



SOUTHERN CROSS AIRPORTS
CORPORATION HOLDINGS LIMITED
ANNUAL REPORT

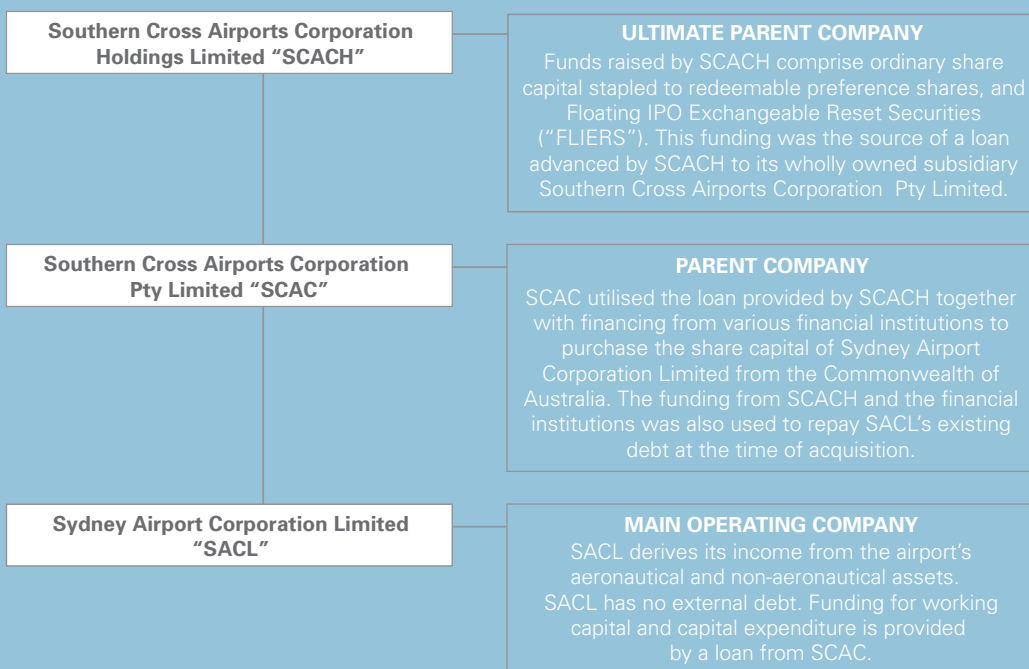
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2003

A PRIVATISED AIRPORT BUSINESS

On 25 June 2002, the Commonwealth Government announced the sale of Sydney Airport to the Southern Cross Airports Consortium for \$5.6 billion. The sale transaction was completed on 28 June 2002, at which time Sydney Airport Corporation Limited (SACL) was acquired by Southern Cross Airports Corporation Pty Limited.

Southern Cross Airports Corporation Pty Limited ("SCAC") is the parent company and Southern Cross Airports Corporation Holdings Limited ("SCACH") is the ultimate parent company of SACL.



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SYDNEY'S SUSTAINABLE AIRPORT

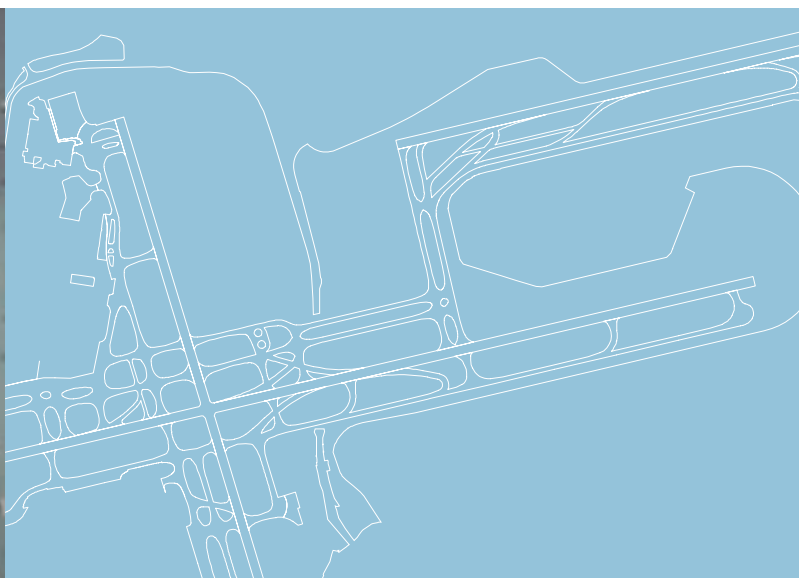
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CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

Sydney Airport is Australia's premier international gateway and largest domestic airport. In its first year as a fully privatised entity, Sydney Airport Corporation Limited (SACL) has maintained its reputation for providing high quality services to its customers and stakeholders while meeting the financial challenge of a very difficult aviation market.



Sydney Airport maintained its high international reputation for service and on-time performance. The airport was recognised for its service delivery achievements in a number of international industry surveys. Sydney Airport remains the only Australian airport to be consistently awarded Top Ten status in these programs, achieving Top 10 status in IATA passenger satisfaction surveys, as well as being awarded 4th best airport in the world in the 2003 Skytrax passenger satisfaction survey.

SACL continued to work closely with its key airline customers to promote increased activity at Sydney Airport. Significant achievements during the period include increased services of several airline operators as well as the introduction, or re-introduction, of new airlines to the airport. Where the re-opening of T2 as a multi-user

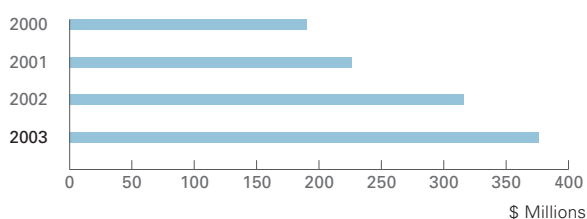
facility has served to help reinvigorate consumer confidence and competition in the domestic industry, SACL's increased aviation business marketing initiatives have helped promote more activity and competition among international airlines.

At all times, Sydney Airport has maintained high levels of security. Additional security measures introduced in 2002 and maintained during 2003 included increased security screening methods for passengers and baggage, additional security resources introduced by the Australian Protective Services and SACL's Airport Operations staff as well as increased vigilance on identity compliance throughout the airport's precinct. SACL continues to recover all mandated security costs, and in 2003 this included the recovery of additional and substantial

increases in terrorism insurance. A fundamental concern in the restructure of SACL has been to ensure the integrity of Sydney Airport's safety and security capability is not compromised.

Southern Cross Airports Corporation Holdings Limited (SCACH) delivered a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of \$376.3 million in the financial year to 30 June 2003.

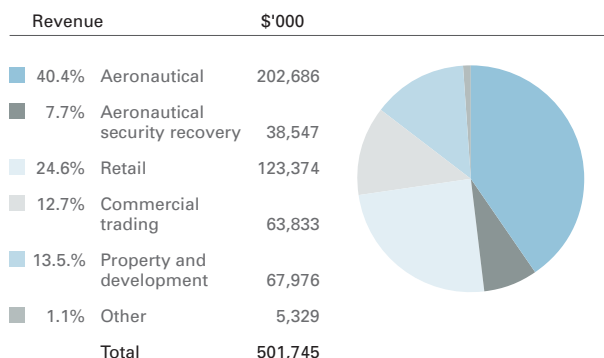
EBITDA



The 2003 EBITDA represents a 19 per cent increase in earnings over the 2002 previous corresponding period. The EBITDA (excluding specific non-recurring expenses) figure increased 15.2 per cent to \$378.1 million (2002: \$328.2 million). In addition to strong earnings growth, total operating expenses were reduced by 8.9 per cent to \$125.5 million (2002: \$137.7 million).

The results occurred during one of the most difficult trading periods in Sydney Airport's history. The financial result was impacted by a number of influences, including terrorism (with the Bali bombing in October 2002 affecting traffic to and from some Asian destinations), the commencement of military action in Iraq, as well as the significant and immediate impact the outbreak of the SARS epidemic had on major Asian destinations and airlines.

SCACH recorded a strong financial result for its first full year reporting period as a privatised entity, with solid revenue gains across the main operating entity.

