Appendix 4D

ASX Listing Rule 4.2A | Interim Financial Report for the Half Year Ended 30 June 2021

Results for Announcement to the Market

	SAL Group 6 months to 30 June 2021 $m	SAL Group 6 months to 30 June 2020 $m	Movement $m	Movement %
Revenue	341.6	511.0	(169.4)	(33.2%)
Loss after income tax benefit	(97.4)	(53.6)	(43.8)	(81.7%)
Loss after income tax benefit attributable to securityholders	(108.7)	(51.8)	(56.9)	(>100.0%)

	SAT1 Group 6 months to 30 June 2021 $m	SAT1 Group Restated 6 months to 30 June 2020[1] $m	Movement $m	Movement %
Revenue	-	-	n/a	n/a
Profit/(Loss) after income tax benefit	131.9	(2.7)	134.6	>100.0%
Profit/(Loss) after income tax benefit attributable to securityholders	131.9	(2.7)	134.6	>100.0%

1. Restated balance, refer to Note 13 in the interim financial report for further details.

Distribution

Distributions	SAL Group 30 June 2021 $m	SAT1 Group 30 June 2021 $m	SAL Group 30 June 2020 $m[1]	SAT1 Group 30 June 2020 $m[1]
Final distribution (100% unfranked)	-	-	-	-
Interim distribution (100% unfranked)	-	-	-	-

Distributions	SAL Group 30 June 2021 cents per stapled security	SAT1 Group 30 June 2021 cents per stapled security	SAL Group 30 June 2020 cents per stapled security[1]	SAT1 Group 30 June 2020 cents per stapled security[1]
Final distribution (100% unfranked)	-	-	-	-
Interim distribution (100% unfranked)	-	-	-	-

1. The final distribution declared for the year ended 31 December 2019 and paid on 14 February 2020 was $19.50 per stapled security for SAL Group, totalling $440.4 million and $5.20 per stapled security, totalling $117.5 million for SAT1 Group.

Due to the impact of the COVID-19 pandemic on the financial performance and near-term outlook, no interim distributions were declared or payable by the SAL Group or the SAT1 Group for the half year ended 30 June 2021.

Distribution Reinvestment Plan (DRP)

The distribution reinvestment plan (DRP) provides stapled security holders with a method of automatically reinvesting all or part of their distributions in stapled securites.

As there were no distributions declared for the half year ended 30 June 2021 and year ended 31 December 2020 periods, there was no DRP in operation.

Additional Appendix 4D disclosures can be found in the Notes to the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021 and Results for the Half Year Ended 30 June 2021 lodged with the ASX on 20 August 2021.

ASX-listed Sydney Airport (the Group) is comprised of Sydney Airport Limited (ABN 18 165 056 360) (SAL) and Sydney Airport Trust 1 (ARSN 099 597 921) (SAT1). The Trust Company (Sydney Airport) Limited (ABN 83 115 967 087) (AFSL 301162) (TTCSAL) is the responsible entity of SAT1.

SYD

Sydney Airport

Interim Financial Report

For the half year ended 30 June 2021

ASX-listed Sydney Airport comprises
Sydney Airport Limited (ACN 165 056 360) and
Sydney Airport Trust 1 (ARSN 099 597 921).

The Trust Company (Sydney Airport) Limited
(ABN 83 115 967 087) (AFSL 301162)
is the responsible entity of SAT1.

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Directors' report

for the half year ended 30 June 2021

Overview of ASX-listed Sydney Airport

ASX-listed Sydney Airport (the Group) consists of Sydney Airport Limited (SAL) and Sydney Airport Trust 1 (SAT1). Shares and units in the Group are stapled, quoted and traded on the Australian Securities Exchange as if they were a single security. They consist of one share in SAL and one unit in SAT1. SAL holds a 100% economic interest in Sydney (Kingsford Smith) Airport at 30 June 2021 (2020: 100%).

For the half year ended 30 June 2021, the directors of SAL submit their report on the consolidated financial report of ASX-listed Sydney Airport on pages 3 to 14. SAL has been identified as the parent of the consolidated group comprising SAL and its controlled entities and SAT1 and its controlled entities, together the Groups.

For the half year ended 30 June 2021, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) also submit their report on the consolidated financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group) on pages 15 to 16.

Directors' Report for Sydney Airport Limited

Principal activities

The principal activity of the SAL Group is the ownership of Sydney Airport. The SAL Group's investment policy is to invest funds in accordance with the provisions of the governing documents of the individual entities within the SAL Group.

Directors

The following persons were directors of SAL during the period and until the date of this report:

Name	Role	Period of directorship
David Gonski AC	Chairman, Non-executive director	Appointed director 8 October 2018, Appointed Chairman 21 May 2021
Trevor Gerber	Chairman, Non-executive director	Appointed director 18 October 2013, Retired as Chairman and Director 21 May 2021
John Roberts	Non-executive director	Appointed 18 October 2013
Stephen Ward	Non-executive director	Appointed 18 October 2013
Ann Sherry AO	Non-executive director	Appointed 1 May 2014
Grant Fenn	Non-executive director	Appointed 1 October 2015
Abi Cleland	Non-executive director	Appointed 5 April 2018

Karen Tompkins is the company secretary of SAL.

Significant changes in state of affairs

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'.

The introduction of the Trans-Tasman bubble allowing international travel between Australia and New Zealand, in addition to the easing of Australian domestic travel restrictions, has seen an improvement in passenger numbers in the six months to 30 June 2021. However, through the period, the Group has been required to respond at short notice to several 'freezes' to the Trans-Tasman bubble and multiple domestic border closures. Passenger traffic through Sydney Airport, particularly international traffic, continues to be materially impacted, with international and domestic passengers down 96.2% and 57.5% respectively in the first half of 2021 when compared to the comparative period in 2019, which is prior to any impact of the COVID-19 pandemic. The Group expects the downturn in passenger traffic to persist until government international travel restrictions are eased.

At the present time, management 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, management 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.

Directors' report

for the half year ended 30 June 2021

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

– Expected credit loss (ECL) provisions of $24.5 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 deferrals.

– A range of rental concessions continue to be provided across both the retail and property portfolios for the period ended 30 June 2021. Concessions in the form of rent abatements of $77.0 million and rent deferrals of $1.0 million were negotiated during the period. Of the abatements, $27.7 million was recognised through ECL expense. $10.4 million in variable abatements was applied against revenue in line with variable lease payments and the remaining $38.9 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 Standards.

  Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term during the first half of 2021 totalled $29.2 million. Of this, $20.0 million and $9.2 million relate to 2020 and 2021 abatements respectively.

The Group enrolled in the JobKeeper government assistance program in April 2020 and received assistance until the program's completion on 28 March 2021. The Group received a total of $15.6 million from the program, with $13.0 million recognised in the 2020 financial year and $2.6 million during the period ended 30 June 2021. These have been recognised as an offset to Employee benefits expense in the Consolidated statement of comprehensive income.

Sydney Airport, as an eligible airport under the Domestic Airports 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 concludes in December 2021. Sydney Airport has received $2.2 million from DASCS during the period ended 30 June 2021. This was recognised as part of Aeronautical security revenue in the Consolidated statement of comprehensive income.

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

– **A strong liquidity position:** Sydney Airport has a robust balance sheet. Available liquidity at 30 June 2021 was $2.9 billion, comprised of $0.5 billion in available cash and $2.4 billion of undrawn bank debt facilities. The Group expects to remain compliant with its covenant requirements.

– **Tightly controlled operating expenditure:** Excluding the impact of rental abatements, expected credit loss provisions and security recoverable expenditure, operating expenditure for the half year period to 30 June 2021 was $74.2 million, a decrease of $6.3 million or 7.8% on the 2020 corresponding period. This was down 26.7% on the 2019 corresponding period. This decrease reflects continued cost discipline across the Group's controllable cost base and the impact of a wide range of cost saving initiatives implemented since the start of 2020.

– **Re-prioritisation of capital expenditure:** A scaled back capital expenditure program continues, with $65.2 million in capital investment in the first half of 2021. The Group continues to deliver critical projects targeting asset resilience, safety and security, and a number of opportunistic projects.

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.

SAL and SAT1 cross staple loan

In light of the continued impact of COVID-19 on the Group's operating environment and financial performance, SAL resolved not to pay cross staple loan (CSL) interest to SAT1 for the six months from 1 January 2021 to 30 June 2021, and for the following six month period from 1 July 2021 to 31 December 2021. The unpaid CSL interest will be capitalised to the outstanding principal in accordance with the agreement. Further information is provided in Note 13 to the Interim Financial Report for the half year ended 30 June 2021.

Events occurring after balance sheet date

Aeronautical agreements

The Group has concluded negotiations with the Board of Airline Representatives Australia (BARA) on behalf of member airlines for international services. This negotiated agreement extends the pricing and service provisions under the previous agreement for another 12 months to 30 June 2022 on broadly the same terms and conditions. Sydney Airport is now in the process of contracting with BARA airlines individually.

An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2022. In addition, Sydney Airport and Qantas have reached an in-principle agreement for 12 months until 30 June 2022, extending Qantas' use of the Jet Base and associated infrastructure.

Discussions with Virgin Australia Group in relation to an extension of its current domestic aeronautical arrangements remain ongoing.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve with the NSW Government having issued stay-at-home orders for Greater Sydney and regional NSW. All states and territories have announced a temporary closing of the border to residents of NSW, in addition to further travel restrictions imposed by other states across the country. These actions have had an adverse impact on domestic traffic levels.

Sydney Gateway consideration

Following the de-recognition of certain leasehold land sites during the year ended 31 December 2020, compensation receivable from the NSW Government was recognised of $189.8 million. This has escalated by interest of $4.7 million to $194.5 million at 30 June 2021 based on terms of the September 2018 agreement.

In July 2021 the first $70.0 million of consideration was received, with the balance of the consideration expected to be received in the fourth quarter of 2021.

Interest rate swap resets

Subsequent to balance date, the Group executed interest rate swap reset transactions over approximately 12 months with upfront payments totaling $128.4 million. Associated interest expense reductions and related amortisation will be incorporated in the results of future reporting periods.

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

Unsolicited, conditional and non-binding proposal to acquire Sydney Airport

On 5 July 2021 Sydney Airport announced that it had received an unsolicited, conditional and non-binding proposal from a consortium of infrastructure investors to acquire 100% of the stapled securities in Sydney Airport. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. On 15 July, both Boards unanimously concluded that the indicative proposal undervalued Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

On 16 August 2021 Sydney Airport announced that it had received a revised indicative, conditional and non-binding proposal from the consortium to acquire 100% of the stapled securities in Sydney Airport by way of scheme of arrangement and trust scheme. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. The two Boards unanimously concluded that the revised indicative proposal continues to undervalue Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

Other than these items, the directors of SAL are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAL Group, the results of those operations or the state of affairs of the Group in the period subsequent to the half year ended 30 June 2021.

Directors' report

for the half year ended 30 June 2021

Operating and financial review

PASSENGERS	EBITDA	EBITDA (Excluding other income and other expenses)	CASH FLOW OUTCOMES	DEBT SERVICE COVERAGE	DISTRIBUTION TO INVESTORS
6.0m	$210.8m	$187.9m	$1.8m net operating receipts	2.0x cash flow cover ratio[2]	Nil per stapled security
(36.4)%[1]	(29.8)%[1]	(41.9)%[1]	(98.0)%[1]	(0.5)x[1]	

1. Compared to 30 June 2020.
2. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense, calculated for the Southern Cross Airports Corporation Holdings Limited (SCACH) Group.

Key performance measures

Key measures of Sydney Airport's financial performance for the half year ended 30 June 2021 are shown in the table below.

