Southern Cross Airports Corporation Holdings Limited

ANNUAL REPORT 2005

85 Years as the Gateway to Australia

Company Structure

Southern Cross Airports Corporation Holdings Limited "SCACH"

Ultimate Parent Company: Funds raised by SCACH comprise ordinary share capital stapled to redeemable preference shares, and Floating IPO Exchangeable Reset Securities ("FLIERS"). This funding was the source of a loan advanced by SCACH to its wholly owned subsidiary Southern Cross Airports Corporation Pty Limited.

Southern Cross Airports Corporation Pty Limited "SCAC"

Parent Company: SCAC utilised the loan provided by SCACH together with financing from various financial institutions to purchase the share capital of Sydney Airport Corporation Limited from the Commonwealth of Australia in 2002. The funding from SCACH and the financial institutions was also used to repay SACL's existing debt at the time of acquisition.

Sydney Airport Corporation Limited "SACL" or "Sydney Airport"

Main Operating Company: SACL derives its income from the airport's aeronautical and non-aeronautical assets. SACL has no external debt. Funding for working and capital expenditure is provided by loans from other Group companies.

Airport Nova Developments Pty Limited "Nova"

Special Purpose Vehicle: Nova was created to develop the office block in the international terminal precinct. The building was completed in July 2004 and is fully leased, with the key tenant being the Australian Customs Service.

Sydney Airport Finance Company Pty Limited (FinCo)

Newly formed subsidiary of SACL, set up as part of the Group's refinancing, completed in September 2004. Purpose is to maintain debt funding efficiency of the group.

Sydney Airport RPS Company Pty Limited (RPSCo)

Newly formed subsidiary of SACL, set up as part of the Group's refinancing, completed in September 2004. Purpose is to maintain debt funding efficiency of the group.

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Sydney Airport is Australia's premier international gateway and one of Australia's most important transport facilities. With record passenger numbers of 28.3 million last year, Sydney Airport welcomed nearly half of Australia's international visitors and approximately a third of its domestic passengers. Celebrating its 85th anniversary in July 2005, Sydney Airport is one of the world's oldest continuously operating commercial airports. It has been transformed into an international airport that consistently ranks among the top ten airports in the world. Sydney Airport management is developing exciting new plans for upgrading our international and domestic terminals to take Sydney Airport into the next decade. It is our objective that Sydney will be one of the best airports in the world in handling new aircraft such as the A380 and in providing the highest levels of security and passenger amenity at our terminals.

2004 Award results:

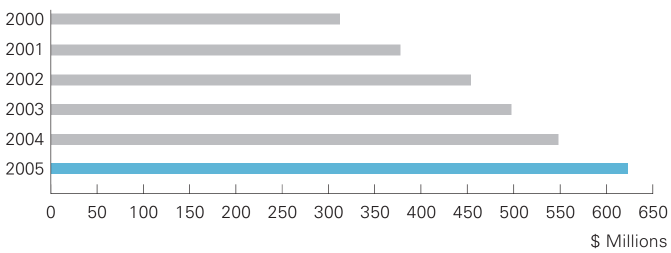
– Top 10 Airports World Wide
(SKYTRAX 2004)

– Top 5 Airports IATA survey
(over 25 million passengers pa)

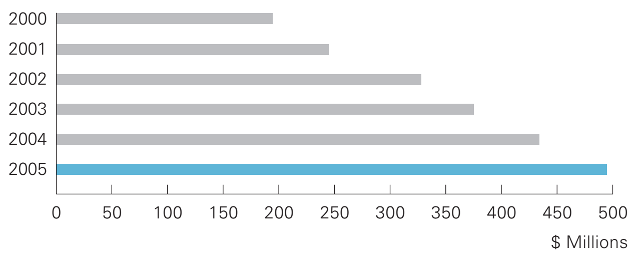
Max Moore-Wilton, Executive Chairman & CEO of SACL at the unveiling of the A380 model, with Mr Chew Choon Seng, CEO of Singapore Airlines.

In financial year 2005 Sydney Airport recorded a 14% increase in earnings (excluding specific non recurring expenses). This was the 3rd consecutive year of double digit growth since the privatisation of Sydney Airport in 2002.

Total Revenue



EBITDA (before specific non-recurring expenses)



Revenue ($'000)

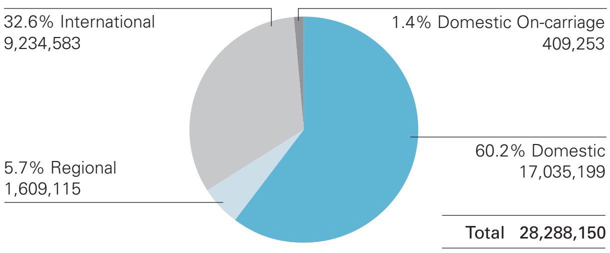
Passenger growth for the financial year 2005 was 7.0 per cent signifying ongoing customer confidence in both aviation and Sydney as a destination. Additional capacity on existing routes also bolstered passenger numbers as did continued strong domestic traffic through T2. In total, traffic rose to 28.3 million passengers in 2005 from 26.4 million in 2004, with international traffic performing strongly, up 8.0 per cent on the previous financial year.

Growth in aeronautical revenue reflects continued expansion of airline services. Virgin Atlantic and Royal Brunei started services from Sydney in financial year 2005. Significant additional services were also provided during the year by Qantas to London, Mumbai and Shanghai; Cathay Pacific (third daily service to Hong Kong); Emirates (second daily service to Dubai); and Malaysian Airlines (moving to double daily services including new services to Kuching). Sydney Airport welcomed its 40th international carrier, Air Tahiti, in July 2005 with two services per week to Papeete.

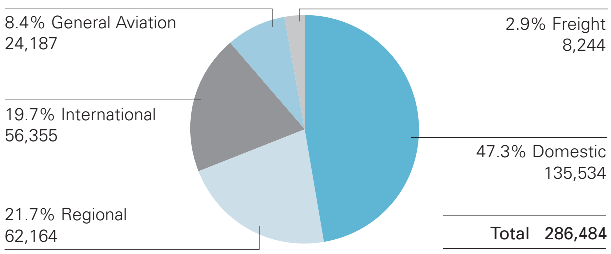
Sydney Airport welcomes the significant liberalisation that is occurring in the markets of China and India. Both of these countries are expected to provide significant opportunities for increased passenger traffic to Sydney in the future. It is disappointing that Government regulation of aviation access to the United States continues to dampen the opportunities for increased competition and passenger growth in this important market.

Key Traffic Data – 2005

Passenger Movements



Aircraft Movements

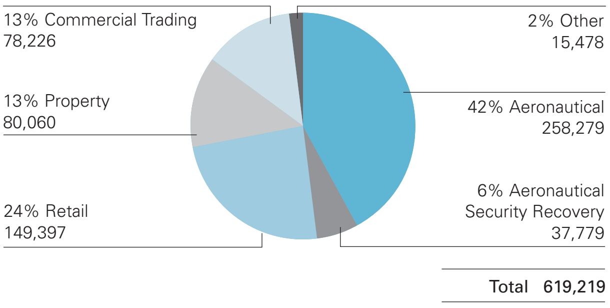


Since privatisation, Sydney Airport's aeronautical charges have remained stable other than for increases in aeronautical security recovery charges as a result of increased expenditure on government mandated security requirements, recovery on new aeronautical investment agreed with airlines and in the case of domestic users changes to reflect the per passenger cost of airport services.

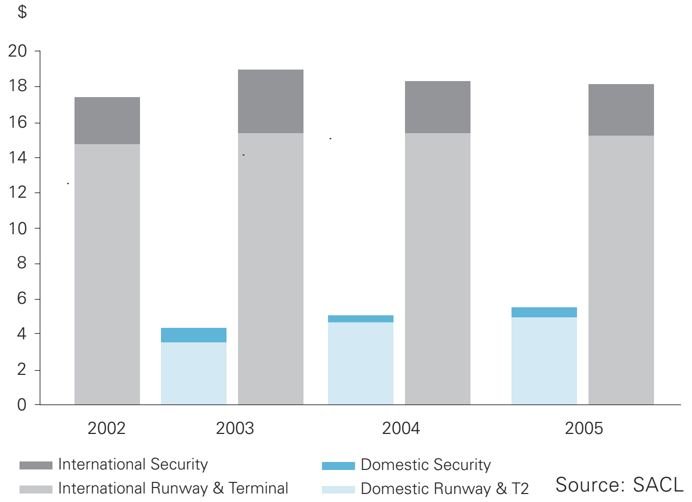
For the last two years Sydney Airport has been involved in processes before the National Competition Council and the Australian Competition Tribunal regarding an application by Virgin Blue supported by Qantas to declare the domestic airside service under Part IIIA of the Trade Practices Act. The Australian Competition Tribunal has yet to announce its decision on this matter. In the meantime SACL has sought to continue negotiations with airlines in relation to a new commercial agreement on airport charges for future years.

Sydney Airport has commenced implementation of the Federal Government's mandated requirement to deliver 100 per cent Checked Bag Screening (CBS) in the T1 International Terminal and is working towards the same in the T2 Domestic Terminal by July 2007. We have also implemented additional Federal Government mandated security regulations, complementing ongoing security initiatives. These include; increased security screening requirements for passengers, additional security resources in the form of the Australian Federal Police Protective Service, as well as increased scrutiny of identity compliance. In addition, Sydney Airport is undertaking an investment of $2.8 million for additional CCTV cameras throughout the airport. Management is contributing to the inquiry by Sir John Wheeler and awaits with interest its recommendations. The integrity of Sydney Airport's security capabilities will continue to be afforded the highest of priorities by management.

Revenue ($'000)



Aero Revenue Per Passenger



Retail revenue increased 13.3 per cent to $149.4 million. Retail benefited from a variety of enhancements to the duty free offering as well as an expanded foreign exchange presence. The Federal Government's increase of duty free allowances, coupled with the introduction of a dedicated Duty Free Express Lane contributed to growth in sales. The Board has approved a major development project for our T2 domestic terminal at a capital cost of approximately $20m. This will involve significant redevelopment of the passenger processing and commercial facilities of the terminal and the opportunity to refresh the retail mix. Construction is scheduled to begin in September 2005 and be completed during 2006.

Growth in Commercial Trading reflected a positive contribution from car parking with a rise of 9.8 per cent to $78.2 million. Improvements have been made in ground transport arrangements for taxis, hire cars and shuttle buses, as well as the introduction of an additional 2,000 car spaces in the Long Term Car Park and an extension of the Domestic Multi-Storey Car Park by 700 spaces.

The Airport's property portfolio continued to perform well, up 15.0 per cent to $80.1 million. Major property works competed in financial year 2005 included DHL's Oceania Hub, a 24-hour Krispy Kreme Drive-Thru and a Formule 1 Hotel. As part of the vision for Sydney Airport, as outlined in the Federal Government approved Sydney Airport 20 year Master Plan, a Major Development Plan for 7,900 additional car parking spaces and 16,000m^2 of office / hotel space at the International precinct was approved in April 2005. These plans will be progressed in 2005/06.

Total operating expenses excluding specific non-recurring expenses increased 8.7 per cent on pcp to $124.0 million principally as a result of a substantial increase in expenditure on security requirements. Excluding security expenditures, operating expenses have benefited from sustainable savings achieved over the last few years, particularly as a result of the implementation of a flatter management structure and a reduction in the full time workforce.

A new Airport Environment Strategy (AES), which outlines the key strategic directions for Sydney Airport's environmental management between 2005-2010, was approved recently by the Federal Government. The Airport is engaged currently on a significant upgrade of the external landscaping of the Airport environs with a view to improving the general presentation of the airport. This project with continue through financial year 05/06.

Total capital expenditure for the year was $128.1 million up 37.0 per cent on the pcp. Capital works commenced on a range of initiatives, including airfield works for the arrival of the A380 aircraft and the implementation of checked bag screening.

Significantly, Airport management is well advanced on finalising a major redevelopment strategy to take Sydney Airport to the forefront of world airports in the future. This strategy, which we have called STAR (State-of-the-Art Renewal) will involve a major redevelopment of SACL's international and domestic terminals and the upgrade of our airfield infrastructure to accommodate new aircraft technology such as the Airbus A380 and Boeing 787. Plans are currently being finalised to enable detailed discussions with airlines, stakeholders and government agencies during financial year 05/06. Our intent is to make Sydney Airport one of the most modern Airports in the world 'over the period to 2010.

Airport management is devoting considerable attention to repositioning Sydney Airport in the minds of the Sydney community and Governments as one of the most important strategic transport infrastructure assets in Australia. No other Australian airport contributes as much to the Australian and local economy as Sydney Airport or provides more convenient access to travellers. We are giving emphasis also to support for local community services such as the Surf Life Saving Association (Nippers) and local school and community activities in areas adjacent to the Airport at Mascot. In addition we have decided to provide a substantial capital contribution of $75,000 to the Royal Flying Doctor Service to enable it to purchase new aircraft for its vital life saving work in the outback and regional NSW.

We are fortunate to have the positive contribution by volunteers in our Gold Ambassador Program. These marvellous Australians contribute their time and experience to assist passengers in our terminals. We will continue to support and encourage this valuable form of community participation in the Airport's activities for the future.

In closing, I would like to express my ongoing appreciation to my fellow Directors and to all Sydney Airport Corporation staff for the contribution they have made, and continue to make, to the ongoing success of Sydney Airport.

Max Moore-Wilton, AC
Executive Chairman and Chief Executive Officer

OVERVIEW: FINANCIAL PERFORMANCE

The consolidated profit before depreciation and amortisation, net borrowing costs, income tax, and specific non-recurring expenses (EBITDA excluding specific non-recurring expenses) was $A495.2 million – a 14.0 per cent increase in earnings over the previous corresponding period (pcp) (FY 2004: $A434.4 million). EBITDA (including specific non-recurring expenses) increased to $A493.3 million – a 16.5 per cent increase on the pcp (FY 2004: $A423.5 million).

Executive Chairman & CEO Max Moore-Wilton and Chief Financial Officer Ruth Martin at the signing ceremony for Sydney Airport's $3.155 billion refinancing in September 2004.

Total revenue from all business units was $A619.2 million – a 12.9 per cent increase over pcp (FY 2004: $A548.4 million).