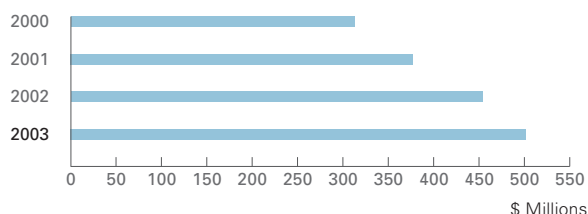


SYDNEY AIRPORT

- An excellent selection of shops and restaurants, overall friendliness, bright and airy atmosphere, free internal access terminals, cleanliness.
- Just a pleasure and relaxing to use.
- Clean fresh and good shopping with nice VIP lounges.

Passenger comments from Skytrax 2003 survey

Total Revenue



Total revenue from all business units rose 10.5 per cent to \$501.8 million (2002: \$454.0 million). Total revenue per passenger rose from \$19.02 to \$20.75.

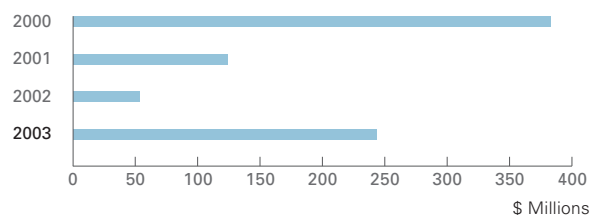
In the context of a 2.1 per cent decline in international traffic, the outcome provided further evidence of the robust nature of the total airport business at Sydney Airport.

SACL's aviation business continued to perform strongly, generating revenues of \$241.2 million (2002: \$205.0 million) and representing a 17.1 per cent improvement on 2002, and a key driver of the airport's overall earnings improvement.

Despite the slight decline in international passengers of 2.1 per cent, and the marginal increase in total passengers of only 1.3 per cent over 2002, solid revenue gains were recorded from SACL's retail (6.8 per cent) and commercial (8.9 per cent) areas. Retail generated some \$123.4 million in revenue (2002: \$115.5 million) whilst Commercial Trading increased to \$63.8 million (2002: \$58.6 million).

Property revenues declined 4.9 per cent to \$68.0 million (2002: \$74.5 million). However, this should be viewed in context of the acquisition of Terminal 2 (previously the Ansett Terminal at Sydney Airport). The effect of this acquisition was that during 2003 reporting period,

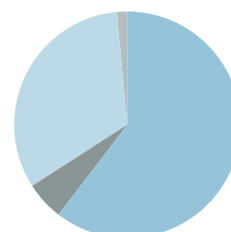
Capital expenditure



Key Traffic Data – 2003

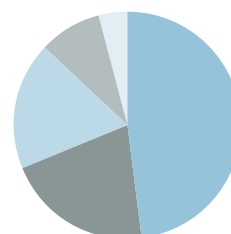
Passenger Movements

60.2%	Domestic	14,616,792
5.7%	Regional	1,331,408
32.6%	International	7,877,045
1.5%	Domestic On-Carriage	358,108
	Total	24,183,353



Aircraft Movements

48.0%	Domestic	122,058
20.8%	Regional	52,900
18.2%	International	46,350
8.9%	General Aviation	22,566
4.1%	Freight	10,613
	Total	254,487



property revenue previously received for this terminal was effectively replaced by the additional aeronautical revenues payable by Qantas, Virgin Blue and regional airlines for use of the re-branded multi-user terminal (T2), which had a phased start-up commencing in September 2002.

Sydney Airport's Terminal 2 (the former Ansett Terminal) became fully operational in September 2002, initially with Qantas, then other airlines later in the month, and Virgin Blue in December 2002. Predominantly from the second half of the reporting period, the terminal's operations contributed \$21.6 million for aeronautical charges and security recoveries, and \$2.9 million from retail and commercial trading initiatives. Today, five domestic airlines operate from the re-opened multi-user facility. T2 re-opened as a full service multi-user domestic facility with 18 aircraft gate capacity and the ability to handle up to 30,000 passengers per day (or 10 million a year) in comfort.

Industry focus during 2003 was on whether or not the aviation industry could recover from the devastating effects of "September 11" on international air travel. At Sydney Airport, a gradual recovery from the 2002 traffic decreases was cut short by further uncertainty resulting from the effects of the terrorist bombing in Bali, war in Iraq and most recently, the negative impact of the SAR's outbreak.

Whilst, international traffic declined some 2.1 per cent to 8.2 million (2002: 8.4 million), overall for 2003, total passengers increased 1.3 per cent to 24.2 million (2002: 23.9 million). Traffic levels reflected the full impact of international events but there was growth in the domestic market. The outlook for 2004 is for a return to passenger growth both internationally, and for Australia's domestic aviation market.

Following a consultative program involving staff and managers, a six month review of SACL's organisational structure was completed in July 2003. The purpose of the review was to improve efficiencies and competitiveness of the airport business, recognising the current operational challenges and the future demands of airport customers, including service levels and safety and security imperatives. The outcome, a staged implementation of the proposed restructure has commenced, and will be completed during 2004.

This will lead to a flatter management structure and reduction in Full Time Employee workforce to an estimated 240 by June 2004 (2003: 388).

Finally, I am confident that Sydney Airport is now well positioned to further develop its facilities and services to meet the challenges and return to growth in its aviation and related businesses. I express my appreciation to all of the staff of SACL for their continuing support on our joint effort to make Sydney Airport one of the premier airports in our region and the world.


Max Moore-Wilton
Chairman and Chief Executive



OVERVIEW: FINANCIAL PERFORMANCE

Financial year 2003 reflects the SCACH consolidated result for the period from 28 June 2002 to 30 June 2003. (28 June 2002 is the first day of the financial year 2003 for the SCACH group; the day that the Sydney Airport purchase was completed).



Comparison with SACL 2002

Comparisons of traffic, revenue, operating expenditure, EBITDA, capital expenditure and other financial and operating statistics for financial year 2003 SCACH consolidated results are made to financial year 2002 SACL results where relevant.

No comparison is made for total and net asset values and depreciation and amortisation due to the "fair value" valuation undertaken at date of acquisition as required by accounting standards and which valued the land and other airport assets in the financial statements of the SCACH group at a value much higher than the value that was carried in the financial statements of SACL.

No comparison is made of net borrowing costs and financing due to the different capital structure of the SCACH group and SACL.

Traffic statistics and dollars per passenger statistics for 2003 are adjusted to include 3 days average passengers from June 2002 to allow for SCACH group financial year 2003 commencing 28 June 2002.

Financial Performance

During the reporting period, profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA) increased 19 per cent to \$376.3 million (2002: \$316.7 million).

FINANCIAL HIGHLIGHTS

\$'000

Total revenue	501,745
Total operating expense	125,459
Operating profit before depreciation and amortisation net borrowing costs and income tax and specific expenses	378,049
Operating profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA)	376,286
Depreciation and amortisation	136,148
Operating profit before net borrowing costs and income tax (EBIT)	240,138
Net borrowing costs	528,582
Operating loss before income tax	288,444
Income tax benefit	32,297
Operating loss after income tax (NLAT)	256,147

Profit before depreciation and amortisation, net borrowing costs and income tax and specific non-recurring expenses was \$ 378.1 million, an increase of 15.2 %. (2002: 328.2 million)

Revenue within the main operating entity, SACL, was derived as follows:

- Aeronautical: revenue up by 17.1 per cent to \$241.2 million
- Retail: revenue up by 6.8 per cent to \$123.4 million
- Commercial Trading: revenue up by 8.9 per cent to \$63.8 million
- Property and Development: revenue down by 4.9 per cent to \$68.0 million

Property revenues increased by 10 per cent when measured on a like-for-like basis with 2002. Following the acquisition of Terminal 2 by SCACH, there is no longer any property revenue receivable for this terminal. This loss of property revenue was replaced by aeronautical revenue received as Qantas, Virgin Blue and regional airlines commenced using the re-branded terminal (T2) during the reporting period.

T2 operations contributed \$21.6 million from aeronautical charges and security recoveries, and a further \$2.9 million from retail and commercial initiatives.

Following the successful implementation of cost containment and business re-alignment measures introduced during the reporting period, total operating expenses were reduced by 8.9 per cent to \$125.5 million (2002: \$137.7 million).

Specific non-recurring expenses principally related to restructuring and redundancy costs.