		Compared to prior half year[1]
Passengers	6.0 million	(36.4)%
Total revenue and other income (including security recovery)	$351.0 million[2]	(31.3)%
Operating expenditure	$153.7 million[2]	(18.0)%
Operating expenditure (excluding security recoverable and expected credit loss expenses)	$74.2 million[2]	(7.8)%
EBITDA	$210.8 million[2]	(29.8)%
EBITDA (excluding other income and other expenses)	$187.9 million[2]	(41.9)%
Net operating receipts (NOR)	$1.8 million	(98.0)%
Distributions per security to investors	Nil	N/A

1. Compared to 30 June 2020.
2. Taken from the Consolidated statements of comprehensive income in the Sydney Airport Interim Financial Report for the Half Year Ended 30 June 2021.

Distributions and Net Operating Receipts (NOR)

NOR provides a proxy for cash flows available to pay ASX-listed Sydney Airport distributions. As a result, it is a key measure of ASX-listed Sydney Airport's financial performance. NOR is a non-IFRS measure of cash flow that ASX-listed Sydney Airport can sustainably return to investors while investing in the infrastructure. NOR is derived from both income statement performance and the cash position of SAL and SAT1. A reconciliation of statutory profit to NOR is shown below.

Reconciliation of NOR

The following table reconciles the statutory result of ASX-listed Sydney Airport for the half year ended 30 June 2021 to its NOR. Non-IFRS financial information has not been audited by the external auditor but has been sourced from the financial reports.

	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m
Loss before income tax benefit[1]	(197.6)	(128.5)
Add back: depreciation and amortisation[1]	223.1	220.0
Profit before tax, depreciation and amortisation	25.5	91.5
Add/(subtract) non-cash expenses		
- Capital indexed bonds capitalised[2]	6.4	13.2
- Amortisation of debt establishment costs[2]	4.1	5.7
- Borrowing costs capitalised[2]	(2.4)	(4.3)
- Change in fair value of swaps[2]	70.6	(6.8)
Total non-cash financial expenses	78.7	7.8
Add/(subtract) other cash movements		
Movement in cash balances with restricted use[3]	4.0	(0.1)
Other	(13.1)	(9.7)
Total other cash movements	(9.1)	(9.8)
- Indemnity (income) / expense[1]	(13.5)	0.9
- Sydney Gateway transaction[4]	(4.7)	-
- Amortisation on interest rate swap resets[5]	(75.1)	-
Net operating receipts	1.8	90.4
Average stapled securities on issue (m)	2,698.7	2,259.5
Net operating receipts per stapled security	0.1c	4.0c
Distributions declared per stapled security	-	-
Ratio of net operating receipts to distributions	N/A	N/A

1. Taken from the Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2021.
2. Taken from Note 6 in the Interim Financial Report for the Half Year Ended 30 June 2021.
3. Included in the SAL Group's consolidated deposit balance is $7.8 million (31 December 2020: $11.8 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund capital expenditure.
4. Interest income recognised for accounting purposes pursuant to the Sydney Gateway Implementation Deed.
5. This is a straight line amortisation of interest rate swap resets over the reset period recognised in the Change in fair value of swaps.

Financial performance analysis

The financial results of the Group reflect the impact of international and domestic travel restrictions along with the Group's continued cost discipline.

Revenue and EBITDA decreased by 33.2% and 29.8% to $341.6 million and $210.8 million respectively compared to the prior comparative period. This is explained on the following pages.

Revenue

	Revenue $m	Revenue[2] contribution	Compared to prior half year[1]
Aeronautical Services (excl. security recovery)	110.8	32%	(36.0)%
Retail	87.4	26%	(40.6)%
Property and car rental	84.6	25%	(22.3)%
Parking and ground transport	28.7	8%	(24.7)%

1. Compared to 30 June 2020.
2. Calculated as a percentage of total revenue of $341.6 million.

Directors' report

for the half year ended 30 June 2021

Statutory revenue adjusted for abatements and provisions on debts not considered recoverable

$m	Aero	Retail	Property	P&GT	Total
Revenue for the half year ended 30 June 2021[1]	110.8	87.4	84.6	28.7	311.5
Deduct:					
2021 Abatements that have been expensed in opex	-	(23.5)	(4.5)	0.3	(27.7)[3]
Variable abatements signed in 2021[2]	-	(10.4)	-	-	(10.4)
Abatements to be amortised against future revenue	-	(27.7)	(11.1)	(0.1)	(38.9)
Total abatements provided in 2021	**-**	***(61.6)***	***(15.6)***	***0.2***	***(77.0)***
Deferred rents provided for in ECL expense	-	-	(0.2)	-	(0.2)
Doubtful debt provisions provided for in ECL expense	-	(23.1)	-	(1.2)	(24.3)
Provisions on debts not considered recoverable	**-**	***(23.1)***	***(0.2)***	***(1.2)***	***(24.5)***[3]
Add back:					
Variable abatements signed in 2021 applied to revenue[2]	-	10.4	-	-	10.4
Abatements signed in 2021 amortised against revenue	-	5.2	4.0	-	9.2
Abatements signed in 2020 amortised against revenue	-	9.2	10.7	0.1	20.0
	110.8	***27.5***	***83.5***	***27.8***	***249.6***

1. Taken from Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2021.
2. Variable abatements provided in 2021. These have been accounted for as variable lease payments and recognised as a reduction in revenues.
3. The addition of these balances is the Expected credit loss expense that totals $52.2 million. Referenced in the Consolidated statements of comprehensive income in the Interim Financial Report for the Half Year Ended 30 June 2021.

Total revenues

The Group's half year results continue to be significantly impacted by COVID-19. Total passenger traffic was 6.0 million in the half year ended 2021, compared to 9.4 million in the prior comparative period.

Aeronautical revenues

The downturn in passenger traffic continues to have significant impact on aeronautical revenues. Aeronautical revenues were $110.8 million for the half year period, down $62.2 million or 36.0% on the prior comparative period. The decrease in revenues were due mainly to the timing of stay-at-home orders and border closures that came into effect from the end of February 2020. Operations in January 2020 were largely unaffected by COVID-19. The quarantine free Trans-Tasman passenger traffic, that commenced on 19 April 2021, had returned to more than 40% of the corresponding period in 2019. This was suspended from 23 June 2021. Domestic passenger traffic for the first half of 2021 had returned to levels 42.5% of the corresponding period in 2019. This is prior to the stay-at-home orders issued by the NSW government on 25 June 2021, resulting in limited interstate travel and border closures to NSW.

Freight and apron parking experienced growth against the prior comparative period, primarily due to an increase in the frequency of dedicated freight flights that have replaced normal international services.

Retail revenues

Retail revenues were $87.4 million for the half year period, down $59.8 million or 40.6% on the prior corresponding period which had been only part impacted by COVID-restrictions. Rental abatements provided to retail tenants in the half year period totalled $61.6 million, as Sydney Airport continued to provide fair and reasonable near term abatements to tenants on a case by case basis. The impact of significant international border restrictions continued to impact duty free revenues. Refer to the table above for an analysis of retail revenues adjusted for abatements and provision for doubtful debts.

Property and car rental revenues

Property and car rental revenues were $84.6 million, down $24.3 million or 22.3% on the prior corresponding period. Reasonable near term abatements continued to be provided by Sydney Airport to certain property and car rental tenants on a case by case basis. During the first half of 2021, rent abatements of $15.6 million were negotiated and agreed with tenants. Refer to the table above for an analysis of property revenues adjusted for abatements and provision for doubtful debts.

Hotel revenues decreased by $1.0 million or 24% against the prior corresponding period, including a 12% reduction in average occupancy rates from 44% to 32%.

Parking and ground transport revenues

Parking and ground transport revenues were $28.7 million, down $9.4 million or 24.7% on the prior corresponding period. This was driven largely by the decline in passenger traffic.

Operating expenses

Category	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m	Change
Employee benefits expense	28.1[1]	22.3[1]	26.0%
Services and utilities expense	19.8	31.2	(36.5%)
Property and maintenance expense	8.5	11.5	(26.1%)
Security recoverable expense	27.3	38.6	(29.3%)
Expected credit loss expense	52.2	68.4	(23.7%)
Other operational costs	17.8	15.5	14.8%
Total operating expenses	153.7	187.5	(18.0%)
Excluding:			
Expected credit loss expense	52.2	68.4	(23.7%)
Security recoverable expense	27.3	38.6	(29.3%)
Total operating expenses excluding security recoverable and expected credit loss expenses	74.2	80.5	(7.8%)

1. Includes $2.6 million in JobKeeper government subsidy recognised (30 June 2020: $5.0 million)

Employee benefits expense and JobKeeper allowance

For the period ended 30 June 2021, Sydney Airport recognised $2.6 million (30 June 2020: $5.0 million) in government assistance in the form of the JobKeeper wage subsidy prior to its completion on 28 March 2021. This has been recognised as an offset to the Employee benefits expense line. Excluding the impact of JobKeeper, the Employee benefits expense would have been $30.7 million (30 June 2020: $27.3 million), a 12.5% increase against the prior comparative period.

Expected credit loss expense

The ECL expense of $52.2 million was recognised in relation to abatements provided to commercial tenants and on debts owed where there were indications it would not be repaid. The assessment was made based on information available at the time. The ECL expense comprises rental abatements of $27.7 million provided to commercial tenants and provision for doubtful debts of $24.5 million across debtors.

Operating expenses (excluding expected credit loss and security recoverable expenses)

Operating expenses (excluding expected credit loss and security recoverable expenses) for the half year to 30 June 2021 decreased by 7.8% when compared to the 2020 comparative period and decreased by 26.7% against the 2019 comparative period.

The focus on cost discipline has carried forward into 2021, where operating expenses have been kept at minimal levels with scaled back non-critical activities, such as a reduction in the scope and frequency of some terminal operations, and minimising discretionary spend. The Group also continues to outsource its cost base to third-party service providers to allow for flexibility in increasing service levels when passenger volumes return.

Management will strategically review any additions in the context of the evolving operating environment.

Directors' report

for the half year ended 30 June 2021

Other expenses

Category	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m	Change
Write-off of non-current assets	-	22.2	(100.0%)
Indemnity (income)/expense	(13.5)	0.9	>100.0%
Total other expenses	(13.5)	23.1	

Indemnity (income) / expense relates to the ongoing and previously disclosed foreign Danish tax related litigation matters at the SAT1 Group. This is reflected in the consolidated SAL Group financial report as explained in the Notes to the financial statements, as SAL has been identified as the parent of the consolidated ASX-listed Sydney Airport that comprises SAL Group and the SAT1 Group. Further information on the Indemnity is described in Note 12 of the Interim Financial Report for the half year ended 30 June 2021.

During the prior comparative period, an impairment charge of $22.2 million was recognised for capital projects that were expected to be materially impacted or delayed, taking into consideration the implications of COVID-19. No impairment was recognised in respect of any capital projects in the half year ended 30 June 2021.

Capital expenditure

Capital investment in the first half of 2021 of $65.2 million targeted the delivery of critical projects relating to asset resilience, safety and security and a number of opportunistic projects.

Despite this lower level of investment relative to prior years, a number of critical projects have been delivered over the course of 2021. These include:

- **Runway re-sheet project:** Ongoing through 2021
  The project to resurface the main north-south and east-west runways, and associated taxiways, is now in the final quarter of works with 41,000 tonnes of asphalt having been placed to date. The main runway re-surfacing works are now complete.
- **Sydney Gateway:** Ongoing through 2021
  We have achieved the first milestone in the project, which included completing works to relocate services and preparing sites for handover to Transport for NSW on 1 July 2021. The next phase of works continuing through to 2024 involves supporting Transport for NSW to create the road connections and complete the road corridor.

