

Southern Cross Airports Corporation Holdings Limited

General Purpose Financial Report

For the Financial Year Ended 31 December 2023

ACN: 098 082 029

COMMERCIAL IN CONFIDENCE

Southern Cross Airports Corporation Holdings Limited

For the year ended 31 December 2023

Directors' Report	3
Directors' Declaration	12
Lead auditor's independence declaration to directors	13
Independent auditor's report	14
Consolidated statement of comprehensive income	20
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows	24
Notes to the financial statements	
1. General	25
2. Dividends and distributions	29
3. Interest bearing liabilities	29
4. Cash and cash equivalents	33
5. Financial risk management	34
6. Derivative financial instruments	37
7. Net finance costs	41
8. Trade and other receivables	42
9. Property, plant and equipment	43
10. Intangible assets	44
11. Taxation	46
12. Payables and unearned revenue	47
13. Superannuation plan	48
14. Group structure and parent entity	50
15. Related party disclosures	53
16. Remuneration of auditors	53
17. Operating lease receivable arrangements	53
18. Segment reporting	54
19. Subsequent events	54

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

The audited general purpose financial report for the year ended 31 December 2023 covers the consolidated entity (the Group) comprising Southern Cross Airports Corporation Holdings Limited (SCACH, the Company) (ACN 098 082 029) and its controlled entities. From the 9 March 2022, the ultimate parent entity is Sydney Aviation Alliance Holdings Pty Ltd. Previously, the ultimate parent was Sydney Airport Limited (SAL). The Group's functional and presentation currency is Australian Dollars (\$), rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars.

Directors

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

Name	Role	Start of directorship	End of directorship
David Gonski AC	Chair	Appointed chair on 1 August 2022	n/a
Ash Barker	Non-executive director	9 March 2022	n/a
Ari Droga	Non-executive director	9 March 2022	n/a
Nik Kemp	Non-executive director	9 March 2022	n/a
Michael Byrne	Non-executive director	16 March 2022	n/a
David Higgins	Non-executive director	16 March 2022	n/a
Sandra Lee	Non-executive director	16 March 2022	n/a
Margaret Staib AM CSC	Non-executive director	16 March 2022	n/a
Robert Stewart	Non-executive director	16 March 2022	13 September 2023
	Alternate director for David Higgins	13 September 2023	n/a
Mark Turner	Non-executive director	16 March 2022	n/a
Deborah O'Toole	Non-executive director	1 August 2022	n/a
Mark Johnson	Non-executive director	1 October 2022	n/a
Virasb Vahidi	Non-executive director	13 September 2023	n/a
Nicholas Buddicom	Alternate director for Ari Droga	16 March 2022	n/a
Veeral Kanji	Alternate director for Robert Stewart	16 March 2022	13 September 2023
	Alternate director for Virasb Vahidi	13 September 2023	n/a
Scott Telesz	Alternate director for David Higgins	16 March 2022	13 September 2023
Kit Lee	Alternate director for Ash Barker and Mark Turner	23 March 2023	n/a
Marie Duncan	Alternate director for Nik Kemp	6 November 2023	n/a
Louis Scott Charlton	Executive director	4 December 2023 (Appointed CEO) (SCACH, SACL, SCAC, FINCO, RPSCO)	n/a
Geoff Culbert	Executive director	21 February 2018 (Appointed CEO on 15 January 2018) (SCACH, SACL, SCAC, FINCO, RPSCO)	1 December 2023

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Director profiles of SCACH

David Gonski AC BCOM, LLB, FAICD (Life), FCPA Independent Chair	Mr Gonski is Chancellor of the University of New South Wales, President of the Art Gallery of NSW Trust, Non-Executive Chairperson of Barrenjoey Capital Partners Group Holdings Pty Limited, Chair of Levande Living and a member of the Board of the Lowy Institute for International Policy. He has been the chair of many listed and unlisted for-profit and not-for-profit entities, including the Australian and New Zealand Banking Group Ltd. Mr Gonski was appointed a Companion of the Order of Australia in 2007 and received the Centenary Medal in 2003.
Ash Barker LLB (Hons), BCOM Non-executive	Mr Barker leads the Australian infrastructure M&A activities of IFM Investors' managed and advised funds, and the origination, execution and management of infrastructure investments. Mr Barker has extensive experience in a variety of senior infrastructure, private equity and related roles. His previous experience includes positions at Hastings Funds Management and Credit Suisse First Boston. At IFM Investors, Mr Barker led the successful divestment of Pacific Hydro, acquisition of Ausgrid and investment in Sydney Airport. Mr Barker previously served as a board member of Ausgrid, NSW Ports and Northern Territory Airports.
Ari Droga BA, LLB, LLM Non-executive	Mr Droga joined Global Infrastructure Partners (GIP) in 2008 and is a Partner of GIP, based in Sydney. Mr Droga has over 30 years' investment and advisory experience, mostly in the infrastructure sector. He is a former board member of the Museum of Contemporary Art Australia (MCA), a former chair of the MCA Foundation, and a former board member and deputy chair of The Biennale of Sydney. Prior to joining GIP, Mr Droga held senior investment banking roles, locally and globally.
Nik Kemp BE (Hons), BCOM Non-executive	Mr Kemp is Head of Infrastructure at AustralianSuper and has over 20 years' experience in investing in the infrastructure sector. The portfolio he oversees has over \$30 billion of funds under management and includes assets in Australia, North & South America, Europe and Asia. Prior to joining AustralianSuper in 2013, Mr Kemp was a founding director at Capella Capital, and before that was a member of the infrastructure teams at Babcock and Brown, and ABN AMRO. Mr Kemp has spent time working in the UK for Henderson Global Investors and started off his career as a management consultant at the Boston Consulting Group in Melbourne.
Michael Byrne MS, MAICD Non-executive	Mr Byrne has been a Director of NSW Ports since July 2020. He has over 30 years' experience as a non-executive director and leader within the logistics, supply chain, retail and property sectors. He currently serves on the Ausgrid Asset, Management, Finance and Operator Partnership, and Peel Ports (UK and Ireland) Boards. He is also a Senate member for the University of Western Australia and leads the Talent and Capability Think Tank for Deakin University. Most recently he was Managing Director, Chief Operating Officer and Director of Toll Holdings Limited and prior to this held roles including Chief Executive Officer of Coates Hire, Linfox and Westgate Holdings, as well as Non-Executive Director of Australia Post. Mr Byrne has also served on numerous government boards advising on transportation, infrastructure, food security and security matters. He has also held board positions with OzHarvest (a food charity) and education committees for Victoria University and the University of Denver.
David Higgins BCE, FINSIA, FICE, FEng Non-executive	Sir David Higgins was appointed non-executive Chairman of Gatwick Airport in January 2017. As Chief Executive of Network Rail, Sir David initiated a major reform programme focusing on transparency, value for money and accountability. Sir David also served as Chief Executive of the organisation responsible for the delivery of the London 2012 Olympic Games, the Olympic Delivery Authority, establishing the organisation and negotiating the overall budget with HM Treasury, and led the commercial negotiations for Stratford City, London & Continental Railways, Lend Lease and Westfield. He was appointed Chairman of United Utilities in January 2020.
Sandra Lee BEc, CPA, F Fin, GAICD Non-executive	Ms Lee is Head of Private Markets at UniSuper and has over 25 years' experience in the investment management and financial services industry. Ms Lee joined UniSuper in 2008 from Perpetual Investments and prior to that, held senior roles at NAB. Ms Lee oversees UniSuper's infrastructure and private equity activities, including sector coverage of domestic and global listed infrastructure, with investments over \$15 billion. UniSuper is one of Australia's largest superannuation funds with assets under management in excess of \$110 billion. Ms Lee is a director on the boards of Plenary Health (Victorian Comprehensive Cancer Centre) and Aquasure (Victorian Desalination plant).

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Director profiles of SCACH continued

Margaret Staib AM CSC BBUS MA MBUS (LOG) Non-executive	Ms Staib is a non-executive director of the Australian Royal Aeronautical Society. Ms Staib commenced her professional career as a military logistician with the Australian Air Force, after completing a Business Degree at the University of Southern Queensland. Her military service included holding the position of Commander Joint Logistics and Commandant of the Australian Defence Force Academy. From the Air Force, Ms Staib continued her executive career as the CEO and Managing Director of Air Services Australia. There, she led significant transformation in air safety, air navigation technology and cultural change. Her expertise is in defence, national security, transport and logistics, aviation and aerospace, cultural change, and organisational transformation.
Robert Stewart BCOM, MBA Alternate non-executive	Mr Stewart is a Partner and the Managing Partner of GIP Australia, having joined the firm in 2015. Prior to joining GIP, Mr. Stewart was the CEO of Credit Suisse Australia and from 2000 to 2013 he was the head of the Australia Investment Banking Division. Mr. Stewart began his career as a chartered accountant with Ernst and Whinney (a predecessor to Ernst and Young).
Mark Turner BCOM (Hons), DipArts (PolSc) Non-executive	Mr Turner is an Executive Director at IFM Investors, where he is actively involved in investment management and transaction activities across the transport, utilities, and energy sectors. Mr Turner has previously served as a board member for NSW Ports. Prior to joining IFM Investors in 2013, Mr Turner worked in investment banking at Lazard across the infrastructure and resources sectors.
Deborah O'Toole BA, LLB Non-executive	Ms O'Toole has extensive executive experience across a number of sectors including over 20 years in the mining industry and, more recently, in transport and logistics which included managerial, operational and financial roles. She has been Chief Financial Officer in three ASX-listed companies, the most recent being Aurizon Holdings Limited. She is an experienced Non-Executive Director over many years and currently serves as Chair of Transurban Queensland, and as an independent director of Pacific National Rail Group, Great Southern Bank (formerly Credit Union Australia), Alumina Limited and Sims Limited.
Mark Johnson BCOM, FCA, FAICD, CPA Non-executive	Mr Johnson has 35 years' experience as an accountant with Coopers & Lybrand and then PwC, including as PwC's National Assurance Leader in Australia from 2003 to 2007 and then as its Chief Executive Officer, Australia and Deputy Chairman, Asia Pacific from 2008 to 2012. Mr Johnson has also had an extensive non-executive director career for over a decade, having previously served on the boards of directors of Coca-Cola Amatil, G8 Education, MH Premium Farms, Westfield Group, HSBC and Corrs Chambers Westgarth. Mr Johnson is currently a non-executive director of Boral Limited, Goodman Group (and Chair of its Audit Committee), Metcash Trading Limited, The Hospitals Contribution Fund of Australia (Chairman) and Aurecon (and Chair of its Audit Committee). In the community, he is a Councillor of UNSW Sydney.
Virasb Vahidi MBA, BS Non-executive	Mr Vahidi is a Partner at Global Infrastructure Partners, where he focusses on value creation in portfolio companies and evaluating new business, technologies, and sectors. Mr Vahidi has a long track record of transforming and building business by putting the customer at the centre of every aspect of the enterprise. Mr Vahidi has over 29 years of commercial, financial and operational experiences in diverse industries including finance, media, transport, telecommunications, and technology.
Nicholas Buddicom BE (Hons), BCOM (Hons) Alternate non-executive	Mr Buddicom is a Principal at GIP. He joined GIP in London in 2010, before relocating to Sydney in 2019. During this time, Mr. Buddicom has been closely involved with several of GIP's investments in the transportation and energy sectors, across both Australia and Europe. He currently serves as an alternate director of Pacific National. Prior to joining GIP, Mr. Buddicom worked in the investment banking division of First NZ Capital in Auckland, New Zealand.
Veeral Kanji BE (Hons), BCOM Alternate non-executive	Mr Kanji joined GIP in London at its inception in 2006. He joined the GIP Australia team in 2015 and is based in Sydney. Mr Kanji has been actively involved with several of GIP's investments in Australia and globally. He is a member of the Board of Directors of Port of Melbourne. Prior to joining GIP, Mr Kanji worked in the Investment Banking Division of First NZ Capital in Auckland, New Zealand.