Aeronautical revenue rose by 8.6 per cent to $258.3 million (FY 2004: $237.8 million). Growth in aeronautical revenue reflects continued expansion of airline services. Virgin Atlantic and Royal Brunei started services from Sydney in FY 2005. Significant additional services were also provided during the year by Qantas, Cathay Pacific, Emirates, Malaysian Airlines, China Southern, Japan Airlines, Air Vanuatu and Air Canada.

Aeronautical security recovery rose by 20 per cent to $37.8 million (FY 2004: $31.5 million), matched by an increase in security costs as a result of increased security measures.

Retail revenue rose by 13.3 per cent to $149.4 million (FY 2004: $131.8 million). Duty Free remained the mainstay, benefiting from a full year's trading from the walk through stores in addition to increased allowances and express lane. Retail revenue growth was also supported by an expanded foreign exchange offering, redevelopment of the T1 Food Court and a revitalised retail offer.

Property revenue rose by 15.0 per cent to $80.0 million (FY 2004: $69.6 million). The property portfolio continued to perform strongly with the multi storey office development in the international precinct fully leased and occupied, in addition to new sites for DHL operations base, F1 hotel development, Krispy Kreme wholesale / retail factory development.

Commercial trading revenue rose by 9.8 per cent to $78.2 million (FY 2004: $71.2 million). Growth in commercial trading revenues reflects a positive contribution from car parking. Construction of an additional 2,000 spaces in the long term car park and 700 spaces in the domestic multi storey car park was completed during the second half of the financial year.

Total operating expenses including specific non-recurring expenses were $A125.9 million – an increase of 0.8 per cent on pcp (FY 2004: $A125.0 million). Total operating expenses excluding specific non-recurring expenses were $A124.0 million – an increase 8.7 per cent on pcp (FY 2004: $A114.0 million).

During the year there was a substantial increase in expenditure on security as a result of greater government mandated security requirements. Excluding security expenditures, operating expenses have benefited from sustainable savings achieved over the last few years, particularly as a result of the implementation of a flatter management structure and a reduction in the full time workforce while allowing for improved quality of services as well as traffic growth.

Depreciation and amortisation decreased by 1.0 per cent to $139.4 million (FY 2004: $140.9 million).

External borrowing costs increased by 8.2% to $314.7 million (FY 2004: $291.0 million), due to a $39.1 million increase in amortisation of debt related costs.

Distributions to FLIERS and RPS shareholders reflect amounts paid or payable to the Southern Cross FLIERS Trust and holders of redeemable preference shares. These amounts are treated as borrowing costs in the financial statements.

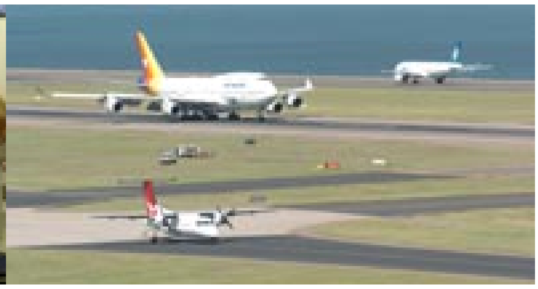
In September 2004, SACL completed the $3.155 billion refinancing of Sydney Airport's senior bank debt facilities, including increased facilities for capital expenditure and working capital purposes. The refinancing allowed Sydney Airport to repay its existing bank debt, improve debt margins and terms and conditions, as well as progressively reduce cash reserves established at the time of privatisation for maintenance CapEx and debt service. In addition, it provides for future capital expenditure and working capital requirements. This was the largest corporate refinancing in the Australian market for two years. Sydney Airport is the largest corporate issuer of domestic bonds in the Australian market.

FINANCIAL HIGHLIGHTS ($'000)

	2005	2004	CHANGE	% CHANGE
Total revenue	**619,219**	548,443	70,776	12.9%
Operating expense excluding specific expense	**123,970**	114,032	9,938	8.7%
Specific non-recurring expense	**1,976**	10,920	-8,944	-81.9%
Total operating expense	**125,946**	124,952	994	0.8%
Operating profit before depreciation and amortisation, net borrowing costs, income tax and specific expense (EBITDA excluding specific expenses)	**495,249**	434,411	60,838	14.0%
Operating profit before depreciation and amortisation, net borrowing costs, and income tax (EBITDA including specific expenses)	**493,273**	423,491	69,782	16.5%
Depreciation and amortisation	**139,418**	140,885	-1,467	-1.0%
Operating profit before net borrowing costs and income tax (EBIT)	**353,855**	282,606	71,249	25.2%
External interest income	**17,974**	22,335	-4,361	-19.5%
External borrowing costs	**314,747**	290,986	23,761	8.2%
Operating profit before income tax & distributions to shareholders	**57,082**	**13,955**	**43,127**	**309.0%**
Income tax	**–**	–	–	–
Distributions to FLIERS	**57,217**	55,443	1,774	3.2%
Distributions to RPS shareholders	**217,998**	223,041	-5,043	-2.3%
Operating loss after tax and distributions to shareholders	**-218,133**	-264,529	46,396	-17.5%

BUSINESS REVIEW – AVIATION

The Aviation Business Development (ABD) group is charged with maintaining the commercial and strategic relationships with airline customers in relation to their aeronautical activities at Sydney Airport. In particular it has responsibility for aeronautical revenues and pricing, airline marketing, traffic forecasting, freight and aviation agreements. Aeronautical revenues, including aeronautical security revenues accounted for $296.1 million, representing approximately 48 per cent of total Sydney Airport revenue.



TRAFFIC HIGHLIGHTS

	2005	2004	CHANGE	% CHANGE
PASSENGER MOVEMENTS				
Domestic	**17,035,199**	16,115,786	919,413	5.7%
Regional	**1,609,115**	1,337,797	271,318	20.3%
Total Domestic and Regional	**18,644,314**	17,453,583	1,190,731	6.8%
International	**9,234,583**	8,550,355	684,228	8.0%
Domestic on-carriage (DOC)	**409,253**	422,426	-13,173	-3.1%
Total International and DOC	**9,643,836**	8,972,781	671,055	7.5%
Total Passenger Movements	**28,288,150**	26,426,363	1,861,787	7.0%
AIRCRAFT MOVEMENTS				
Domestic	**135,534**	136,803	-1,269	-0.9%
Regional	**62,164**	47,832	14,332	30.0%
International	**56,355**	51,544	4,811	9.3%
General Aviation	**24,187**	26,096	-1,909	-7.3%
Freight	**8,244**	7,993	251	3.1%
Total Aircraft Movements	**286,484**	270,268	16,216	6.0%
TONNAGE (000s)				
Domestic	**5,595**	5,318	277	5.2%
Regional	**509**	371	138	37.1%
International	**7,383**	6,616	766	11.6%
General Aviation	**74**	71	3	4.9%
Freight	**554**	476	78	16.5%
Total Tonnage	**14,116**	12,852	1,264	9.8%

NOTE: FY2005

1. Landed tonnes include estimates
2. Domestic and Regional movements and landed tonnes in FY05, when compared to the prior year, reflect a reallocation from domestic to regional based on new airline data.

FY2004

1. Pax movements, Aircraft movements and tonnage have been updated with actuals compared to the Annual Report 2004.

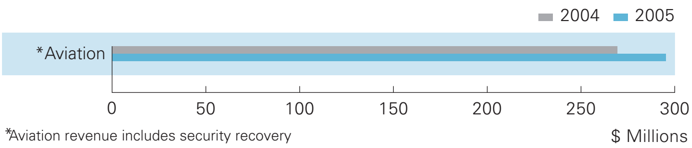
Sources: International and DOC provided by Dept. of Immigration and Australian Customs. Domestic and regional provided by airlines or estimated. Aircraft movements and tonnage provided by Airservices Australia.

Traffic – the key driver of financial performance

Aeronautical revenue rose by 8.6 per cent to $258.3 million (2004: $237.8 million). The increase was due to continuing passenger confidence in travel reflected in the commencement of two new international airlines (Virgin Atlantic and Royal Brunei) and service growth by existing customers. The T2 terminal continued strong growth in its second full year of operation (having commenced trading from late September 2002).

Aeronautical security recovery revenue rose 20 per cent to $37.8 million (2004: $31.5 million), as a result of increased security measures.

2005 Aviation Revenue



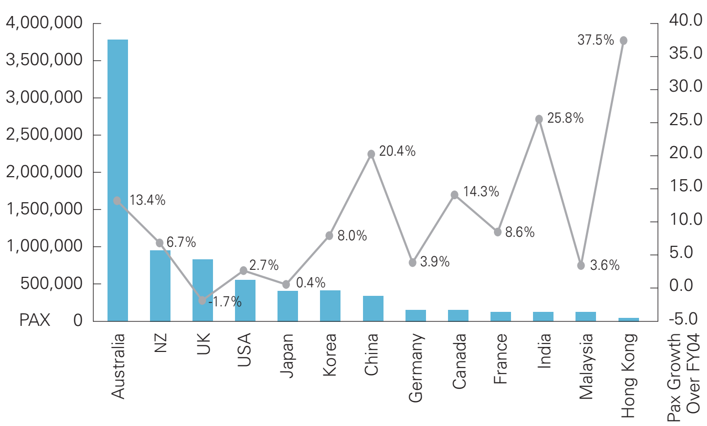
International

The year saw the continuation of robust travel growth as travellers returned following the shocks of the previous few years. This has been facilitated by marketing activities in conjunction with local tourism authorities which has yielded growth in service capacity of existing airline customers and with the start of new carriers.

The major capacity growth in financial year 2005 was in the following key markets:

- Hong Kong grew with the addition of a third daily service by Cathay Pacific and the start of daily services by new airline Virgin Atlantic operating to London via Hong Kong;
- London grew with Qantas starting four services a week via Hong Kong plus the start of Virgin Atlantic;
- China grew with the return of Qantas to Shanghai with three services a week;
- India grew with Qantas starting four services a week to Mumbai;
- The Middle East grew with the start of a second daily service by Emirates to Dubai operating via Bangkok. SACL welcomed the announcement by Emirates of a second daily Tasman service, operating to Christchurch from July 2005; and

Sydney Airport Key Nationality Markets FY05



- South East Asia grew with the start of new airline Royal Brunei with services to Bandar Seri Begawan in Brunei. Malaysian Airlines grew to double daily services to Kuala Lumpur operating via the new destination of Kuching.

SACL was pleased with the outcome of the bilateral air rights negotiations undertaken during the year. An agreement with India that tripled the capacity available to Australian and Indian carriers facilitates the future growth by Qantas and easy access for Indian carriers to serve Sydney. The initialling of an agreement with the European Commission holds promise for improved access for Australian carriers to Europe and new European carriers serving Australia in the future.

For the year the majority of Sydney Airport's nationality markets grew strongly above the prior year. Australian travellers, Sydney Airport's largest passenger market, continued above the long term average growth (+13.4 per cent) largely as a result of the strong AUD. Sydney's second largest market, New Zealand, grew (+6.7 per cent) on the back of continued strong trans-Tasman capacity growth and airline fare competition.

Japanese travellers included some residual post-SARS / Iraq war bounce-back with small growth (+0.4 per cent) after a number of years of decline. Together with Tourism NSW SACL is working on reinvigorating this key market. Two of Sydney Airport's key emerging markets, China and India delivered strong growth on new airline capacity. China grew (20.4 per cent) on capacity growth by Chinese airline customers (Air China, China Eastern, China Southern) and Qantas' new services to Shanghai. India delivered excellent growth (25.8 per cent) driven largely by a burgeoning Indian market further supported by the start of Qantas' services to Mumbai.

Hong Kong delivered the strongest growth (37.5 per cent) of the top 20 Sydney Airport markets (by nationality), driven by new capacity from the start of Virgin Atlantic operating via Hong Kong and the start of third daily services by Cathay Pacific. The US market grew (2.7 per cent), while the UK declined (-1.7 per cent) driven by brought forward travel in FY04 associated with the Rugby World Cup in 2003. Other strong contributors of the growth were Korea, France and Canada.

Looking forward, SACL continues to support liberalisation for access of carriers on key routes, in particular the key US route which has suffered from a number of years of slow growth. Marketing activities continue in all markets though with a particular emphasis on opportunities in Asia, India, and the Middle East.

Domestic and Regional

Domestic traffic continued strong growth benefiting from significant capacity increases and price competition following the introduction of Jetstar (May 2004). This growth moderated in the second half of financial year 2005. Regional passengers saw good growth with new services by Virgin Blue and increased frequency by REX and QantasLink.

Freight

Sydney Airport saw significant growth in freight services, primarily by Qantas with new services to Amsterdam and Shanghai and the full year effect of new services that started in early 2004 to Hong Kong and Chicago.

Regulation

Since 1 July 2002, Australian airports including Sydney Airport have operated under a probationary five year[1] "light handed" regulatory regime for aeronautical charges. This follows the adoption by the Federal Government in May 2002 of the Productivity Commission's recommendations in its review of airport pricing regulation. The Productivity Commission found that threat of government re-regulation combined with airline countervailing power were sufficient to prevent airports from exercising any unjustifiable market power.

SACL's charges have continued to remain within the framework established by the ACCC in its pricing approval for Sydney Airport's charges in May 2001. Due primarily to the events impacting traffic over the intervening period, SACL has consistently under-recovered revenue as approved by the ACCC.

In October 2004 the Australian Competition Tribunal (ACT) conducted its appeal hearing, initiated by Virgin Blue, of the Government's decision not to declare Sydney Airport's domestic airside assets pursuant to Part IIIA of the Trade Practices Act. The Government's decision was based on the recommendations of an assessment conducted by the National Competition Commission (NCC). A decision remains pending from the ACT.

Prior to the NCC's decision and notwithstanding a five-year price path agreement in place since May 2001, SACL commenced engagement with the Board of Airline Representatives in Australia (BARA) and airline customers in relation to a new long term pricing agreement for the use of Sydney Airport's aeronautical services and facilities. SACL continues in good faith in these negotiations, following the principles set down by the Government, and consistent with the approach adopted by other major Australian airports. Delays have however been experienced due to the ACT appeal, as well as increasing pressure by airlines for airports to be re-regulated.