During the year international travel markets were adversely affected by the terrorist bombing in Bali, the war in Iraq and the outbreak of the Severe Acute Respiratory Syndrome (SARS) virus in parts of Asia. Accordingly the modest 1.3 per cent increase in total passengers for the financial year, with an improved outlook in the latter part of 2003, was to be expected.

In the context of these events and their impact on passenger volumes, the financial results of the main operating entity are evidence of the robust nature of the overall airport business.

With a more favourable outlook for traffic growth over the next year and following a business restructure introduced at SACL in July 2003 and to be completed by the end of 2004, the consolidated entity is well positioned to deliver sustained growth.

TRAFFIC HIGHLIGHTS

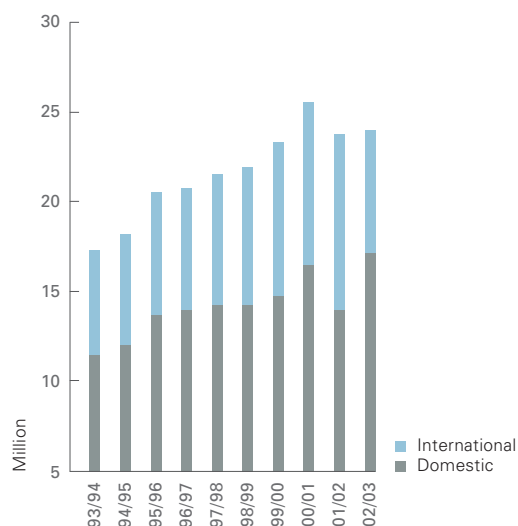
TYPE	2003	2002	CHANGE	% CHANGE
PASSENGER MOVEMENTS				
Domestic	14,616,792	13,660,441	956,351	7.0%
Regional	1,331,408	1,794,540	-463,132	-25.8%
International	7,877,045	8,037,750	-160,705	-2.0%
Domestic on-carriage	358,108	370,813	-12,705	-3.4%
Total Passenger Movements	24,183,353	23,863,544	319,809	1.3%
AIRCRAFT MOVEMENTS				
Domestic	122,058	113,749	8,309	7.3%
Regional	52,900	65,653	-12,753	-19.4%
International	46,350	45,795	555	1.2%
General Aviation	22,566	22,003	563	2.6%
Freight	10,613	7,529	3,084	41.0%
Total Aircraft Movements	254,487	254,729	-242	-0.1%
TONNAGE (000s)				
Domestic	5,190	5,414	-224	-4.1%
Regional	359	333	26	7.8%
International	6,010	6,110	-100	-1.6%
General Aviation	65	55	10	18.2%
Freight	386	416	-30	-7.2%
Total Tonnage	12,010	12,328	-318	-2.6%

International Passenger movements exclude transit passengers; Regional passengers include transit passengers.

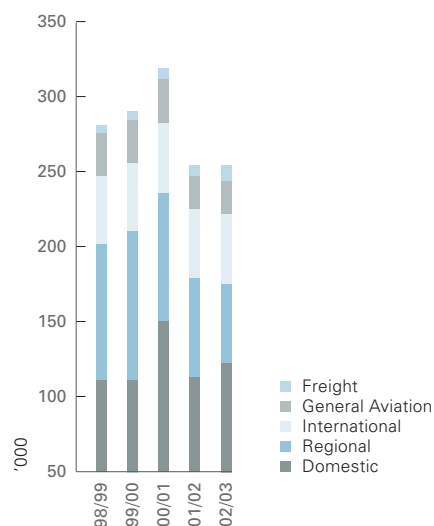
Traffic sources: International and domestic on-carriage passenger numbers provided by Australian Customs Service and Department of Immigration and Multicultural Affairs. Domestic and regional passenger numbers provided by airlines.

Domestic passenger numbers, aircraft movements and tonnage include those on the Canberra route serviced by regional airlines. Aircraft movements and tonnage supplied by AirServices Australia.

**1994 – 2003 Sydney Airport
Passenger Movements Trends**



**1996 – 2003 Sydney Airport
Aircraft Movement Trends**



*Adjustments made by AirServices Australia to the figures reported in the FAC 96/97 Annual Report.

RESTRUCTURING SACL

On 9 July 2003, SACL announced a new organisational structure designed to increase customer focus and improve service delivery whilst also introducing additional operational efficiencies.

The announced restructure followed a detailed review of the privatised airport business which included consultation with staff, management and stakeholders during 2003.

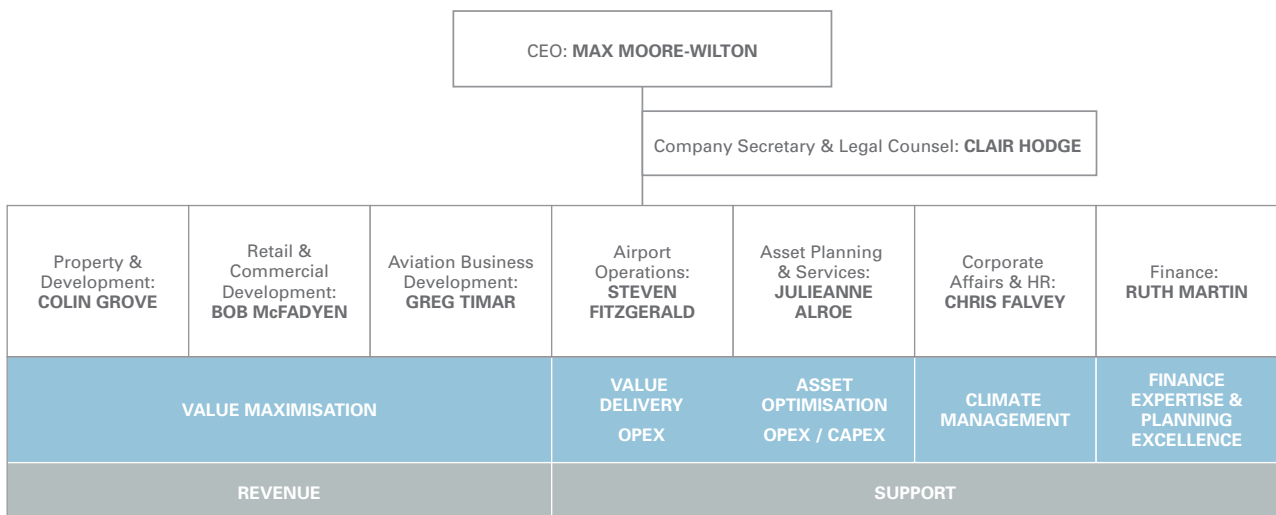
Cost efficiencies are anticipated.

Savings of approximately \$11 million on an annualised basis are expected to be gained as the organisation progressively introduces the new structure and moves to a Full Time Equivalent workforce of around 240 by June 2004 (2003: 388).

Whilst the redesign of the organisational structure will result in a reduction in SACL's staff numbers, safety and security remain appropriately resourced and will not be adversely affected by the new structure.

The management-led review focussed on all aspects of the airport's operations, which included benchmarking against other major airports as well as high level input from shareholders.

The resulting structure will now position SACL to maximise revenue and grow the overall airport business while maintaining operational standards and Sydney Airport's reputation for world-class standards of service excellence.



BUSINESS REVIEW: AVIATION

The aviation business – which includes Aviation Business Development, Airport Operations and Asset Planning & Services – is responsible for managing and developing the main operating entity's aeronautical assets and services to facilitate and market the efficient and profitable movement of aircraft, passengers and freight.



A key driver of the consolidated financial performance

Aviation's primary source of income is the fees paid by airlines for the use of Sydney Airport. This represented the key driver of the earnings improvement in the consolidated business, with the strong performance of SACL's aviation business unit directly attributable to commencement of terminal and related fees being levied on Terminal 2 following its re-opening as a multi-user facility in September 2002.

Key passenger and traffic statistics point to further improvements

Total passengers increased 1.3 per cent to 24.2 million. Indications that the domestic market is starting to recover from Ansett's demise in 2001, is evidenced by domestic passenger volumes increasing some 3.2 per cent to 15.9 million (2002: 15.5 million).

International traffic, whilst down 2.1 per cent to 8.2 million (2002: 8.4 million) has also shown signs of improvement in the latter part of the reporting period.

Aircraft movements were marginally lower, by around 0.1 per cent, to 254,487 for the period. Total tonnage also declined slightly by 2.6 per cent to 12 million tonnes (2002: 12.3 million).