During the first half of 2021 we have also delivered a small number of opportunistic projects:

- **T1 Duty Free project:** Stage 2 completed in June 2021
  We remodelled the Duty-Free area at T1 to enhance the overall look and feel of the duty-free area and create additional tenancies for a range of new luxury stores. The final phase of the project involves base build works for incoming luxury tenants to be completed in 2022.
- **Customer experience amenities:** Ongoing through 2021
  This project included the remodelling of a bathroom at T2 to incorporate changing places and high support facilities for passengers with disability, and will include a similar upgrade of a T3 bathroom and a forecourt redevelopment at T1.

Several other major projects have been paused and will not be reactivated until there is further clarity around the timing and degree of the return of passengers.

Across the airport, the following projects were progressed over the first half of 2021:

Category	Project description	Benefits	Timing
Airfield	**Runway works**	– Re-sheeting works on the main runway to extend the runway life and improve its resilience	Ongoing to mid-2022
Terminal works	**Baggage**	– New conveyor sort line at T2 to improve outbound baggage capacity and system resilience	Ongoing to mid-2022
	Bathrooms	– Planned upgrades in the T1, T2 and T3 terminals to continue improving the customer experience	Throughout the year
	Terminals	– Remodelled the Duty Free area at T1 to update the ground level ambience and luxury precinct interfaces to enhance passenger experience	Ongoing to mid-2022
Technology	**Campus LAN**	– Upgrades to critical technology infrastructure to improve technology resilience throughout the airport precinct	Delivered throughout the year
	Cyber resilience	– Essential 8 compliance achieved and ongoing enhancements to improve Sydney Airport's cyber resilience	Ongoing to mid-2022
Landside operations and transport	**Roads and access**	– Sydney Gateway works to relocate services and prepare further sites for handover to Transport for NSW – Development of the ground transport interchange at the Domestic precinct	Ongoing to mid-2023 Ongoing to end-2024

Directors' report

for the half year ended 30 June 2021

Capital management and distribution

Sydney Airport maintains a strong focus on prudent capital management by diversifying the debt portfolio, addressing the refinancing of debt well in advance of its maturity and ensuring adequate levels of liquidity.

Interest rate swap resets

During the half year, the Group executed a further $2.0 billion of interest rate swap reset transactions. This involved making upfront payments totaling $53.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions of $9.4 million have been recognised during the half year ended 30 June 2021, with the remainder of $43.6 million to be incorporated in the results of future reporting periods. Straight line amortisation during the half year period 30 June 2021 of $75.1 million related to all reset swap transactions ($9.4 million for swap resets executed during the half year ended 30 June 2021 and $65.7 million for swap resets executed during the year ended 31 December 2020) was recognised in the Statements of comprehensive income during the period. 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 as a result of these transactions.

Liquidity

Sydney Airport's liquidity position as at 30 June 2021 was $2.9 billion, comprising $0.5 billion of available cash and $2.4 billion of undrawn bank debt facilities.

Credit metrics

Ratios are included below. Sydney Airport expects to remain compliant with its covenant requirements.

Category	30 June 2021	30 June 2020
Net debt[2]	$7.5 billion[1]	$9.1 billion[1]
Cash flow cover ratio[3,4]	2.0x[1]	2.4x[1]
Net debt/EBITDA[3]	14.0x[1]	9.3x[1]
Average maturity	Late-2026	Early-2026
Credit rating (S&P/Moody's)[5]	BBB+/Baa1	BBB+/Baa1

1. Calculations include lease liabilities and related interest expense due to the application of AASB 16.
2. Includes the fully undrawn amounts under the $150.0 million SAL bank debt facility as at 30 June 2021. SAL bank debt was fully drawn as at 30 June 2020.
3. Calculated on a rolling 12 month basis, reflecting reported performance for the 12 months to 30 June 2021 and 30 June 2020.
4. Cash flow cover ratio (CFCR) is summarised by cash flow divided by senior interest expense, calculated for the SCACH Group.
5. Negative outlook for both S&P and Moody's.

Funding portfolio by category

Debt maturity on drawn and undrawn debt

Cash flow

Category	30 June 2021 $m	30 June 2020 $m
Net cash flows from operating activities	160.0	298.9
Net cash flows used in investing activities	(36.5)	(182.2)
Net cash flows (used in)/from financing activities	(689.0)	271.6
Net (decrease)/increase in cash and cash equivalents held	(565.5)	388.3

Net cash flows from operating activities have decreased due to the decrease in cash receipts from customers due to a full six months impact of COVID-19 in the current period. This is in line with the decrease in passenger numbers and its associated impact on aeronautical and commercial operations. Net cash flows used in investing activities reflects the capital expenditure for the period, offset by the impact of indemnity matters. Net cash flows used in financing activities was mainly due to the $518.7 million repayment of US144A/RegS bond and $53.0 million interest reset swap payments.

Distributions and Distribution reinvestment plan (DRP)

Due to the impact of the COVID-19 pandemic on the financial performance and near-term outlook, no interim distribution was declared or payable for the half year ended 30 June 2021.

Outlook

Sydney Airport is optimistic of the future as supported by the rapid increase and acceleration in Australian vaccination rates in recent weeks and the government's plan to progressively ease restrictions as the population reaches vaccination targets, which will then see the re-opening of travel. While the recovery emerges, our operations and financial performance will remain impacted.

Our capital expenditure will be lower compared to historic levels. However safety, security and asset resilience will continue to be prioritised in our capital investment choices.

The Board will appropriately update on the outlook for future distributions as more clarity emerges around the shape and timing of recovery from the COVID-19 pandemic.

Directors' report
for the half year ended 30 June 2021

Directors' holdings of stapled securities
The aggregate number of stapled securities in ASX-listed Sydney Airport held directly, indirectly, or beneficially by the directors of SAL or their director-related entities at the date of this interim financial report is 508,039 (31 December 2020: 763,317).

Lead auditor's independence declaration
A copy of the lead auditor's independence declaration, as required under Section 307C of the *Corporations Act 2001* is set out on page 17 and forms part of the Directors' Report for the half year ended 30 June 2021.

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

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

Application of class order
The financial reports for the SAL Group and SAT1 Group are jointly presented in one report as permitted by ASIC Instrument Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of SAL.

David Gonski AC
Sydney
19 August 2021

John Roberts
Sydney
19 August 2021

Directors' Report for The Trust Company (Sydney Airport) Limited

For the half year ended 30 June 2021, the directors of The Trust Company (Sydney Airport) Limited (TTCSAL or the Responsible Entity) submit the following report on the consolidated interim financial report of SAT1 comprising SAT1 and its controlled entities (the SAT1 Group).

Principal activities

The principal activity of the SAT1 Group is to hold a financial loan asset. There were no significant changes in the nature of the SAT1 Group's activities during the half year ended 30 June 2021.

Directors

The following persons are current directors of TTCSAL:

Name	Role	Period of directorship
Russell Balding AO	Non-executive director	Appointed October 2013
Patrick Gourley	Non-executive director	Appointed October 2013
Anne Rozenauers	Executive director	Appointed September 2019

Karen Tompkins, Sylvie Dimarco and Gananatha Minithantri are co-company secretaries of TTCSAL.

Security holdings in ASX-listed Sydney Airport

The TTCSAL directors do not hold any interest in ASX-listed Sydney Airport securities.

Review of operations

The SAT1 Group continues to hold a financial loan asset, with SAL as borrower. The loan is interest bearing, unsecured and subordinated.

Due to the continued impact of COVID-19 on the Group's operating environment and financial performance, SAL resolved not to pay cross staple loan (CSL) interest to SAT1 for the six months from 1 January 2021 to 30 June 2021, and for the following six month period from 1 July 2021 to 31 December 2021. The unpaid CSL interest will be capitalised to the outstanding principal in accordance with the agreement. Further detail is provided at Note 13 to the ASX listed Sydney Airport Interim Financial Report.

Indemnity matters

During the six months ended 30 June 2021 SAT1 recognised indemnity income of $13.5 million in the Consolidated statement of comprehensive income. This reflects:

- A $13.3 million reduction to the provision held for the dividend withholding tax matter from $63.1 million to $49.8 million following advice that, in the event of an unfavourable outcome, the Danish Tax Authority (DTA) will apply the same revised methodology for charging interest as it now has in the interest withholding tax matter;
- A $1.7 million receivable as a result of further favourable revisions by the DTA of its interest calculation in the interest withholding tax matter; and
- An offset of $0.7 million in relation to foreign exchange loss and $0.8 million in expenditure in contesting these matters in the Danish High Court.

Further detail is provided in Note 12 to the Interim Financial Report for the half year ended 30 June 2021.

There have been no further changes relating to the SAT1 Group during the half year ended 30 June 2021.

Directors' report

for the half year ended 30 June 2021

Directors' Report for The Trust Company (Sydney Airport) Limited

Distributions

No interim distribution was declared or payable for the half year ended 30 June 2021.

Events occurring after balance sheet date

Unsolicited, conditional and non-binding proposal to acquire Sydney Airport

On 5 July 2021 Sydney Airport announced that it had received an unsolicited, conditional and non-binding proposal from a consortium of infrastructure investors to acquire 100% of the stapled securities in Sydney Airport. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. On 15 July, both Boards unanimously concluded that the indicative proposal undervalued Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

On 16 August 2021 Sydney Airport announced that it had received a revised indicative, conditional and non-binding proposal from the consortium to acquire 100% of the stapled securities in Sydney Airport by way of scheme of arrangement and trust scheme. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. The two Boards unanimously concluded that the revised indicative proposal continues to undervalue Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

Other than these items, the directors of TTCSAL are not aware of any other matter or circumstance not otherwise dealt with in the Directors' Report that has significantly affected or may significantly affect the operations of the SAT1 Group, the results of those operations or the state of affairs of the Group in the period subsequent to half year ended 30 June 2021.

Lead auditor's independence declaration

A copy of the lead auditor's independence declarations, as required under Section 307C of the *Corporations Act 2001* is set out on page 20 and forms part of the Directors' Report for half year ended 30 June 2021.

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

The SAT1 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.

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

Application of class order

The interim financial reports for the SAT1 Group and the SAL Group are jointly presented in one report as permitted by ASIC Corporations (Stapled Group Reports) Instrument 2015/838.

This report is made in accordance with a resolution of the directors of TTCSAL.

Anne Rozenauers
Sydney
19 August 2021

Patrick Gourley
Sydney
19 August 2021

KPMG

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

To the directors of Sydney Airport Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Limited for the half-year ended 30 June 2021 there have been:

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

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

KPMG

Nigel Virgo
Partner

Sydney
19 August 2021

Independent Auditor's Review Report

To the stapled securityholders of Sydney Airport Limited

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Sydney Airport Limited (the Company) as deemed parent presenting the stapled security arrangement of ***Sydney Airport*** (the Stapled Group Interim Financial Report).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Stapled Group Interim Financial Report does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2021 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises

- Consolidated statement of financial position as at 30 June 2021.
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date.
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration made by the Directors of Sydney Airport Limited.

Sydney Airport (the ***Stapled Group***) comprises Sydney Airport Limited (the Company and the entities it controlled at the Interim Period's end or from time to time during the Interim Period), and Sydney Airport Trust 1 and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six months ended on 30 June 2021.

Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.* Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Stapled Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. *ASRE 2410* requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Stapled Group's financial position as at 30 June 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Nigel Virgo
Partner

Leann Yuen
Partner

Sydney
19 August 2021

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

To the Directors of The Trust Company (Sydney Airport) Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Sydney Airport Trust 1 for the half-year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Nigel Virgo
Partner

Sydney
19 August 2021

KPMG

Independent Auditor's Review Report

To the unitholders of Sydney Airport Trust 1

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Sydney Airport Trust 1.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Sydney Airport Trust 1 is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its performance for the ***Interim Period*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises

- Consolidated statement of financial position as at 30 June 2021.
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the six months ended on that date.
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration made by the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1.

The ***Group*** comprises Sydney Airport Trust 1 (the Trust) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the six months ended on 30 June 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Emphasis of matter – comparative information

We draw attention to Note 13 to the financial statements which indicates that the comparative information presented as at and for the interim period ended 30 June 2020 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Interim Financial Report

The Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. *ASRE 2410* requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Nigel Virgo	Leann Yuen
Partner	Partner

Sydney
19 August 2021

Consolidated statements of comprehensive income

for the half year ended 30 June 2021

	Note	SAL Group 6 months to 30 June 2021 $m	SAL Group 6 months to 30 June 2020 $m	SAT1 Group 6 months to 30 June 2021 $m	SAT1 Group Restated 6 months to 30 June 2020 [1] $m
Revenue					
Aeronautical revenue		110.8	173.0	-	-
Aeronautical security recovery		28.1	41.5	-	-
Retail revenue		87.4	147.2	-	-
Property and car rental revenue		84.6	108.9	-	-
Parking and ground transport revenue		28.7	38.1	-	-
Other revenue		2.0	2.3	-	-
Total revenue		341.6	511.0	-	-
Other income					
Other income		9.4	-	-	-
Total revenue and other income		351.0	511.0	-	-
Operating expenses					
Employee benefits expense	14	(28.1)	(22.3)	-	-
Services and utilities expense		(19.8)	(31.2)	-	-
Property and maintenance expense		(8.5)	(11.5)	-	-
Security recoverable expense		(27.3)	(38.6)	-	-
Expected credit loss expense	9	(52.2)	(68.4)	-	-
Other operational costs		(17.8)	(15.5)	(2.5)	(1.2)
Total operating expenses		(153.7)	(187.5)	(2.5)	(1.2)
Other expenses					
Write-off of non-current assets	10	-	(22.2)	-	-
Indemnity income/(expense)	12	13.5	(0.9)	13.5	(0.9)
Total other expenses		13.5	(23.1)	13.5	(0.9)
Total expenses before depreciation, amortisation, net finance costs and income tax		(140.2)	(210.6)	11.0	(2.1)
Profit/(loss) before depreciation, amortisation, net finance costs and income tax (EBITDA)		210.8	300.4	11.0	(2.1)
Depreciation	10	(181.3)	(177.1)	-	-
Amortisation	11	(41.8)	(42.9)	-	-
(Loss)/profit before net finance costs and income tax (EBIT)		(12.3)	80.4	11.0	(2.1)
Finance income	6	5.5	2.5	120.9	116.5
Finance costs	6	(120.2)	(218.2)	-	(117.1)
Change in fair value of swaps	6	(70.6)	6.8	-	-
Net finance costs		(185.3)	(208.9)	120.9	(0.6)
(Loss)/profit before income tax benefit		(197.6)	(128.5)	131.9	(2.7)
Income tax benefit		100.2	74.9	-	-
(Loss)/profit after income tax benefit		(97.4)	(53.6)	131.9	(2.7)
(Loss)/profit after income tax benefit attributable to:					
Securityholders		(108.7)	(51.8)	131.9	(2.7)
Non-controlling interest		11.3	(1.8)	-	-
		(97.4)	(53.6)	131.9	(2.7)

1. Restated balance, refer to Note 13 for further details.

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

Consolidated statements of comprehensive income

for the half year ended 30 June 2021

	SAL Group		SAT1 Group	
	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m	6 months to 30 June 2021 $m	Restated 6 months to 30 June 2020 [1] $m
Items that may subsequently be reclassified to profit or loss				
Changes in fair value of cash flow hedges	251.2	(92.8)	-	-
Changes in fair value of foreign currency basis spread	(2.3)	(6.9)	-	-
Tax on items that may be reclassified to profit or loss	(67.9)	29.9	-	-
Total items that may subsequently be reclassified to profit or loss	181.0	(69.8)	-	-
Other comprehensive income/(loss), net of tax	181.0	(69.8)	-	-
Total comprehensive income/(loss)	83.6	(123.4)	131.9	(2.7)
Total comprehensive income/(loss) attributable to:				
Securityholders	72.3	(125.2)	131.9	(2.7)
Non-controlling interest	11.3	1.8	-	-
	83.6	(123.4)	131.9	(2.7)
Basic and diluted (loss)/earnings per share/unit from (loss)/profit after income tax	(4.02c)	(2.29c)	4.89c	(0.03c)

1. Restated balance, refer to Note 13 for further details.

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

Consolidated statements of financial position

as at 30 June 2021

		SAL Group		SAT1 Group	
	Note	30 June 2021 $m	31 Dec 2020 $m	30 June 2021 $m	31 Dec 2020 $m
Current assets					
Cash and cash equivalents	3	510.1	1,075.6	238.0	200.1
Receivables	9	357.5	372.0	1.7	41.9
Derivative financial instruments	5	42.2	149.9	-	-
Other assets		3.5	1.4	-	-
Total current assets		913.3	1,598.9	239.7	242.0
Non-current assets					
Receivables	9	159.2	142.1	1,918.0	1,796.5
Property, plant and equipment	10	3,359.3	3,472.5	-	-
Intangible assets	11	7,032.1	7,073.9	-	-
Derivative financial instruments	5	537.2	543.8	-	-
Other assets		14.7	21.6	-	-
Total non-current assets		11,102.5	11,253.9	1,918.0	1,796.5
Total assets		12,015.8	12,852.8	2,157.7	2,038.5
Current liabilities					
Payables and deferred income		109.8	140.5	1.3	0.7
Interest bearing liabilities	2	199.9	848.1	-	-
Derivative financial instruments	5	94.4	77.6	-	-
Lease liabilities		0.3	0.1	-	-
Provisions	12	9.1	8.5	-	-
Total current liabilities		413.5	1,074.8	1.3	0.7
Non-current liabilities					
Payables and deferred income		8.3	-	-	-
Interest bearing liabilities	2	8,372.1	8,352.8	-	-
Derivative financial instruments	5	427.5	670.0	-	-
Lease liabilities		0.2	0.1	-	-
Deferred tax liabilities		1,618.1	1,650.3	-	-
Provisions	12	53.6	66.9	49.8	63.1
Total non-current liabilities		10,479.8	10,740.1	49.8	63.1
Total liabilities		10,893.3	11,814.9	51.1	63.8
Net assets		1,122.5	1,037.9	2,106.6	1,974.7
Equity					
Securityholders' interests					
Contributed equity	1	7,523.5	7,523.5	2,659.9	2,659.9
Retained earnings		(2,684.5)	(2,576.1)	501.4	369.5
Reserves		(3,568.5)	(3,750.2)	(1,054.7)	(1,054.7)
Total securityholders' interests		1,270.5	1,197.2	2,106.6	1,974.7
Non-controlling interest in controlled entities		(148.0)	(159.3)	-	-
Total equity		1,122.5	1,037.9	2,106.6	1,974.7

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

Consolidated statements of changes in equity

for the half year ended 30 June 2021

SAL Group	Note	Contributed equity $m	Retained earnings [1] $m	Cash flow hedge reserve $m	Foreign currency basis spread reserve $m	Other reserve [2] $m	Total equity [1] $m
Total equity at 1 January 2021		7,523.5	(2,735.4)	(557.6)	(32.1)	(3,160.5)	1,037.9
Comprehensive income							
Loss after tax		-	(97.4)	-	-	-	(97.4)
Other comprehensive loss, net of tax		-	-	182.6	(1.6)	-	181.0
Total comprehensive loss		-	(97.4)	182.6	(1.6)	-	83.6
Transactions with owners of the company							
Equity-settled shares		-	0.3	-	-	0.7	1.0
Total transactions with owners of the company		-	0.3	-	-	0.7	1.0
Total equity at 30 June 2021		7,523.5	(2,832.5)	(375.0)	(33.7)	(3,159.8)	1,122.5
Total equity at 1 January 2020		5,533.0	(2,627.6)	(493.4)	(5.1)	(3,160.5)	(753.6)
Comprehensive income							
Loss after tax		-	(53.6)	-	-	-	(53.6)
Other comprehensive loss, net of tax		-	-	(65.0)	(4.8)	-	(69.8)
Total comprehensive income		-	(53.6)	(65.0)	(4.8)	-	(123.4)
Transactions with owners of the company							
Issue of securities through distribution reinvestment plan	1	10.9	-	-	-	-	10.9
Equity-settled shares		-	(0.3)	-	-	(0.3)	(0.6)
Total transactions with owners of the company		10.9	(0.3)	-	-	(0.3)	10.3
Total equity at 30 June 2020		5,543.9	(2,681.5)	(558.4)	(9.9)	(3,160.8)	(866.7)

1. Retained earnings and total equity are presented after deducting non-controlling interest in controlled entities of $148.0 million (30 June 2020: $199.2 million).
2. The Other reserve represents transactions between equity holders and movements in other reserves resulting from historical business combinations.

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

Consolidated statements of changes in equity

for the half year ended 30 June 2021

SAT1 Group	Note	Contributed equity $m	Retained earnings $m	Capital reserve [1] $m	Other reserve $m	Total equity $m
Total equity at 1 January 2021		2,659.9	369.5	(967.6)	(87.1)	1,974.7
Comprehensive income						
Profit after tax		-	131.9	-	-	131.9
Total comprehensive income		-	131.9	-	-	131.9
Transactions with owners of the company						
Distributions provided for or paid	1	-	-	-	-	-
Total transactions with owners of the company		-	-	-	-	-
Total equity at 30 June 2021		2,659.9	501.4	(967.6)	(87.1)	2,106.6
Total equity at 1 January 2020		2,456.9	215.3	(967.6)	(87.1)	1,617.5
Comprehensive income						
Restated (loss) after tax [2]		-	(2.7)	-	-	(2.7)
Restated total comprehensive income [2]		-	(2.7)	-	-	(2.7)
Transactions with owners of the company						
Issue of securities through distribution reinvestment plan	1	1.0	-	-	-	1.0
Total transactions with owners of the company		1.0	-	-	-	1.0
Restated total equity at 30 June 2020 [2]		2,457.9	212.6	(967.6)	(87.1)	1,615.8

1. The Capital reserve represents amounts transferred from retained profits to facilitate distributions from SAT1 in accordance with the SAT1 constitution.
2. Restated balance, refer to Note 13 for further details.