The new pricing proposal put to airlines by SACL provides for up to a seven year fixed price arrangement including five years capital expenditure. This provides significant funding for new services and facilities including some $100 million required to accommodate the new generation Airbus A380 series aircraft. The proposal also provides enhanced terms and conditions of use for airlines, in particular new service level commitments. SACL's proposal does not seek any recoupment of past under-recovered revenues, although it does pass on the benefits of significant operating cost savings achieved since privatisation. Overall, the proposed arrangements provide for enhanced certainty for both airlines and SACL.

SACL's charges remain industry competitive and continue to represent a small proportion of overall traveller cost.

Sydney Airport's airside charges account to between 2-4 per cent of an average airfare to Melbourne (dependent on actual facilities used). Airfield and terminal charges represent approximately 1 per cent of an average London airfare. The airport's charges also represent a small proportion of 'taxes and charges' applicable to an airline ticket with the majority comprising airline levies and government charges.

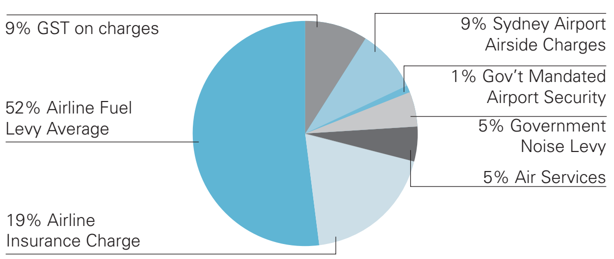
A successful outcome on aeronautical charges will underpin the future continued provision of internationally recognised high quality services and facilities at Australia's premier international airport.

[1] SACL's Aeronautical charges for regional (NSW intra-state) services remain subject to prices notification approval with the Australian Competition and Consumer Commission (ACCC).

The following charts illustrate aspects of SACL's fees and charges as apportion of total ticket price.

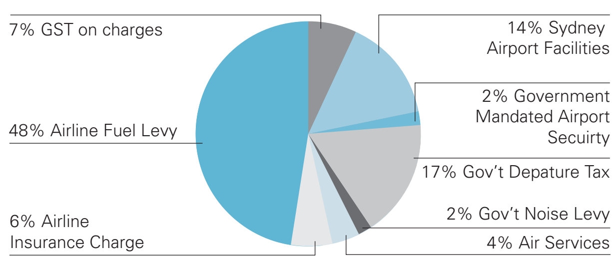
Domestic Passenger Ticket Estimated Components of 'Taxes and Charges'

Indicative average return trip from Sydney Airport, excluding destination Airport charges



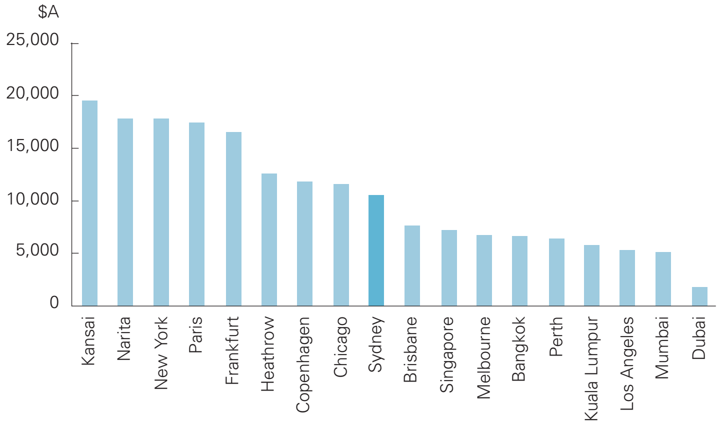
International Passenger Ticket Component of 'Taxes and Charges'

Indicative average return international trip from Sydney Airport, excluding destination Airport charges



The following charts illustrate aspects of SACL's fees and charges as compared to prices at other Australian and international airports.

World Airport Charges – 747-400 Landing & Departure



Source: TRL Limited Review of Airport Charges 2004, includes Government charges, excludes terminal navigation charges. Melbourne, Brisbane and Perth calculated from published airport charges.

Domestic Charge per Aircraft turnaround (737-800)

Source: Published airport charges, assumes 737-800 with 75% load factor.

STRONG FOCUS ON SECURITY

2004/05 highlighted the need for ongoing security vigilance. High profile incidents and issues such as the ongoing Corby case, baggage handler arrests and a leaked Customs report all placed increased focus on airport security.

As a result, the Federal Government announced revisions to mandated security requirements and a review of security at Australian airports by Sir John Wheeler.

Safety and security throughout the airport is subject to constant review and SACL continues to work with government on these and other issues, affording safety and security the highest of priorities.

The organisational structure for Airport Security has been modified to:

- Better reflect SACL's obligations and responsibilities in relation to the new Aviation Security Legislation
- Create a single point of contact for Airport Security operations, implementation and advice
- Provide some additional resource to assist with the considerable work load generated from the new regulations and the present additional security measures

Measures taken include:

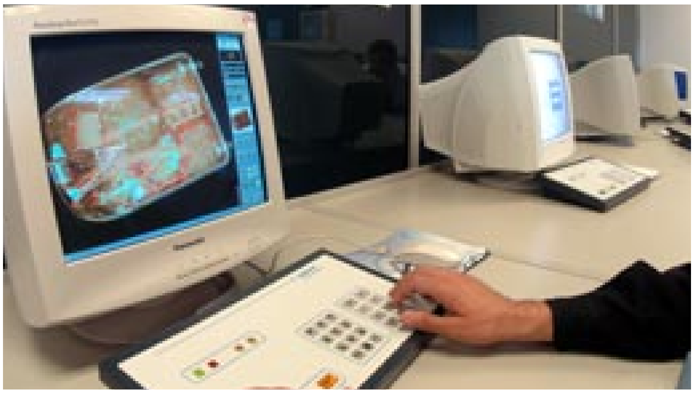
Passenger Screening

Performed to Australian Government regulated standards with assets owned by SACL:

- x-ray machines
- walk through metal detectors
- hand held metal detectors
- explosive trace detection systems
- screening operations contracted to specialist security firms

Screening measures include:

- detection of weapons and prohibited items including sharp implements
- laptops and aerosols given special attention
- secondary screening at boarding gates and at some check in counters



Checked Baggage Screening

On December 31, 2004, SACL met the Federally mandated requirement for 100per cent checked bag screening in the International Terminal. This milestone is a year ahead of the ICAO recommended implementation date. By July 2007, 100 per cent CBS will also be implemented in the domestic terminal.

Screening operations are performed to the Australian Government regulated standards with the following assets owned by SACL:

- in-line x-ray units, conveyor systems
- explosive trace detection systems
- software networked to a central control room
- operation contracted to specialist security firm for the detection of improvised explosive devices

Security Access Control, CCTV Surveillance and security monitoring

- security operations contracted out to specialist security firms
- major infrastructure review conducted during the year with the result that recommended upgrades are scheduled to be implemented over the next three to five years

Uniformed Security and First Response Arrangements

- SACL contracts the Australian Federal Police Protective Service to deliver Government regulated uniform security force deterrence patrols and a first response capability
- Specialist mobile, foot and bike patrols along with technical support from bomb appraisal teams and explosive detection dogs provide an intelligence driven, proactive and flexible security presence

Policy and Compliance

- An in-house team of security specialists provide advice and guidance on risk management and policy standards to meet Government mandates and corporate requirements.
- Regular audits and system testing is conducted to ensure achievement of security outcomes

Aviation Security Identification Cards (ASICs)

As a result of the new aviation security laws introduced this year there are now many more airports that are designated as security controlled airports, many of these in regional Australia. Workers and other people who need access to the secure areas of these airports will need to have an ASIC for the first time.

A complete recall and re-issue of the ASIC was successfully completed in 2004. An extensive security assessment is carried out for all ASIC applications in accordance with the government mandated requirements. Background checks are conducted by the Australian Federal Police, ASIO and may include a check by the Department of Immigration and Multicultural Affairs if required.

SACL continues to be part of the extensive consultation process with government and participates in a number of forums including high level strategic and work group levels to ensure that enhanced aviation policy and flexible outcomes meet contemporary threats.

BUSINESS REVIEW – COMMERCIAL

The commercial businesses – which include Retail & Commercial Development, and Property & Development – are responsible for non-aeronautical revenue streams and are major contributors to the consolidated EBITDA performance. Within the airport's operations, the commercial businesses account for $307.7 million in annual revenue, representing approximately 50 per cent of total SACL revenue.

Retail

Retail and Commercial Development has planning, development, leasing, marketing and performance management responsibility for a portfolio of business comprising duty free, food & beverage, foreign exchange, advertising and speciality retail in T1 and T2.

In a year where high street retail has come under increased pressure, the retail business at Sydney Airport out performed passenger growth with a strong 13.3 per cent increase lifting income to $149.4 million (2004: $131.8 million).

Duty free remained the mainstay of Retail income, benefiting from the walk through stores as well as increased allowances and Duty Free Express Lane. The new departures walk through store won the Raven Fox 2005 Award for Best New Airport Store Opening in Asia Pacific.

An expanded foreign exchange presence, increased activity in the advertising market and continuation of the successful branded food and beverage strategy has seen solid income growth. Steve Costi's Seafood and Jamaica Blue are both airport firsts.

Speciality retail is constantly refined to better service the diverse market base and was supplemented by Bendon Lingerie and Bonds first ever retail concept store.

Benefits of strategic planning will be realised in the redevelopment and expansion of the retail and food & beverage offer at T2. Construction will commence in September 2005.

Ongoing Property Developments

The Property and Development business unit comprises the Property Management, Property and Project Development, Car Parking and Ground Transportation teams. The unit has been active throughout the year in managing its extensive portfolio of 446 leased sites with over 120 tenants, the delivery of car parking and ground transport products, and the continued pursuit of commercial development opportunities in accordance with the Master Planning principles. Portfolio vacancy currently sits at 0.4 per cent of the currently lettable portfolio. Overall property revenue rose 15 per cent to $80.1 million (2004: $69.6 million)

Within the International Terminal, significant lease transactions concluded during the year included a lease to Emirates Airlines for the development of a new CIP lounge facility, and office leases finalised with new entrant airlines Royal Brunei, Hawaiian Airlines and Virgin Atlantic. A plan for the further refurbishment of office areas within the International Terminal continues as the need for commercial office space increases.

Within T2, new leases were concluded with Rex for a new CIP lounge and associated office facilities and Qantaslink for new offices and gate lounge.

Outside the Terminals, leases were concluded with Australian Federal Police for their new Sydney Airport Headquarters within the recently completed Australian Customs Service Building within the International precinct, and BP Australia for the establishment of a new road side services centre on General Holmes Drive.

Plans are also in train for the establishment of a fast food drive through offering adjacent to the BP Service Centre. A second road side service centre is under investigation for city and southbound traffic.

Mercedes Benz has committed to a long term lease for their new Australian flagship showroom and auto service depot on Joyce Drive.

Recently Completed Property Developments

DHL International has now taken occupation of their second stage of its new state of the art purpose-built freight facility within the domestic terminal precinct. This new 14,000m^2 facility will be the new regional headquarters for DHL International

The new landmark Australian Customs Service Building of 15,000m^2 within the International precinct was opened by the Minister for Justice and Customs, Senator The Hon Chris Ellison. The building is fully leased to the Australian Customs Service and the Australian Federal Police.

Opened also this year were the two new developments within the Gateway site on Ross Smith Avenue of a new Formule One Hotel and the Krispy Kreme Drive-Thru Doughnut store.

Future Development Opportunities and Initiatives

A Major Development Plan for the provision of additional public car parking and commercial office facilities within the boundaries of the T1 car park has been approved.

The Major Development Plan will see the provision of an additional 7,600 car parking spaces to cater for the future growth of International Terminal passengers. Also the Major Development Plan provides for the anticipated need for terminal and support facilities with an approved allowable further 16,000m^2 of commercial office space.

To provide for the needs of long term car parking customers, a pet boarding and care facility with associated veterinary services will be established adjacent to the long term car park.

Investigations are underway for the possible development of an international hotel within the International Terminal Precinct that will service the needs of increased international traffic forecasts.

Whilst the Major Development Plan for the development of the intended freight area at the Northern Airport precinct is underway, short term leases for interim uses have been negotiated to take advantage of the shortage of space within the area for short term storage and passive material storage and processing.

Commercial Trading Business Continues to Grow

Car Parking and Car Rental businesses contributed $78.2 million in revenue representing a growth of 9.8 per cent over the previous year. This result is mainly attributable to growth in long term and valet products, supported by passenger numbers and rate reviews in Pronto! Valet and the Long Term Car Parks and increased income from Car Rental business activity.

Long Term Car Park

The Long Term Car Park generated $9 million in income, an increase of 29 per cent over the previous year. This was achieved through volume increases of 19 per cent over last year as well as an increase in parking fees in the second quarter.

An additional 2,000 spaces were added to the car park by March 2005, which will provide room for continued high growth in this product.

Pronto! Valet Parking

The Pronto Valet Car Park generated $5.2 million in income, an increase of 22 per cent over last year. The popularity of the Pronto! Valet product in the Domestic Multi Storey Car Park continued with strong patronage from the business and corporate sectors. Additional areas were allocated during the year to cope with the 16 per cent increase in demand.

T2 Valet Parking

The Qantas and Virgin Blue T2 Valet businesses continued strong growth during year generating $1.2 million in income, an increase of 33 per cent over the previous year.

Domestic Car Park

The Domestic Car Park generated $24.4 million in income, an increase of 8 per cent over the previous year.

The Domestic Car Park experienced some capacity problems during peak periods throughout the year. However, Management implemented operational plans that ensured that no customers were turned away and that the positive customer experience was maintained. An additional 700 spaces were constructed and made available in mid June 2005, which will provide sufficient spaces to accommodate increasing vehicle volumes in the short term.

International Car Park

The International Car Park generated $22.1 million in income. The car park continued to provide a high level of service for the meeter/greeter and fareweller market.

Ground Transport Strategy

An access system for commercial passenger transport vehicles was commissioned on 1 November 2004 to provide:

- Consistent management of transport services;
- Improved security at terminal frontages; and
- Collection of an access toll to cover the cost of the existing and future ground transport facilities.

The toll for taxis picking up passengers is $2.00, and changes to the NSW Taxi regulations were negotiated so that drivers may recover the toll from their passengers. Limousines are charged $2.50 and bus tolls range from $3.00 to $10.00 depending on the size of the bus.