Uniform pricing model delivers a more consistent approach

After a period of consultation with its domestic airline customers, SACL introduced a Passenger Services Charge (PSC) for domestic services, (excluding regional services) from 1 July 2003. SACL replaced its weight-based international airline charges with a PSC on 1 November 2001. With the exception of regional carriers, there is now one consistent and transparent pricing model for all airlines using the airport.

Successfully marketing advantages for airline customers

During the reporting period, there have been several significant achievements in securing new commercial arrangements with airline customers. Each of these can be seen as a positive response to the airport's airline marketing initiatives and the positioning of Sydney Airport as Australia's most dynamic gateway.

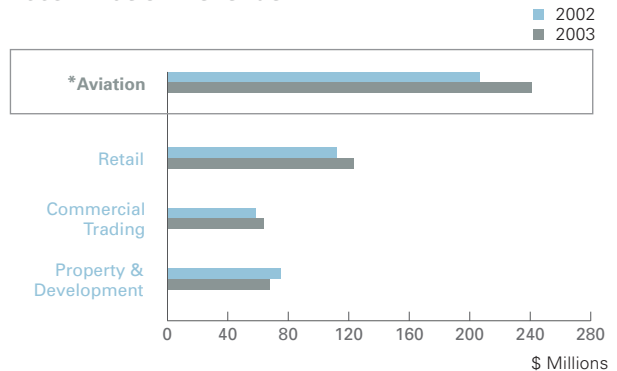
International carriers gear up for growth

In July 2002, in a sign of continuing confidence in the Australian aviation market, South American airline, LanChile, returned to the Australian market with a thrice-weekly service between Sydney and Santiago, Chile.

Sydney Airport secured a major breakthrough in aviation competition in September 2002 following the Federal Government agreement to allow Emirates Airlines to operate daily services to Australia's major international gateway. Emirates' expansion in the Australian market followed approval of three additional weekly services to Sydney by the Deputy Prime Minister and Minister for Transport and Regional Services, John Anderson which was announced during the signing of a new bilateral air services agreement with the UAE by the Australian Minister for Trade, Mark Vaile during the Middle East Trade Mission in 2002. Emirates Airlines will now operate daily services to and from Sydney to Singapore, Dubai and ports beyond using Boeing 777 aircraft.

In November 2002, emphasising the return of air traffic growth and the emerging importance of the North Asia travel market to Australia, Taiwan's EVA Airlines commenced a twice-weekly non-stop service between Taipei and Sydney, operating a Boeing 767-300 service.

2003 Aviation Revenue



*Aviation revenue includes security recovery

Gulf Air, the national airline of the Kingdom of Bahrain, the Sultanate of Oman and the United Arab Emirates, announced in June 2003 the commencement of daily operations to Sydney with effect from 23 November 2003.

In February 2003, Australia's newest international carrier, Australian Airlines announced its decision to schedule international flights out of Sydney Airport. This move will contribute to promoting Australia as a tourist destination within the wider Asia-Pacific region, as well as promoting Sydney. Australian Airlines now operate three services a week from Sydney to Bali. In addition, Australian Airlines has also commenced return services six times a week between Sydney and Cairns, offering seamless transits for inbound passengers travelling from Asia and Japan.



Terminal 2 Multi-User Facility Becomes Fully Operational

SACL TAKES CONTROL OF FORMER ANSETT DOMESTIC TERMINAL

Since taking ownership of the former Ansett Domestic Terminal on 1 July 2002, SACL negotiated agreements with a total of five airlines to use the terminal being Virgin Blue, Qantas, Regional Express, Horizon and Aeropelican Airlines.

The former Ansett terminal, renamed "T2", formally re-opened on Monday 2 September 2003, bringing to a close the effects of the decline of Ansett, and representing a new stage in positioning SACL for domestic growth among the airport's domestic and regional airline partners. This growth, and specifically in the second half of the reporting period, has since delivered a \$21.6 million contribution from aeronautical charges and security recoveries to SACL's EBITDA for 2003, and \$2.9 million in retail and commercial trading revenues.



On 24 September 2002, Qantas began operating the QantasLink fleet to regional and holiday destinations from T2. All Qantas flights designated QF 1600 and above use T2 – with the exception of Canberra and Coolangatta flights, which continue to use the Qantas Domestic Terminal T3. Regional Express, Horizon and Aeropelican Airlines also used the full terminal facilities from this date. Terminal 2 completed its transformation as a hub for domestic and regional air travel on 12 December 2002 with the official transfer of Virgin Blue operations to the former Ansett Terminal. Virgin Blue now shares the 18 gate T2 terminal with QantasLink, Regional Express, Horizon and Aeropelican. Following the completion of the Virgin Blue agreement, a total of 13 out of the 18 gates have been assigned with the additional 5 gates available for either increased capacity for growth of the existing domestic airlines or a prospective third entrant.

A major upgrade to deliver a multi-user facility

Since taking ownership of T2 on 1 July 2002, SACL has upgraded key IT security systems, building safety systems and aircraft aprons to manage the operational requirements of multiple airline users. T2 in Sydney Airport's domestic precinct, is a completely redeveloped world-class airport facility. Its proximity to the airport rail link, to international transfers and to the other main terminal in the airport's domestic precinct are all of major benefit to passengers and airlines.

In T2, SACL introduced a new Flight Information Display System or FIDS which more accurately presents the Estimated Time of Arrival (ETA) of an aircraft. Previously the FIDS displayed the estimated landing times. Taxiing time and other potential delays on the ground were not included in this estimate. Now, using new technology and the experience of International Terminal operations, the T2 FIDS display the estimated arrival at the terminal gate, allowing passengers and guests to more accurately plan for arriving aircraft.

Strong Focus On Security

REVENUE BASE INCREASE FROM SECURITY RECOVERIES

Security continues to be a major part of SACL's business, with recoveries for mandated security measures increasing 48.6 per cent and reaching \$38.5 million during the year (2002: \$25.9 million).

Excluding the impact of T2 recoveries, this significant increase in aeronautical security recoveries was largely due to the recovery of government mandated security measures and recovery in 2003 of prior year under recovery of security operating expenses.

The highest priority continues to be given to safety and security throughout the airport precinct. The additional security measures (ASM), all of which are Government mandated, introduced following September 11 remain in force and SACL will continue to recover the costs of these and other ASM measures from its airline customers.

Terrorism Insurance

The increased costs of terrorism insurance are directly related to the aviation security environment and are abnormal operating costs. SACL consulted with airlines, either directly or through representative industry bodies, on the nature of the terrorism insurance, security under-recoveries and additional security measures from November 2002. In 28 February 2003, SACL advised customer airlines that it was seeking to recover the costs of substantial increases in terrorism insurance, effective from April 2003.

The charge was levied on both international and domestic airline operations for a limited period to recover 2003 costs. After June 2003, the charges were commensurate with the insurance market and rates outlook for 2004.

Passenger Screening at Sydney Airport

- Australian Government regulated according to international industry standards
- Facilities comprise SACL owned assets
 - X-ray machines
 - Walk-through metal detectors
 - Hand-held metal detectors
- Operation contracted to specialist security firm
- Includes goods screening facilities and arrangements
- Additional measures since Sept 11 include:
 - passengers must surrender all sharp implements
 - attention to footwear
 - attention to laptops
 - some hand searches before check-in and at the gate pre-boarding

Checked baggage screening at Sydney Airport

- Australian Government regulated according to international industry standards
- Facilities comprise over SACL owned assets, including
 - terminal infrastructure conveyors
 - X-ray machines, software
 - network to central control room
- Purpose - detection of improvised explosive devices
- Several process levels
- Threat containment unit, remote inspection facility
- Both covert and overt screening conducted (trace detection, dogs, hand-search)

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 \$255.2 million in annual revenue, representing 50.8 per cent of total SACL revenue.



Retail continues to deliver growth

The retail business achieved a strong overall financial result given the challenging trading environment. SACL's retail income increased to \$123.4 million (2002: \$115.5 million). The 6.8 per cent increase was a sound outcome as the revenue growth for the year was in the context of a 2.1 per cent decline in international traffic. This is evidence that management's response to changed trading conditions in 2002 and further strategies to align retail offering with changing passenger mix have been successful. Key developments during 2003 included development of 'walk through' Duty Free Arrivals Store, enhanced competition in foreign exchange portfolio, the introduction of outdoor advertising into the retail portfolio and the opening of a new commercially focused Observation Deck for the benefit of those farewelling friends and relatives.