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Director profiles of SCACH continued

Scott Telesz BSEE, MBA Former Alternate non-executive	Mr Telesz is an Operating Partner at GIP, having joined GIP in 2018. Prior to joining GIP, he spent 28 years in a variety of operational leadership roles across four world-class organisations. His expertise is improving the operations of GIP's acquired assets, particularly in manufacturing and industrial distribution businesses in capital-intensive sectors. Most recently, he spent eight years as Executive Vice President / Senior Vice President at Praxair (now Linde), an industrial gas manufacturer, leading a variety of global businesses and functions. Prior to Praxair he worked at SABIC, General Electric, and McKinsey. Mr Telesz resigned as director on 13 September 2023.
Kit Lee BCOM (Hons), BEC Alternate non-executive	Mr Lee is a Vice President at IFM Investors and is responsible for the origination and execution of IFM's infrastructure investments, along with the ongoing management of assets. Prior to joining IFM Investors in 2018, Mr Lee worked in the Investment Banking Division at Credit Suisse where he was involved in a range of M&A and capital markets transactions in the infrastructure sector.
Marie Duncan BCom Alternate non-executive	Ms Duncan is an Investment Director in Real Assets at AustralianSuper, where she is responsible for transaction execution and management of infrastructure investments. Ms Duncan has 10 years' experience investing in the infrastructure sector. Prior to joining AustralianSuper in 2022, Ms Duncan worked at Macquarie Asset Management (MAM) in Real Assets in Sydney and London. She was actively involved in a number of acquisitions and managed investments across the transport, utilities and digital infrastructure sectors across the UK, Europe and Australia, and also supported MAM's asset management program globally.
Louis Scott Charlton BSEE, MBA Executive	Mr. Charlton joined Sydney Airport as Chief Executive Officer in December 2023. An engineer by training, Mr. Charlton has more than 30 years of experience in developing, funding, constructing, and operating infrastructure assets, working with some of the sector's leading ASX-listed corporations. Prior to joining Sydney Airport, Mr. Charlton was Chief Executive Officer and a Director of Transurban from 2012, a leading infrastructure company with operations in Australia and North America. From 2010 to 2012 Mr. Charlton was Chief Operating Officer for LendLease's global operations, and from 2007 to 2009 he was Chief Financial Officer at Leighton Holdings, having joined the company in 2002 with responsibility for mergers/acquisitions, investments, treasury, tax, balance sheet and Private Partnership Projects. Mr. Charlton has also spent 11 years in investment banking with eight years at Deutsche Bank culminating in the role of Managing Director, Head of Transport and Infrastructure - Asia Pacific based in Hong Kong. Previously he was Managing Director, Head of Project Finance for Deutsche Bank in Australia and involved in many of the privatisations and private partnerships in Australia during the 1990s.
Geoff Culbert BEC, LLB (Hons) Former Executive	Mr Culbert joined Sydney Airport as Chief Executive Officer in January 2018. Prior to joining Sydney Airport, he worked at General Electric (GE) for 15 years in a number of senior roles across GE's portfolio of businesses in Asia and Australia. Previously, he was the President and Chief Executive of GE Australia and New Zealand. Mr Culbert currently serves on both the World Governing Board and Asia Pacific Board of the Airports Council International (ACI), the global industry association representing airports around the world. He is also on the board of the St George & Sutherland Medical Research Foundation (SSMRF), chair of the Tourism, Transport, Freight and Logistics Group at the BCA and chair of the NSW Fundraising Committee for the Australian Olympic Committee. Mr Culbert resigned as director on 1 December 2023.

Southern Cross Airports Corporation Holdings Limited
Directors' Report
For the year ended 31 December 2023

Company secretary profile

Karen Tompkins BA, LLB (Hons)	Ms Tompkins is Sydney Airport’s Chief Risk Officer and has been Sydney Airport’s Company Secretary since 2019. Ms Tompkins is responsible for the airport’s Sustainability & Environment, Legal & Corporate Governance and Internal Audit, Risk & Compliance teams. Ms Tompkins joined Sydney Airport in 2016 and was appointed as General Counsel and Company Secretary in July 2019. Prior to Sydney Airport, Ms Tompkins worked in the legal team of ASX-listed Stockland for nine years. Her previous experience includes positions in law firms including Minter Ellison, Herbert Geer and Henry Davis York.
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Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Corporate structure

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

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

All companies in the SCACH Group, excluding SAF1, have entered into a deed of cross guarantee from 21 December 2007 pursuant to ASIC Corporations Instrument 2016/785 dated 29 September 2016. The financial results and financial position of the entities party to the cross guarantee are presented in Note 14. The deed of cross guarantee ensures that each of the specified entities is jointly liable for the debts of all the companies party to the cross guarantee. This enables external stakeholders, such as creditors, to be able to rely on the consolidated financial report. The deed of cross guarantee can be found at www.sydneyairport.com.au/crossguarantee.

Registered office

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

Principal activities

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

Review of operations and results

The Group earned a profit before depreciation and amortisation, net finance costs and income tax (EBITDA) of \$1,192.8 million for the year ended 31 December 2023 (2022: \$740.7 million). After deducting depreciation and amortisation, net finance costs and income tax, the net loss was \$86.9 million (2022: net profit of \$19.4 million). The net loss is after deducting:

- depreciation and amortisation costs of \$366.0 million (2022: \$378.8 million); and
- net finance costs of \$778.7 million (2022: \$769.8 million).

A capital investment of \$420.1 million (2022: \$305.9 million) across the full year ending 31 December 2023 reflects the Group's focus on major projects (such as South East Sector Aprons and Gateway), as well as prioritising its critical projects targeting asset resilience, safety and security.

Management uses the above measures in comparing the Group's historical performance and believes that they provide meaningful and comparable information to users to assist in their analysis of performance relative to prior periods. EBITDA is the key component in calculating SCACH's interest coverage ratios and its distributions to shareholders, the key performance measure for debt and equity providers respectively. EBITDA is reconciled in the Consolidated statement of comprehensive income on page 20.

Financing metrics

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

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Credit metrics

Credit metrics are included below. The Group expects to remain compliant with its debt covenant requirements.

	31 December 2023	31 December 2022
	\$m	\$m
Gross total debt ^{1,3}	8,706.7	8,248.9
Less: total cash ²	(513.1)	(735.7)
Net debt ^{3,8}	8,193.6	7,513.2
Net debt/EBITDA ^{4,8}	6.9x	10.1x
Net debt/2019 EBITDA ^{5,8}	6.1x	5.6x
Cash flow cover ratio ^{4,6,8}	3.1x	2.7x
Average maturity	Late-2028	Mid-2027
Credit rating (S&P/Moody's) ⁷	BBB+/Baa1	BBB+/Baa1

1. Gross debt refers to principal amount drawn, refer to Note 3, in addition to lease liabilities, refer to the Consolidated statement of financial position. Shareholder related borrowing (RPS) and fair value hedge adjustments on foreign currency denominated bonds are excluded.
2. Excludes SCACH entity cash of \$0.7 million as at 31 December 2023 (31 December 2022: \$0.6 million), in accordance with finance documents.
3. Calculated including lease liabilities and related interest expense due to the application of AASB 16.
4. Calculated on a rolling 12-month basis in respect of EBITDA, reflecting reported performance for the 12 months to 31 December 2023 and 31 December 2022 respectively.
5. Calculated on a rolling 12-month basis in respect of EBITDA, reflecting reported performance for the 12 months to 31 December 2019.
6. Cash flow cover ratio (CFCR) is calculated as cash flow divided by senior interest expense, calculated for the SCACH Group.
7. Stable Outlook for Sydney Airport by Moody's and S&P.
8. Non-IFRS financial information has not been audited or reviewed by the external auditors but has been sourced from the financial report.

Capital management and liquidity

On 20 April 2023, the Group successfully issued an \$1.6 billion equivalent (EUR1.0 billion) 10-year tenor Euro bond. Proceeds from the bond, received on 3 May 2023, were used to repay drawn bank debt, unlocking longer-dated liquidity to cover debt maturities and fund planned ongoing investment. Shortly after the bond deal, \$1.0 billion of shorter-dated syndicated bank debt back stop tranche commitments (fully undrawn) were cancelled. The Group's available liquidity position as at 31 December 2023 was \$3.2 billion (2022: \$4.0 billion), comprising \$0.5 billion (2022: \$0.7 billion) of available cash and \$2.7 billion (2022: \$3.3 billion) of undrawn bank debt facilities. There is no drawn debt due to mature until April 2024.

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

Independent valuation

As at 31 December 2023, the Group had net liabilities of \$3,347.1 million (2022: \$3,212.9 million).

An independent valuation of the SCACH Group equity value by Deloitte as at 31 December 2023 provided an equity value that, if applied in the financial report of the Group as at 31 December 2023, would have more than absorbed the consolidated deficiency position at 31 December 2023. The valuation included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates.

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.

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Dividends and distributions

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

- the RPS carrying value of \$2,203.0 million at 31 December 2023 (2022: \$2,172.3 million) is classified as borrowings rather than equity; and
- the RPS interest expensed to shareholders during the period of \$373.7 million (2022: \$375.7 million) is included as interest expense rather than as a distribution of profits.

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

During the financial years ended 31 December 2023 and 31 December 2022, SCACH did not pay ordinary share dividends.

During the financial year ended 31 December 2023, SCACH paid out \$1,190.0 million of RPS interest (2022: nil). RPS interest continues to accrue and any unpaid interest is cumulative.

Significant events after the balance date

The directors of SCACH are not aware of any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the period subsequent to the year ended 31 December 2023.

Significant changes in the state of affairs

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

Environmental regulation and performance

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

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

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

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

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

Southern Cross Airports Corporation Holdings Limited

Directors' Report

For the year ended 31 December 2023

Indemnification and insurance of officers and auditors

Indemnities

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

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

Insurance

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

During or since the year ended 31 December 2023, the Company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditors of SCACH and its controlled entities.

Non-assurance services

There were no non-assurance services provided by the auditors during the period ended 31 December 2023. This is outlined in Note 16 to the financial statements.

The directors are satisfied that the provision of non-audit services, during the period by the auditor (or by another person or firm on the auditor's behalf) is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors of SCACH are of the opinion that the services relevant to the respective groups as disclosed in Note 16 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk Committee, for the following reasons:

- KPMG has confirmed their independence by providing an Audit Independence Declaration as required by section 307C of the *Corporations Act 2001*; and
- The scope and value of non-audit services provided during the year was nil; and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Lead auditor's independence declaration

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

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is included on page 13 of the financial report.

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

The 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 off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars unless otherwise stated.