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

Consolidated statements of cash flows

for the half year ended 30 June 2021

		SAL Group		SAT1 Group	
	Note	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m	6 months to 30 June 2021 $m	6 months to 30 June 2020 $m
Cash flow from operating activities					
Interest received		0.9	3.0	-	-
Related party loan interest received	13	-	-	-	116.5
Receipts from customers		296.9	507.5	-	-
Government subsidies	14	6.1	3.0 [1]	-	-
Payments to suppliers and employees		(143.9)	(214.6) [1]	(3.3)	(6.3)
Net cash flow from/(used in) operating activities		160.0	298.9	(3.3)	110.2
Cash flow from investing activities					
Acquisition of property, plant and equipment		(75.3)	(177.9)	-	-
Capitalised borrowing costs	10	(2.4)	(4.3)	-	-
Indemnity refund	12	41.2	-	41.2	-
Net cash flow (used in)/from investing activities		(36.5)	(182.2)	41.2	-
Cash flow from financing activities					
Airport borrowing costs paid		(144.6)	(189.2)	-	-
Corporate borrowings costs paid		(0.3)	(1.2)	-	-
Repayment of borrowings		(518.7)	-	-	-
Proceeds received from borrowings		-	904.0	-	-
Interest rate swap receipts/(payments)		27.6	(11.7)	-	-
Interest rate swap reset		(53.0)	-	-	-
Proceeds received from distribution reinvestment plan		-	10.9	-	1.0
Distributions paid to securityholders	1	-	(440.4)	-	(117.5)
Acquisition of securities for long-term incentive plan		-	(0.8)	-	-
Net cash flow (used in)/from financing activities		(689.0)	271.6	-	(116.5)
Net (decrease)/increase in cash and cash equivalents		(565.5)	388.3	37.9	(6.3)
Cash and cash equivalents at beginning of the period		1,075.6	625.1	200.1	7.7
Cash and cash equivalents at the end of the period	3	510.1	1,013.4	238.0	1.4

1. Government subsidies have been reclassed from payments to suppliers and employees, to align with current period classification.

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

Notes to the financial statements

for the half year ended 30 June 2021

General

Basis of preparation and statement of compliance

This is the interim financial report for Sydney Airport Limited (SAL) and its controlled entities (collectively referred to as the SAL Group), and Sydney Airport Trust 1 (SAT1) and its controlled entities (collectively referred to as the SAT1 Group). The SAL Group and SAT1 Group (together, the Groups) are for-profit entities for the purposes of preparing the consolidated interim financial statements. The Trust Company (Sydney Airport) Limited (TTCSAL) is the Responsible Entity of SAT1.

This interim financial report:

- Consists of the consolidated interim financial statements of the SAL Group and SAT1 Group, as permitted by Australian Securities & Investments Commission (ASIC) Corporations (Stapled Group Reports) Instrument 2015/838;
- Is to be read in conjunction with the annual report of the Groups for the year ended 31 December 2020 in accordance with the continuous disclosure requirements of the *Corporations Act 2001*;
- Is a general purpose financial report;
- Is prepared in accordance with *Corporations Act 2001*;
- 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;
- Is presented in Australian dollars, which is the functional currency of SAL and SAT1, 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; and
- Complies with Australian Accounting Standard AASB 134: Interim Financial Reporting.

The interim financial report was authorised for issue by the directors of SAL and TTCSAL on 19 August 2021. The directors of SAL and TTCSAL have the power to amend and reissue the interim financial report.

Going concern

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

The SAL Directors reviewed the cash flow projections factoring in the impact of the COVID-19 pandemic on the SAL 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 30 June 2021, the SAL Group was in a net asset position of $1,122.5 million (31 December 2020: $1,037.9 million) and had $2.9 billion in liquidity with $2.4 billion in undrawn bank debt facilities (comprising the syndicated and bilateral facilities - refer to Note 2) and $0.5 billion of available cash. The refinancing of maturing debt is a permitted use under the bank debt facilities. If required, this is sufficient to cover the SAL Group's interest bearing liabilities that are due to expire within 12 months of reporting date with principal value of $200.0 million (carrying value of $199.9 million). This relates to a wrapped domestic bond maturing in November 2021. At the present time, management considers that the COVID-19 pandemic will not impact the Group'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.

With a net current asset position was $238.4 million at 30 June 2021 (31 December 2020: $241.3 million) and the ability to call on a prepayment of cross staple loan principal where required, the going concern basis of accounting is considered appropriate in the preparation of this SAT1 interim financial report.

Net tangible asset backing per security

Net tangible assets (NTA) exclude non-controlling interests and are solely attributable to securityholders. The NTA backing per security was -$2.19 at 30 June 2021 (31 December 2020: -$2.24). This represents an increase of $0.05 or 2.1% (30 June 2020: decrease of $0.03 or 0.8%).

Notes to the financial statements
for the half year ended 30 June 2021

General continued

Significant accounting policies

The accounting policies and methods of computation adopted in the preparation of the interim financial reports are consistent with those adopted and disclosed in the Groups' 31 December 2020 annual financial reports.

Principles of consolidation

For the purpose of this financial report:

- SAL has been identified as the parent of the consolidated group (defined as ASX-listed Sydney Airport) comprising the SAL Group and the SAT1 Group for the periods ended 30 June 2021 and 30 June 2020; and
- SAT1 has been identified as the parent of the SAT1 Group for the periods ended 30 June 2021 and 30 June 2020.

In preparing the consolidated financial statements, all intercompany balances and transactions have been eliminated in full.

Controlled entities

SAT1 Group's net result after tax for the half years ended 30 June 2021 and 30 June 2020 and its contributed equity, reserves and retained earnings at 30 June 2021 and 30 June 2020 are attributed to non-controlling interests in the SAL Group's consolidated financial report.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The consideration transferred in the acquisition is measured at fair value. Acquisition related costs are expensed as incurred in profit or loss, except for costs arising on the issue of equity instruments which are recognised directly in equity.

Identifiable net assets acquired and contingent liabilities assumed in a business combination are measured at fair value at acquisition date, irrespective of the extent of any non-controlling interest. The excess of acquisition cost over the fair value of the Group's share of identifiable net assets acquired is recorded as goodwill.

Acquisition of entities under common control

Acquisition of interests in entities that are under the control of the Group's controlling securityholders are deemed to be common control transactions. The net assets acquired are recognised at the carrying amounts recognised previously in the Group's controlling securityholder's consolidated financial statements. Any difference between the carrying value of net assets acquired and related consideration is held in a common control reserve.

Critical accounting estimates, assumptions and judgements

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

Fair value measurement of financial instruments

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

COVID-19 pandemic

The COVID-19 pandemic has increased the estimation uncertainty in the preparation of this interim financial report. The Group's rationale and explanation of the critical estimates, assumptions and judgements that have been considered in light of the severe consequences of the COVID-19 pandemic for the aviation and airport community for this half year ended 30 June 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 96.2% and 57.5% when compared to the comparative period in 2019, which was prior to any impact from the COVID-19 pandemic. The Group expects the downturn in passenger traffic to persist until government international travel restrictions are eased.

General continued

Allowance for expected credit losses

- Expected credit loss provisions of $24.5 million were recognised across commercial 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 for the period ended 30 June 2021. Concessions in the form of rent abatements of $77.0 million and rent deferrals of $1.0 million were negotiated during the period. Of the abatements, $27.7 million was recognised through ECL expense. $10.4 million in variable abatements was applied against revenue in line with variable lease payments and the remaining $38.9 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 Standards.

  Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term during the first half of 2021 totalled $29.2 million. Of this, $20.0 million and $9.2 million relate to 2020 and 2021 abatements respectively.

The movement in expected credit loss allowance is in Note 9.

Impairment test of goodwill

Management considered the impact of the COVID-19 pandemic on passenger numbers, revenue, operating expenses, capital expenditure and interest rates. No impairment was required.

Impairment assessment on non-current assets

During the interim period 30 June 2021, following Management's review of the capital expenditure, no impairment was made to capital works in progress (30 June 2020: $22.2 million). This is reflected in the Consolidated statements of comprehensive income and in Note 10.

Changes in accounting standards

During the interim period 30 June 2021 the Group initially 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 COVID. This practical expedient has been extended to apply to lease payments originally due on or before 30 June 2021, with application retrospective. These amendments do not apply for lessors, who would need to assess whether any rent concessions granted as a result of COVID-19 is a lease modification. No rent concessions have been received by the Group as a lessee, and as such there has been no impact to these interim financial statements.

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 30 June 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

for the half year ended 30 June 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.

<table>
<tr><th>Notional Foreign currency (m)</th><th>Notional AUD (m)</th><th>Maturity</th><th>Hedge relationship</th><th>Hedging instrument (prior to transition)</th><th>Hedged item</th><th>Transition progress</th></tr>
<tr><td rowspan="3">USD
1,250</td><td rowspan="3">AUD
1,390.9</td><td rowspan="3">2023 to 2034</td><td>Fair value hedge</td><td>Receive benchmark interest rate (LIBOR3m) portion of USD coupon, pay LIBOR3m</td><td>Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond</td><td rowspan="5">The overall economics of the hedging transactions will not be modified as part of the transition process as there is no direct exposure to LIBOR 3m, however, should any benchmark rates change this will be effected in the underlying hedge relationships.
At 30 June 2021 no hedging instruments or related hedged items have transitioned to alternative benchmark rates</td></tr>
<tr><td>Cash flow hedge</td><td>Receive LIBOR3m, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date</td><td>USD principal repayment of the bond from first repayment date until maturity of the bond</td></tr>
<tr><td>Cash flow hedge</td><td>Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m</td><td>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</td></tr>
<tr><td rowspan="2">USD
120</td><td rowspan="2">AUD
116.9</td><td rowspan="2">2023</td><td>Fair value hedge</td><td>Receive benchmark interest rate (LIBOR3m) portion of USD, pay AUD BBSW3m combined with USD and AUD principal exchanges at effective and maturity date</td><td>Benchmark interest rate (LIBOR3m) portion of USD coupons over the life of the bond, and USD principal repayment of the bond</td></tr>
<tr><td>Cash flow hedge</td><td>Receive USD margin above the benchmark interest component of the fixed USD coupon, pay AUD margin above the benchmark BBSW3m</td><td>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</td></tr>
</table>

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

New standards and interpretations not yet adopted

There are no new accounting standards, amendments and interpretations that are effective for the financial year beginning 1 January 2021 that are expected to have a material impact on the Group.

Capital management

1. Distributions paid and proposed

Securityholders' entitlements

SAL

Each ordinary share in SAL entitles its holder to such dividends as may be determined by the SAL directors from time to time. The dividend amount which the directors determine as payable is divisible among holders so that the same sum is paid on each fully paid up share and (if relevant) a proportionate sum is paid on each partly paid up share.

SAT1

Each unit on issue in SAT1 entitles its holder to a distribution of a pro-rata proportion of the SAT1 net income as determined by the Responsible Entity in respect of that income period. The distribution will be distributed to the unitholders within two months of the last day of the income period.

During the half year ended 30 June 2021, no interim distributions were declared or payable by the SAL Group or the SAT1 Group.

Distributions paid and proposed relating to prior periods are shown in the table below. The Groups' distributions are 100% unfranked.

	SAL Group		SAT1 Group	
	6 months to 30 June 2021	6 months to 30 June 2020	6 months to 30 June 2021	6 months to 30 June 2020
Distributions were paid/payable as follows:				
$m				
Final distribution	-	440.4 [1]	-	117.5
Interim distribution	-	-	-	-
Cents per stapled security				
Final distribution	-	19.50 [1]	-	5.20
Interim distribution	-	-	-	-

1. This was the final distribution declared for the year ended 31 December 2019, and paid on 14 February 2020.

Notes to the financial statements
for the half year ended 30 June 2021

Capital management continued

1. Distributions paid and proposed continued

Distribution reinvestment plan

The distribution reinvestment plan (DRP) provides stapled securityholders with a method of automatically reinvesting all or part of their distributions in stapled securities.

As there were no distributions declared for the half year ended 30 June 2021 and year ended 31 December 2020 periods, the DRP was not in operation.