Retail benefits for new T2 precinct

SACL's retailing operations delivered a sale turnover in excess of \$600 million for the period. Whilst the main retailing business is driven by international travel activity through T1 (the international terminal with 138 retail and service outlets), during the year the retail precinct at Terminal 2 (T2) commenced operations. With over 20 retail and service outlets occupying approximately 2,200m² of retail space, the precinct caters for the basic needs of domestic passengers using the facility. Developments are under way to enhance the retail experience at T2 through the introduction of new retailing sites opening in the 2004 financial year.

Commercial operations show benefit of improving domestic sector

SACL's commercial business manages car parking across the airport precinct, as well as car rental and commercial ground transportation activities. In the twelve months to 30 June 2003, Commercial Trading earned \$63.8 million (2002: \$58.6 million) in revenue, some 8.9 per cent higher than the previous year's performance. Increased revenue is attributable to pricing reviews and the benefit of rate increases introduced in July 2002. Changes were also introduced during the period to improve operational efficiencies in the car parking business. Again, in the context of lower international traffic this outcome represents a strong and improved performance.

Carpark and car rental revenues drive growth

The re-opening of T2 in September 2002, and the commencement of Virgin Blue operating there in December 2002, served to consolidate car parking in the domestic precinct. Car parking revenue of \$53.1 million (2002: \$48.2 million) has benefited from the rate increases introduced on 1 July 2002, with the major component of total car parking revenue derived from international (35.8 per cent) and domestic (48.1 per cent).

Increased car parking automation, in sourcing of car park management and negotiation of an efficient labour supply contract have also seen operational expenses for this component of commercial trading decrease, whilst providing improvements to service standards and customer facilitation.

Whilst no new contracts were granted to supplement the six existing car rental services operating at the airport, new desk lease facilities relating to this service were negotiated at T2. This brought further service improvements to ground transport for passengers in the airport's domestic precinct. Car rental revenues increased 3.4 per cent to \$10.7 million (2002: \$10.4 million).

Major Property development opportunities

Whilst the total revenues received by the Property and Development unit decreased by 4.9 per cent to \$68.0 million (2002: \$71.5 million), when measured on a "like-to-like" basis, revenues increased by 10 per cent compared with 2002.

Following the acquisition of Terminal 2, there is no longer any property revenue receivable for this terminal. This loss of property revenue was replaced by aeronautical revenue received as Qantas, Virgin Blue and regional airlines commenced using the re-branded terminal (T2) during the reporting period.

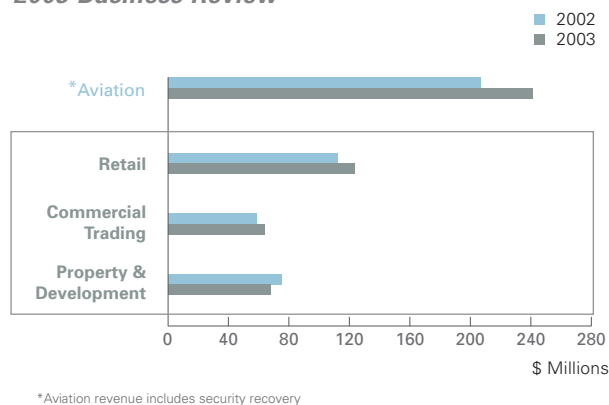
Proceeds from sale of non-current assets include the divestment of land adjacent to the M5 motorway for \$2.6 million during 2003.

New property developments underway during 2003

The Property & Development business unit's objective – which includes over 391 leased sites, some 280 separate leases and licence or agreements and involves over 129 airport tenants – is to continue the pursuit of development strategies that allow for the necessary controls to ensure delivery of the aviation needs depicted in the Master Plan and the growing demand to support commercial development opportunities across the airport site.

In April 2003, SACL and Multiplex Constructions entered into a contract to construct a multi-storey commercial office block in Sydney Airport's north-western precinct. The project, within the boundaries of the existing International Terminal (T1) carpark, is valued at around \$40 million and will provide 600 building jobs during construction. The 10 storey, 15,000 square metre office block is expected to be completed by July 2004 and on

2003 Business Review



completion, the building will provide on-site employment for up to 1,000 people. The key tenant in the building will be the Australian Customs Service.

In June 2003, SACL and leading express freight and logistics company, DHL, announced the development of a new airfreight facility at Sydney Airport. DHL will lease the former Domestic Express Terminal from SACL and develop a new purpose-built 6,200 m² warehouse facility on adjacent land that will be one of the largest transport terminals of its kind in Australia.

The project will mean a significant investment by DHL and will provide 150 jobs in the company's parcel freight and cargo forwarding business. The total leased area will be approximately 11,000m² and includes a building lease over the former Domestic Express Terminal and a site lease for the former Express public car park and an area currently occupied by DHL. A key benefit will be access to aircraft apron space for DHL's Boeing 727-200 Trans Tasman freighter aircraft.

Also in June 2003, SACL announced that hotel group, Accor, will develop a new 8 storey 119 room Formule 1 hotel adjacent to the airport's domestic precinct on Joyce Drive. The \$6 million project, to be constructed on a site of approximately 1885 square metres is expected to be completed by mid 2004.

To compliment the commercial development strategy for the domestic precinct, SACL concluded negotiations in June 2003 with Krispy Kreme Doughnuts to develop a single storey retail/wholesale factory on a site of 4000 square metres which represents part of a significant move by the US company into the Australian market.

INVESTING IN COMMUNITIES

Sydney Airport's Community Investment Program is designed to assist those local communities most affected by the airport's operations. The program seeks to specifically support environmental and educational initiatives, as well as events and activities that help to create a sense of community.



SACL's Education Grants Scheme provided support for worthwhile projects at local government schools and kindergartens in areas surrounding the airport during 2003. In total, ten local schools and fifteen kindergartens will benefit from a \$145,000 Sydney Airport School Grants Scheme.

SACL continued its involvement in local sports, with support in 2003 for six junior soccer teams in neighbouring communities as part of its revamped community program, SACL has also renewed sponsorship agreements with Surf Life Saving Australia to sponsor the Nipper Activities at beaches from North Bondi to Burning Palms and sponsorship of the Sydney Airport Jets (formerly the Newtown Jets) Rugby League football team.

Among other community sponsorship initiatives during 2003, SACL continued its sponsorship of Company B Belvoir Street Theatre's 'unwaged free performance program', allowing financially disadvantaged members of the local community a unique opportunity to experience world class stage theatre. SACL also continued its support of charities including Youth Off the Streets (YoTS).

Again in 2003, SACL actively contributed to a wide range of community groups and forums by:

- Supporting local small businesses through its position on the Board of the Botany Business Enterprise Centre
- Addressing neighbourhood environmental concerns on the Botany and Eastern Region Environment Protection Agency
- Working with the community to improve Botany Bay, on the Botany Bay Coastal Management Committee and Botany Bay Studies Unit, and

- Responding to aircraft noise concerns at the Sydney Airport Community Forum and the flight path Implementation and Monitoring Committee.

During the reporting period, SACL maintained a Community Update newspaper column in local newspapers, ensuring the local community were informed of upcoming airport activities and important community events. Also, as part of our community information program for the Sydney Airport Draft Master Plan a regular column was produced for local papers to keep the community informed of how they can contribute to the Draft Master Plan.

A new Sydney Airport viewing platform, at one of Sydney's best whale watching locations, was officially launched in June 2003 as part of the official opening of the 2003 whale watching season. The whale watching platform provides shelter and a spectacular 180 degree vista of the horizon for whale watchers at Cape Solander in Botany Bay National Park. The \$50,000 funding for the platform is part of the Sydney Airport's community grants program, set up to assist worthwhile environmental and community initiatives around the airport precinct.

A viewing area of another kind opened on 13 June 2003 – Sydney's latest tourism attraction allows plane spotters and tourists alike a bird's eye view of the big jets at Sydney Airport. The open-air Observation Deck was officially launched by the NSW Minister for Tourism, Sport and Recreation and Minister for Women, the Hon. Sandra Nori MP at an event attended by 120 invited guests. The roof-top Observation Deck on top of the T1 International Terminal now provides spectacular views of the city skyline, Botany Bay and the Heads, with an equally dramatic view of aircraft taking off and landing at Australia's premier international gateway. The Observation Deck also features a café and bar for all visitors to enjoy.