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

On behalf of the directors:



David Gonski
Sydney
25 March 2024

**Statement by the Directors of
Southern Cross Airports Corporation Holdings Limited
For the year ended 31 December 2023**

1. In the opinion of the directors of Southern Cross Airports Corporation Holdings Limited (the Company):
 - a. the consolidated financial statements and notes for the Group that are set out on pages 20-54 are in accordance with the *Corporations Act 2001*, including;
 - i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance, for the financial year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
 - b. there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.
2. There are reasonable grounds to believe that the Group will be able to meet any obligations or liabilities to which it is or may become subject to by virtue of the Deed of Cross Guarantee between the Company and the group entities as identified in Note 14, pursuant to ASIC Corporations Instrument 2016/785 dated 29 September 2016.
3. The directors draw attention to page 25 to the consolidated financial statements, which include a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



David Gonski

Sydney
25 March 2024



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

To the Directors of Southern Cross Airports Corporation Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Southern Cross Airports Corporation Holdings Limited for the financial year ended 31 December 2023 there have been:

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

The KPMG logo, consisting of the letters 'KPMG' in a stylized, handwritten font.

KPMG

A handwritten signature in black ink, appearing to read 'Nigel Virgo'.

Nigel Virgo

Partner

Sydney

25 March 2024

Independent Auditor's Report

To the shareholder of Southern Cross Airports Corporation Holdings Limited

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Consolidated statement of financial position* as at 31 December 2023;
- *Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows* for the year then ended;
- Notes, including material accounting policies; and
- Directors' Declaration.

The **Group** consists of Southern Cross Airports Corporation Holdings Limited (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

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

Revenue recognition and measurement (A\$1,655.7m)

Refer to Consolidated Statement of Comprehensive income

The key audit matter	How the matter was addressed in our audit
Revenue recognition was identified as a key audit matter due to the varying recognition and measurement principles in underlying contracts across the revenue streams. Assessing revenue recognition, measurement and disclosures required significant audit effort across each revenue stream and contract type.	Our procedures included: • Understanding processes and testing the key controls over revenue streams, being the input and authorisation of new or amended contracts; • For aeronautical and security recovery, we checked a sample of revenue transactions to monthly invoices, passenger numbers, pricing agreements summary, cash received per the bank statements and assessed the correlation of revenue recognised to movements in passenger numbers; • For car parking revenue, we performed analytical procedures by inspecting cash receipts to the revenue recognised. • Checking a sample of Retail revenue and Property and car rental revenue calculations for accuracy of measurement and conformity of recognition with underlying contracts and Accounting Standards and checking cash received per the bank statement. • Requesting and obtaining confirmations from a sample of airlines of passenger numbers used in the procedures above; and • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Hedging and valuation of derivatives (A\$495.4m)

Refer to Note 6 to the Financial Report

The key audit matter	How the matter was addressed in our audit
The valuation of derivatives and associated hedge accounting was identified as a key audit matter due to the complexities arising from the application of multiple derivatives to hedge each underlying financial instrument. Our assessment is made more challenging given the high level of judgement involved in evaluating the Group's valuation assumptions and inputs such as yield curves and credit value adjustments.	We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. Our procedures included: • Understanding the processes of entering into new derivative contracts and valuation of derivatives; • Obtaining hedge documentation relating to new hedge relationships and assessing it against the conditions for measurement and reporting in the accounting standard requirements; • For a sample of derivatives and hedge relationships, we checked the inputs of each item to confirmations we requested and obtained from counterparties; • Performing an independent valuation of a sample of derivatives which we compared to the Group's valuation. To do this we obtained externally sourced market data from platforms such as Bloomberg for assumptions and inputs adopted in the valuation e.g. yield curves and credit value adjustments; and • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.

Carrying value of intangible assets (A\$4,643.1m)

Refer to Note 10 to the Financial Report

The key audit matter	How the matter was addressed in our audit
Carrying value of intangible assets was identified as a key audit matter due to the significant level of judgment used by the Group in forecasting and discounting future cash flows. Particular judgment is required when assessing the significant length of time relevant to an airport operation, which	We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter. Our procedures included: • Assessing the Group's methodology, including the use of a model covering a thirty-year period, against market and industry practices and accounting standards; • Evaluating the determination of a single CGU

forms the basis for assessing intangible assets for impairment. In addition, judgment is involved in considering the appropriateness of the single cash generating unit (CGU) for impairment testing. Impairment testing is performed on a single CGU on the basis that the Group considers all income streams are intrinsically linked and cannot be separated from the airport operations. An external expert is engaged annually to perform a valuation of the airport, including intangibles. The Group's forecast discounted cash flows form the basis of this valuation.	based on our understanding of the operations of the business and how independent cash inflows were generated against the accounting standard requirements; • Understanding the Group's cash flow forecasting process and testing the key approvals for the internal reporting of forecast income streams and cash flows; • Assessing the historical accuracy of forecasts by comparing to actual results, to use in our evaluation of forecasts included in the discounted cash flow model; • Assessing the consistency of the assumptions incorporated into the forecasts for alignment to the Sydney Airport Corporate Plan through inquiries and our industry knowledge. Comparing growth related assumptions to external data such as industry wide expectations of passenger activity and the Gross Domestic Product as published by the Reserve Bank of Australia; • Assessing the significant forward- looking assumptions the Group applied in their discounted cash flow model, including: ➤ Future cash flows, passenger numbers, growth rates and the terminal growth rate; and ➤ Discount rate • Analysing the discount rate against publicly available data of a group of comparable entities; • Performing a sensitivity analysis on key assumptions, in particular, the discount rate to assess the risk of bias or inconsistency in application; • Assessing the objectivity, scope, and competency of the external expert; and • Assessing the relevant disclosures in the financial report using our understanding obtained from our testing and against the requirements of the accounting standards.
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Other Information

Other Information is financial and non-financial information in Southern Cross Airports Corporation Holdings Limited's annual report which is provided in addition to the Financial Report and the Auditors Report. The Directors are responsible for the Other Information. Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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



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

A handwritten signature in black ink, appearing to read 'Nigel Virgo', with a stylized, sweeping flourish at the end.

Nigel Virgo

Partner

Sydney

25 March 2024

A handwritten signature in black ink, appearing to read 'Travis Bowman', with a stylized, sweeping flourish at the end.

Travis Bowman

Partner

Sydney

25 March 2024

A handwritten version of the KPMG logo in black ink, with the letters 'KPMG' in a stylized, cursive-like font.

KPMG

Southern Cross Airports Corporation Holdings Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023 \$m	2022 \$m
Revenue			
Aeronautical revenue		781.0	515.4
Aeronautical security recovery		159.2	93.9
Retail revenue		279.3	178.7
Property and car rental revenue		264.4	206.6
Parking and ground transport revenue		165.5	129.3
Other revenue		6.3	6.5
Total revenue		1,655.7	1,130.4
Operating expenses			
Employee benefits expense		(98.6)	(114.3)
Services and utilities expense		(106.9)	(80.3)
Property and maintenance expense		(34.8)	(33.1)
Security recoverable expense		(159.2)	(92.9)
Expected credit loss	8	(5.3)	(18.3)
Other operational costs		(58.1)	(50.8)
Total operating expenses		(462.9)	(389.7)
Total expenses before depreciation, amortisation, net finance costs and income tax		(462.9)	(389.7)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)		1,192.8	740.7
Depreciation	9	(327.5)	(340.3)
Amortisation	10	(38.5)	(38.5)
Profit before net finance costs and income tax (EBIT)		826.8	361.9
Finance income	7	30.4	7.2
Finance cost	7	(804.6)	(697.5)
Changes in fair value of swaps	7	(4.5)	(79.5)
Net finance costs		(778.7)	(769.8)
Profit/(loss) before income tax (expense)/benefit		48.1	(407.9)
Income tax (expense)/benefit	11	(135.0)	427.3
(Loss)/profit after income tax (expense)/benefit		(86.9)	19.4

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

Southern Cross Airports Corporation Holdings Limited
Consolidated statement of comprehensive income
For the year ended 31 December 2023

	Notes	2023 \$m	2022 \$m
Items that may subsequently be reclassified to profit or loss:			
Changes in fair value of cash flow hedges ¹		(52.9)	576.3
Changes in fair value of foreign currency basis spread		(34.8)	8.3
Tax on items that may be reclassified to profit or loss		40.7	(186.3)
Total items that may subsequently be reclassified to profit or loss		(47.0)	398.3
Items that will never be reclassified to profit or loss:			
Remeasurement (loss)/gain on defined benefit plan	13	(0.5)	0.9
Tax on items that will never be reclassified to profit or loss		0.2	(0.3)
Total items that will never be reclassified to profit or loss		(0.3)	0.6
Other comprehensive (loss)/income, net of tax		(47.3)	398.9
Total comprehensive (loss)/income attributable to owners of the Company		(134.2)	418.3

1. During the year ended 31 December 2022, \$93.7 million relates to amortisation of swap reset costs (year ended 31 December 2023: nil).

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

Southern Cross Airports Corporation Holdings Limited
Consolidated statement of financial position
As at 31 December 2023

	Notes	2023 \$m	2022 \$m
Current assets			
Cash and cash equivalents	4	513.8	736.3
Trade and other receivables	8	163.5	205.7
Derivative financial instruments	6	133.8	430.3
Other assets		2.5	4.0
Total current assets		813.6	1,376.3
Non-current assets			
Trade and other receivables	8	159.0	152.2
Property, plant and equipment	9	3,343.0	3,250.5
Intangible assets	10	4,643.1	4,681.6
Derivative financial instruments	6	488.4	520.5
Other assets		15.2	17.6
Total non-current assets		8,648.7	8,622.4
Total assets		9,462.3	9,998.7
Current liabilities			
Payables and unearned revenue	12	889.7	1,395.6
Interest bearing liabilities – external	3	1,125.5	1,207.1
Lease liabilities		0.4	0.4
Derivative financial instruments	6	112.5	84.9
Provisions		11.6	9.5
Total current liabilities		2,139.7	2,697.5
Non-current liabilities			
Interest bearing liabilities – external	3	7,845.0	7,526.7
Interest bearing liabilities – shareholder related	3	2,203.0	2,172.3
Lease liabilities		0.2	0.6
Derivative financial instruments	6	14.3	79.6
Payables and unearned revenue	12	0.5	3.3
Deferred tax liabilities	11	602.5	728.3
Provisions		4.2	3.3
Total non-current liabilities		10,669.7	10,514.1
Total liabilities		12,809.4	13,211.6
Net liabilities		(3,347.1)	(3,212.9)
Equity			
Issued capital		3,333.4	3,333.4
Accumulated losses		(6,771.0)	(6,683.8)
Cash flow hedge reserve		118.9	141.6
Foreign currency basis spread reserve		(28.4)	(4.1)
Total equity		(3,347.1)	(3,212.9)

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

Southern Cross Airports Corporation Holdings Limited
Consolidated statement of changes in equity
For the year ended 31 December 2023

	Issued Capital ¹ \$m	Accumulated losses \$m	Cash flow hedge reserve \$m	Foreign currency basis spread reserve \$m	Total equity \$m
Total equity at 1 January 2023	3,333.4	(6,683.8)	141.6	(4.1)	(3,212.9)
Loss attributable to owners of the company	-	(86.9)	-	-	(86.9)
Other comprehensive loss, net of tax	-	(0.3)	(22.7)	(24.3)	(47.3)
Total equity at 31 December 2023	3,333.4	(6,771.0)	118.9	(28.4)	(3,347.1)
Total equity at 1 January 2022	3,310.8	(6,703.8)	(241.3)	(19.5)	(3,653.8)
Profit attributable to owners of the company	-	19.4	-	-	19.4
Other comprehensive income, net of tax	-	0.6	382.9	15.4	398.9
Equity-settled shares	22.6	-	-	-	22.6
Total equity at 31 December 2022	3,333.4	(6,683.8)	141.6	(4.1)	(3,212.9)

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

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

Southern Cross Airports Corporation Holdings Limited
Consolidated statement of cash flows
For the year ended 31 December 2023

	Notes	2023 \$m	2022 \$m
Cash flows from operating activities			
Receipts from customers		1,873.0	1,226.0
Interest received		30.2	5.5
Government subsidies ¹		-	16.5
Payments to suppliers and employees		(562.4)	(456.2)
Net cash flow from operating activities	4	1,340.8	791.8
Cash flows from investing activities			
Proceeds from disposal of fixed assets	9	0.1	-
Acquisition of property, plant and equipment		(399.0)	(270.7)
Capitalised borrowing costs	9	(20.0)	(5.9)
Net cash flow (used in) investing activities		(418.9)	(276.6)
Cash flows from financing activities			
Proceeds received from borrowings	3	2,844.0	1,137.0
Repayment of borrowings	3	(2,413.4)	(850.0)
Borrowing costs paid		(28.9)	(30.6)
Interest paid		(279.2)	(248.8)
Interest paid – redeemable preference shares	2	(1,190.0)	-
Interest rate swap (payments)/receipts	3	(76.9)	24.9
Net cash flow (used in)/from financing activities		(1,144.4)	32.5
Net (decrease)/increase in cash and cash equivalents		(222.5)	547.7
Cash and cash equivalents at start of year		736.3	188.6
Cash and cash equivalents at end of year	4	513.8	736.3

1. The Group received \$10.4 million cash in respect of the International Aviation Security Charges Rebate (IASCR) program and \$6.1m in respect of the Domestic Airport Security Costs Support (DASCS) program in 2022. The Federal Government's programs for DASCS and IASCR were concluded in December 2021 and March 2022 respectively.