A number of improvements to the ground transport facilities on the airport were provided as part of the new system. These include:

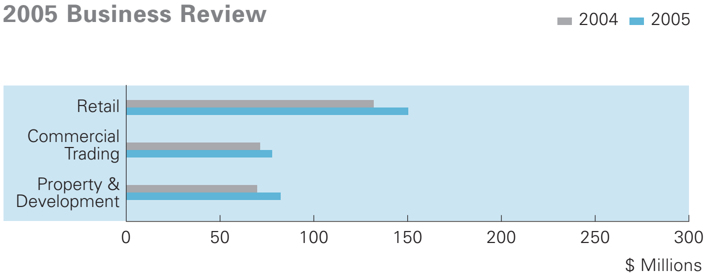
- T2 and T3 taxi ranks enhanced with improved passenger corrals and 10 pick-up spaces at each (a 66 per cent increase) to reduce passenger delays;
- New taxi holding area in the Domestic precinct to provide greater capacity than the existing area;
- The airport fuel service station was refurbished and a new operator, Unigas commenced operations;
- A new food and beverage outlet in the Domestic holding area for drivers; and
- New toilet amenities for drivers in the Domestic holding area and refurbished toilets at International holding area.

The system is planned to be automated with electronic tag access, reducing operating costs of the initial manual system.

Car Rental

Leasing deals were concluded for the take up of further space to car rental companies such as Thrifty and Hertz within the newly established car rental depot area in the South east sector.

2005 Business Review



BUSINESS REVIEW – ASSET MANAGEMENT

A380 Project

Sydney Airport will complete the works required to welcome the A380 by mid-2006, well in time for the aircraft's anticipated arrival later that year. SACL is spending in excess of $100 million and has already let several key construction projects to prepare the airport for A380 operations. Work has started on the construction of the first of six aerobridge upgrades at T1 to provide new three door aerobridges for the aircraft – including direct aerobridge access to the upper deck.

Major Projects

Work is underway on the $90m upgrade of the baggage systems at T1 and T2 to provide in-line security screening for all bags loaded on aircraft.

SACL undertook the re-development of the vacant Ulm Building as office accommodation for SACL staff, eliminating the need to rent accommodation off airport and consolidating non operational staff in one site adjacent to T1.

Other work undertaken in financial year 2005 includes:

- over $11m of ongoing upgrades to the airport lighting systems, in particular, the installation of guard lights on all runways to improve operational safety;
- commencement of a project to extend the CCTV surveillance and monitoring at the airport, particularly in baggage areas to enhance security at the airport;
- construction of a major trunk drainage system and two additional layover aircraft parking areas in the South West Sector;
- a $4m asphalt re-sheet of the northern end of runway 16R/34L and taxiways B and C;
- completion of stage one of a program to replace all the Flight Information Screens in T1 with new large LCD monitors;
- completion of stage one of a five year program to refurbish existing amenities, floor coverings and lounge areas in T1 and T2; and
- commencement of an airport wide landscaping and streetscape improvement program and Terminal forecourt improvement project.

Other Improvements

Work was undertaken to improve other infrastructure systems such the stormwater management system and airport pollution control systems. There is also an ongoing series of programs to reduce power, water and waste usage to provide cost savings and environmental benefits.

SACL has also tendered and awarded new contracts for trolley management at T1, waste services around the airport and telecommunication services, which have resulted in improved service and reduced costs.

To improve internal business and financial management SACL has replaced its ageing financial systems with the Oracle E-business system, introduced a new aeronautical billing IT system and upgraded its asset and maintenance management system.

Planning for the Future...

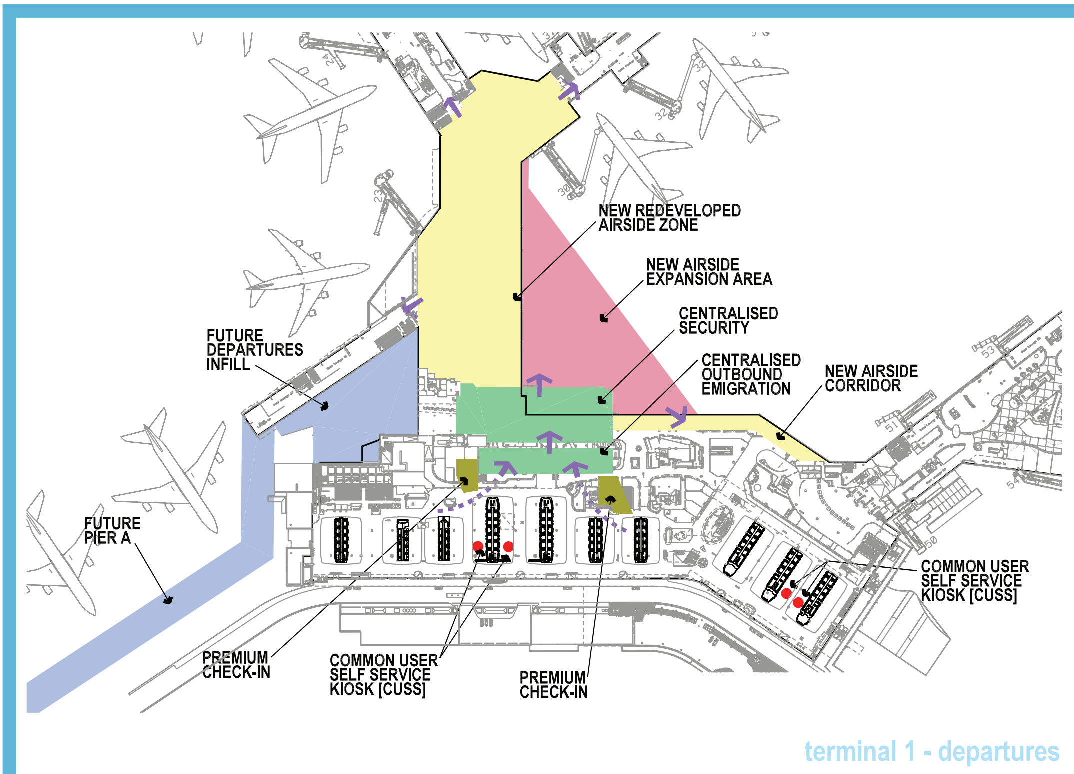
In response to changing technologies and industry growth, Sydney Airport has prepared a re-development strategy (STAR) to deliver a significant upgrade of the airport over the next five years. The Airport was last upgraded for the Sydney 2000 Olympics.

STAR includes the modernisation of the International Terminal (T1) to improve various elements of its operations, from aircraft parking areas, check-in, passport controls, security and baggage delivery to the retail, food and beverage offerings. The T1 project is designed to take the terminal through its next phase of expansion to cater for new generation aircraft and significantly enhanced passenger processing facilities. Capital expenditure in excess of $100 million will be required and Airport management will commence consultations with airlines and other major stakeholders later in the year.

Automation, efficiency and product differentiation will be key drivers of the project and it is designed to link in with both Government and IATA moves to simplify and speed up airline travel. Sydney Airport chairs a national working group with the airlines and Government agencies which is developing a system for common use self service check-in (CUSS) for international passengers. A significant trial of CUSS is being developed for T1 and is planned to start in early 2006. The Australian Government is well advanced on finalising new procedures for border control including biometric identification for passports and SACL is working cooperatively with the Government to introduce these facilities.

In addition to the T1 project, STAR includes an immediate $20m upgrade of SACL's Domestic Terminal (T2), which will commence construction In September 2005. The refurbishment will transform the airside facilities at the terminal providing better food and beverage and retail facilities for passengers as well as enhanced waiting areas and amenities. A later stage of STAR plans for additional improvements at T2 including enhanced automation and security facilities, baggage and passenger information upgrades.

STAR also extends to the airfield with Airport management working with Airservices Australia and the airlines to introduce new technologies to the airfield. Work is already well underway to upgrade and improve airport lighting but new projects include new technology lighting control systems to make switching quicker and safer and the introduction of the new GPS Landing systems at Sydney.



Preliminary concept design T1 departures. This is envisaged to be a staged delivery in the terminal and airside precincts over the next five years

Utilities Master Plan

Sydney Airport is preparing a detailed Utilities Master Plan to ensure that the proposed aeronautical and commercial developments outlined in the recently approved Airport Master Plan can be supported by utilities provided by or to the Airport. Areas being addressed are:

- Energy supply
- Energy distribution
- Gas
- Water supply
- Stormwater management
- Sewerage management
- Communications.

SACL is also investigating sustainability options such as water re-use and co-generation to limit the impact of the growth in demand for utilities. SACL is currently working with Sydney Water to reduce water usage, targeting a 15 per cent reduction in the next two years.

Ground Travel Plan

Sydney Airport is currently developing an Airport Ground Travel Plan as identified in the Airport Master Plan and the Environment Strategy. This plan will address ground transport options for the future and will be the subject of consultation with the NSW Government and airport stakeholders over the next 12 months.

QUALITY OF CUSTOMER SERVICE

In March 2004 a Service Standards role was created to focus on the quality of service delivered across the airport. The Board and Senior Management identified a need for this role so as to establish and monitor measurable service standards across all facets of the airport's operations.

Across the business, there are areas where service standards are already in place. The aim is to consolidate and, build on them, and where appropriate seek the cooperation of our partners to achieve and improve on them.

Sydney Airport has been and is continuing to participate in the IATA backed AETRA survey. The survey is principally a global airport benchmarking program. Sydney continues to perform well and was ranked 5th for Best Airport "Overall Satisfaction" in 2004 for airports processing more than 25 million passengers per annum. In addition to this, SkyTrax rated amongst the world's Top Ten airports for 2004.

The goal is to continue to achieve these results and to remain one of the best airports in world. With ever-increasing competition, this is a challenging task, however with a renewed focus on the end to end passenger experience we aim to repeat the performance in 2005.

In order to help identify areas for prioritisation and continuous improvement, an ongoing passenger satisfaction survey was commissioned and is conducted on a monthly basis. Results from the survey are presented to the Board and Senior Management on a regular basis. Recent results were helpful in identifying areas requiring attention and also highlighted a large number of areas where the airport performed strongly.

With the ongoing focus on service delivery and standards, Sydney Airport is well placed to drive improvement and consolidate areas where performance is already very positive.

COMMUNITY TIES

Sydney Airport's Community Investment program is designed to support local communities and other significant community organisations. Educational and environmental initiatives are a focus, as well as activities that help to create a sense of community.

Sydney Airport has an active presence in the local community, particularly with schools. Pictured here is SACL's Environment Coordinator, Kelie Pittaway showing Botany Public School students how to plant a tree and how to care for it in the first few months of its life for National Tree Day.

An Educational Approach

SACL's ongoing Education Grants Scheme again provided support for projects at local schools and kindergartens. In total, 10 local schools and 13 kindergartens benefited from the Sydney Airport Grants Scheme. The schools from the Botany, Leichhardt, Marrickville, Rockdale, Randwick and Sutherland areas shared in the grants which funded proposals to improve facilities for students at their respective schools. The program seeks to specifically support environmental and education initiatives and those events and activities which help create a sense of community around the Airport.

Sporting Efforts

As part of the community investment program, SACL continued its involvement in local sports by supporting six junior soccer teams in neighbouring communities. The Sydney Airport Jets rugby league football team and the Sydney University rugby union team are also beneficiaries of the Airport's community investment program.

Hochtief is just one of the Sydney Airport shareholders involved in helping the local community. Pictured here is Gerhard Schroeder of Hochtief Airports, test driving the computers they have donated to local schools.

SACL renewed its sponsorship agreement with Surf Life Saving Sydney Branch Nipper activities at beaches south of the harbour from North Bondi to Burning Palms.

Our involvement with Surf Life Saving was extended to sponsorship of the Shark Island Swim at South Cronulla Beach during the year.

Local Charities

Sydney Airport's support of local charities continues with the management agreement drawn up between SACL and the Rotary Clubs of Botany, Rockdale and Marrickville allowing those clubs to collect funds from the charity collection bins at Sydney Airport. Over $100,000 was collected during the past year. The funds are distributed locally to worthy charities as well as a proportion going to overseas programs. SACL also continued its support of other charities including Youth Off the Streets (YoTS) and The Wesley Mission.

Sydney Airport Corporation continues to play an active role in supporting both local community endeavours as well as major charity groups. Efforts and funds in the future will focus on the Royal Australian Flying Doctors, Cooks Sites Exhibition at the Museum of Sydney as well as continuing with a range of educational and sporting projects.

SACL Executive Chairman & CEO, Max Moore-Wilton presenting a bus, paid for from SACL charity bins, to the Principal of Cairnsfoot School in December 2004. Cairnsfoot School enrols students with intellectual and physical disabilities from the age of 4-18.

NEW AIRPORT ENVIRONMENT STRATEGY

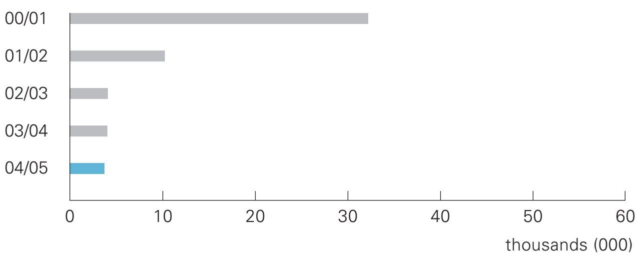
2004/05 was a keynote year for environmental management at Sydney Airport, with the endorsement by the Minister of Transport and Regional Services of a new five-year Environment Strategy (2005-2010).

The strategy (AES) was developed in close consultation with the Airport's stakeholders, including staff and tenants, Commonwealth, State and local government agencies, Commonwealth and State Members of Parliament, and the local community.

The AES provides key strategic direction for environmental management of the airport over the term of the strategy and has the following main objectives:

- To effectively manage the significant environmental risks associated with the airport;
- To facilitate Sydney Airport's objective of achieving world's best practice environmental management; and
- To ensure continuous improvement of the airport environment and built upon achievements and goals of the previous AES

Aircraft Noise Complaints



Some of the major initiatives planned under the AES over 2005-2010 period include:

- Seeking accreditation of its EMS system to ISO14001
- Reducing water use and improving water quality
- Wetland enhancement program for significant wetland areas on the airport
- Reducing ground-based noise and air emissions
- Development of an whole of airport ground travel plan
- Reducing natural resource and energy use
- Initiation of an airport heritage management plan

Note: The complete AES can viewed at SACL's website www.sydneyairport.com.au

Tenant Environmental Management/Audit Program

To ensure airport tenants appropriately manage their environmental risks SACL formally introduced in the 2005 financial year an environmental risk classification system for Sydney airport tenants.