In November, Sydney Airport launched a new art installation that reflects the vibrancy of Sydney's multicultural identity, and aims to connect with the thousands of overseas visitors that flow through the airport each day. Welcome to Sydney is a series of photographic portraits of the city's residents, drawn from different cultural backgrounds. It is part of the airport's project of commissioning public art called Art at Work. The images are presented in large scale lightboxes that line a corridor leading from the International Terminal's arrivals area.

Sydney Airport Master Plan

Master Plan for public review and comment

On 1 August 2003, SACL released the Sydney Airport Preliminary Draft Master Plan for public comment, as part of its continuing program of community consultation over the last six months. The Preliminary Draft Master Plan will be on public display during which comments and submissions from the public and interested parties are invited.

The Master Plan shows that Sydney Airport has the capacity to manage all of Sydney's projected growth in domestic and international passenger traffic for at least the next 20 years. Importantly, community safeguards underpin the preparation of the Draft Master Plan, including:

- No changes to the curfew
- No changes to flight paths
- No change to the movements cap
- No new runways

The Master Plan is a high-level, strategic document that sets out land use planning concepts at Sydney Airport for the next 20 years. The Master Plan is also a tool to be used by SACL in making business decisions regarding what infrastructure will be required and when. It will also look at airport development in the context of impact on the surrounding region.

Involving extensive community and stakeholder research, SACL formally launched its Master Plan program in 2003. During the reporting period, SACL has consulted with state and local government, the Sydney Airport Community Forum, airlines and other stakeholders about the Master Plan.

Under the Commonwealth Airports Act of 1996, SACL has until 31 December 2003 to submit a draft Master Plan to the Federal Minister for Transport and Regional Services for consideration. The Master Plan is required by the Act to address the needs of airport-users, an assessment of environmental issues and consultation with the community.

ENVIRONMENTAL ACHIEVEMENTS

SACL is committed to world-class environmental management and has continued to meet all environmental requirements by having comprehensive systems of management, monitoring and reporting. SACL has continued to initiate energy reduction programs under the agreement signed in 1998 with the NSW Government Sustainable Energy Development Authority (SEDA).

As stipulated in this agreement, SACL is required to, over a five year period (1998-2003), reach 3 milestones being 4% (bronze award), 10 per cent (silver award) and 15 per cent (gold award) reduction of energy usage. Through the continual implementation of energy reduction plans SACL has now achieved its third and final milestone of reducing its energy usage by 15 per cent.

Another major achievement for the 2002/2003 period, following the 2002 Biennial Environmental Audit of key airport facilities, was the successful implementation of a tenant environmental awareness program whereby all

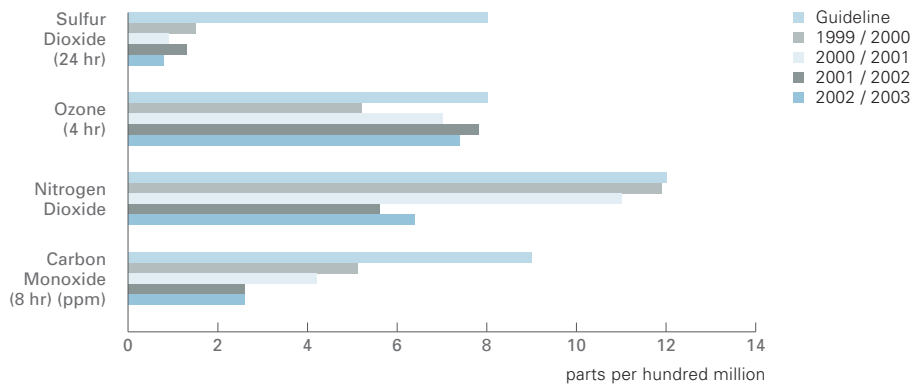
airport tenants identified as having significant environmental risks were required to prepare formalised environmental management plans (EMPs) for their operations. These plans will ensure that tenants are aware of their environmental issues and develop plans to manage any impacts. Such plans will be audited by SACL in conjunction with the Airport Environment Officer to ensure they are up to date and satisfactorily address environmental risks affiliated with their operations.

SACL will continue to progressively implement the 240 initiatives to which we committed in our current five year Environment Strategy which covers the years 1999-2004 and a summary of our environmental achievements is set out below. In early 2004, SACL will commence to develop its new five year Environment Strategy for the period of 2005-2010 which will ensure SACL's ongoing commitment to world class environmental management and a sustainable business culture.

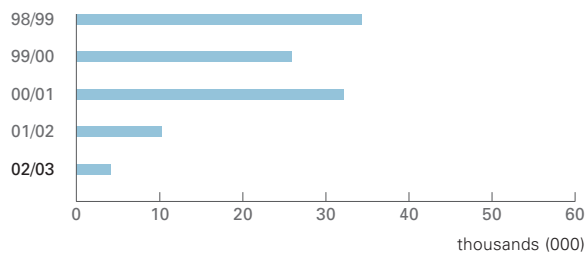
INITIATIVES	TARGETS	ACHIEVEMENTS	NEXT STEPS
AIR POLLUTION	Our target is to continue to meet air quality requirements.	Monitoring continues to demonstrate that requirements are being met (see also GRAPH 1).	Review the Air Quality Monitoring Program.
WATER POLLUTION	Our target is for airport runoff water to be cleaner than runoff from urban areas.	Commence the installation of Pollution Control flame trap on the International Terminal Eastern Apron.	Based on a review of the results of 2 year stormwater monitoring program (extending from 2000-2002), the development of a Whole of Airport – Stormwater Management Plan with an over aim of addressing main pollutant sources from key airport catchment areas.
AIRCRAFT NOISE	Our target is to continue to support noise sharing flight path arrangements for the benefit of the community.	Aircraft noise complaints (monitored by AirServices Australia) dropped by 62% from last year	Continue to work with all stakeholders – AirServices Australia, the government and the community – on noise sharing.
SOILS	Our target is to ensure that no contamination from SACL sites leaves airport boundaries, that contamination does not create safety risks or harm, and that current and future airport activity does not create further contamination.	<ul style="list-style-type: none"> – Development of Management Plans for known contaminated sites – Development and Implementation of Bulk Fuel Storage Management Guidelines and requirements which include the removal of existing abandoned underground fuel tanks, which are potential sources of soil and groundwater contamination – Initiation of extensive Contaminated Sites assessment program on potential high and medium risk classified contaminated sites to ascertain level of contamination and OHS&E risks 	In consultation with Airport Stakeholders, continue to develop plans of action (including remediation plans) to satisfactorily address identified significant sites and meet our stated target.
ENERGY CONSUMPTION	Our target is to reduce CO ₂ emissions by 15%.	SACL Energy Smart Agreement reached its third and final milestone of a 15% energy reduction by the end of 2003. SACL is aiming for a gold award by achieving this milestone	Continue to investigate and if feasible implement specific energy reduction projects

The graphs below correspond to the Environmental Achievements Table on the previous page. Further information is available at sydneyairport.com.

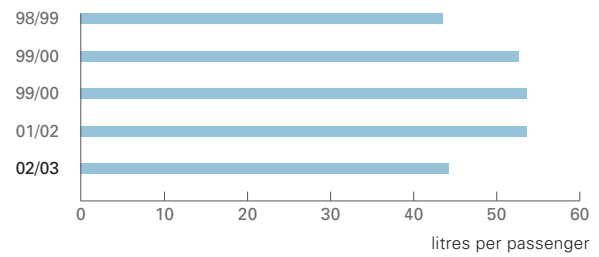
Graph 1: Maximum Levels of Airport Air Emissions



Graph 2: Aircraft Noise Complaints



Graph 3: Water Consumption at the International Terminal



STATUTORY INFORMATION



***Board of Directors
Corporate Governance
Concise Financial Report***

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

Mr Booth is an Executive Director of Macquarie Bank Limited and is also the airport director of Macquarie Airports (MAp). 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.

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.

MEREDITH HELLICAR B.A., LL.M (Hons.), L.Mus.A, FAICD.