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

1. General

Basis of preparation and statement of compliance

This is the financial report for Southern Cross Airports Corporation Holdings Limited (SCACH, the Company) and its controlled entities (collectively referred to as the SCACH Group or the Group).

The Group is a for-profit entity for the purposes of preparing the consolidated financial statements. This financial report:

- Consists of the consolidated financial statements of the Group, as permitted by Australian Securities and Investment Commission (ASIC) Corporations (Amendment and Repeal) Instrument 2021/196;
- Is a general purpose financial report;
- Is prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards adopted by the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB);
- Is prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss; and
- Is presented in Australian dollars, which is the functional currency of the Group, with all values rounded off to the nearest whole number of millions of dollars and one place of decimals representing hundreds of thousands of dollars unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 1 April 2016.

The financial report was authorised for issue by the directors on 25 March 2024.

Going concern

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

At reporting date, the Group has met its debt covenant requirements. The directors reviewed the cash flow projections of the Group covering a period of at least 12 months after the accounts are authorised for issue. This takes into account forecast passenger numbers, revenue, operating expenses, capital expenditure, resulting cash flows, and the Group's liquidity position. The Group expects to remain compliant with covenant requirements.

The Group has a current asset deficiency of \$1,326.1 million (2022: \$1,321.2 million). If required, this is covered by the Group's available finance and liquidity position as at 31 December 2023 of \$3.2 billion (2022: \$4.0 billion), comprising \$0.5 billion (2022: \$0.7 billion) of available cash and \$2.7 billion (2022: \$3.3 billion) of undrawn bank debt facilities. The refinancing of maturing debt is a permitted use under the bank debt facilities. The current asset deficiency is mainly due to the Group's:

- Interest bearing liabilities that are due to mature within 12 months of reporting date with principal value of \$1,033.4 million (carrying value of \$1,125.5 million), representing a Euro bond maturing in April 2024; and
- Redeemable preference shares (RPS) interest payable of \$156.9 million.

The Group does not consider there is a going concern issue arising from the Group's net liability position of \$3,347.1 million (2022: \$3,212.9 million). An independent valuation performed as at 31 December 2023 supported an equity value that, if applied to the financial report of the Group as at 31 December 2023, would have more than absorbed the consolidated deficiency position at 31 December 2023. A new valuation will be carried out for each financial year end or as otherwise required. Accordingly, the going concern basis of accounting is considered to be appropriate and it is considered that the Group will be able to pay its debts as and when they become due and payable.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

1. General continued

Critical accounting estimates, assumptions and judgements

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

Fair value measurement of financial instruments

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

Impairment assessment on non-current assets

Similar to the prior year, a review of all capital projects in progress was undertaken during the year. Following the review, no impairment charge was recognised for the year ended 31 December 2023 (2022: nil).

Impairment test of goodwill

An independent valuation was undertaken as at 31 December 2023. The valuation included assumptions regarding forecast passenger numbers, revenue, operating expenses, capital expenditure and interest rates, resulting cash flows, and the Group's liquidity position. There were no changes to the valuation methodology from the previous year. The result of the updated valuation indicated that the Group's equity value continued to absorb the consolidated deficiency of the Group and no impairment was required at reporting date. There are no known factors that would have had a significant adverse effect on the valuation since 31 December 2023. Valuation assumptions have been described in Note 10.

Tax base reset

The tax values of the underlying assets and liabilities of each entity within the Group was reset as part of the acquisition of the Group on 9 March 2022. This is reflected in the Consolidated statement of comprehensive income and in Note 11.

Material accounting policies

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

a) Principles of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities comprising the consolidated entity, which are the Company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 127: Consolidated and Separate Financial Statements. Controlled entities are listed in Note 14 to the financial statements.

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

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

b) Foreign currency transactions and balances

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

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

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

1. General continued

Material accounting policies continued

c) Fair value of financial instruments

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

Fair value measurements are determined as follows:

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

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

d) Measurement of financial instruments

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

e) Revenue recognition

Aeronautical revenues

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

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

Aeronautical revenues are billed and collected on a monthly basis.

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

Aeronautical security recovery revenues

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

Retail revenues and Property and car rental revenues

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

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

Parking and Ground transport revenues

Parking and ground transport revenue is primarily generated from passengers and staff for the provision of car parking and from taxis, buses and limousines for the provision of ground access services. Revenue is recognised over the period of time the car parking and ground access service is provided.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

1. General continued

Changes in accounting standards

During the year ended 31 December 2023, the Group adopted AASB 2021-2 Amendments to Australian Accounting Standards-Disclosure of Accounting Policies and Definition of Accounting Estimates and AASB 2021-5 Amendments to Australian Accounting Standards-Deferred Tax related to Assets and Liabilities arising from a Single Transaction. These amendments are effective for the financial year beginning 1 January 2023. The Group has assessed the impact of the new amendments and determined it is not material on the Group's consolidated financial statements.

New standards and interpretations not yet adopted

The accounting standards that are applicable to the Group in future periods and have not been early adopted for the financial year beginning 1 January 2024 is Classification of Liabilities as Current or Non-current (Amendments to AASB 101). It is not expected to have a material impact on the Group's consolidated financial statements.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

CAPITAL MANAGEMENT

Overview

The capital structure of the Group consists of:

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

The Group manages and regularly reviews its capital structure to ensure it is able to finance current and future business activities and to continue as a going concern.

During the year ended 31 December 2023, the Group has continued to maintain focus on ensuring adequate levels of liquidity. At 31 December 2023, the Group has \$3.2 billion in liquidity (2022: \$4.0 billion) with \$0.5 billion in cash (2022: \$0.7 billion) and \$2.7 billion of undrawn bank debt facilities (2022: \$3.3 billion).

2. Dividends and distributions

Stapled ordinary and redeemable preference shares

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

Ordinary shareholders' entitlements

Shareholders of each fully paid ordinary share have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary dividends are paid only after the payment of interest on RPS.

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

During the financial years ended 31 December 2023 and 31 December 2022 no ordinary share dividends were declared or paid.

RPS shareholders' entitlements

The RPS carry an entitlement to a fixed cumulative interest at a rate of 13.5% p.a. Interest is payable quarterly, subject to availability of cash within the Group and distributable profits within SCACH. Principal and interest payments on the RPS are subordinated to other debt and ordinary creditors of the Group. RPS shareholders have no acceleration rights if interest is not paid. RPS interest continues to accrue and any unpaid interest is cumulative.

During the year ended 31 December 2023, the Group continued to accrue for RPS interest of \$373.7 million (31 December 2022: \$375.7 million). During the year ended 31 December 2023, the Group paid out \$1,190.0 million of RPS interest (31 December 2022: nil).

3. Interest bearing liabilities

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

External

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

Shareholder related

- Redeemable preference shares (RPS)

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

3. Interest bearing liabilities¹⁰ continued

		Principal amount drawn									
		Carrying amount ⁹		Fair value		In AUD ¹¹		In original currency			
External	Maturity	31 Dec 2023 \$m	31 Dec 2022 \$m	31 Dec 2023 \$m	31 Dec 2022 \$m	31 Dec 2023 \$m	31 Dec 2022 \$m	31 Dec 2023 \$m	31 Dec 2022 \$m	Issue currency	Interest rate
Syndicated facility	Mar 2027	736.2	1,126.8	745.2	1,143.7	744.0	1,137.0	744.0	1,137.0	AUD	Floating ^{4,6}
Wrapped domestic bond ¹	Oct 2027	654.9	653.9	645.5	618.0	659.0	659.0	659.0	659.0	AUD	Floating ³
USPP bond	Aug 2028	99.7	99.7	103.7	99.3	100.0	100.0	100.0	100.0	AUD	Floating ³
USPP bond	Nov 2028	99.7	99.7	102.2	98.0	100.0	100.0	100.0	100.0	AUD	Floating ³
USPP bond	Nov 2028	179.4	179.3	186.1	178.4	180.0	180.0	180.0	180.0	AUD	6.04% ⁵
USPP bond	Nov 2028	57.8	57.7	58.9	56.2	58.0	58.0	58.0	58.0	AUD	5.60% ⁵
USPP bond	Nov 2029	135.5	135.5	138.4	129.3	136.0	136.0	136.0	136.0	AUD	5.70% ⁵
USPP bond	Feb 2034	63.0	62.5	61.8	58.6	62.5	62.5	45.0	45.0	USD	4.25% ⁵
USPP bond	Feb 2039	134.4	134.3	127.0	106.0	135.0	135.0	135.0	135.0	AUD	4.76% ⁵
USPP bond	Feb 2044	99.6	99.5	93.4	70.0	100.0	100.0	100.0	100.0	AUD	4.85% ⁵
USPP bond	Feb 2049	99.6	99.5	92.4	66.5	100.0	100.0	100.0	100.0	AUD	4.90% ⁵
USPP bond	Jun 2035	76.1	76.1	60.1	56.0	77.1	77.1	52.0	52.0	USD	2.83% ⁵
USPP bond	Jun 2035	80.8	78.2	62.0	52.8	80.9	80.9	50.0	50.0	EUR	1.06% ⁵
USPP bond	Jun 2040	99.6	99.6	75.4	59.4	100.0	100.0	100.0	100.0	AUD	3.28% ^{5,6}
USPP bond	Jun 2040	219.1	219.1	167.0	131.8	220.0	220.0	220.0	220.0	AUD	3.28% ⁵
USPP bond	Jun 2050	119.5	119.5	85.8	58.3	120.0	120.0	120.0	120.0	AUD	3.53% ⁵
Euro bond ⁸	Apr 2024	1,125.5	1,073.3	1,129.7	1,082.1	1,033.4	1,033.4	700.0	700.0	EUR	2.75% ⁵
Euro bond	Apr 2028	753.4	692.8	765.1	688.7	796.1	796.1	500.0	500.0	EUR	1.75% ⁵
Euro bond	May 2033	1,675.1	-	1,718.8	-	1,626.0	-	1,000.0	-	EUR	4.38% ⁵
US144A/RegS bond	Mar 2023	-	1,207.1	-	1,208.2	-	802.3	-	825.0	USD	3.90% ⁵
US144A/RegS bond	Apr 2025	691.1	665.4	715.7	700.4	643.0	643.0	500.0	500.0	USD	3.38% ⁵
US144A/RegS bond	Apr 2026	1,318.6	1,318.6	1,278.1	1,241.6	1,163.4	1,163.4	900.0	900.0	USD	3.63% ⁵
CIB ²	Nov 2030	451.9	435.7	480.8	439.3	471.8	444.2	471.8	444.2	AUD	3.12% ⁵
Total external interest bearing liabilities		8,970.5	8,733.8	8,893.1	8,342.6	8,706.2	8,247.9	n/a	n/a		
Shareholder related											
Redeemable preference shares ⁷	Jun 2032	2,203.0	2,172.3	3,066.6	2,825.1	2,047.3	2,047.3	2,047.3	2,047.3	AUD	13.50%
Total shareholder related interest bearing liabilities		2,203.0	2,172.3	3,066.6	2,825.1	2,047.3	2,047.3	2,047.3	2,047.3		