In line with the requirements of the AES, SACL completed a major audit program of the Tier 1 and 2 classified tenants. The purpose of this program was to assess compliance with their operational EMPs. Results of the audit program were positive with all tenants demonstrating general EMP compliance with only minor housekeeping issues being identified.

Airport Water Management Strategy

SACL has commenced its AES commitment to initiate a major Airport Water Management Strategy which includes the following:

- Initiation of immediate water management measures; SACL is in the first stage of this assessment which entails the evaluation of current water practices and identifying priority areas for improvement. The next stage will be the development of a leak detection strategy and the installation of additional water meters;
- Introduction of water management requirements for airport developments: Under this requirement certain new airport developments have been required to incorporate water saving technologies including rainwater tanks and waterless urinals;
- Staged investigation and implementation of new recycling/reuse technologies.

Air Quality/Cleaner Energy

SACL had commenced its AES commitment of introducing more advanced ground transport with the purchase of the airport's first hybrid car (Toyota Prius). The vehicle is being used by SACL's airside driver training school. A second vehicle will be purchased before the end of this financial year with an additional three more scheduled for purchase in the 2006 financial year.

Wetland Enhancement Program

SACL has commenced its wetland enhancement program with the recent completion of an assessment on the current status of the Engine Ponds (wetlands on airport) by a wetland specialist. On the basis of this assessment which also provided advice on a practical course of action to manage the wetlands, SACL has developed a costed, staged rehabilitation schedule for the 05/06 period which include weed removal and management, carp control and re-establishment of native species, litter removal, installation of a gross pollutant trap and increase the coverage of emergent vegetation.

Restoring Lady Robinsons Beach

During financial year 2005 SACL continued funding towards the restoration of the northern end of Lady Robinsons Beach located on the western shores of Botany Bay. The beach had suffered erosion as a result of natural coastal processes and changed wave conditions due to dredging and reclamation in the Bay. The restoration project involves the construction of five groynes in the northern section of the beach which will be renourished with sand and stabilised with dunal grasses to provide a wide stable beach. The project began in early 2004 and has a scheduled completion date of 2005.

Airport Natural Landscaping

A $2 million airport wide landscaping and streetscape improvement program, encompassing the Domestic and International Terminals, roadsides and forecourts commenced, with the aim of beautifying Sydney Airport.

HUMAN RESOURCES

SACL is committed to continuous improvement and best practice. This is reflected in Human Resources plans and policies as well as being included in the Sydney Airport Enterprise Agreement.

During the year, staff participated in a variety of training and development offerings including management and leadership training, skill enhancement and personal and career development. Training was conducted on the job and through external training providers for a number of staff.

Significantly, there have been no industrial disputes with SACL staff during this reporting period. SACL submitted its annual report to Equal Opportunity for Women on the Workplace Agency and is compliant with it obligations under the federal legislation.

Unplanned absences are low with overall attendance being up from last year. This level of attendance is well above industry standards and is indicative of a very positive staff environment.

The number of staff accidents reported this year is 32 however incidents have been minor and only five incidents have resulted in lost time injuries. All injured employees have now returned to duties.

Staff numbers continue to be stable throughout the year with numbers remaining below 300 and the average being 287.

Statutory Information

BOARD OF DIRECTORS

Max Moore-Wilton AC, BEc. Chairman and Chief Executive

Mr Max Moore-Wilton is Chairman and Chief Executive of the SCACH Group of Companies. He was appointed to this position in January 2003. Prior to this, Mr Moore-Wilton was Secretary to the Department of the Prime Minister and Cabinet, a position he held from 1996.

Mr Moore-Wilton has held a number of key executive roles both within the public and private sectors and he has extensive experience in the transport sector. Mr Moore-Wilton was appointed a Companion in the General Division of the Order of Australia in the Australia Day Honours List 2001.

Martyn Booth BA (Hons)

Mr Booth is an Executive Director of Macquarie Bank Limited and is also the airport director of Macquarie Airports . Mr Booth has extensive airport experience having formerly been a principal of the Portland Group, a leading international airport consultancy company and Director of Corporate Strategy of the British Airport Authority and is also on the Board of Brussels Airport, Rome Airport and Bristol Airport.

Patrick Gourley BEc (Hons), MEc

Mr Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations, and a former member of the Military Superannuation Board of Trustees. Mr Gourley is a director of the Great Energy Alliance Corporation and the Loy Yang Marketing and Management Company and is a consultant to the Motor Trades Association of Australia Superannuation Fund.

Meredith Hellicar B.A., LL.M (Hons.), L.Mus.A, FAICD.

Ms Hellicar is a Director of various listed Australian entities including AMP Limited, James Hardie Industries NV and Amalgamated Holdings Limited and also holds a number of non-listed and voluntary board and council memberships. Previous positions include Managing Director of InTech Financial Services, Chief Executive of Corrs, Chambers Westgarth and Managing Director of TNT Logistics Asia PTE Ltd.

Kerrie Mather BA MComm

Ms Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports (MAp). Ms Mather has extensive experience in transport infrastructure acquisitions, investments and financings, with a particular focus on airports. Ms Mather is also on the Board of Brussels Airport, Birmingham Airport and MALSA (MAp's Rome Airport investment entity).

Nicholas Moore BCom, LLB, Solicitor of the Supreme Court of NSW, FCA (Fellow)

Mr Moore is Head of the Investment Banking Group of Macquarie Bank Limited and a Director of Macquarie Airports Management Ltd. Macquarie is Australia's largest investment banking business advising with more than $20 billion of transactions per annum and managing more than $20 billion of equity in infrastructure assets. Mr Moore has been primarily responsible for the development of the infrastructure, structured financing, and leasing businesses of the investment banking group.

Luis Sánchez Salmeron BEc. MBA.

Mr Sánchez Salmerón is the Director of the Airports Division of Ferrovial Infraestructuras S.A. Mr Sánchez Salmerón has been involved in local and international transportation and infrastructure projects and has considerable business, finance and strategic planning expertise, having held senior positions with Acciona and Grupo Dragados in Spain, the UK, Chile and Mexico.

Ulrich Stucke Dr. jur.

Dr Stucke is Managing Director of HOCHTIEF AirPort GmbH (HTA), being responsible for HTA's Hamburg and Sydney Airport investments as well as for acquisitions and financing activities. Before joining HOCHTIEF AirPort he worked for Deutsche Bank AG where he held senior positions in infrastructure financing, corporate finance, cross border leasing and structured finance.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

The composition of the Boards of SCACH, SCAC, SACL, FinCo and RPSCo are identical while the Board of Nova is made up of those directors who are members of the SACL Board Strategy Committee (refer below).

References to the "Board" in this section are to the SCACH Board.

The Board, management and shareholders are committed to a high standard of corporate governance. SCACH's corporate governance procedures and structures are intended to be robust and have been formulated with regard to recent developments in corporate governance practice.

THE ROLE OF THE BOARD

The Board is responsible for the overall direction of the SCACH Group. Four board committees have been established through SACL, the main operating entity of the group, for the purpose of enhancing corporate governance and establishing strategic and financial priorities and objectives - the Strategy Committee, the Audit and Corporate Governance Committee, the Human Resources Committee and the Safety, Security, Environment and Health Committee.

The Board monitors management's performance and provides constructive input toward accomplishing the Group's goals. Responsibility for the day-to-day management of each company within the Group rests with the Chairman and Chief Executive and his management team. One of the aims of the corporate governance procedures is to ensure that the Board, the Committees and Management understand their roles and can operate in a constructive and value-adding environment. This environment includes shareholder and director support (and advice through each Board and committee structure) as well as the consultancy referred to below.

SIZE AND COMPOSITION

At the date of this Annual Report, the Board of Directors consists of the Chairman and Chief Executive and seven non-executive Directors.

MEMBER	BOARD	STRATEGY	AUDIT AND CORPORATE GOVERNANCE	HUMAN RESOURCES	SAFETY, SECURITY ENVIRONMENT AND HEALTH
Maxwell Moore-Wilton	● ■	● ■	●	● ■	● ■
Martyn Booth	●	●			
Patrick Gourley	●		●	●	
Meredith Hellicar	●		●		●
Kerrie Mather	●	● ▲		●	●
Nicholas Moore	●		●■		
Luis Sánchez Salmeron	●	●		●	
Ulrich Stucke	●	●		●	●

● Member ■ Chair ▲ Deputy Chair

In the event a Director has a material personal interest in a matter that relates to the affairs of any group company, the Director must not vote on the matter nor be present while the matter is being considered at that company's board meetings. To assist in pro-actively identifying conflicts or potential conflicts, each Director has completed a Standing Disclosure statement and is requested to confirm to the Company Secretary the continuing accuracy of this or her disclosures on a half yearly basis. Each Group Company's constitution also contains conflicts of interest and related party transaction requirements which are additional to those set out in the Corporations Act.

NON EXECUTIVE DIRECTORS' FEES

Non executive directors' fees are $60,000 per director per year (plus reimbursement of expenses incurred in attending meetings, attending to business of the Group, and carrying out duties as a director for the Group). The total cost of directors' fees and Board expenses of the Group for the year amounted to $460,204. Non executive directors who are members of committees do not receive a committee fee. The Chairman and Chief Executive does not receive a director's fee or a committee fee.

COMPANY POLICIES

The Board has adopted a number of policies in key areas including finance and treasury risk management, internal audit, workplace health and safety, environment, equal employment opportunity, privacy and dealings by employees in units in the Southern Cross FLIERS Trust and securities of other companies.

GROUP BOARD COMMITTEES

As noted above four committees have been established through SACL to assist each Board with the execution of its responsibilities. These committees meet regularly and make recommendations to each Board on matters delegated to them in accordance with their written terms of reference or as a result of a specific request by a Board. The Committee papers and minutes of each committee meeting are provided to all directors together with the agendas for upcoming meetings so that non-committee members can attend if they wish. The committees engage with management as appropriate and operate in accordance with their terms of reference. All committees may at any time obtain professional advice to assist in the carrying out of their functions.

TERMS OF REFERENCE AND COMPOSITION OF COMMITTEES

STRATEGY COMMITTEE

This Committee is chaired by Max Moore-Wilton, other members being Kerrie Mather, Luis Sánchez Salmeron, Martyn Booth, Dr Ulrich Stucke and the Chief Financial Officer, Ruth Martin. The Secretary is the General Counsel & Company Secretary, Clair Hodge.

The role of this committee is to make recommendations to each board in relation to business strategy, business development and major projects.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee is chaired by Nicholas Moore, the other members being Max Moore–Wilton, Patrick Gourley and Meredith Hellicar. The Chief Financial Officer attends by invitation. The Secretary is Financial Controller, Ewan McLean.

Members of the committee are appointed for an initial term of three years and are eligible for reappointment at the first SACL Board meeting following the third anniversary of the member's appointment.

A Charter of Audit Independence is in place to ensure that this committee and the relevant Boards are satisfied that the Group's auditor is at all times independent and is seen to be independent. The Charter sets out procedures that need to be followed to ensure this independence as well as identifying the various responsibilities of the external auditor, management and the Audit and Corporate Governance Committee. There is also provision in the committee's terms of reference for the internal and external auditors to meet with the non-executive committee members without management being present. Additionally, the Chair of the committee is required to call a meeting if the auditors request it.

The Committee's role is to assist each Board in fulfilling its responsibilities relating to the accounting, reporting and corporate governance practices of the Group.

HUMAN RESOURCES COMMITTEE

The Human Resources Committee is chaired by Max Moore-Wilton, the other members being Kerrie Mather, Luis Sánchez Salmeron, Patrick Gourley and Dr Ulrich Stucke. The Secretary is the General Manager, Corporate Affairs and Human Resources, Rod Gilmour. The Committee provides advice and makes recommendations to the SACL Board (and the Chairman and Chief Executive where appropriate) in relation to senior executive appointments, performance, remuneration policies, strategies relating to senior management, the organisational structure and succession planning. The Committee also reviews issues and practices relating to staff development and career progression and monitors employment policy and guidelines.

SAFETY, SECURITY, ENVIRONMENT AND HEALTH COMMITTEE

The Safety, Security, Environment and Health Committee is chaired by Max Moore-Wilton, the other members being, Meredith Hellicar, Kerrie Mather and Dr Ulrich Stucke. The Secretary is the General Manager, Airport Operations, Grant Woods.

The Committee monitors and considers reports and proposals in relation to airport security (including legislative changes); the airside safety policy plan; the auditing of internal practices to ensure that legislative and technological safe practices and standards are continually maintained, and environmental policies and strategies (including developing and reviewing occupational health and safety policies and strategies to ensure compliance with relevant legislation and best industry practices).

THE EXECUTIVE

At the date of this Annual Report, the Chairman and Chief Executive has eight senior executives who report directly to him. The Chairman and Chief Executive together with the senior executives comprise the Senior Management Team which meets regularly to consider:

- strategic objectives;
- operational matters;
- corporate issues; and
- recommendations and advice, from and to, each Board and the committees.

The SACL Board has delegated the day to day operation of the Airport to the CEO via a written Standing Instrument of Delegation, who in turn has sub-delegated a number of his delegated powers to his direct reports and to a limited number of other managers. Compliance by employees with the Standing Instrument of Delegation and CEO Sub-Delegation is monitored by the SACL Company Secretarial and Finance Departments.

COMPANY SECRETARY

Clair Hodge

B Com LLB (UNSW) GAICD FCIS
Company Secretary of SACL since 26 November 1998

Clair Hodge is General Counsel and Company Secretary of SACL and is also company secretary of the other companies in the Group. She has over 9 years company secretarial experience in both private enterprise and in a Commonwealth Government business enterprise environment. Clair is a fellow of Chartered Secretaries Australia and the Institute of Chartered Secretaries and Administrators. She is a member of the NSW Branch Council of Chartered Secretaries Australia and is also a member of its NSW & ACT professional development committee.

AIRPORT STRATEGIC CONSULTANCY AGREEMENT

This consultancy arrangement is intended to ensure that advice from shareholders Hochtief Airport GmbH and Macquarie Airports Management Limited is provided transparently to the Group and enables the members of the Strategy Committee to work with the consultants and management to make recommendations to each Board.