Ms Hellicar is a Director of various Australian entities including AMP Limited and James Hardie Industries NV and also holds a number of 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 Management Limited, the responsible entity of the trusts comprised in Macquarie Airports (MAp). Ms Mather has extensive experience in transport infrastructure transactions and investments, with a particular focus on airports.

NICHOLAS MOORE BComm, LLB, FCA

Mr Moore is Head of the Investment Banking Group of Macquarie Bank Limited and has considerable experience in infrastructure financing, cross border leasing and structured finance.

MR 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.

THE BOARD OF DIRECTORS

The composition of the Boards of SCACH, SCAC and SACL are identical while the Board of Nova is made up of those directors who are members of the SACL Board Strategy Committee (refer below). Separate board meetings are held for each Group company, with issues common to all Group companies considered by the SCACH Board.

Directors and management are cognisant of the different duties owed by them to each Group company. In this regard, SACL's constitution takes advantage of section 187 of the Corporations Act 2001 (Cth) by providing, relevantly, that its directors are taken to act in the best interests of SACL if they act in good faith in the best interests of SCACH.

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

Dates of appointments and resignations of Directors and Alternate Directors are stated in the Directors’ Report.

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. 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 \$851,882.

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 policies in key areas including risk management, internal audit, safety, health, environment, equal employment opportunity, and dealings by employees in units in the Southern Cross FLIERS Trust and securities of other companies.

GROUP BOARD COMMITTEES

As at the date of this Annual Report 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. The 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, provided they first speak to that committee's chair. 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 Group 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 Luis Sánchez Salmeron, Patrick Gourley, Dr Ulrich Stucke and Kerrie Mather. The Secretary is the General Manager, Corporate Affairs and Human Resources, Chris Falvey.

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 Martyn Booth, Meredith Hellicar and Dr Ulrich Stucke. The Secretary is the General Manager, Airport Operations, Steven Fitzgerald.

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;
- monthly reports;
- corporate issues; and
- recommendations and advice, from and to, each Board and the committees.

AIRPORT STRATEGIC CONSULTANCY AGREEMENT

This arm's length consultancy arrangement is intended to ensure that advice from shareholders Hochtief Airport GmbH and Macquarie Airports Management Limited or their associates 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

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 comprehensive reporting 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 Group is the Airports Act 1996 (the Act) and regulations made under that Act, including the Airports (Environment Protection) Regulations. The main environmental requirements of the Act and the Regulations include the:

- development and implementation of an Environment Strategy;
- 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
- 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 has been produced and approved by the Commonwealth Minister for Transport and Regional Services for Sydney Airport. The Sydney Airport Environment Strategy is available by contacting SACL or may be viewed at SACL's website, sydneyairport.com.

The strategy outlines the SCACH Group's plans and actions to measure, monitor and report on environmental performance over the five-year period from 1999 to 2004. 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 2003 the AEO did not issue SACL 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 2003:

- Air quality monitoring continued to demonstrate that air emissions are within relevant regulatory limits and guidelines;
- SACL'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.
- SACL continued to implement a risk-based approach to managing existing contaminated sites and preventing future contamination.
- SACL has prepared a draft Master Plan which was submitted for public comment on 1 August 2003. This document will (amongst other things) assess environmental issues resulting from Sydney Airport's future operations until 2024. The document is due to be submitted to the Minister for Transport and Regional Services by 31 December 2003, and will be exhibited for public comment for a 90 day period prior to submission. SACL's Environment Strategy will subsequently be revised during 2004 to address in more detail the environmental issues raised by the Master Plan.
- No breaches of the regulatory limits were detected or reported to the AEOs. No action was taken against SACL by any party under the Regulations.
- Further information on SACL's environmental performance can be viewed on SACL's website, sydneyairport.com

CONCISE CONSOLIDATED FINANCIAL REPORT

SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED
FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003
ACN: 098 082 029

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DIRECTORS' REPORT

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") 28 June 2002 to 30 June 2003.

DIRECTORS

The names and particulars of the directors of SCACH in office 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, most recently, the Secretary to the Department of the Prime Minister and Cabinet.	22 January 2003	–
Martyn Booth is an Executive Director of Macquarie Bank Limited. He is the Airport 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 Australian companies including AMP Limited and James Hardie.	18 February 2003	–
Kerrie Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports Management Limited.	27 June 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	–
Dr Ulrich Stucke is Managing Director of HOCHTIEF AirPort GmbH. Before joining HOCHTIEF AirPort he worked for Deutsche Bank AG.	10 April 2003	–
Luis Sánchez Salmeron is the Director of the Airports Division of Ferrovial Infraestructuras S.A.	26 May 2003	–
Juan Angoitia is Financial Manager of Ferrovial Aeropuertos S.A.	11 September 2002	30 January 2003
Tomas Aranda is Managing Director of Ferrovial Aeropuertos S.A.	15 July 2002	26 May 2003
Juan Bejar is Managing Director of Cintra Concesiones de Infraestructuras de Transporte S.A., a subsidiary of Group Ferrovial.	15 July 2002	10 September 2002
Penny Graham is Head of Infrastructure Investments of Abbey National Treasury Services Plc.	25 July 2002	21 July 2003
Holger Linkweiler is Head of Business Planning and Financing of HOCHTIEF Airport GmbH.	14 September 2001	10 April 2003
Dr Helen Nugent is a non-executive director of Macquarie Bank Limited, Australia Post, and TAB (Qld).	25 July 2002	6 December 2002
John Rickus is Chairman of MTAA Superannuation Fund Pty Limited.	25 July 2002	10 September 2002
Richard Sheppard is Deputy Managing Director of Macquarie Bank Limited.	6 December 2002	22 January 2003
Alan Stockdale is Chairman of Symex Holdings Limited.	6 September 2001	25 July 2002

DIRECTORS (CONTINUED)

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 Aranda)	15 July 2002	26 May 2003
Juan Angoitia (for Bejar)	15 July 2002	11 September 2002
Juan Angoitia (for Hellicar)	18 February 2003	–
Juan Angoitia (for Salmeron)	29 May 2003	–
Tomas Aranda (for Bejar)	15 July 2002	11 September 2002
Juan Bejar (for Aranda)	15 July 2002	11 September 2002
Mar Nunez Beltran (for Aranda)	6 February 2003	26 May 2003
Mar Nunez Beltran (for Hellicar)	18 February 2003	–
Mar Nunez Beltran (for Salmeron)	29 May 2003	–
Fernando Bosque (for Aranda)	15 July 2002	17 February 2003
Fernando Bosque (for Angoitia)	11 September 2002	30 January 2003
Michael Delaney (for Rickus)	27 July 2002	10 September 2002
William Doughty (for Graham)	14 January 2003	21 July 2003
Meredith Hellicar (for Salmeron)	29 May 2003	–
Holger Linkweiler (for Stucke)	14 April 2003	–
Luis Sánchez Salmeron (for Hellicar)	30 May 2003	–
Richard Sheppard (for Booth)	29 January 2003	–
Richard Sheppard (for Mather)	29 January 2003	–
Richard Sheppard (for Moore)	29 January 2003	–
Dr Ulrich Stucke (for Linkweiler)	28 June 2002	10 April 2003

CORPORATE STRUCTURE

SCACH is a company limited by shares that is incorporated and domiciled in Australia. The SCACH consolidated financial report incorporates the 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

On 28 June 2002, SCACH's wholly owned subsidiary, SCAC, acquired all of the issued capital in SACL from the Commonwealth of Australia.

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 \$376.3 million for the financial year. This reflects the result for the period from 28 June 2002 to 30 June 2003. The first day of the 2003 financial year for the consolidated entity was 28 June 2002 being the day the Sydney Airport sale transaction was completed. After deducting depreciation and amortisation and net borrowing costs, and adjusting for income tax, the net loss for the year was \$256.1 million.

REVIEW OF OPERATIONS AND RESULTS (CONTINUED)

As no material transactions were entered into by SCACH in the period to 27 June 2002, for comparison purposes, the SACL result for the 2002 financial year is used in this Directors' Report.

The EBITDA result compares with the corresponding SACL 2002 financial year result of \$316.3 million.

Excluding specific non-recurring expenses, EBITDA increased by 15.2% to \$378.1 million compared with the previous year (SACL 2002: \$328.2 million).

Total revenue from all business units rose 10.5% to \$501.7 million (SACL 2002: \$454.0 million).