1. Financial guaranty is provided by Assured Guaranty Municipal Corporation. 2. Financial guaranty is provided by Ambac Assurance Corporation. 3. Floating rates are at Bank Bill Swap Rate plus a predetermined margin. 4. Floating rates are at Bank Bill Swap Bid Rate plus a predetermined margin. 5. Fixed interest rates are reflective of coupons in respective currencies/ markets. 6. Sustainability-linked tranche with an opportunity to earn a discount or incur a premium. Base margin shown for USPP bond. 7. The \$50 premium on redemption on 28 June 2032 is included in the calculation of fair value. 8. Classified as Current liability in the Consolidated statement of financial position. 9. Carrying amount includes capitalised establishment costs. 10. Excludes debt facilities that are fully undrawn in current and prior corresponding periods. 11. Principal amounts drawn for foreign currency denominated liabilities represent the AUD equivalent hedged amounts at inception.

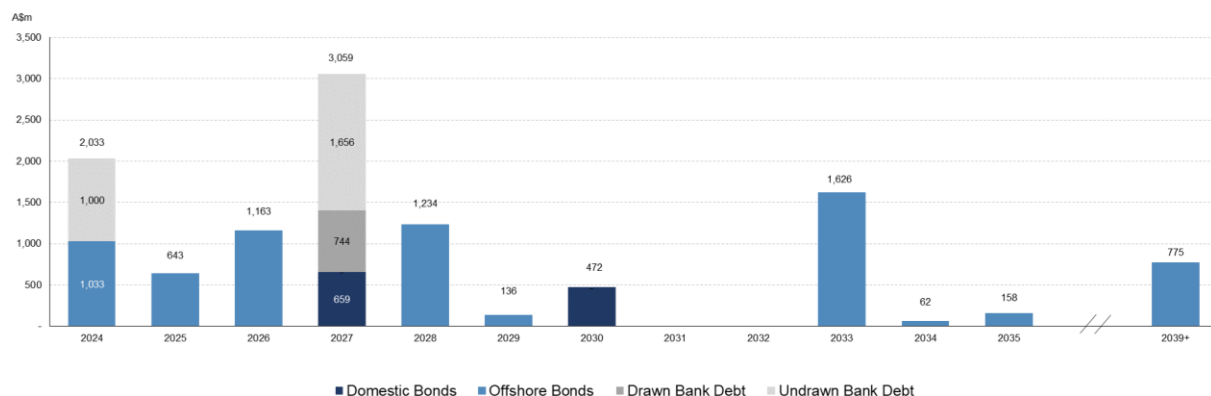
Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

3. Interest bearing liabilities continued

The maturity profile of the external interest bearing liabilities as at 31 December 2023 is presented in the chart below.



Assets pledged as security

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

Recognition and measurement

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

The carrying amount of foreign denominated interest bearing liabilities that are in a fair value hedge relationship includes fair value gains/losses. Refer to Note 6 on fair value hedges.

At 31 December 2023 and 31 December 2022, the fair values of all interest bearing liabilities were determined based on observable market inputs and categorised as Level 2 fair value per the fair value measurement hierarchy.

Interest bearing liabilities are valued using discounted cash flow analysis with available comparative market curves adopted as key inputs. The Group derecognises an interest bearing liability when its contractual obligations are discharged, cancelled or expired.

CIBs explained

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

Effective interest rate method explained

A method of calculating the amortised cost of a financial liability, and of allocating the interest expense in profit or loss over the term of the financial liability. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of a financial liability to its amortised cost.

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

3. Interest bearing liabilities continued

Reconciliation of movements of liabilities arising from financing activities:

	2023		2022	
	Loans and borrowings ¹	Interest rate swaps and foreign exchange contracts used for hedging-liabilities	Loans and borrowings ¹	Interest rate swaps and foreign exchange contracts used for hedging-liabilities
	\$m	\$m	\$m	\$m
Balance at 1 January	(10,906.1)	786.3	(10,648.6)	347.5
Changes from financing cashflows				
Interest rate swap payments/(receipts)	-	76.9	-	(24.9)
Proceeds received from borrowings	(2,844.0)	-	(1,137.0)	-
Borrowing cost paid	18.7	-	12.1	-
Repayments of borrowings	2,413.4	-	850.0	-
Total changes from financing cash flows	(411.9)	76.9	(274.9)	(24.9)
Liability related other changes				
Effects of changes in foreign currency rates	353.9	(353.9)	(224.6)	224.6
Changes in fair value	(155.2)	(13.9)	290.9	239.1
Other	(54.2)	-	(48.9)	-
Total liabilities related other changes	144.5	(367.8)	17.4	463.7
Balance at 31 December	(11,173.5)	495.4	(10,906.1)	786.3

1. Loans and borrowings includes shareholder related redeemable preference shares.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

4. Cash and cash equivalents

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

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

	2023	2022
	\$m	\$m
Cash on hand	376.7	274.6
Deposits ¹	137.1	461.7
Total cash and cash equivalents	513.8	736.3

Cash flow information	2023	2022
	\$m	\$m
<i>Reconciliation of profit after tax to net cash flows from operating activities</i>		
(Loss)/profit attributable to owners of the company	(86.9)	19.4
Net interest & borrowing costs	400.2	295.0
Redeemable preference shares	404.4	402.5
Change in fair value of swaps	4.5	79.5
Depreciation and amortisation	366.0	378.8
Share based payment expense	-	22.6
Decrease/(increase) in receivables and other assets	35.2	(63.1)
Increase in payables	82.4	84.4
Increase/(decrease) in tax liabilities	135.0	(427.3)
Net cash flow from operating activities	1,340.8	791.8

1. Included in the Group's deposit balance is \$22.1 million (2022: \$11.7 million) held by SACL which is restricted to fund maintenance capital expenditure.

Recognition and measurement

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

TREASURY AND FINANCIAL RISK MANAGEMENT

Overview

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

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

5. Financial risk management

Financial risk management framework

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

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

5.1 Foreign currency risk

Group policy

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

The Group is primarily exposed to foreign currency risk from interest bearing liabilities denominated in foreign currencies (USD and EUR). At 31 December 2023 and 31 December 2022, these interest bearing liabilities were 100% hedged through cross currency swaps (CCS) until maturity of the bonds. As a result, a strengthening or weakening of the AUD will have no impact on profit or loss or equity.

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

	2023			2022		
	Equivalent total			Equivalent total		
	EURm	USDm	AUDm	EURm	USDm	AUDm
Senior secured bonds	(2,250.0)	(1,497.0)	(5,482.4)	(1,250.0)	(2,322.0)	(4,658.7)
Cross currency swaps	2,250.0	1,497.0	5,482.4	1,250.0	2,322.0	4,658.7
Exposure	-	-	-	-	-	-

	31 December 2023		31 December 2022	
	Notional maturity profile		Notional maturity profile	
Cross currency interest rate swap	EUR	USD	EUR	USD
1 year or less (m)	700.0	-	-	825.0
1 to 2 years (m)	-	500.0	700.0	-
2 to 5 years (m)	500.0	900.0	-	1,400.0
5 years or more (m)	1,050.0	97.0	550.0	97.0
Average foreign exchange rate	0.64	0.77	0.65	0.84
Average interest rate ¹	3M BBSW + 175bps	3M BBSW + 202bps	3M BBSW + 166bps	3M BBSW + 225bps

1. BBSW refers to the bank bill swap rate.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

5. Financial risk management continued

5.2 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 flows.

Group policy

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

Interest rate swap (IRS) contracts

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

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

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

	Average contracted fixed interest rate ¹		Notional principal amount		Fair value	
	2023 %	2022 %	2023 \$m	2022 \$m	2023 \$m	2022 \$m
1 year or less	3.37	3.19	1,292.4	1,102.4	4.2	0.2
1 to 2 years	2.68	3.37	643.0	1,292.4	11.2	9.9
2 to 5 years	3.08	2.94	3,405.1	1,502.0	84.5	50.2
5 years or more	1.88	2.58	1,750.0	4,296.1	96.2	231.8
	n/a	n/a	7,090.5	8,192.9	196.1	292.1

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

The weighted average cash interest rate of the Group's external interest bearing liabilities was approximately 4.6% annualised for the year ended 31 December 2023 (2022: 3.4%). With all interest rate swap resets entered into in prior years fully amortised, the equivalent rate excluding interest rate swap reset benefits was also 4.6% (2022: 4.6%).

At 31 December 2023, 92.2% (2022: 85.5%) of the external senior drawn borrowings (bank debt and capital markets debt) were either fixed or hedged through IRS.

Interest rate sensitivities

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

	2023 \$m	2022 \$m
Increase in interest rate +150bp		
Loss after tax	(7.2)	(12.6)
Equity	(21.6)	130.2
Decrease in interest rate -150bp		
Profit after tax	7.2	12.6
Equity	30.2	(145.1)

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

5. Financial risk management continued

5.3 Credit risk

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

Group policy

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

Credit risks on receivables relate to aeronautical, retail and property trade receivables. These corporate counterparties have a range of credit ratings. Refer to further detail included at Note 8.

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

5.4 Liquidity risk

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

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

The Group's available liquidity position as at 31 December 2023 was \$3.2 billion (2022: \$4.0 billion), comprising \$0.5 billion (2022: \$0.7 billion) of available cash and \$2.7 billion (2022: \$3.3 billion) of undrawn bank debt facilities.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows.