RISK MANAGEMENT

An integrated risk management framework has been established for identifying and evaluating risk.

Each member of senior management is responsible for identifying and managing risks pertaining to their areas of responsibility. In addition, risks are collectively identified and managed through reports to the relevant Group Board and the SACL Board Committees, the corporate planning processes and the internal audit function.

ENVIRONMENTAL REGULATION

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

- the development and implementation of an Environment Strategy;
- the monitoring and remediation of air, 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 Act and Regulations); and
- the enforcement of the provisions of the Act and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers (AEOs).

ENVIRONMENT STRATEGY

As required under the Act, an Environment Strategy was approved by the Minister for Transport and Regional Services on 18 January 2005.

The strategy outlines the SCACH Group's plans and actions to measure, monitor, enhance and report on environmental performance over the five-year period from 2005 to 2010. The SCACH Group's aim reflected in the strategy is to continually improve environmental performance and minimise the impact of the SCACH Group's operations on the environment. The strategy supports world-class initiatives in environmental management beyond regulatory requirements.

REGULATORY COMPLIANCE

During the year ended 30 June 2005 the AEO did not issue Sydney Airport with any environmental remediation orders, environmental protection orders or infringement notices. In certain circumstances, an 'authorisation' may be sought where it is expected that the pollution limits set out in the Regulations may be exceeded.

MONITORING

During the year ended 30 June 2005:

Air quality monitoring continued to demonstrate that air emissions are within relevant regulatory limits and guidelines;

The SCACH Group's stormwater monitoring program was completed during the reporting period. Results showed that pollutant concentrations were similar to those from Bankstown Airport and urban Sydney runoff. These results have been reviewed by the AEO.

The SCACH Group continued to implement a risk-based approach to managing existing contaminated sites and preventing future contamination.

CORPORATE GOVERNANCE

The SCACH Group has completed a Master Plan for Sydney Airport. This document (amongst other things) considers environmental issues resulting from Sydney Airport's future operations until 2024. The document is can be viewed on SACL's website, sydneyairport.com.

No breaches of the regulatory limits were detected and reported to the AEOs. No action was taken against the SCACH Group by any party under the Regulations.

Further information on the SCACH Group's environmental performance can be viewed on SACL's website, sydneyairport.com.

Concise Consolidated Financial Report

Directors' Report

Statement of Financial Performance

Sydney Airport Statistics

CONCISE CONSOLIDATED FINANCIAL REPORT

Southern Cross Airports Corporation Holdings Limited
For the financial year ended 30 June 2005
ACN: 098 082 029

The directors present their report on the results of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its controlled entities for the financial year ("year") ended 30 June 2005.

DIRECTORS

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

NAMES AND PARTICULARS	APPOINTMENT DATE	RESIGNATION DATE
Max Moore-Wilton, Chairman and Chief Executive, has held various key executive positions in the public and private sectors.	22 January 2003	–
Kerrie Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports.	27 June 2002	–
Martyn Booth is an Executive Director of Macquarie Bank Limited. He is the Airport Director of Macquarie Airports.	25 July 2002	–
Nicholas Moore is Head of the Investment Banking Group of Macquarie Bank Limited, and is a Director of Macquarie Airports Management Limited.	25 July 2002	–
Patrick Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations.	10 September 2002	–
Meredith Hellicar is a Director of various publicly listed companies including AMP Limited, James Hardie Industries NV and Amalgamated Holdings Limited.	18 February 2003	–
Dr Ulrich Stucke is Managing Director of HOCHTIEF AirPort GmbH.	10 April 2003	–
Luis Sánchez Salmeron is the Director of the Airports Division of Ferrovial Infraestructuras S.A.	26 May 2003	–

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

ALTERNATE DIRECTORS	APPOINTMENT DATE	RESIGNATION DATE
Juan Angoitia (for Hellicar)	18 February 2003	–
Juan Angoitia (for Sanchez)	29 May 2003	–
Mar Nunez Beltran (for Hellicar)	18 February 2003	–
Mar Nunez Beltran (for Sanchez)	29 May 2003	–
Martyn Booth (for Moore)	10 January 2005	–
Michael Delaney (for Gourley)	18 September 2003	–
Meredith Hellicar (for Sanchez)	29 May 2003	–
Holger Linkweiler (for Stucke)	14 April 2003	–
Kerrie Mather (for Moore)	16 December 2004	–
Luis Sanchez Salmeron (for Hellicar)	30 May 2003	–
Richard Sheppard (for Booth, Mather and Moore)	29 January 2003	–

COMPANY SECRETARY

Ms Clair Hodge B Com LLB (UNSW) GAICD FCIS is General Counsel and Company Secretary. She has over 9 years company secretarial experience in both private enterprise and in a Commonwealth Government business enterprise environment.

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:

Southern Cross Airports Corporation Pty Limited ("SCAC")
Sydney Airport Corporation Limited ("SACL")
Airport Nova Developments Pty Limited ("Nova")
Sydney Airport Finance Company Pty Ltd ("FinCo")
Sydney Airport RPS Company Pty Ltd ("RPSCo")

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS AND RESULTS

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $493.3 million for the year to 30 June 2005 (2004: $423.5 million). EBITDA excluding specific non-recurring expenses increased to $495.2 million (2004: $434.4 million).

After deducting depreciation and amortisation, net borrowing costs, and income tax, the net loss was $218.1 million (2004: net loss $264.5 million).

EBITDA (excluding specific non-recurring expenses) represents a 14.0% increase in earnings over the previous corresponding period.

Total revenue increased by 12.9% to $619.2 million (2004: $548.4 million).

Total expenses excluding specific non-recurring expenses increased by 8.8% to $124.0 million (2004: $114.0 million). Total expenses including specific non-recurring expenses increased by 0.7% to $125.9 million (2004: $125.0 million) principally due to lower restructuring and redundancy costs.

Depreciation and amortisation reduced by 1.1% to $139.4 million (2004: $140.9 million).

Net borrowing costs increased by 4.6% to $572.0 million (2004: $547.1 million) primarily due to the write-off of unamortised debt establishment costs associated with the re-financing below. The redeemable preference share distributions to shareholders and FLIERS Trust distributions are included as borrowing costs in the Statement of Financial Performance.

FINANCIAL POSITION

During the year the consolidated entity complied with the maximum gearing and minimum cash flow cover ratio covenants contained in its various debt agreements. Borrowing costs in respect of the FLIERS Trust and redeemable preference shares for the year ended 30 June 2005 totalled $57.2 million (2004: $55.4 million) and $218.0 million (2004: $223.0 million) respectively.

SCACH's investment grade corporate credit ratings by Standard & Poors and Moody's remain unchanged at BBB-/stable and Baa3/stable respectively. SCAC's senior secured debt credit ratings by Standard & Poors and Moody's remain unchanged at BBB/stable and Baa2/stable respectively. During the year FinCo received new senior debt credit ratings from Standard & Poors and Moody's of BBB/stable and Baa2/stable respectively.

On 10 September 2004 the consolidated entity successfully completed the refinancing of its senior bank debt. The amount raised in the Australian financial markets was $3.155 billion. Further details are available in the notes to the financial statements.

FINANCIAL POSITION (CONT'D)

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year there was no significant change in the state of affairs of the company other than that referred to in the financial statements or notes thereto.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has not been any matter or circumstance other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

In recognition of its environmental responsibilities SACL has a five-year Environment Strategy designed to protect the environment and ensure compliance with the relevant environmental regulations. SACL also provides an annual environment report to the Commonwealth Government outlining its performance in achieving the policies and targets of the Environment Strategy and compliance with the relevant environmental legislation. The Environment Strategy is available on Sydney Airport's website, sydneyairport.com.

INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

Indemnities

SCACH's constitution indemnifies (to the extent permitted by law) each officer of SCACH and its controlled entities against a 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).

SCACH's constitution provides that it may indemnify its auditor against liability incurred in its capacity as the auditor of SCACH and its controlled entities. SCACH has not provided such an indemnity.

Insurance

During the financial year and since the end of the financial year, 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 to 30 June 2005 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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration required under the Corporations Act 2001 is included on page 36.

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of board committees) held during the year and the number of meetings attended by each director were as follows:

DIRECTOR	SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS		AUDIT AND CORPORATE GOVERNANCE		HUMAN RESOURCES		SAFETY SECURITY ENVIRONMENT AND HEALTH		STRATEGY	
	H	A	H	A	H	A	H	A	H	A
Max Moore-Wilton	13	13	5	5	3	3	4	4	6	6
Kerrie Mather	13	12	–	–	3	2	4	3	6	5
Martyn Booth	13	10	–	–	–	–	–	–	6	4
Nicholas Moore	13	8	5	2	–	–	–	–	–	—
Patrick Gourley	13	12	5	5	3	2	–	–	–	–
Meredith Hellicar	13	11	5	3	–	–	4	2	–	–
Ulrich Stucke	13	5	–	–	3	1	4	0	6	2
Luis Sanchez Salmeron	13	6	–	–	3	1	–	–	6	2

H – meetings held whilst director   A – meetings attended

The number of meetings of directors (including meetings of board committees) held during the year and the number of meetings attended by each alternate director were as follows:

DIRECTOR	SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS		AUDIT AND CORPORATE GOVERNANCE		HUMAN RESOURCES		SAFETY SECURITY ENVIRONMENT AND HEALTH		STRATEGY	
	H	A	H	A	H	A	H	A	H	A
Juan Angoitia (for Sanchez)	13	3	–	–	–	–	–	–	6	3
Juan Angoitia (for Hellicar)	13	1	5	2	–	–	–	–	–	–
Mar Nunez Beltran (for Hellicar)	13	1	–	–	–	–	4	2	–	–
Mar Nunez Beltran (for Sanchez)	13	4	–	–	–	–	–	–	6	1
Meredith Hellicar (for Sanchez)	–	–	–	–	3	2	–	–	2	0
Holger Linkweiler (for Stucke)	13	8	–	–	3	2	4	3	6	4
Kerrie Mather (for Moore)	–	–	3	1	–	–	–	–	–	–
Richard Sheppard (for Booth)	13	3	–	–	–	–	–	–	–	–
Richard Sheppard (for Moore)	13	4	5	1	–	–	–	–	–	–

H – meetings held whilst director   A – meetings attended

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars under the option available to SCACH under ASIC Class Order 98/0100. SCACH is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Max Moore-Wilton
Chairman and Chief Executive

Sydney, 17 August 2005

AUDITOR'S INDEPENDENCE DECLARATION

The Directors

Southern Cross Airports Corporation Holdings Limited
The Ulm Building
1 Link Road
Sydney International Airport
MASCOT NSW 2020

Dear Directors

SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Southern Cross Airports Corporation Holdings Limited

As lead audit partner for the audit of the financial statements of Southern Cross Airports Corporation Holdings Limited for the financial year ended 30 June 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

James H W Riddell
Partner
Chartered Accountant

17 August 2005

STATEMENT OF FINANCIAL PERFORMANCE

For the financial year ended 30 June 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
REVENUE FROM ORDINARY ACTIVITIES					
Aeronautical revenue		**258,279**	237,792	**–**	–
Aeronautical security recovery	2	**37,779**	31,470	**–**	–
Retail revenue		**149,397**	131,805	**–**	–
Property revenue		**80,060**	69,627	**–**	–
Commercial trading revenue		**78,226**	71,221	**–**	–
Other		**15,347**	6,326	**–**	–
Proceeds from sale of non-current assets		**131**	202	**–**	–
Total revenue from ordinary activities before interest		**619,219**	548,443	**–**	–
EXPENSES FROM ORDINARY ACTIVITIES					
Labour		**32,053**	34,346	**–**	–
Services and utilities		**61,665**	52,476	**–**	–
Other operational costs		**16,401**	14,636	**–**	–
Property and maintenance		**13,773**	12,457	**–**	–
Specific expenses:					
Restructuring and redundancy		**294**	7,557	**–**	–
Airline regulatory action		**1,682**	791	**–**	–
Aeronautical data adjustment		**–**	2,572	**–**	–
Cost of non-current assets sold		**78**	117	**–**	–
Total expenses from ordinary activities before depreciation, amortisation and net borrowing costs		**125,946**	124,952	**–**	–
Profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA)		**493,273**	423,491	**–**	–
Depreciation and amortisation		**139,418**	140,885	**–**	–
Profit from ordinary activities before net borrowing costs and income tax (EBIT) (carried forward)		**353,855**	282,606	**–**	–

STATEMENT OF FINANCIAL PERFORMANCE

For the financial year ended 30 June 2005

		CONSOLIDATED		COMPANY	
	NOTES	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Profit from ordinary activities before net borrowing costs and income tax (EBIT) (brought forward)		**353,855**	282,606	**–**	–
Interest income from other corporations		**17,974**	22,335	**2,619**	2,081
Interest income from wholly-owned entities		–	–	**535,408**	507,181
Borrowing costs – redeemable preference share distributions paid to ordinary shareholders (1)	3	**(217,998)**	(223,041)	**(217,998)**	(223,041)
Borrowing costs – other (net of capitalised borrowing costs)		**(371,964)**	(346,429)	**(62,876)**	(61,140)
Net borrowing costs		**(571,988)**	(547,135)	**257,153**	225,081
Profit/(loss) from ordinary activities before income tax		**(218,133)**	(264,529)	**257,153**	225,081
Income tax benefit relating to profit/(loss) from ordinary activities		**–**	–	**–**	–
Net profit/(loss) from ordinary activities after income tax		**(218,133)**	(264,529)	**257,153**	225,081
Revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity		**–**	–	**–**	–
Total changes in equity other than those resulting from transactions with owners as owners		**(218,133)**	(264,529)	**257,153**	225,081

Notes to the financial statements are included on pages 41 to 52.