Contributed equity

The movements in the contributed equity balance and number of shares/units on issue is shown in the table below:

	SAL Group		SAT1 Group	
	6 months to 30 June 2021	12 months to 31 December 2020	6 months to 30 June 2021	12 months to 31 December 2020
$m				
Opening balance	7,523.5	5,533.0	2,659.9	2,456.9
Issued pursuant to the DRP	-	10.9	-	1.0
Issue of additonal equity (net of transaction costs and tax)	-	1,979.6	-	202.0
Closing balance	7,523.5	7,523.5	2,659.9	2,659.9
Shares/units on issue (m)				
Opening balance	2,698.7	2,258.6	2,698.7	2,258.6
Issued pursuant to the DRP	-	1.2	-	1.2
Issue of additonal equity	-	438.9	-	438.9
Closing balance	2,698.7	2,698.7	2,698.7	2,698.7

During the year ended 31 December 2020, the Group issued additional equity through an accelerated renounceable entitlement offer. 438.9 million shares/units were issued with equity proceeds of $2,001.3 million received (before transaction costs). Transaction costs of $29.6 million were incurred with a corresponding tax impact of $7.9 million. SAL and SAT1's share of additional equity (net of transaction costs and applicable tax) were $1,777.6 million and $202.0 million respectively.

2. Interest bearing liabilities

The Group's debt comprises the following:

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

The Group's bank debt facilities were fully undrawn at 30 June 2021 and 31 December 2020.

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

At 30 June 2021 and 31 December 2020, 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.

Capital management continued

2. Interest bearing liabilities continued

Type	Maturity	Carrying amount [7]		Fair value		Principal amount drawn: In AUD		Principal amount drawn: In original currency		Issue currency	Interest rate
		30 June 2021 $m	31 Dec 2020 $m	30 June 2021 $m	31 Dec 2020 $m	30 June 2021 $m	31 Dec 2020 $m	30 June 2021 $m	31 Dec 2020 $m		
Wrapped domestic bond [1,6]	November 2021	199.9	199.7	199.9	199.7	200.0	200.0	200.0	200.0	AUD	Floating [3]
Wrapped domestic bond [1]	October 2022	747.9	747.2	748.0	747.2	750.0	750.0	750.0	750.0	AUD	Floating [3]
Wrapped domestic bond [1]	October 2027	652.5	652.0	652.5	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	179.1	179.1	224.3	235.4	180.0	180.0	180.0	180.0	AUD	6.04% [4]
USPP bond	November 2028	57.7	57.7	70.6	74.0	58.0	58.0	58.0	58.0	AUD	5.60% [4]
USPP bond	November 2029	135.4	135.3	169.0	179.0	136.0	136.0	136.0	136.0	AUD	5.70% [4]
USPP bond	February 2034	71.7	73.6	69.7	74.3	62.5	62.5	45.0	45.0	USD	4.25% [4]
USPP bond	February 2039	134.3	134.2	163.2	178.6	135.0	135.0	135.0	135.0	AUD	4.76% [4]
USPP bond	February 2044	99.5	99.4	124.9	137.6	100.0	100.0	100.0	100.0	AUD	4.85% [4]
USPP bond	February 2049	99.5	99.4	128.3	142.9	100.0	100.0	100.0	100.0	AUD	4.90% [4]
USPP bond	June 2035	69.0	67.1	70.3	73.8	77.0	77.2	52.0	52.0	USD	2.83% [4]
USPP bond	June 2035	78.7	78.8	77.3	84.5	80.9	80.9	50.0	50.0	EUR	1.06% [4]
USPP bond	June 2040	99.5	99.5	99.3	109.2	100.0	100.0	100.0	100.0	AUD	3.28% [4,5]
USPP bond	June 2040	219.0	218.9	218.4	240.2	220.0	220.0	220.0	220.0	AUD	3.28% [4]
USPP bond	June 2050	119.5	119.4	122.6	137.9	120.0	120.0	120.0	120.0	AUD	3.53% [4]
Euro bond	April 2024	1,157.5	1,181.6	1,193.1	1,203.9	1,033.4	1,033.4	700.0	700.0	EUR	2.75% [4]
Euro bond	April 2028	839.9	861.4	847.3	862.1	796.1	796.1	500.0	500.0	EUR	1.75% [4]
US144A/RegS bond	February 2021	-	648.4	-	652.7	-	518.7	-	500.0	USD	5.13% [4]
US144A/RegS bond	March 2023	1,146.7	1,130.5	1,159.1	1,138.8	802.4	802.4	825.0	825.0	USD	3.90% [4]
US144A/RegS bond	April 2025	654.5	645.7	714.4	706.1	643.0	643.0	500.0	500.0	USD	3.38% [4]
US144A/RegS bond	April 2026	1,195.9	1,163.0	1,302.6	1,290.3	1,163.4	1,163.4	900.0	900.0	USD	3.63% [4]
CIB [2]	November 2030	415.1	409.8	409.2	422.1	412.6	406.7	412.6	406.7	AUD	3.12% [4]
Total external interest bearing liabilities		8,572.0	9,200.9	8,963.2	9,741.5	8,029.3	8,542.3	n/a	n/a		

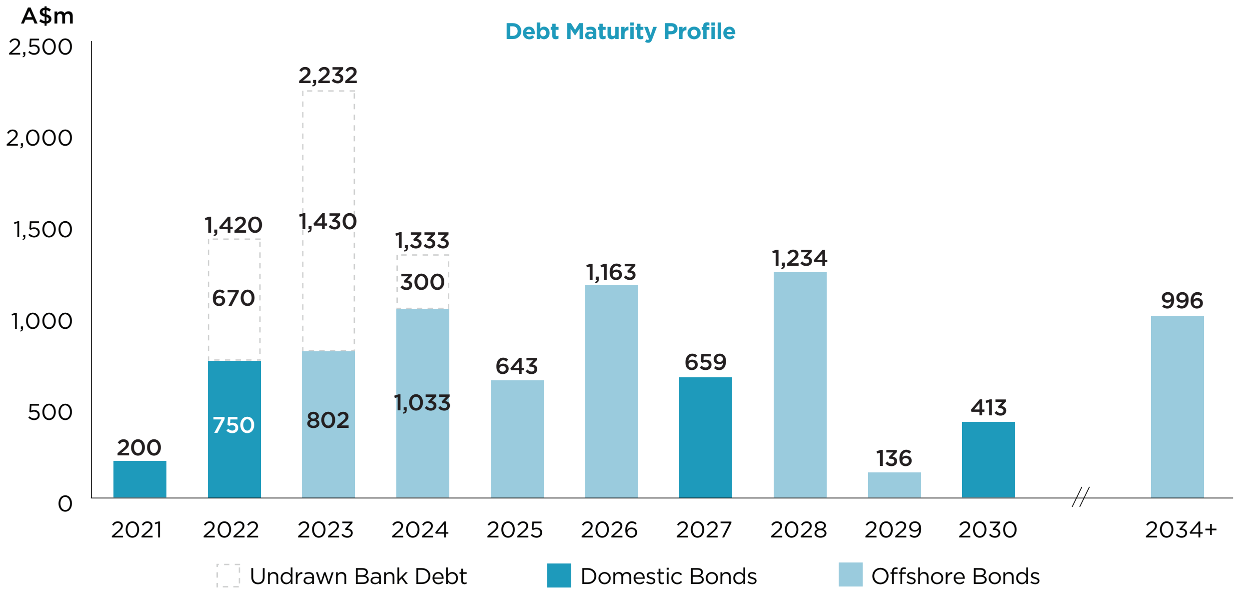
1. Financial guarantees are provided by MBIA Insurance Corporation or Assured Guaranty Municipal Corp.
2. Financial guaranty is provided by Ambac Assurance Corporation.
3. Floating rates are at Bank Bill Swap Rate plus a predetermined margin.
4. Fixed interest rates reflective of coupons in respective currencies/markets.
5. Represents base margin for the sustainability-linked tranche with an opportunity to earn a discount or incur a premium.
6. Classified as Current liability in the Consolidated statement of financial position.
7. Carrying amount includes amortised capitalised establishment costs.

Notes to the financial statements
for the half year ended 30 June 2021

Capital management continued

2. Interest bearing liabilities continued

The maturity profile of interest bearing liabilities as at 30 June 2021 is presented in the chart below.



Assets pledged as security

All external interest bearing liabilities of the Southern Cross Airports Corporation Holdings Limited (SCACH), a wholly owned subsidiary, are of equal rank with respect to security. The security consists of fixed and floating charges over the assets of the SCACH Group (excluding deferred tax and goodwill) and a mortgage over the Airport lease.

3. Cash and cash equivalents

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

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

	SAL Group		SAT1 Group	
	30 June 2021 $m	31 December 2020 $m	30 June 2021 $m	31 December 2020 $m
Cash on hand	268.8	925.8	4.5	200.1
Deposits [1]	241.3	149.8	233.5	-
Total cash and cash equivalents	510.1	1,075.6	238.0	200.1

1. Included in the SAL Group's consolidated deposit balance is $7.8 million (31 December 2020: $11.8 million) held by Sydney Airport Corporation Limited (SACL), which is restricted to fund maintenance capital expenditure.

Treasury and financial risk management

4. Financial risk management

Financial risk management framework

There have been no changes to the Group's financial risk management program during the half year ended 30 June 2021.

4.1 Foreign currency risk

The Group is primarily exposed to foreign currency risk from interest bearing liabilities in foreign currencies. At 30 June 2021, these interest bearing liabilities were 100% hedged through cross currency swaps until maturity of the bonds.

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

	30 June 2021			31 December 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	-	-	-	-	-	-

4.2 Interest rate risk

The Group's interest rate risk arises primarily from interest bearing liabilities with variable interest rates where interest rate movements can impact the Group's cash flow. The Group enters into floating for fixed interest rate swap contracts to hedge the risk of rising interest rates in accordance with the Group's policy.

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

	Average contracted fixed interest rate [1]		Notional principal amount		Fair value	
	30 June 2021 %	31 December 2020 %	30 June 2021 $m	31 December 2020 $m	30 June 2021 $m	31 December 2020 $m
1 year or less	3.35	2.85	700.0	1,618.7	(5.9)	(6.5)
1 to 2 years	2.81	2.66	1,552.4	750.0	(53.7)	(20.9)
2 to 5 years	3.23	3.16	2,235.4	3,037.7	(177.6)	(232.7)
5 years or more	2.67	2.67	5,155.1	5,155.1	(246.0)	(398.7)
	n/a	n/a	9,642.9	10,561.5	(483.2)	(658.8)

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

The weighted average cash interest rate of the Group's interest bearing liabilities was approximately 2.9% annualised for the half year ended 30 June 2021 (31 December 2020: 4.0%). The equivalent rate excluding interest rate swap reset benefits was approximately 4.5% (31 December 2020: 4.7%).

At 30 June 2021, 99.2% of senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through Interest Rate Swaps (IRS) (31 December 2020: 94.6%).

Interest rate swap resets

During the half year, the Group executed a further $2.0 billion of interest rate swap reset transactions. This involved making upfront payments totaling $53.0 million to reduce the contracted fixed interest rates on these swaps to lower current market rates for approximately 12 months. Associated interest expense reductions of $9.4 million have been recognised during the half year ended 30 June 2021, with the remainder of $43.6 million to be incorporated in the results of future reporting periods. Straight line amortisation during the half year period 30 June 2021 of $75.1 million related to all reset swap transactions ($9.4 million for interest rate swap resets executed during the half year ended 30 June 2021 and $65.7 million for interest rate swap resets executed during the year ended 31 December 2020) was recognised in the Statements of comprehensive income during the period. 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 as a result of these transactions.

Notes to the financial statements
for the half year ended 30 June 2021

Treasury and financial risk management continued

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 respectively. 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 in Note 9.

For the SAT1 Group, credit risk on receivables primarily relates to interest income receivable and an interest bearing loan to SAL, a related party.

Other than as described, there are no significant financial assets that have had renegotiated terms that would otherwise, without that renegotiation, have been considered past due or impaired.