	Carrying value \$m	Contractual cash flows \$m	1 year or less \$m	1 to 5 years \$m	5 years or more \$m
2023					
Trade payables and accrued interest	729.6	729.6	729.6	-	-
Lease liabilities	0.6	1.9	0.6	0.8	0.5
Bonds – domestic	654.9	770.4	29.5	740.9	-
Bank facilities	736.2	870.1	39.4	830.7	-
USPP bonds – AUD	1,343.9	2,126.7	65.7	695.6	1,365.4
USPP and 144a bonds- USD	2,148.8	2,394.9	77.8	2,146.4	170.7
USPP bonds – EUR	80.8	90.9	0.9	3.4	86.6
EMTN Euro bonds	3,554.0	4,300.0	1,229.8	1,141.4	1,928.8
Capital indexed bonds	451.9	688.9	15.0	64.9	609.0
Redeemable preference shares	2,203.0	5,235.9	435.3	1,106.2	3,694.4
Derivatives ¹	126.8	365.2	44.9	82.3	238.0
• <i>Cross currency swaps</i> ¹	126.8	139.2	(3.0)	(5.2)	147.4
<i>Inflows</i>	n/a	(6,785.8)	(1,308.5)	(3,291.3)	(2,186.0)
<i>Outflows</i>	n/a	6,925.0	1,305.5	3,286.1	2,333.4
• <i>Interest rate swaps</i> ¹	-	226.0	47.9	87.5	90.6
	12,030.5	17,574.5	2,668.5	6,812.6	8,093.4

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

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

5. Financial risk management *continued*

5.4 Liquidity risk *continued*

	Carrying value \$m	Contractual cash flows \$m	1 year or less \$m	1 to 5 years \$m	5 years or more \$m
2022					
Trade payables and accrued interest	1,320.6	1,320.6	1,320.6	—	—
Lease liabilities	1.0	2.5	0.6	1.2	0.7
Bonds – domestic	653.9	760.9	21.3	739.6	—
Bank facilities	1,126.8	1,324.8	44.7	1,280.1	—
USPP bonds – AUD	1,343.4	2,177.1	62.9	251.7	1,862.5
USPP and 144a bonds- USD	3,329.7	3,696.5	1,300.0	2,220.8	175.7
USPP bonds – EUR	78.2	88.9	0.8	3.3	84.8
EMTN Euro bonds	1,766.1	1,998.4	44.0	1,164.3	790.1
Capital indexed bonds	435.7	672.7	14.2	60.6	597.9
Redeemable preference shares	2,172.3	6,328.6	1,250.9	1,106.3	3,971.4
Derivatives ¹	164.5	(145.3)	(313.1)	(22.8)	190.6
• <i>Cross currency swaps</i> ¹	163.5	(501.6)	(350.4)	(180.9)	29.7
<i>Inflows</i>	<i>n/a</i>	<i>(5,783.8)</i>	<i>(1,344.8)</i>	<i>(3,388.5)</i>	<i>(1,050.5)</i>
<i>Outflows</i>	<i>n/a</i>	<i>5,282.2</i>	<i>994.4</i>	<i>3,207.6</i>	<i>1,080.2</i>
• <i>Interest rate swaps</i> ¹	1.0	356.3	37.3	158.1	160.9
	12,392.2	18,225.7	3,746.9	6,805.1	7,673.7

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

6. Derivative financial instruments

The Group uses derivative financial instruments to mitigate its exposures to foreign currency and interest rate risks, as described in Note 5.

The net derivative position at reporting date is presented below:

	2023			2022		
\$m	Cross currency swaps	Interest rate swaps	Total	Cross currency swaps	Interest rate swaps	Total
Current assets	92.1	41.7	133.8	402.5	27.8	430.3
Non-current assets	334.0	154.4	488.4	255.2	265.3	520.5
Current liabilities	(112.5)	-	(112.5)	(83.9)	(1.0)	(84.9)
Non-current liabilities	(14.3)	-	(14.3)	(79.6)	-	(79.6)
Net derivative position	299.3	196.1	495.4	494.2	292.1	786.3

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

6. Derivative financial instruments continued

Recognition and measurement

Hedge accounting

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

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

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

Cash flow hedges

The Group's interest rate swaps are accounted for as cash flow (CF) hedges. They are used to hedge exposure to variability in forecast cash flows where the transaction is committed or highly probable. Initial recognition of the derivative is at fair value with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the cash flow hedge reserve under equity. Any ineffective portion of the derivative is recognised immediately in profit or loss. The amount accumulated in the cash flow hedge reserve is reclassified to profit or loss in the same period that the hedged cash flow affects profit or loss.

If the derivative no longer meets the criteria for hedge accounting, for example if it expires, is sold, terminated, exercised or the designation is revoked, then hedge accounting is discontinued prospectively and the balance in equity is reclassified to profit or loss when the forecast transactions are not expected to occur anymore.

Fair value hedges

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

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

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

Critical estimates and assumptions – fair value measurement of financial instruments

The fair value of financial instruments is estimated by management at each reporting date. At 31 December 2023 and 31 December 2022, all derivative financial instruments were determined based on observable market inputs, categorised as Level 2 fair value, per the fair value measurement hierarchy.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

6. Derivative financial instruments continued

Hedge Accounting

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

	Fair value hedges		Cash flow hedges			Total
	EUR	USD	EUR	USD	AUD	
At 31 December 2023	\$m	\$m	\$m	\$m	\$m	\$m
Notional amount ¹	EUR 2,200.0	USD 545.0	AUD 3,536.0	AUD 1,946.0	AUD 983.0	n/a
Carrying amount of the hedging instrument						
• Assets	67.7	-	291.3	246.2	28.1	633.3
• Liabilities	(71.5)	(45.2)	(21.2)	-	-	(137.9)
Total carrying amount of the hedging instruments	(3.8)	(45.2)	270.1	246.2	28.1	495.4
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount)	(9.7)	43.9	n/a	n/a	n/a	34.2
Carrying amount of the hedged item recognised in the statement of financial position	(3,554.0)	(754.1)	n/a	n/a	n/a	(4,308.1)
Balance in CF hedge reserve on continuing hedges ⁴	n/a	n/a	(213.4)	(27.9)	(53.7)	(295.0)
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	68.6	35.0	26.6	130.2
During the year:						
Change in value of hedging instrument used for calculating hedge effectiveness:						
• On continuing hedge relationships ²	142.9	26.5	(33.1)	(7.0)	(17.3)	112.0
Change in value of hedged item used for calculating hedge effectiveness:						
• On continuing hedge relationships ²	(149.6)	(26.5)	37.3	7.6	16.7	(114.5)
Change in CF hedge reserve of the hedging instrument recognised in reserves:						
• On continuing hedge relationships ⁴	n/a	n/a	(111.3)	(20.8)	(37.9)	(170.0)
(Gain)/loss reclassified from CF hedge reserve to P&L on discontinued hedges ⁴	n/a	n/a	42.9	16.6	21.5	81.0
Change in profit and loss:						
Ineffectiveness recognised in P&L (continuing hedge relationships) ³	(6.7)	-	21.9	15.4	20.4	51.0
Gain/(loss) reclassified to P&L on discontinued hedges	24.5	1.0	(42.9)	(16.6)	(21.5)	(55.5)
Gain/(loss) reclassified from hedge reserve to P&L ⁵	-	-	57.0	(1.3)	-	55.7

1. Depending on the nature of the cross CCS, a single CCS may be broken down into a FV hedge and a CF hedge. Each structure has a notional amount. Hence the notional amount disclosed will be greater than the principal amount of the debt hedged.

2. Hedge effectiveness is the extent to which the changes in FV of the hedging instrument offsets changes in the FV of the hedged item.

3. Hedge ineffectiveness is the extent to which the changes in the FV or the CF of the hedging instrument are greater or less than those on the hedged item. The source of ineffectiveness includes the effect of credit risk on the hedging instrument.

4. Balance includes change in FV of foreign currency basis spreads recognised in the Cost of hedging reserve. Balances are before tax.

5. Includes net \$0.0 million (2022: \$0.2 million) loss in Cost of hedging reserve reclassified to profit or loss during the period, due to hedge de-designations in previous years.

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

6. Derivative financial instruments continued

Hedge Accounting continued

	Fair value hedges		Cash flow hedges			
	EUR	USD	EUR	USD	AUD	Total
At 31 December 2022	\$m	\$m	\$m	\$m	\$m	\$m
Notional amount ¹	EUR 1,200.0	USD 1,370.0	AUD 1,910.3	AUD 2,748.4	AUD 2,609.0	n/a
Carrying amount of the hedging instrument						
• Assets	-	58.1	147.4	605.1	223.4	1,034.0
• Liabilities	(146.7)	(77.2)	(22.0)	(1.6)	(0.2)	(247.7)
Total carrying amount of the hedging instruments	(146.7)	(19.1)	125.4	603.5	223.2	786.3
Cumulative FV adjustment on hedged item (excluding impact of changes in foreign exchange rates on notional amount)	115.5	73.9	n/a	n/a	n/a	189.4
Carrying amount of the hedged item recognised in the statement of financial position	(1,766.1)	(1,935.0)	n/a	n/a	n/a	(3,701.1)
Balance in CF hedge reserve on continuing hedges ⁴	n/a	n/a	(147.4)	(48.6)	(268.9)	(464.9)
Balance in CF hedge reserve from hedging relationships where hedge accounting no longer applies	n/a	n/a	111.5	52.9	48.1	212.5
During the year:						
Change in value of hedging instrument used for calculating hedge effectiveness:						
• On continuing hedge relationships ²	(166.0)	(77.5)	118.3	214.4	349.6	438.8
Change in value of hedged item used for calculating hedge effectiveness:						
• On continuing hedge relationships ²	168.6	80.1	(114.8)	(216.6)	(355.2)	(437.9)
Change in CF hedge reserve of the hedging instrument recognised in reserves:						
• On continuing hedge relationships ⁴	n/a	n/a	113.1	9.8	340.0	462.9
(Gain)/loss reclassified from CF hedge reserve to P&L on discontinued hedges ⁴	n/a	n/a	42.8	41.7	37.2	121.7
Change in profit and loss:						
Ineffectiveness recognised in P&L (continuing hedge relationships) ³	2.6	2.6	(1.1)	(1.9)	9.5	11.7
Gain/(loss) reclassified to P&L on discontinued hedges	24.5	6.0	(42.8)	(41.7)	(37.2)	(91.2)
Gain/(loss) reclassified from hedge reserve to P&L ⁵	-	-	6.4	206.5	-	212.9

1. Depending on the nature of the cross CCS, a single CCS may be broken down into a FV hedge and a CF hedge. Each structure has a notional amount. Hence the notional amount disclosed will be greater than the principal amount of the debt hedged.

2. Hedge effectiveness is the extent to which the changes in FV of the hedging instrument offsets changes in the FV of the hedged item.

3. Hedge ineffectiveness is the extent to which the changes in the FV or the CF of the hedging instrument are greater or less than those on the hedged item. The source of ineffectiveness includes the effect of credit risk on the hedging instrument.

4. Balance includes change in FV of foreign currency basis spreads recognised in the Cost of hedging reserve. Balances are before tax.

5. Includes \$0.2 million loss in Cost of hedging reserve reclassified to profit or loss during the period, due to hedge de-designations in previous years.

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

7. Net finance costs

	Note	2023 \$m	2022 \$m
Finance income			
Bank interest		30.4	7.2
Total finance income		30.4	7.2
Finance costs			
Senior debt interest paid or accrued		(330.6)	(268.9)
Net swap interest (expense)/income		(52.3)	6.0
CIB Indexation		(15.4)	(11.6)
Amortisation of debt establishment costs		(11.9)	(14.2)
Recurring borrowings costs paid		(9.8)	(12.0)
Borrowing costs capitalised	9	20.0	5.9
RPS interest paid or accrued		(373.7)	(375.7)
Amortisation of RPS debt establishment costs		(30.7)	(26.8)
Lease interest expense		(0.2)	(0.2)
Total finance costs		(804.6)	(697.5)
Change in fair value of swaps ¹		(4.5)	(79.5)
Net finance costs		(778.7)	(769.8)

1. During the year ended 31 December 2022, \$93.7 million relates to amortisation of swap reset costs (year ended 31 December 2023: nil).

