance costs and income tax	(288.9)	(327.0)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)	341.7	605.4
(Loss)/profit before net finance costs and income tax (EBIT)	(55.4)	212.9
Net finance costs	(720.4)	(741.8)
(Loss) before income tax benefit	(775.8)	(528.9)
Income tax benefit	117.8	38.8
(Loss) after income tax benefit	(658.0)	(490.1)
(Loss) attributable to owners of the company	(658.0)	(490.1)

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures continued

17. Group structure and parent entity continued

Financial position of the SCACH Group excluding SAF1 and FinCo	2021 $m	2020 [2] $m
Current assets		
Cash and cash equivalents	188.6	840.6
Trade and other receivables	241.9	425.0
Other assets	2.8	1.4
Total current assets	433.3	1,267.0
Non-current assets		
Trade and other receivables	167.1	142.1
Property plant and equipment	3,284.9	3,456.4
Intangible assets	3,608.1	3,646.9
Other assets	48.8	50.6
Total non-current assets	7,108.9	7,296.0
Total assets	7,542.2	8,563.0
Current liabilities		
Trade and other payables	(533.1)	(623.0)
Provisions for employee benefits	(8.8)	(8.5)
Other liabilities	(17.9)	(17.9)
Total current liabilities	(559.8)	(649.4)
Non-current liabilities		
Trade and other payables	(381.3)	-
Loans and borrowings	(7,935.1)	(8,542.3)
Interest bearing liabilities – shareholder related	(2,145.6)	(2,122.4)
Deferred tax liabilities	(178.8)	(255.3)
Other liabilities	(3.9)	(3.9)
Total non-current liabilities	(10,644.7)	(10,923.9)
Total liabilities	(11,204.5)	(11,573.2)
Net liabilities	(3,662.3)	(3,010.2)
Total equity of the SCACH Group excluding SAF1 and FinCo comprising of:		
Issued capital	3,310.7	3,307.1
Other contributed equity	(36.0)	(36.0)
Accumulated losses [1]	(6,937.0)	(6,281.3)
Total equity	(3,662.3)	(3,010.2)

1. Movement relates to loss for the year and internal distributions within the wholly-owned group.
2. Comparative balances have been reclassified to align with current year presentation.

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures continued

17. Group structure and parent entity continued

SCACH parent entity financial result and position

	2021 $m	2020 [1] $m
Result of the parent entity		
Profit after income tax expense	3,604.6	3,772.2
Total comprehensive income for the year	3,604.6	3,772.2
Financial position of the parent entity		
Current assets	22,241.1	18,065.6
Total assets	51,701.1	46,047.7
Current liabilities	(8,604.4)	(7,396.1)
Total liabilities	(23,977.0)	(21,931.7)
Total equity of the parent entity comprising of:		
Issued capital	3,310.7	3,307.2
Retained earnings	24,413.4	20,808.8
Total equity	27,724.1	24,116.0

1. Comparative balances have been reclassified to align with current year presentation.

Investment in subsidaries are recognised at cost.

Parent entity guarantees, commitments and contingencies

At 31 December 2021 the parent entity:

– Has no contingent assets or liabilities which are material either individually or as a class; and

– Has not made any capital expenditure commitments (2020: $nil).

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

18. Related party disclosures

Redeemable preference shares

In 2002, and subsequently, the economic equity for the SCACH Group was contributed to from SAL in the form of ordinary shares issued, each stapled 1:1 to redeemable preference shares (RPS). SCACH presents the RPS as a financial liability on the Statement of financial position. Each RPS carries an entitlement to a fixed cumulative return of 13.5% p.a. Refer to Note 1.

Resources Agreement fee

SACL and The Trust Company (Sydney Airport) Limited (TTCSAL) entered into a Resources Agreement where SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity (RE) of SAT1 and trustee of one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated under the provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions.

There were $577,495 fees charged by SACL to TTCSAL for year ended 31 December 2021 (2020: $349,876). $279,097 remains unpaid at 31 December 2021 (2020: $70,917).

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

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

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures continued

19. Remuneration of auditors

	2021 $	2020 $
Amounts paid or payable to auditors (KPMG) for:		
Audit and review of financial statements	568,078	607,822
Other services		
- Other assurance services	89,213	87,806
Total amount paid or payable to auditors	657,291	695,628

Other assurance services in 2021 relates to work performed on the Sustainability Report (2020: Sustainability report).

20. Operating lease receivable arrangements

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

	2021 $m	2020 [1] $m
Receivable within one year	199.1	244.0
Receivable later than one year but no later than five years	654.8	742.4
Receivable after five years	564.3	681.1
	1,418.2	1,667.5

1. 2020 balances have been updated to reflect contract renewals that took place in 2020.

21. Government assistance

The SCACH Group recognised $2.6 million (2020: $13.0 million) in assistance under the Federal Government's JobKeeper program prior to its completion on 28 March 2021. This has been recognised as an offset to Employee benefits in the Consolidated statement of comprehensive income for the year ended 31 December 2021, as permitted by the AASB 120 *Government Grants*. The SCACH Group received $3.9 million cash in respect of JobKeeper assistance in the year ended 31 December 2021 (2020: $11.7 million). This is reflected in the Consolidated statement of cashflows.

Sydney Airport, as an eligible airport under the Domestic Airport Security Costs Support (DASCS) program, is entitled to the Federal Government's program funding allocation for security screening costs. This program commenced in March 2021 and concluded in December 2021. The Group recognised $14.6 million as part of Aeronautical security recovery in the Consolidated statement of comprehensive income for the year ended 31 December 2021. The cash received associated to DASCS amounted to $8.5 million and is reflected in the Consolidated statement of cashflows. Any funding not received is recognised as receivables in the Consolidated statements of financial position.

In September 2021, the Federal Government announced the International Aviation Security Charges Rebate (IASCR) program, designed to cover the in-month shortfall in security operating cost recovery for international operations. The program runs from 1 October 2021 to 31 March 2022. Sydney Airport is an eligible airport under the program but has not yet received any funding from the IASCR during the period ended 31 December 2021. Any funding not received is recognised as receivables in the Consolidated statements of financial position.

Notes to the financial statements continued

for the year ended 31 December 2021

Other disclosures continued

22. Subsequent events

Acquisition of Sydney Airport via Schemes of Arrangement and Trust Scheme

On 3 February 2022, Sydney Airport announced the results of the Scheme Meetings in which Sydney Airport securityholders had approved, by substantially exceeding the requisite majorities, the Schemes pursuant to which the Consortium would acquire 100% of the stapled securities in Sydney Airport.

On 9 February 2022, Sydney Airport announced that the Schemes were legally effective. This followed approval of the Schemes by the Supreme Court of New South Wales and the lodgement of the court orders made by the Supreme Court of New South Wales with the Australian Securities and Investments Commission. Sydney Airport securities were suspended from trading on the ASX from the close of trade on 9 February 2022. The securities were delisted from the ASX on 10 March 2022.

Refinancing of bank debt facilities

On 15 March 2022, Sydney Airport successfully refinanced $1.4 billion of bank debt facilities due to mature over 2022-24. The facilities were refinanced by way of an upsized five year tenor $2.4 billion bank debt tranche. As part of the refinancing, $850 million of bilateral bank debt facilities were cancelled. In addition, a two year tenor (with the ability to extend a further year) $2.0 billion bank debt back stop tranche was also established.

Other than these items, no other matters or circumstances not otherwise dealt with in the Financial Report have arisen that has significantly affected or may significantly affect the operations of the SAL and SAT1 Groups, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2021.