(1) Redeemable preference shares are stapled to ordinary shares.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
Current assets					
Cash and short term deposits		**262,858**	445,757	**32,280**	35,400
Receivables		**63,785**	48,912	**236,826**	206,399
Other assets		**888**	2,412	**–**	–
Total current assets		**327,531**	497,081	**269,106**	241,799
Non-current assets					
Receivables		**–**	–	**2,792,145**	2,713,757
Property, plant and equipment	4	**5,094,100**	5,115,195	**–**	–
Investment property		**38,163**	-	**–**	–
Other current assets		**194,060**	112,188	**75,993**	80,916
Intangibles-airport operator licence		**527,317**	533,049	**–**	–
Total non-current assets		**5,853,640**	5,760,432	**2,868,138**	2,794,673
Total assets		**6,181,171**	6,257,513	**3,137,244**	3,036,472
Current liabilities					
Payables		**161,361**	290,592	**69,769**	226,150
Interest-bearing liabilities	5	**–**	1,041,000	**–**	–
Provisions		**6,505**	5,863	**–**	–
Other current liabilities		**10,301**	10,436	**–**	–
Total current liabilities		**178,167**	1,347,891	**69,769**	226,150
Non-current liabilities					
Interest-bearing liabilities	6	**6,272,730**	4,961,250	**2,111,250**	2,111,250
Provisions		**1,181**	1,146	**–**	–
Total non-current liabilities		**6,273,911**	4,962,396	**2,111,250**	2,111,250
Total liabilities		**6,452,078**	6,310,287	**2,181,019**	2,337,400
Net assets/(liabilities)		**(270,907)**	(52,774)	**956,225**	699,072
Equity/(deficiency in equity)					
Contributed equity		**467,902**	467,902	**467,902**	467,902
Retained profits/(accumulated losses)		**(738,809)**	(520,676)	**488,323**	231,170
Total equity/(deficiency in equity)		**(270,907)**	(52,774)	**956,225**	699,072

Notes to the financial statements are included on pages 41 to 52.

STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2005

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
Cash flows from operating activities					
Cash was provided from:					
Receipts from customers		**599,582**	600,834	–	–
Interest received		**17,721**	22,354	**428,600**	173,699
Cash was applied to:					
Payments to suppliers and employees		**(124,941)**	(187,371)	–	–
Borrowing costs paid		**(811,373)**	(465,921)	**(432,559)**	(190,337)
Net cash flows applied to operating activities		**(319,011)**	(30,104)	**(3,959)**	(16,638)
Cash flows from investing activities					
Cash was provided from:					
Proceeds from disposal of property, plant and equipment		**131**	202	**–**	–
Refund of acquisition costs		**–**	206	**–**	–
Cash was applied to:					
Acquisition of property, plant and equipment		**(128,102)**	(93,432)	**–**	–
Capitalised borrowing costs		**(2,917)**	(3,618)	**–**	–
Net cash flows applied to investing activities		**(130,888)**	(96,642)	**–**	–
Cash flows from financing activities					
Cash was provided from:					
Proceeds from borrowings – medium term notes and bank loans		**2,658,000**	89,700	**–**	–
Loans from other entities in wholly owned group		**–**	–	**839**	849
Cash was applied to:					
Repayment of borrowings – medium term notes and bank loans		**(2,391,000)**	–	**–**	–
Net cash flows provided from financing activities		**267,000**	89,700	**839**	849
Net decrease in cash held		**(182,899)**	(37,046)	**(3,120)**	(15,789)
Cash at beginning of year		**445,757**	482,803	**35,400**	51,189
Cash at end of year		**262,858**	445,757	**32,280**	35,400

Notes to the financial statements are included on pages 41 to 52.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

1. Summary of significant accounting policies

The concise financial report has been prepared in accordance with the Corporations Act 2001 and Accounting Standard AASB 1039 'Concise Financial Reports'. The concise financial report, including the financial statements and specific disclosures included in the concise financial report, has been derived from the full financial report of Southern Cross Airports Corporation Holdings Limited. The concise financial report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. A full financial report will be provided to any member of Southern Cross Airports Corporation Holdings Limited on request.

A full description of the accounting policies adopted by the consolidated entity is provided in the 2005 financial statements which form part of the full financial report. The accounting policies of the company and consolidated entity are consistent with those of the previous financial year.

2. Aeronautical Security Recovery

The statement of financial performance includes both revenues and costs relating to aeronautical security recovery.

Security recovery charges are set at appropriate levels to ensure cost recovery only, in accordance with ACCC guidelines for pass-through of Government mandated security costs.

Aeronautical security recoveries include charges in relation to services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than in relation to Terminal 2 checked bag screening and passenger screening services). Aeronautical security recoveries are for the following services, all of which are mandated government requirements:

a) International services include checked baggage screening, passenger screening, counter terrorist first response and additional security measures. All charges are levied on a per passenger basis.

b) Domestic services include counter terrorist first response, additional security measures, Terminal 2 checked bag screening and Terminal 2 passenger screening. All charges are levied on a per passenger basis.

Security recoveries include any direct operating expenses incurred together with recovery of depreciation expense and the recovery of the borrowing costs associated with the assets employed in providing the services required.

The following is a summary of all revenues and expenses associated with security recovery:

		CONSOLIDATED		COMPANY	
	NOTES	**2005 $'000**	2004 $'000	**2005 $'000**	2004 $'000
Revenue					
Security recovery		**37,779**	31,470	**–**	–
Expenses					
Direct costs		**(32,661)**	(26,422)	**–**	–
Depreciation		**(3,122)**	(2,976)	**–**	–
Borrowing costs		**(1,996)**	(2,072)	**–**	–
Surplus/deficit		**–**	–	**–**	–

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000

3. Dividends

Ordinary shares
No dividend was paid or proposed for the ordinary shares for the years ended 30 June 2004 and 30 June 2005.

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
Floating IPO exchangeable reset securities ("FLIERS")					
Proposed distribution at the beginning of the year		**(11,336)**	(10,258)	**(11,336)**	(10,258)
Distributions paid		**56,974**	54,365	**56,974**	54,365
Proposed distribution at the end of the year		**11,579**	11,336	**11,579**	11,336
		57,217	55,443	**57,217**	55,443
Redeemable preference shares ("RPS")					
Proposed distribution at the beginning of the year		**(24,433)**	(16,790)	**(24,433)**	(16,790)
Distributions paid		**374,746**	135,224	**374,746**	135,224
Proposed distribution at the end of the year		**30,886**	24,433	**30,886**	24,433
		381,199	142,867	**381,199**	142,867
Increase/(decrease) in accrued distributions		**(163,201)**	80,174	**(163,201)**	80,174
		217,998	223,041	**217,998**	223,041

FLIERS distributions and distributions in respect of RPS (which are stapled to ordinary shares) are included as borrowing costs in the statement of financial performance consistent with the statement of financial position classification of the related instrument.

Proposed distributions at the beginning and end of years include only that portion of the proposed distribution that is attributable to the relevant accounting period. FLIERS distributions and distributions in respect of RPS (which are stapled to ordinary shares) were made on 20 July and 21 July 2005 respectively and will be commensurately higher than the proposed distributions at the end of the year to 30 June 2005 as stated above.

Accrued RPS distributions represent amounts due to the holders, which will be paid when sufficient distributable cash flow is available within the consolidated entity.

The consolidated entity has not paid income tax during the current financial year and has not recorded a current tax liability at year end. The franking account balance is $nil (2004: $nil).

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
4. Property, plant and equipment					
Total land and buildings		**3,862,838**	3,811,556	**–**	–
Total plant and equipment		**1,231,262**	1,303,639	**–**	–
Total property, plant and equipment		**5,094,100**	5,115,195	**–**	–

Valuation of Sydney Airport

In accordance with the senior debt documentation the shares in SACL held by SCAC were independently valued as at 30 June 2005. A valuation of $6,808.1million was adopted by the Board and was based on a valuation range determined by KPMG Corporate Finance Pty Limited (2004: $5,364.2 million). The valuation reflects a cumulative increase in the carrying value of the shares since acquisition of $3,257.5 million which is reversed on consolidation (2004: $1,813.6 million). The valuation as at 30 June 2005 equates to an enterprise valuation of the SCACH Group of $9,280 million (2004: $7,719 million) compared to a book value of $5,652.6 million (2004: $5,641.3 million), which represents the total of equity and net debt. Net debt comprises interest bearing liabilities and accrued interest less cash and deferred borrowing costs.

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
5. Interest–bearing liabilities (current)					
Bank loans – secured		**–**	1,041,000	**–**	–

Senior bank debt facilities as at 30 June 2004 comprised of two tranches with the following maturity:

	AMOUNT $'000	MATURITY
Less than 1 year	1,041,000	28 June 2005 (Repaid on 10 September 2004)

Interest is charged at Bank Bill Rate Yield (BBSY) plus a pre-determined margin. The weighted average interest rate of the senior bank debt facilities for the period until repayment was 7.66% pa (including the effect of interest rate hedging).

Bank loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport Lease. Senior bank debt ranks pari passu with the medium term notes and the capital indexed bonds described in Note 6 (b) and 6 (c) respectively.

	NOTES	CONSOLIDATED 2005 $'000	CONSOLIDATED 2004 $'000	COMPANY 2005 $'000	COMPANY 2004 $'000
6. Interest–bearing liabilities (non-current)					
Bank loans – secured	6(a)	**1,088,000**	1,350,000	–	–
Medium term notes – secured	6(b)	**2,920,000**	1,500,000	–	–
Capital indexed bonds – secured	6(c)	**153,480**	–	–	–
FLIERS – unsecured	6(d)	**600,000**	600,000	**600,000**	600,000
Redeemable preference shares – unsecured	6(e)	**1,511,250**	1,511,250	**1,511,250**	1,511,250
		6,272,730	4,961,250	**2,111,250**	2,111,250

(a) Bank loans

Senior bank debt facilities as at 30 June 2004 comprised of one tranche with the following maturity:

	AMOUNT DRAWN $'000	MATURITY
Between 1 and 5 years	1,350,000	28 June 2007 (Repaid on 10 September 2004)
Total	1,350,000	

Senior bank debt facilities as at 30 June 2005 comprise of three tranches with the following maturities:

	AMOUNT DRAWN $'000	MATURITY
Between 1 and 5 years	538,000	10 September 2009
More than 5 years	550,000	10 September 2011
Total	1,088,000	

Interest is charged at Bank Bill Rate Yield (BBSY) plus a pre-determined margin. The weighted average interest rate of the senior bank debt facilities for the year ended 30 June 2005 was 6.84%pa (including the effect of interest rate hedging) (2004: 7.60%pa).

Bank loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport Lease. Senior bank debt ranks pari passu with the medium term notes and capital indexed bonds described below.

(b) Medium term notes

Medium term notes ("MTN's") as at 30 June 2004 comprised of four issues with the following maturities:

	AMOUNT $'000	MATURITY
Between 1 and 5 years	1,220,000	11 October 2007
More than 5 years	280,000	11 October 2012
Total	1,500,000	

6. Interest–bearing liabilities (non-current) (cont'd)

(b) Medium term notes (cont'd)

Medium term notes as at 30 June 2005 comprise of seven issues with the following maturities:

	AMOUNT $'000	MATURITY
Between 1 and 5 years	1,220,000	11 October 2007
Between 1 and 5 years	420,000	20 November 2009
More than 5 years	280,000	11 October 2012
More than 5 years	700,000	20 November 2014
More than 5 years	300,000	20 November 2015
Total	2,920,000	

Interest is charged on the floating rate notes at the Bank Bill Rate (BBSW) plus a pre-determined margin. The weighted average interest rate on all MTN's for the year ended 30 June 2005 was 6.43%pa (inclusive of interest rate hedging).

MTN's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport Lease. A financial guarantee in respect of the notes is provided by MBIA Insurance Corporation.

(c) Capital indexed bonds

Capital indexed bonds as at 30 June 2005 comprise of one issue with the following maturity:

	AMOUNT $'000	MATURITY
More than 5 years	153,480	20 November 2020
Total	153,480	

A $150 million capital indexed bond was issued on 10 September 2004. Interest is charged at a fixed rate of 3.76%pa. Additionally the bond liability is increased through to maturity linked to the rate of inflation (CPI). The fixed interest charged is calculated on the increasing liability.

Capital indexed bonds are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport Lease. A financial guarantee in respect of the notes is provided by MBIA Insurance Corporation.

6. Interest–bearing liabilities (non-current) (cont'd)

(d) FLIERS

The Floating IPO Exchangeable Reset Securities ("FLIERS") issued by SCACH are redeemable convertible preference shares carrying a cumulative dividend at BBSY plus a margin of 4%. Distributions are payable quarterly in arrears, subject to availability of cash within the consolidated entity and distributable profits within SCACH. The dividend rate applicable for the quarter ended 20 July 2005 was 9.765%pa.

Holders of FLIERS rank in priority to ordinary shares and redeemable preference shares for the payment of distributions and return of capital. Holders of FLIERS are entitled to vote at a general meeting of the Company in limited circumstances.

FLIERS mature on 28 June 2012 and can be redeemed at SCACH's option at a premium of 7% on 28 June 2007. In the event of an initial public offering by SCACH, FLIERS may be converted into ordinary shares at a discount to the listing price.

Where an initial public offering has not occurred prior to 28 June 2007, the FLIERS dividend rate will be increased by 1%. On 28 June 2012, if not converted, FLIERS will be redeemed at face value.

All FLIERS on issue are owned by the Southern Cross FLIERS Trust ("SCFT"), a registered managed investment scheme listed and traded on the Australian Stock Exchange.

(e) Redeemable preference shares

Each redeemable preference share ("RPS") is stapled to one ordinary share of SCACH. RPS are redeemable at a premium on 28 June 2032.

The shares carry an entitlement to a fixed cumulative dividend at a rate of 13.5% per annum. The dividend is payable quarterly, subject to availability of cash within the consolidated entity and distributable profits within SCACH. Failure to pay RPS dividends will trigger restrictions on payment of ordinary share dividends.

7. Segment information

The Group has one business segment that provides and operates airport facilities at Mascot, NSW, Australia.

8. Financial instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the full financial report.

(b) Net fair values

The carrying value of all financial assets and liabilities approximates fair value, except for interest rate swaps where the net fair value of the interest rate swaps at balance date is $11.2 million unfavourable (30 June 2004: $58.2 million unfavourable).