Recognition and measurement

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

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

Capitalisation of borrowing costs

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

FINANCIAL RESULTS AND FINANCIAL POSITION

Overview

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

8. Trade and other receivables

	2023 \$m	2022 \$m
Current		
Trade receivables	30.3	21.9
Allowance for expected credit loss	(8.4)	(7.3)
Net trade receivables	21.9	14.6
Accrued contract revenue	84.9	82.4
Other receivables ¹	56.7	108.7
Total current receivables	163.5	205.7
Non-current		
Accrued contract revenue	4.2	5.0
Trade and other receivables ¹	154.8	147.2
Total non-current receivables	159.0	152.2

1. Abatements to be amortised against future revenues of \$58.0 million (2022: \$60.7 million) are included in Other receivables. Those expected to be amortised in the following 12 months from reporting date are classified as Current of \$20.2 million (2022: \$34.4 million); the remainder has been classified as Non-current of \$37.8 million (2022: \$26.3 million).

Trade receivables are generally collected within 30 days of invoice date. The table above reflects \$30.3 million current trade receivables at 31 December 2023 (2022: \$21.9 million). Of this, \$4.1 million (2022: \$12.5 million) relates to revenues earned from contracts with customers (Aeronautical and Parking and ground transport revenues), as explained in Material accounting policies. The remainder relates to revenues from leases (Retail and Property and car rental revenues).

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

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

	\$m
As at 1 January 2022	(33.2)
New and increased provisions ²	(18.3)
Receivables provided for now written off as uncollectible	44.2
Balance as at 31 December 2022	(7.3)
New and increased provisions ²	(5.3)
Receivables provided for now written off as uncollectible	4.2
Balance as at 31 December 2023	(8.4)

2. Expected credit loss expense in the Consolidated statement of comprehensive income.

Recognition and measurement

The Group's trade and other receivables are initially recognised at fair value, which approximates their carrying value and includes transaction costs directly attributable to the acquisition of the asset. Subsequent measurement is recorded at amortised cost using the effective interest rate method, less any allowance for impairment raised for doubtful debts based on expected lifetime credit losses. The Group applies the simplified impairment approach of ECL, as permitted by AASB 9. This requires that expected lifetime losses be recognised from initial recognition of all financial assets. This is based on the anticipated impact of default events arising either in the 12 months after reporting date, or the entire lifetime of the asset.

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

9. Property, plant and equipment

	Freehold land ¹ \$m	Buildings ¹ \$m	Runways, taxiways and aprons \$m	Other infrastructure \$m	Operational plant and infrastructure equipment \$m	Other plant and equipment \$m	Capital works in progress \$m	Total \$m
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
At 31 December 2023								
Cost								
Opening balance	11.3	3,097.3	1,042.1	1,447.3	600.1	598.1	541.9	7,338.1
Additions ²	-	-	-	-	-	-	420.1	420.1
Disposals	-	-	-	-	-	(0.2)	-	(0.2)
Transfers	-	125.2	56.0	39.1	4.8	40.1	(265.2)	-
Closing balance	11.3	3,222.5	1,098.1	1,486.4	604.9	638.0	696.8	7,758.0
Accumulated depreciation								
Opening balance	(2.6)	(1,861.5)	(515.6)	(775.6)	(441.8)	(490.5)	-	(4,087.6)
Depreciation	(0.1)	(143.2)	(37.2)	(61.2)	(25.5)	(60.3)	-	(327.5)
Disposals	-	-	-	-	-	0.1	-	0.1
Closing balance	(2.7)	(2,004.7)	(552.8)	(836.8)	(467.3)	(550.7)	-	(4,415.0)
Total carrying amount	8.6	1,217.8	545.3	649.6	137.6	87.3	696.8	3,343.0
Useful life (years)	99	5-60	6-99	9-40	14-20	3-60		
At 31 December 2022								
Cost								
Opening balance	11.3	3,084.6	1,024.8	1,441.0	595.9	571.3	304.5	7,033.4
Additions ²	-	-	-	-	-	1.6	304.3	305.9
Disposals	-	-	-	-	-	(1.2)	-	(1.2)
Transfers	-	12.7	17.3	6.3	4.2	26.4	(66.9)	-
Closing balance	11.3	3,097.3	1,042.1	1,447.3	600.1	598.1	541.9	7,338.1
Accumulated depreciation								
Opening balance	(2.4)	(1,712.7)	(478.9)	(711.9)	(413.9)	(428.7)	-	(3,748.5)
Depreciation	(0.2)	(148.8)	(36.7)	(63.7)	(27.9)	(63.0)	-	(340.3)
Disposals	-	-	-	-	-	1.2	-	1.2
Closing balance	(2.6)	(1,861.5)	(515.6)	(775.6)	(441.8)	(490.5)	-	(4,087.6)
Total carrying amount	8.7	1,235.8	526.5	671.7	158.3	107.6	541.9	3,250.5

1. A percentage of these assets are subject to operating leases with third parties. These vary from year to year.

2. Includes capitalised borrowing costs of \$20.0 million (2022: \$5.9 million)

A review of all capital projects in progress was undertaken during the year. Following the review, no impairments were recognised in 2023 (2022: nil).

Capital expenditure commitments

At reporting date, the Group had capital expenditure commitments of \$195.7 million (2022: \$159.1 million) which spans across the years 2024 to 2028.

Recognition and measurement

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

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

9. Property, plant and equipment continued

Recognition and measurement continued

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

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

10. Intangible assets

	Goodwill \$m	Airport operator licence \$m	Leasehold land \$m	Total \$m
Useful life (years)	n/a	95	95	
At 31 December 2023				
Cost				
Opening balance	1,812.7	2,058.1	1,599.1	5,469.9
Closing balance	1,812.7	2,058.1	1,599.1	5,469.9
Accumulated amortisation				
Opening balance	-	(444.5)	(343.8)	(788.3)
Amortisation	-	(21.7)	(16.8)	(38.5)
Closing balance	-	(466.2)	(360.6)	(826.8)
Total carrying amount	1,812.7	1,591.9	1,238.5	4,643.1
At 31 December 2022				
Cost				
Opening balance	1,812.7	2,058.1	1,599.1	5,469.9
Closing balance	1,812.7	2,058.1	1,599.1	5,469.9
Accumulated amortisation				
Opening balance	-	(422.8)	(327.0)	(749.8)
Amortisation	-	(21.7)	(16.8)	(38.5)
Closing balance	-	(444.5)	(343.8)	(788.3)
Total carrying amount	1,812.7	1,613.6	1,255.3	4,681.6

Intangible assets items explained

The Commonwealth of Australia granted Sydney Airport Corporation Limited (SACL), a wholly-owned subsidiary of SCACH, a 50 plus 49 year lease of land and granted it an airport operator licence from 1998.

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

Recognition and measurement

Except for goodwill, the Group recognises intangible assets at the costs directly attributable to the acquisition of the asset.

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

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

10. Intangible assets continued

Impairment of intangible assets

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

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

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

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

For the period ended 31 December 2023, no intangible assets were impaired (2022: nil).

Valuation of Sydney Airport

As at 31 December 2023, the Group had net liabilities of \$3,347.1 million (2022: \$3,212.9 million). An independent valuation of the Group's equity value by Deloitte as at 31 December 2023 supported an equity value that, if applied in the financial report of the Group as at 31 December 2023, would have more than absorbed the consolidated deficiency position at 31 December 2023. The valuation included assumptions regarding future passenger numbers, revenue, operating expenses, capital expenditure and interest rates. The result of the updated valuation indicated that no goodwill impairment was required.

Critical estimates and assumptions – impairment test for goodwill

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

Goodwill has been allocated to the Group's CGU. The Group continues to assess Sydney Airport as a single CGU based on the functional and organisational structure by which the airport is managed. The discounted cash flow methodology has been adopted to value the Group's investment. Under this methodology, estimated post-tax cash flows are discounted to their present value using a post-tax discount rate. The discount rate used reflects the current market assessment of the time value of money and the risks specific to Sydney Airport as a CGU.

The cash flows are projected based on a financial model covering a thirty year period, as follows:

- Cash flows for the first five years are based on a detailed bottom-up business planning process incorporating the Group's views on key drivers such as passenger numbers;
- Long-term cash flows to equity after year five are extrapolated based on top-down forecasting incorporating the Group's views on key drivers such as passenger numbers but also the Group's longer term capital structure; and
- Terminal value is calculated using an enterprise value to EBITDA multiple, with consideration given to appropriate terminal growth rates.

Cash flows are discounted using a post-tax discount rate calculated based on the Capital Asset Pricing Model (CAPM). A change of 25 basis points on top of the discount rate would not result in an impairment of goodwill.

Other key assumptions used in the value-in-use calculation include international and domestic passenger numbers, operating costs, capital investment, interest rates and inflation. Total passenger numbers for Sydney Airport were 38.6 million for the year ended 31 December 2023 (2022: 29.1 million). Interest rates are assumed to reflect prevailing market implied projections. Average long-term inflation rates are assumed to be within the Reserve Bank of Australia (RBA) target range.

The valuation derived from this discounted cash flow methodology is benchmarked to other recent market transactions to ensure the valuation provides a reliable value-in-use measure.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

11. Taxation

Income tax expense

Reconciliation of tax expense to prima facie tax payable:

	2023 \$m	2022 \$m
Profit / (loss) before income tax	48.1	(407.9)
Income tax (expense) / benefit calculated at 30%	(14.4)	122.3
Tax cost adjustments on joining SAAH TCG	-	434.6
Expenses that are not deductible	(135.8)	(120.7)
Adjustments for the prior period	15.2	(8.9)
Income tax (expense) / benefit	(135.0)	427.3
	2023 \$m	2022 \$m
Current tax		
Total current income tax (expenses) / income	(221.8)	77.6
Adjustments for the prior period	1.9	(12.6)
Total income tax (expense) / benefit	(219.9)	65.0
Deferred tax		
Origination and reversal of temporary differences	71.6	(76.0)
Tax cost adjustments on joining SAAH TCG	-	434.6
Adjustments for the prior period	13.3	3.7
Total deferred income tax benefit	84.9	362.3
Total income tax (expense) / benefit in the Consolidated statements of comprehensive income	(135.0)	427.3

Deferred taxes

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

	Balance 1 January 2022 \$m	Temporary movements recognised \$m	Balance 31 December 2022 \$m	Temporary movements recognised \$m	Balance 31 December 2023 \$m
Deferred assets/(liabilities):					
Property, plant and equipment	(81.8)	408.6	326.8	(8.1)	318.7
Intangibles	(866.7)	11.4	(855.3)	11.4	(843.9)
Interest bearing liabilities	36.1	(6.8)	29.3	48.3	77.6
Deferred debt establishment costs	1.5	(4.1)	(2.6)	(3.4)	(6.0)
Accrued revenue	(64.4)	10.3	(54.1)	10.7	(43.4)
Defined benefits plan ¹	(3.1)	(0.2)	(3.3)	(0.2)	(3.5)
Deferred income	1.2	0.8	2.0	0.6	2.6
Deferred costs	(1.9)	0.2	(1.7)	0.2	(1.5)
Other payables and lease liabilities	59.5	(17.4)	42.1	1.9	44.0
Derivatives ¹	15.3	(226.8)	(211.5)	64.4	(147.1)
Total	(904.3)	176.0	(728.3)	125.8	(602.5)

1. \$40.9 million (2022: \$ (186.6) million) was charged to equity. \$40.7 million relates to changes in the fair value of cashflow hedges and fair value of the foreign currency basis reserve. \$0.2m relates to the defined benefit plan.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

11. Taxation continued

Recognition and measurement

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

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

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

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

Since 9 March 2022, SCACH and its wholly-owned Australian subsidiaries were part of the SAAH tax-consolidated group (TCG) formed under Australian income tax law. The tax values of the underlying assets and liabilities of each entity within the SAAH TCG were reset as part of the acquisition of Sydney Airport.