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

4.4 Liquidity risk

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

The Group's available liquidity position as at 30 June 2021 was $2.9 billion (31 December 2020: $3.5 billion), comprising $0.5 billion (31 December 2020: $1.1 billion) of available cash and $2.4 billion (31 December 2020: $2.4 billion) of undrawn bank debt facilities.

5. Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks.

The net derivative position at the reporting date is presented below:

	30 June 2021			31 December 2020		
$m	**Cross currency swaps**	**Interest rate swaps**	**Total**	**Cross currency swaps**	**Interest rate swaps**	**Total**
Current assets	42.2	-	42.2	149.9	-	149.9
Non-current assets	514.4	22.8	537.2	543.3	0.5	543.8
Current liabilities	(1.7)	(92.7)	(94.4)	(24.8)	(52.8)	(77.6)
Non-current liabilities	(14.2)	(413.3)	(427.5)	(63.6)	(606.4)	(670.0)
Net derivative position	540.7	(483.2)	57.5	604.8	(658.7)	(53.9)

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

At 30 June 2021 and 31 December 2020, all derivative financial instruments were determined based on observable market inputs and categorised as Level 2 financial instruments per the fair value measurement hierarchy.

Treasury and financial risk management continued

6. Net finance costs

		SAL Group		SAT1 Group	
		6 months to 30 June 2021 $m	6 months to 30 June 2020 $m	6 months to 30 June 2021 $m	Restated 6 months to 30 June 2020 [3] $m
Finance income					
Interest income from other corporations [1]		5.5	2.5	0.1	-
Interest income from related parties [4]	13	-	-	120.8	116.5
Total finance income		5.5	2.5	120.9	116.5
Finance costs					
Senior debt interest expense		(107.9)	(167.1)	-	-
Net swap interest income/(expense)		1.3	(33.6)	-	-
Capital indexed bonds capitalised		(6.4)	(13.2)	-	-
Amortisation of debt establishment costs		(4.1)	(5.7)	-	-
Recurring borrowing costs		(5.4)	(2.8)	-	-
Lease interest expense		(0.1)	(0.1)	-	-
Borrowing costs – capitalised		2.4	4.3	-	-
Interest waived [5]		-	-	-	(117.1)
Total finance costs		(120.2)	(218.2)	-	(117.1)
Change in fair value of swaps [2]		(70.6)	6.8	-	-
Net finance costs		(185.3)	(208.9)	120.9	(0.6)

1. $4.7 million relates to the interest income on the receivable for the Sydney Gateway transaction (30 June 2020: nil). Refer to Note 9.
2. Includes amortisation of swap reset costs of $75.1 million (30 June 2020: nil), refer to Note 4.2 for further details.
3. Restated balance, refer to Note 13 for further details.
4. As agreed with SAT1 no interest will be paid by SAL from 1 January to 30 June 2021. The interest will capitalise to the outstanding principal in accordance with the cross staple loan agreement. Refer to Note 13 for further details.
5. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL in respect of the period 1 July 2020 to 31 December 2020. Refer to Note 13 for further details.

Notes to the financial statements

for the half year ended 30 June 2021

Financial results and financial position

7. Segment reporting

The CEO monitors and manages the SAL Group from the perspective of its core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the half year represents earnings before interest, tax, depreciation and amortisation (EBITDA).

The segment's revenues, expenses, assets and liabilities are as presented in the consolidated statements of comprehensive income and statement of financial position.

All revenue is generated from external customers within Australia.

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

Sydney Airport's revenues, expenses, assets and liabilities are consolidated and accounted for in accordance with the Group's accounting policies.

8. Taxation

SAL and its subsidiaries are members of a tax-consolidated group (SAL TCG) under Australian income tax law, with SAL the head entity. The SAL TCG held tax losses of $992.3 million at 30 June 2021 (31 December 2020: $795.7 million including $50.7 million capital losses). During the period $247.3 million of additional tax losses were incurred and $50.7 million of tax losses utilised, resulting in the recognition of a deferred tax asset of $297.7 million which is included on the balance sheet in deferred tax liabilities (31 December 2020: $238.8 million).

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 (SAL TSA) 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.

9. Receivables

	SAL Group		SAT1 Group	
	30 June 2021 $m	31 December 2020 $m	30 June 2021 $m	31 December 2020 $m
Current				
Trade receivables	146.0	135.1	-	-
Allowance for expected credit loss	(74.6)	(61.3)	-	-
Net trade receivables	71.4	73.8	-	-
Accrued contract revenue	25.9	19.1	-	-
Other receivables [1,3]	260.2	279.1	1.7	41.9
Total current receivables	357.5	372.0	1.7	41.9
Non-current				
Loans to related parties [2]	-	1.4	1,917.3	1,796.5
Accrued contract revenue	6.2	6.6	-	-
Other receivables [3]	153.0	134.1	0.7	-
Total non-current receivables	159.2	142.1	1,918.0	1,796.5

1. $194.5 million (2020: $189.8 million) relates to the Gateway receivable for the agreement reached in September 2018 between SACL, a wholly-owned subsidiary of the 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. $70.0 million in respect of this agreement was received in July 2021, with the remaining balance expected to be received by the fourth quarter of 2021.
2. Refer to Note 13 for further detaills on SAT1 Group's balance of $1,917.3 million.
3. Abatements to be amortised against future revenues of $85.8 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 $47.7 million (2020: $43.6 million). The remainder has been classified as Non-current of $38.1 million (2020: $22.4 million).

Financial results and financial position continued

9. Receivables continued

The movement in allowance for expected credit losses (ECL) is shown below:

	$m
As at 1 January 2020	(0.1)
New and increased provisions	(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 [1]	(52.2)
Receivables provided for now written off as uncollectible	38.9
Balance at 30 June 2021	(74.6)

1. Expected credit loss expense in the Consolidated statements of comprehensive income (30 June 2020: $68.4 million).

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

Credit risk on receivables relate to aeronautical, retail and property trade receivables at the Airport asset level. With the operational and liquidity pressures on the Group's aeronautical and commerical debtors following the impact of COVID-19, the Group assessed the recoverability of receivables on an individual debtor basis. The assessment was 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 in the form of rent abatements of $77.0 million (31 December 2020: $142.8 million) and rent deferrals of $1.0 million (31 December 2020: $8.4 million) were negotiated during the period. Of the abatements, $27.7 million (31 December 2020: $52.5 million) was recognised through ECL expense. $10.4 million (31 December 2020: nil) in variable abatements was applied against revenue in line with variable lease payments and the remaining $38.9 million (31 December 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 Standards.

Abatements in 2020 and 2021 that have been recognised as a reduction to revenue over the remaining lease term during the first half of 2021 totalled $29.2 million (31 December 2020: $24.3 million). Of this, $20.0 million and $9.2 million relate to 2020 and 2021 abatements respectively.

The provisions during the half year ended 30 June 2021 represents the Group's judgement based on information available at the time on the recoverability of its aeronautical and commercial debtors. $52.2 million (31 December 2020: $93.9 million) was recognised through the Consolidated statements of comprehensive income during the period. This is made up of $27.7 million (31 December 2020: $52.5 million) of abatements expensed to ECL as described above, and provisions for doubtful debts and rent deferrals of $24.3 million (31 December 2020: $36.2 million) and $0.2 million (31 December 2020: $5.2 million) respectively.

Notes to the financial statements

for the half year ended 30 June 2021

Financial results and financial position continued

10. Property, plant and equipment

SAL Group ($m)	Freehold land	Buildings	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 30 June 2021								
Cost								
Opening balance as at 1 January 2021	11.4	3,082.2	1,034.4	1,431.5	545.0	461.8	374.5	6,940.8
Additions [1]	-	-	-	-	-	0.5	67.6	68.1
Transfers	-	14.5	45.5	8.1	31.8	84.5	(184.4)	-
Closing balance	11.4	3,096.7	1,079.9	1,439.6	576.8	546.8	257.7	7,008.9
Accumulated depreciation								
Opening balance as at 1 January 2021	(1.6)	(1,589.0)	(458.4)	(659.7)	(393.6)	(366.0)	-	(3,468.3)
Depreciation	(0.2)	(82.5)	(20.0)	(36.2)	(12.2)	(30.2)	-	(181.3)
Closing balance	(1.8)	(1,671.5)	(478.4)	(695.9)	(405.8)	(396.2)	-	(3,649.6)
Total carrying amount	9.6	1,425.2	601.5	743.7	171.0	150.6	257.7	3,359.3
At 31 December 2020								
Cost								
Opening balance as at 1 January 2020	11.4	3,054.0	1,027.5	1,332.2	542.6	425.4	252.1	6,645.2
Additions [1]	-	-	-	-	-	-	323.8	323.8
Impairment	-	-	-	-	-	-	(28.2)	(28.2)
Transfers	-	28.2	6.9	99.3	2.4	36.4	(173.2)	-
Closing balance	11.4	3,082.2	1,034.4	1,431.5	545.0	461.8	374.5	6,940.8
Accumulated depreciation								
Opening balance as at 1 January 2020	(1.5)	(1,411.9)	(419.2)	(587.5)	(368.6)	(323.9)	-	(3,112.6)
Depreciation	(0.1)	(177.1)	(39.2)	(72.2)	(25.0)	(42.1)	-	(355.7)
Closing balance	(1.6)	(1,589.0)	(458.4)	(659.7)	(393.6)	(366.0)	-	(3,468.3)
Total carrying amount	9.8	1,493.2	576.0	771.8	151.4	95.8	374.5	3,472.5

1. Capital works in progress additions of $67.6 million includes capitalised borrowing costs of $2.4 million. The 31 December 2020 full year additions included capitalised borrowing cost of $7.2 million.

The Group recognised no impairments to property, plant and equipment during the half year ended 30 June 2021.

During the year ended 31 December 2020, the Group undertook a review and re-prioritisation of projects due to the impact of COVID-19, which resulted in impairments totaling $28.2 million (30 June 2020: $22.2 million).

Financial results and financial position continued

11. Intangible assets

SAL Group ($m)	Goodwill	Concession and customer contracts	Airport operator licence	Leasehold land	Total
Useful life (years)	n/a	7-16	95	95	
At 30 June 2021					
Cost					
Opening balance as at 1 January 2021	682.1	162.3	5,607.8	1,949.2	8,401.4
Closing balance	682.1	162.3	5,607.8	1,949.2	8,401.4
Accumulated amortisation					
Opening balance as at 1 January 2021	-	(162.1)	(867.4)	(298.0)	(1,327.5)
Amortisation	-	-	(31.0)	(10.8)	(41.8)
Closing balance	-	(162.1)	(898.4)	(308.8)	(1,369.3)
Total carrying amount	682.1	0.2	4,709.4	1,640.4	7,032.1
At 31 December 2020					
Cost					
Opening balance as at 1 January 2020	682.1	162.3	5,607.8	2,038.1	8,490.3
Disposals	-	-	-	(88.9)	(88.9)
Closing balance	682.1	162.3	5,607.8	1,949.2	8,401.4
Accumulated amortisation					
Opening balance as at 1 January 2020	-	(161.6)	(805.7)	(292.6)	(1,259.9)
Amortisation	-	(0.5)	(61.7)	(22.5)	(84.7)
Disposals	-	-	-	17.1	17.1
Closing balance	-	(162.1)	(867.4)	(298.0)	(1,327.5)
Total carrying amount	682.1	0.2	4,740.4	1,651.2	7,073.9

Airport operator licence and Leasehold land explained

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

An independent valuation was conducted in 2007 valuing the leasehold land and the intrinsic value of operating the land as an airport.

Impairment test of goodwill

Management considered the impact of the COVID-19 pandemic on passenger numbers, revenue, operating expenses, capital expenditure and interest rates. No impairment was required.