8. Financial instruments (cont'd)

(c) Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $'000	FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets							
Cash	5.52	262,858	–	–	–	–	262,858
Current receivables	–	–	–	–	–	63,785	63,785
		262,858	**–**	**–**	**–**	**63,785**	**326,643**
Financial Liabilities							
Current payables	–	–	–	–	–	161,361	161,361
Interest-bearing liabilities – bank loans and medium term notes	6.31	3,368,000	–	600,000	193,480	–	4,161,480
Interest-bearing liabilities – FLIERS	9.77	600,000	–	–	–	–	600,000
Interest-bearing liabilities – RPS*		–	–	–	1,511,250	–	1,511,250
Interest rate swaps**	5.66	(3,418,151)	–	3,018,151	400,000	–	–
		549,849	**–**	**3,618,151**	**2,104,730**	**161,361**	**6,434,091**
Net financial liabilities		**(286,991)**	**–**	**(3,618,151)**	**(2,104,730)**	**(97,576)**	**(6,107,448)**

* RPS distribution is payable at 13.5% pa of face value of shares
** Notional principal amounts

Reconciliation of net financial liabilities to net assets

	CONSOLIDATED 2005 $'000	2004 $'000
Net financial liabilities as above	**(6,107,448)**	(5,808,609)
Non – financial assets and liabilities:		
Other current assets	**888**	18,729
Property, plant and equipment	**5,094,100**	5,115,195
Investment property	**38,163**	–
Other non-current assets	**194,060**	95,871
Intangibles - airport operator licence	**527,317**	533,049
Current provisions	**(6,505)**	(5,863)
Other current liabilities	**(10,301)**	–
Non-current provisions	**(1,181)**	(1,146)
Net assets per statement of financial position	**(270,907)**	(52,774)

8. Financial instruments (cont'd)

(c) Interest rate risk (cont'd)

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $'000	FIXED INTEREST RATE MATURITY LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets							
Cash	5.19	445,757	–	–	–	–	445,757
Current receivables	–	–	–	–	–	38,476	38,476
		445,757	**–**	**–**	**–**	**38,476**	**484,233**
Financial Liabilities							
Current payables	–	–	–	–	–	290,592	290,592
Interest–bearing liabilities –							
bank loans and medium term notes	6.39	3,251,000	–	600,000	40,000	–	3,891,000
Interest–bearing liabilities – FLIERS	9.58	600,000	–	–	–	–	600,000
Interest–bearing liabilities – RPS*		–	–	–	1,511,250	–	1,511,250
Interest rate swaps**	6.51	(3,200,000)	360,000	2,840,000	–	–	–
		651,000	**360,000**	**3,440,000**	**1,551,250**	**290,592**	**6,292,842**
Net financial liabilities		**(205,243)**	**(360,000)**	**(3,440,000)**	**(1,551,250)**	**(252,116)**	**(5,808,609)**

* RPS distribution is payable at 13.5% pa of face value of shares
** Notional principal amounts

(d) Credit risk exposures

The consolidated entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

The consolidated entity minimises concentrations of credit risk in relation to trade receivables by undertaking transactions with a large number of customers within the aeronautical industry.

8. Financial instruments (cont'd)

(e) Derivative instruments

The consolidated entity has entered into interest rate swaps to manage the interest rate risk associated with its debt facilities. The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

OUTSTANDING CONTRACTS	WEIGHTED AVERAGE INTEREST RATE %	2005 NOTIONAL PRINCIPAL AMOUNT $'000	WEIGHTED AVERAGE INTEREST RATE %	2004 NOTIONAL PRINCIPAL AMOUNT $'000
Less than 1 year			5.12	(80,000)
1 to 5 years	5.66	**3,018,151**	4.41	(20,000)
More than 5 years	6.02	**400,000**	6.46	3,300,000
		3,418,151		3,200,000

The consolidated entity may also periodically enter into foreign exchange contracts designed as a specific hedge for foreign exchange liabilities arising from the purchase of supplies or other contracts. No foreign exchange contracts were entered into during the year to 30 June 2005.

9. Discussion and analysis

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $493.3 million for the year to 30 June 2005 (2004: $423.5 million). EBITDA excluding specific non–recurring expenses increased to $495.2 million (2004: $434.4 million).

After deducting depreciation and amortisation, net borrowing costs, and income tax, the net loss was $218.1 million (2004: net loss $264.5 million).

EBITDA (excluding specific non–recurring expenses) represents a 14.0% increase in earnings over the previous corresponding period.

Total revenue increased by 12.9% to $619.2 million (2004: $548.4 million).

Total expenses excluding specific non–recurring expenses increased by 8.8% to $124.0 million (2004: $114.0 million). Total expenses including specific non–recurring expenses increased by 0.7% to $125.9 million (2004: $125.0 million) principally due to lower restructuring and redundancy costs.

Depreciation and amortisation reduced by 1.1% to $139.4 million (2004: $140.9 million).

Net borrowing costs increased by 4.6% to $572.0 million (2004: $547.1 million) primarily due to the write–off of unamortised debt establishment costs associated with the re–financing below. The redeemable preference share distributions to shareholders and FLIERS Trust distributions are included as borrowing costs in the Statement of Financial Performance.

10. Impacts of adopting Australian equivalents to International Financial Reporting Standards

The consolidated entity will be required to prepare financial reports that comply with Australian equivalents to International Financial Reporting Standards (A-IFRS) for reporting periods commencing 1 July 2005. The first annual financial report to be prepared by the consolidated entity in accordance with A-IFRS will be the financial report for the year ending 30 June 2006. A-IFRS also requires the consolidated entity to restate comparative balances. As a result, the opening statement of financial position of the consolidated entity as at 1 July 2004 will be restated so that all transactions and balances are recognised and measured in accordance with A-IFRS. Transitional adjustments will be reflected either as a reclassification of items in the statement of financial position, or as an adjustment of opening retained earnings.

A formal A-IFRS conversion project commenced during the previous reporting period. The project was divided into three distinct phases: impact assessment and evaluation, information systems design and adaptation, and implementation. Management have been working with A-IFRS specialists to ensure that the interpretation of the standards and application to the consolidated entity is as intended.

At the date of this financial report, the consolidated entity has substantially completed all three phases of the project plan, including the assessment of accounting policy alternatives on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, and the determination of the likely impact on the results and financial position of the company and the consolidated entity.

The likely impacts of A-IFRS on the results and financial position of the company and the consolidated entity

The following narration outlines the likely impacts on the current year result and financial position of the company and consolidated entity had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Readers of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors and, consequently, the likely impacts outlined in the following narration. Readers should also note that there are certain areas described below where quantification is not yet possible

Business combinations

On initial adoption of A-IFRS the directors have elected to restate the business combination that occurred on 28 June 2002, being the acquisition of Sydney Airport. No business combinations prior to this date have been restated.

Under A-IFRS, on acquisition, the fair value of all tangible and intangible assets acquired are required to be separately identified and recognised. The excess of the purchase price over the fair value of the net assets is attributed to Goodwill. SCACH management have not yet determined the appropriateness of allocation of value between Prepaid Operating Lease Rental, the Airport Operator Licence and Goodwill on acquisition and therefore no reliably determinable numbers exist for these categories as at today's date.

Upon restating the acquisition of Sydney Airport under A-IFRS, as a result of the adoption of AASB 112 "Income Taxes", an additional deferred tax liability is also likely to arise in respect of the revalued property, plant and equipment, which will be offset by an increase in either the Airport Operator Licence, Prepaid Operating Lease Rental or Goodwill. The value of the additional deferred tax liability is dependent upon the final allocation of value between Prepaid Operating Lease Rental, Airport Operator Licence or Goodwill, and accordingly, cannot be reliably determined at this time. SCACH management are participating in industry forums to resolve this issue over the next few months.

Any increase in the Prepaid Operating Lease Rental or Airport Operator Licence will also result in the recognition of additional amortisation. To the extent that Goodwill is identified on acquisition, it will not be amortised, but subject to annual impairment testing as described further below.

10. Impacts of adopting Australian equivalents to International Financial Reporting Standards (cont'd)

Property, plant and equipment

On initial adoption of A-IFRS, the directors have elected to deem the fair values of certain plant and equipment (valued on a revised ODRC) at 1 July 2004 to be cost for accounting purposes, as permitted by the first–time adoption provisions in AASB 1. Consequently, the adoption of A-IFRS will result in an increase in plant and equipment of at least $164.3 million (company: $nil). This increase in plant and equipment will result in the recognition of additional depreciation expense of $0.3 million (company: $nil) for the financial year ended 30 June 2005.

However, as noted above, SCACH management have not yet determined the appropriateness of allocation of value between Prepaid Operating Lease Rental, Airport Operator Licence and Goodwill on acquisition, which may impact the carrying value of Leasehold Land. Accordingly, no reliably determinable numbers exist for these categories at today's date.

The Customs Building has been classified as an Investment Property in accordance with AASB 140 "Investment Property" and will be accounted for at cost, less accumulated depreciation.

Impairment

AASB 136 requires that a review for impairment be carried out if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The recoverable amount is defined as the higher of its net selling price (if known) and value in use. Any shortfall is deemed an impairment loss and recognised in the income statement for assets carried at cost and treated as a revaluation decrease (which may or may not lead to a charge in the income statement) for assets carried at a revalued amount.

Based on the results of the KPMG valuation at 30 June 2004 and 30 June 2005, it is unlikely that there are any assets that would be considered to be impaired, using the fair value less costs to sell methodology. SCACH management are currently reviewing the valuation model to give further consideration to whether any further amendments are required to ensure compliance with A-IFRS, however given the significant increase in enterprise value since acquisition, it is not likely that any assets would be considered to be impaired at either 1 July 2004 or 30 June 2005.

It is expected that SCACH will have two CGU's when testing for impairment under A-IFRS, being the airport operations and investment property (Customs Building). Accordingly, the impairment indicators and recoverable amount tests required under A-IFRS would be applied to Sydney Airport operations as a whole. The exception to this would be, at this time, the Customs Building, which would constitute a separate CGU.

Derivative financial instruments

The directors have elected to adopt AASB 139 "Financial Instruments: Recognition and Measurement" with effect from 1 July 2005, applying the exemption available under AASB 1 and therefore there will be no quantitative impacts on the 30 June 2005 financial statements. From 1 July 2005, derivatives designated as cash flow hedges will be recognised in the statement of financial position at fair value, with changes in fair value recognised in equity to the extent that the hedges are effective.

It is expected that the required adjustments on 1 July 2005 will largely be attributable to derivatives (interest rate swaps) designated as cash flow hedges, accordingly, this will result in an increase on other financial liabilities of approximately $11.2 million (company $nil) on 1 July 2005. Changes in fair value will be recognised in equity from that date.

10. Impacts of adopting Australian equivalents to International Financial Reporting Standards (cont'd)

Defined benefit superannuation plans

Under A-IFRS, the consolidated entity will be required to recognise the surplus or deficit of defined benefit plans as an asset or liability in the balance sheet. The cumulative effect on the financial position at 30 June 2005, of the requirements and the directors election to account for future actuarial gains and losses directly in equity, will be an increase in the employee benefit provision of $2.039 million (company: $nil).

Employee benefits expense for the year ended 30 June 2005 will decrease by $1.165 million (company: $nil) to $3.276 million (company: $nil).

FLIERS instruments

As disclosed in note 6(d), the FLIERS contain an embedded derivative in the form of an early redemption premium payable if SCACH choose to redeem the FLIERS in 2007 rather than holding them until maturity in 2012.

Consistent with the treatment being adopted by SCFT, SCACH management are likely to fair value the FLIERS instruments and the embedded derivative together (by reference to their traded price on the Australian Stock Exchange) directly through the income statement.

Under A-IFRS, the company and consolidated entity will be required to recognise the fair value of the FLIERS as at the date of transition in the balance sheet. However as the directors have elected to adopt AASB 139 from 1 July 2005, applying the exemption under AASB 1, there will be no quantitative impacts on the 30 June 2005 Australian GAAP financial statements or on the 30 June 2005 A-IFRS comparative information.

The cumulative financial effect of this change in accounting policy as at 1 July 2005 will be an increase in the carrying value of the liability of the FLIERS instruments of $67.9 million (company $67.9 million), which would be included as an adjustment to opening retained earnings on 1 July 2005.

Retained earnings

With limited exceptions, adjustments required on first–time adoption of A-IFRS are recognised directly in retained earnings (or if appropriate another category of equity) at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity can not be fully quantified at the date of this report due to certain decisions pending, primarily in relation to the allocation of value between Prepaid Operating Lease Rental, the Airport Operator Licence and Goodwill on acquisition.

DIRECTORS' DECLARATION

Southern Cross Airports Corporation Holdings Limited

In accordance with a resolution of the directors of SCACH, I state that:

In the opinion of the directors:

(a) The attached concise financial statements and notes are in accordance with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(b) the financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2005.

On behalf of the Board

Max Moore–Wilton
Chairman and Chief Executive

Sydney
17 August 2005

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

Scope

We have audited the concise financial report of Southern Cross Airports Corporation Holdings Limited for the financial year ended 30 June 2005 as set out on pages 37 to 53, in order to express an opinion on it to the members of the company. The concise financial report includes the consolidated financial statements of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Southern Cross Airports Corporation Holdings Limited for the year ended 30 June 2005. Our audit report on the full financial report was signed on 17 August 2005, and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion, whether, in all material respects, the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports".

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the concise financial report of Southern Cross Airports Corporation Holdings Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

James H W Riddell
Partner
Chartered Accountants

Sydney, 17 August 2005

SYDNEY AIRPORT STATISTICS

Official name	Sydney (Kingsford Smith) Airport			
ICAO* code	YSSY			
IATA code**	SYD			
Reference point	33° 56.8'S 151° 10.6'E			
Elevation	21 feet			
Area	907 hectares			
Runways	16R/34L	3,962 metres		
	16L/34R	2,438 metres		
	07/25	2,530 metres		
NAVAIDS	ILS (Instrument Landing System)		16R/34L	
			16L/34R	
			07	
			25	
	VOR (VHF Omni Range)			
	DME (Distance Measuring Equipment)			
	NDB			
	Lighting	16R/34L	Category 1	TVASI***
		16L/34R	Category 1	ATVASI****
		07		TVASI
		25		TVASI
Terminals	T1 (International)	34 gates		
	T2 (Domestic)	18 gates		
	T3 (Qantas Domestic)	13 gates		
	Airfreight	3 international / 2 domestic		
Rail	Underground rail link to CBD from domestic and international terminals			
Fire and Rescue	Category 9 (0500–2330 AEST)			
	Category 6 (2330–0500 AEST)			
ATC	Terminal Area Control Unit and Tower			

*International Air Transport Association
**International Civil Aviation Organisation
***T Visual Approach Slope Indicator
****Asymmetric T Visual Approach Slope Indicator

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