The head entity, SAAH, and entities in the SAAH TCG account for their own current and deferred tax. Tax expense and deferred tax assets and liabilities arising from temporary differences of members of the SAAH TCG are recognised in their separate financial statements using the 'separate taxpayer within group' approach. Under the tax funding and sharing agreements between SAAH TCG entities, amounts are recognised as payable to or receivable by each member of the SAAH TCG in relation to the tax contribution amounts paid or payable between SAAH and members of the SAAH TCG. Any tax losses and current tax liabilities from subsidiaries are transferred to SAAH. The impact arising from the change in tax bases is recognised in the Statement of comprehensive income.

12. Payables and unearned revenue

	2023 \$m	2022 \$m
Current		
Trade and other payables	179.2	163.9
Accrued interest on external interest bearing liabilities	67.1	60.3
Accrued interest on shareholder related RPS	156.9	973.2
Unearned revenue	124.3	56.0
Intercompany tax payable to parent entity	362.2	142.2
Total current payables and unearned revenue	889.7	1,395.6
Non-current		
Unearned revenue	0.5	3.3
Total non-current payables and unearned revenue	0.5	3.3

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

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

The Group had an intercompany tax payable to its ultimate parent entity SAAH as at 31 December 2023 and 31 December 2022.

Recognition and measurement

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

OTHER DISCLOSURES

Overview

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

13. Superannuation plan

The Group's employees are entitled to varying levels of benefits on retirement, disability or death through the Sydney Airport Superannuation Plan (the Plan). The Plan consists of a defined benefit plan, available only to existing members, which is fully funded and provides lump sum benefits based on years of service and final average salary; and a defined contribution plan, available to all Sydney Airport employees.

Since 1 July 2023, the Group contributes a minimum of 11.0% of employees' remuneration on defined contribution plans. Prior to this, 10.5% was contributed from 1 July 2022 to 30 June 2023. This is legally enforceable in Australia. For the year ended 31 December 2023, these contributions amounted to \$9.0 million (2022: \$7.5 million).

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

	2023 \$m	2022 \$m
Amounts recognised in the Consolidated Statement of Comprehensive Income in respect of defined benefit plans:		
Current service costs	(1.0)	(1.2)
Interest income	0.5	0.2
Total included in employee benefit expense	(0.5)	(1.0)
Remeasurement (losses)/gains recognised in other comprehensive income	(0.5)	0.9

The amounts included in the Consolidated Statement of financial position arising from the Group's obligations in respect of its defined benefit plans were:

Present value of defined benefit obligations	(25.4)	(25.2)
Fair value of plan assets ¹	36.6	36.3
Net asset arising from defined benefit obligations	11.2	11.1

1. Plan assets are held in managed funds, of which 36% are held in international and domestic equity investments, 31% in fixed income, 11% in cash and 22% in other asset classes (2022: 34%, 30%, 16% and 20% respectively).

Recognition and measurement

Defined contribution plan

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

Defined benefit plan (DBP)

The net obligation in respect of DBP is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The Group determines the net interest expense or income on the net defined benefit liability or asset for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability or asset.

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

13. Superannuation plan continued

Recognition and measurement continued

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

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

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

The significant actuarial assumptions used in determining the present value of the defined benefit obligation and a sensitivity analysis for these assumptions, as at 31 December were:

	2023	2022
Discount rate	5.9%	5.4%
Future salary increases	4.0%	3.0%
	0.5% decrease Impact on 2023	0.5% increase impact on 2023
Discount rate (\$m) ¹	(0.7)	0.7
Future salary increases (\$m) ¹	0.6	(0.6)

1. Defined benefit obligation increases with 0.5% decrease in discount rate. Defined benefit obligation decreases with 0.5% decrease in future salary.

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

14. Group structure and Parent entity

Group structure and Corporate information

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

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

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

The ultimate parent entity and Australian parent entity of SCACH is SAAH. The registered office and principal place of business of SCACH is:

10 Arrivals Court
Sydney International Airport, Mascot
NSW 2020

Deed of Cross Guarantee

Under a deed of cross guarantee (the Deed) entered into, and pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (the Instrument), the wholly-owned subsidiaries listed below (other than Sydney Airport Finance Company Pty Limited (FinCo)) are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports and Directors' Reports. FinCo continues to prepare and lodge standalone financial reports.

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

The subsidiaries party to the Deed are:

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

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

Financial result of the SCACH Group excluding SAF1	2023 \$m	2022 \$m
Revenue	1,655.7	1,130.4
Other income	-	-
Total revenue and other income	1,655.7	1,130.4
Total expenses before depreciation, amortisation, net finance costs and income tax	(462.9)	(389.7)
Profit before depreciation, amortisation, net finance costs and income tax (EBITDA)	1,192.8	740.7
Profit before net finance costs and income tax (EBIT)	826.8	361.9
Net finance costs	(778.7)	(769.8)
Profit/(loss) before income tax benefit	48.1	(407.9)
Income tax (expense)/benefit	(135.0)	427.3
(Loss)/profit after income tax (expense)/benefit	(86.9)	19.4

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

14. Group structure and Parent entity *continued*

Financial position of the SCACH Group excluding SAF1	2023 \$m	2022 \$m
Current assets		
Cash and cash equivalents	513.8	736.3
Trade and other receivables	163.5	205.7
Derivatives financial instruments	133.8	430.3
Other assets	2.5	4.0
Total current assets	813.6	1,376.3
Non-current assets		
Trade and other receivables	159.0	152.2
Property plant and equipment	3,343.0	3,250.5
Intangible assets	4,643.1	4,681.6
Derivatives financial instruments	488.4	520.5
Other assets	49.4	51.8
Total non-current assets	8,682.9	8,656.6
Total assets	9,496.5	10,032.9
Current liabilities		
Payables and unearned revenue	907.6	1,413.5
Interest bearing liabilities – external	1,125.5	1,207.1
Leases liabilities	0.4	0.4
Derivative financial instruments	112.5	84.9
Provisions for employee benefits	11.6	9.5
Total current liabilities	2,157.6	2,715.4
Non-current liabilities		
Interest bearing liabilities – external	7,845.0	7,526.7
Interest bearing liabilities – shareholder related	2,203.0	2,172.3
Lease liabilities	0.2	0.6
Derivative financial instruments	14.3	79.6
Payables and unearned revenue	0.5	3.3
Deferred tax liabilities	602.5	728.3
Provisions	4.2	3.3
Total non-current liabilities	10,669.7	10,514.1
Total liabilities	12,827.3	13,229.5
Net liabilities	(3,330.8)	(3,196.6)
Total equity of the SCACH Group excluding SAF1 comprising of:		
Issued capital	3,333.4	3,333.4
Accumulated losses	(6,754.7)	(6,667.5)
Cash flow hedge reserve	118.9	141.6
Foreign currency basis spread reserve	(28.4)	(4.1)
Total equity	(3,330.8)	(3,196.6)

Southern Cross Airports Corporation Holdings Limited
Notes to the financial statements
For the year ended 31 December 2023

14. Group structure and Parent entity *continued*

	2023 \$m	2022 \$m
Result of the parent entity		
Profit after income tax expense	8,188.8	4,968.8
Total comprehensive income for the period	8,188.8	4,968.8
Financial position of the parent entity		
Current assets	44,746.3	37,379.6
Total assets¹	72,367.7	64,963.5
Current liabilities	(159.1)	(975.2)
Total liabilities	(11,939.9)	(12,724.5)
Total equity of the parent entity comprising of:		
Issued capital	3,333.2	3,333.2
Retained earnings	57,094.6	48,905.8
Total equity	60,427.8	52,239.0

1. Total assets predominantly relate to related party receivables which are all within the consolidated Group. All members of the Group (other than SAF1) are party to the Deed of Cross Guarantee which supports the recoverability of these assets (refer above).

Investments in subsidiaries are recognised at cost.

Parent entity guarantees, commitments and contingencies

At 31 December 2023 the parent entity:

- Has no (2022: nil) contingent assets or liabilities which are material either individually or as a class; and
- Has not (2022: nil) made any capital expenditure commitments.

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

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

15. Related party disclosures

Redeemable preference shares

In 2002, and subsequently, the economic equity for the SCACH Group was contributed from SAL in the form of ordinary shares issued, each stapled 1:1 to redeemable preference shares (RPS). SCACH presents the RPS as a financial liability on the Statement of financial position. Each RPS carries an entitlement to a fixed cumulative return of 13.5% p.a. Refer to Note 2.

Resources agreement fee

SACL and The Trust Company (Sydney Airport) Limited (TTCSAL) entered into a Resources Agreement where SACL provides resources to enable TTCSAL to perform various functions in connection with its role as Responsible Entity (RE) of SAT1 and trustee of one of its subsidiaries, Sydney Airport Trust 2 (SAT2). Fees are charged from SACL to TTCSAL for resources provided, calculated under the provisions in the Resources Agreement. TTCSAL is entitled to recover these fees out of the assets of SAT1 and SAT2 under their respective constitutions. TTCSAL was renamed to SAT1 Limited on 1 November 2023, following its acquisition by Sydney Aviation Alliance Pty Ltd (SAA).

There were \$184,970 fees charged by SACL to TTCSAL for the year ended 31 December 2023 (2022: \$318,748). \$37,452 remains unpaid as at 31 December 2022 (2022: \$35,897).

SACL and The Trust Company (Australia) Limited (TTCAL) entered into a Resources Agreement where SACL provides resources to enable TTCAL to perform various functions in connection with its role as Responsible Entity of Sydney Aviation Alliance Australian Investment Trust (AIT). Fees are charged from SACL to TTCAL for resources provided, calculated under the provisions in the Resources Agreement.

There were \$86,000 fees charged by SACL to TTCAL for the year ended 31 December 2023 (2022: \$126,514). \$22,598 remains unpaid at 31 December 2023 (2022: \$126,514).

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

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

16. Remuneration of auditors

	2023 \$	2022 \$
Amounts paid or payable to auditors (KPMG) for:		
Audit and review of financial statements	550,900	519,840
Other services		
- Other assurance services	327,132	340,000
- Other non-assurance services	-	29,500
Total amount paid or payable to auditors	878,032	889,340

Other assurance services primarily relate to work performed on proposed debt issuances in 2023 and sustainability report (2022: Other assurance and non-assurance services primarily relate to work performed on proposed debt issuances in 2022).

17. Operating lease receivable arrangements

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

	2023 \$m	2022 \$m
Receivable within one year	307.4	332.8
Receivable later than one year but no later than five years	851.7	906.5
Receivable after five years	250.8	426.5
Total operating lease receivable	1,409.9	1,665.8

Southern Cross Airports Corporation Holdings Limited

Notes to the financial statements

For the year ended 31 December 2023

18. Segment Reporting

Management monitors and manages the SCACH Group's core asset – the investment in Sydney Airport, and considers this to be the Group's single operating segment. The segment result for the 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 Consolidated statements 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. For the years ended 31 December 2023 and 31 December 2022 the segment result, assets and liabilities were equal to that of the SCACH Group.

19. Subsequent events

The directors of SCACH are not aware of any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in the period subsequent to the period ended 31 December 2023.