Notes to the financial statements

for the half year ended 30 June 2021

Financial results and financial position continued

12. Provisions

	SAL Group		SAT1 Group	
	2021 $m	2020 $m	2021 $m	2020 $m
Current				
Employee benefits	9.1	8.5	-	-
Total current provision	9.1	8.5	-	-
Non-current				
Employee benefits	3.8	3.8	-	-
Indemnity provision	49.8	63.1	49.8	63.1
Total non-current receivables	53.6	66.9	49.8	63.1

Indemnity provision

In 2011, the SAT1 Group sold stakes in both Copenhagen Airport and Brussels Airport to Ontario Teachers' Pension Plan Board (OTPP). In prior years, the Danish Tax Agency (DTA) issued assessments to Copenhagen Airports Denmark Holdings (CADH) in respect of dividend and interest withholding tax amounts for the 2006 – 2011 years inclusive. In response to demands from the DTA in 2017, CADH paid all disputed interest withholding tax liabilities. As OTPP is indemnified by SAT1 for its 52% share of any liabilities of CADH arising in respect of these matters, OTPP issued indemnity claims for SAT1's share of those liabilities which were paid by SAT1 to OTPP in November 2017. This was recognised as a non-current receivable in the 31 December 2017 and 2018 Financial Reports. The assessments are currently being contested in the Danish High Court with resolution unlikely to be before 2022.

SAL and SAT1 announced on 24 May 2019 that decisions of the Court of Justice of the European Union (ECJ decisions), although not in relation to CADH's interest and dividend withholding tax disputes being contested in the Danish High Court, had prompted reconsideration of the status of the indemnities provided by SAT1. Following analysis of all relevant information available to it at that time, SAT1 determined in the 31 December 2019 Financial Report to:

- Expense the $119.1 million non-current receivable which had been recognised in the 31 December 2018 Financial Report (Note 9) relating to the interest withholding tax indemnity; and
- Provide $63.1 million as a non-current provision for a possible call on the indemnity in respect of the dividend withholding tax matter. This provision reflected the Group's estimate of a final indemnity call which would be payable if an unfavourable resolution of the dispute had occurred as at 31 December 2019, including primary tax and additional interest accrued to that date. The non-current provision was to be escalated by around $6.0 million per annum in potential additional interest for as long as the dividend withholding tax matter remained unresolved in the Danish High Court. No income tax benefit has been recognised against the indemnity expense.

On 24 June 2020, the DTA announced that:

- It had since 2008 incorrectly applied the rules concerning the application of interest in withholding tax cases currently before the Danish courts;
- It would review and recalculate interest in all affected cases;
- It would revise assessments and repay excess interest which had previously been paid; and
- It expected to finalise this process by the end of 2020.

On 21 December 2020, the DTA issued a revised interest calculation to CADH and, on 28 December 2020, repaid overcharged interest to CADH in respect of the interest withholding tax matter, followed by a payment of compensatory interest on the overcharged amount. Under the indemnity arrangements, OTPP is required to pay SAT1 52% of such amounts, net of costs incurred in pursuing the litigation. At 31 December 2020, SAT1 accordingly recognised $41.9 million as a receivable from OTPP. This reflected a partial write back of the $119.1 million previously expensed in relation to the interest withholding tax indemnity.

Financial results and financial position continued

12. Provisions continued

During the six months ended 30 June 2021:

- SAT1 received an indemnity refund of $41.2 million from OTPP in relation to the DTA's announcement in 2020 that it had overcharged interest on the interest withholding tax matter. The refund reflected a foreign exchange loss of $0.7 million on the $41.9 million receivable. The foreign exchange loss of $0.7 million was recognised during the period;
- Following the refund, SAT1 recognised an additional receivable of $1.7 million as a result of further revisions by the DTA of its interest calculation in the interest withholding tax matter; and
- SAT1 reduced its provision in respect of the dividend withholding tax matter by $13.3 million to $49.8 million following advice that, in the event of an unfavourable outcome, the DTA would apply the same revised methodology for charging interest as it now has in the interest withholding tax matter.

CADH (in agreement with SAT1) continues to vigorously contest these matters in the Danish High Court. SAT1 has incurred expenditure of $0.8 million during the half year period to continue to fully explore options currently available.

These transactions total $13.5 million reflected in the Consolidated statements of comprehensive income as at 30 June 2021.

There remains uncertainty as to the outcome of the litigation which has the potential to change SAT1's accounting determinations described above.

Notes to the financial statements
for the half year ended 30 June 2021

Other disclosures

13. SAT1 and SAL cross staple loan

Under the terms of the cross staple loan (the loan), Sydney Airport Limited (SAL) is required to pay SAT1 interest in advance on the outstanding principal amounts at the beginning of an interest period. On 9 June 2020 The Trust Company (Sydney Airport) Limited as Responsible Entity of SAT1 executed a Deed Poll in favour of SAL. Under the Deed Poll, SAT1 agreed to waive its right to interest payable by SAL. Whilst the financial statements for the year ended 31 December 2020 reflected this in full, the impact of the interest waiver should have been included in the financial statements of SAT1 on the date at which the waiver was granted and therefore in the 30 June 2020 SAT1 financial statements.

The SAT1 Group identified this matter and has corrected the accounting to include the impact of the interest waiver in the SAT1 accounts. Adjustments have been made to Finance costs and Equity within the SAT1 accounts.

The following table summarises the consolidated financial statement line items affected by the restatement in the SAT1 Group.

In addition the SAT1 Group agreed not to receive interest from SAL for the six months from 1 January 2021 to 30 June 2021, and for the following six month period from 1 July 2021 to 31 December 2021. As no interest will be paid, the interest will capitalise to the outstanding principal in accordance with the cross staple loan agreement.

SAT1 Group

30 June 2020	Previously Reported $'m	2020 Adjustment $'m	2020 Restated $'m
Statement of total comprehensive income			
Finance costs	-	(117.1)	(117.1)
Net finance costs	116.5	(117.1)	(0.6)
Profit/(loss) before income tax benefit	114.4	(117.1)	(2.7)
Profit/(loss) after income tax benefit	114.4	(117.1)	(2.7)
Total comprehensive income/(loss)	114.4	(117.1)	(2.7)
Basic and diluted earnings/(loss) per unit from profit/(loss) after income tax	5.06	(5.18)	(0.03)
Statement of changes in equity			
Profit/(loss) after tax	114.4	(117.1)	(2.7)
Total comprehensive income/(loss) for the year	114.4	(117.1)	(2.7)
Balance at 30 June 2020	329.7	(117.1)	212.6

The related party principal balance at 30 June 2021 was $1,917.3 million (31 December 2020: $1,796.5 million).

14. Government assistance

The SAL Group recognised $2.6 million (30 June 2020: $5.0 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 expense in the Consolidated statement of comprehensive income for the half year ended 30 June 2021, as permitted by AASB 120 *Government Grants*. Excluding the impact of JobKeeper, the Employee benefits expense would have been $30.7 million for the half year ended 30 June 2021 (30 June 2020: $27.3 million).

The SAL Group received $3.9 million cash in respect of JobKeeper assistance in the half year ended 30 June 2021 (30 June 2020: $3.0 million). This is reflected in the Consolidated statement of cashflows.

Sydney Airport, as an eligible airport under the Domestic Airports 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 concludes in December 2021. Sydney Airport has received $2.2 million from DASCS during the period ended 30 June 2021. This was recognised as part of Aeronautical security revenue in the Consolidated statement of comprehensive income and reflected in the Consolidated statement of cashflows.

Other disclosures continued

15. Events occurring after balance sheet date

Aeronautical agreements

The Group has concluded negotiations with the Board of Airline Representatives Australia (BARA) on behalf of member airlines for international services. This negotiated agreement extends the pricing and service provisions under the previous agreement for another 12 months to 30 June 2022 on broadly the same terms and conditions. Sydney Airport is now in the process of contracting with BARA airlines individually.

An agreement was reached to extend the current aeronautical arrangements for Jetstar domestic and Qantas Group domestic runway and international operations until 30 June 2022. In addition, Sydney Airport and Qantas have reached an in-principle agreement for 12 months until 30 June 2022, extending Qantas' use of the Jet Base and associated infrastructure.

Discussions with Virgin Australia Group in relation to an extension of its current domestic aeronautical arrangements remain ongoing.

Further Government actions in response to COVID-19 pandemic

Subsequent to balance date, the impact of the COVID-19 pandemic has continued to evolve with the NSW Government having issued stay-at-home orders for Greater Sydney and regional NSW. All states and territories have announced a temporary closing of the border to residents of NSW, in addition to further travel restrictions imposed by other states across the country. These actions have had an adverse impact on domestic traffic levels.

Sydney Gateway consideration

Following the de-recognition of certain leasehold land sites during the year ended 31 December 2020, compensation receivable from the NSW Government was recognised of $189.8 million. This has escalated by interest of $4.7 million to $194.5 million at 30 June 2021 based on terms of the September 2018 agreement.

In July 2021 the first $70.0 million of consideration was received, with the balance of the consideration expected to be received in the fourth quarter of 2021.

Interest rate swap resets

Subsequent to balance date, the Group has executed interest rate swap reset transactions over approximately 12 months with upfront payments totaling $128.4 million. Associated interest expense reductions and related amortisation will be incorporated in the results of future reporting periods.

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

Unsolicited, conditional and non-binding proposal to acquire Sydney Airport

On 5 July 2021 Sydney Airport announced that it had received an unsolicited, conditional and non-binding proposal from a consortium of infrastructure investors to acquire 100% of the stapled securities in Sydney Airport. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. On 15 July, both Boards unanimously concluded that the indicative proposal undervalued Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

On 16 August 2021 Sydney Airport announced that it had received a revised indicative, conditional and non-binding proposal from the consortium to acquire 100% of the stapled securities in Sydney Airport by way of scheme of arrangement and trust scheme. Both the SAL and SAT1 Boards considered the indicative proposal, including obtaining advice from their financial and legal advisers. The two Boards unanimously concluded that the revised indicative proposal continues to undervalue Sydney Airport, was not in the best interests of securityholders and rejected the proposal.

Other than these items, the directors of SAL and TTCSAL are not aware of any matter of circumstance not otherwise dealt with in the Financial Report 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 half year ended 30 June 2021.

Statement by the Directors of Sydney Airport Limited

In the opinion of the Directors of Sydney Airport Limited (SAL):

a. the consolidated interim financial statements and notes for SAL set out on pages 23 to 47 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and

   ii. giving a true and fair view of the SAL Group's financial position at 30 June 2021 and of its performance for the half year ended on that date.

b. there are reasonable grounds to believe that the SAL Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors pursuant to section 303(5) of the *Corporations Act 2001*.

David Gonski AC
Sydney
19 August 2021

John Roberts
Sydney
19 August 2021

Statement by the Directors of the Responsible Entity of Sydney Airport Trust 1

In the opinion of the Directors of The Trust Company (Sydney Airport) Limited, the Responsible Entity of Sydney Airport Trust 1 (SAT1):

a. the consolidated interim financial statements and notes for SAT1 set out on pages 23 to 47, are in accordance with the *Corporations Act 2001*, including:

   i. complying with Australian Accounting Standards AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory reporting requirements; and

   ii. giving a true and fair view of the SAT1 Group's financial position at 30 June 2021 and of its performance for the half year ended on that date.

b. there are reasonable grounds to believe that SAT1 will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors pursuant to section 303(5) of the *Corporations Act 2001*.

Anne Rozenauers
Sydney
19 August 2021

Patrick Gourley
Sydney
19 August 2021

Sydney Airport

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