Total expenses were reduced by 8.9% to \$125.5 million (SACL 2002: \$137.7 million).

Depreciation and amortisation was significantly higher at \$136.1 million (SACL 2002: \$101.2 million). This reflects the higher net book value of property, plant and equipment, and the airport operator licence following their restatement to fair value on acquisition in the consolidated financial statements as required by AASB 1024 "Consolidated Financial Reports" and AASB 1015 "Acquisition of Assets".

Net borrowing costs of the consolidated entity were \$528.6 million (SACL 2002: \$74.8 million).

The redeemable preference share distributions and FLIERS 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 covenants contained in its various debt agreements. Distributions paid and proposed for FLIERS and redeemable preference shares for the year ended 30 June 2003 totalled \$54.2 million and \$105.9 million respectively.

The consolidated entity's investment grade corporate credit ratings are BBB-/negative (Standard & Poor's) and Baa3/stable (Moody's). The credit ratings for the senior secured debt of Southern Cross Airports Corporation Pty Ltd are BBB-/negative (Standard & Poor's) and Baa2/stable (Moody's).

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.

NON CURRENT ASSETS

As noted above, non current assets acquired as part of the acquisition of SACL by the consolidated entity, have been restated to fair value on acquisition in the consolidated financial statements as required by AASB 1024 "Consolidated Financial Reports" and AASB 1015 "Acquisition of Assets".

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28 June 2002 SCAC acquired the issued share capital of SACL. This completed the privatisation of SACL which until then was owned by the Commonwealth of Australia.

The consolidated entity purchased the former Ansett terminal (T2) on 1 July 2002. Negotiations with Qantas and Virgin Blue regarding their use of the terminal were successfully concluded during the year.

As previously reported, during the year the external borrowings of SACL were repaid in full and implementation of a new financial structure for the consolidated entity was completed.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 9 July 2003 SACL announced that as a result of an organisational review approximately 40% of the workforce of 388 would be made redundant. The redundancy process is expected to take twelve months to complete. The aim of this cost-cutting program is to make the airport more competitive.

On 21 July 2003 a Sale of Shares Deed was entered into by Abbey National Treasury Services Overseas Holdings whereby its 4.96% shareholding in SCACH was conditionally disposed of on a pro rata basis to all other shareholders (except State Street Australia Limited as trustee for Ontario Teachers Australia Trust).

No other significant events have occurred.

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 reports regularly on its environmental management; further details of SCACH and SACL's environmental performance are provided on Sydney Airport's website, sydneyairport.com.

INSURANCES AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Insurances

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 executive 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 the financial year and at the date of signing, appropriate insurance policies were in place to meet the requirements of the Airport Lease and the financiers. This includes Industrial Special Risk insurance, covering property and business disruption for events including terrorism. Cover for injury or property damage to third parties arising from terrorism was provided by an indemnity from the Commonwealth of Australia until 15 January 2003, when commercial cover was placed.

Indemnities

SCACH's constitution indemnifies (to the extent permitted by law) each officer of SCACH for liability:

- incurred by any person as an officer or employee as long as that liability does not arise out of conduct involving a lack of good faith; and
- for costs and expenses incurred by the officer in successfully defending civil or criminal proceedings in their capacity as an officer.

An "officer" of SCACH is any person who is, or has been, a director, secretary or executive officer of SCACH and its wholly owned subsidiaries.

DIRECTORS' REPORT

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	5	5	2	2	3	3	2	2	5	5
Juan Angoitia	6	3	4	4	4	2	–	–	6	5
Tomas Aranda	10	6	–	–	3	0	2	1	9	1
Juan Bejar	1	0	–	–	1	1	–	–	–	–
Martyn Booth	12	9	–	–	–	–	4	3	11	10
Patrick Gourley	11	9	2	2	3	3	–	–	–	–
Penny Graham	12	3	6	4	–	–	–	–	–	–
Meredith Hellicar	5	5	2	2	–	–	2	2	–	–
Holger Linkweiler	10	7	–	–	6	4	3	1	8	7
Kerrie Mather	13	11	–	–	7	7	–	–	11	11
Nicholas Moore	12	7	6	6	–	–	–	–	–	–
Helen Nugent	5	5	–	–	3	3	–	–	–	–
John Rickus	1	1	1	1	–	–	–	–	–	–
Luis Sánchez Salmeron	2	1	–	–	1	0	–	–	2	1
Richard Sheppard	2	2	–	–	1	0	–	–	–	–
Alan Stockdale	1	1	–	–	–	–	–	–	–	–
Ulrich Stucke	3	2	–	–	1	1	1	1	3	2

H – meetings held whilst director A – meetings attended

ALTERNATE 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 Bejar)	1	1	–	–	1	0	–	–	–	–
Juan Angoitia (for Aranda)	4	2	–	–	1	1	–	–	5	1
Juan Angoitia (for Sanchez)	1	1	–	–	0	0	–	–	2	0
Juan Bejar (for Aranda)	1	0	–	–	1	1	–	–	–	–
Mar Nunez Beltran (for Aranda)	5	1	–	–	–	–	–	–	3	3
Mar Nunez Beltran (for Sánchez)	2	0	–	–	2	0	–	–	2	1
Bill Doughty (for Graham)	6	3	2	1	–	–	–	–	–	–
Meredith Hellicar (for Sánchez)	2	0	–	–	1	1	–	–	2	0
Holger Linkweiler (for Stucke)	3	1	–	–	1	0	1	0	3	1
Richard Sheppard (for Booth)	5	1	–	–	–	–	2	0	–	–
Richard Sheppard (for Moore)	5	1	2	0	–	–	–	–	–	–
Ulrich Stucke (for Linkweiler)	10	2	–	–	6	2	3	2	8	1

H – meetings held whilst alternate 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 98/100. 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

22 August 2003

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

CONSOLIDATED
\$'000

REVENUE FROM ORDINARY ACTIVITIES

Aeronautical revenue	202,686
Aeronautical security recovery	38,547
Retail revenue	123,374
Property revenue	67,976
Commercial trading revenue	63,833
Proceeds from sale of non-current assets	2,992
Other	2,337

Total revenue from ordinary activities before interest **501,745**

EXPENSES FROM ORDINARY ACTIVITIES

Labour	39,428
Services and utilities	50,513
Other operational costs	19,364
Property and maintenance	12,431
Specific expenses:	
Privatisation related costs	(393)
Restructuring and redundancy costs	2,156
Cost of non-current assets sold	1,960

Total expenses from ordinary activities before depreciation, amortisation and net borrowing costs **125,459**

Profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA) **376,286**

Depreciation and amortisation 136,148

Profit from ordinary activities before net borrowing costs and income tax (EBIT) **240,138**

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

CONSOLIDATED
\$'000

(Brought forward) Profit from ordinary activities before net borrowing costs and income tax (EBIT)	240,138
---	----------------

Interest income from other persons	24,241
Interest income from wholly-owned entities	–
Borrowing costs	(552,823)

Net borrowing costs	(528,582)
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LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX	(288,444)
--	------------------

Income tax benefit relating to profit/(loss) from ordinary activities	32,297
---	--------

LOSS FROM ORDINARY ACTIVITIES AFTER INCOME TAX	(256,147)
---	------------------

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	(256,147)
---	------------------

Notes to the financial statements are included on pages 42 to 48.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2003

	NOTES	CONSOLIDATED \$'000
Current assets		
Cash and short term deposits		482,803
Receivables		38,756
Other assets		18,498
Total current assets		540,057
Non-current assets		
Receivables		–
Property, plant and equipment	3	5,146,331
Other assets		111,275
Intangibles-airport operator licence	4	538,825
Total non-current assets		5,796,431
Total assets		6,336,488
Current liabilities		
Payables		203,967
Provisions		7,067
Total current liabilities		211,034
Non-current liabilities		
Interest-bearing liabilities	5	5,912,550
Provisions		1,149
Total non-current liabilities		5,913,699
Total liabilities		6,124,733
NET ASSETS		211,755
Equity		
Contributed equity	6	467,902
Retained profits/(accumulated losses)		(256,147)
TOTAL EQUITY		211,755

Notes to the financial statements are included on pages 42 to 48.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

CONSOLIDATED
\$'000

Cash flows from operating activities

Cash was provided from:	
Receipts from customers	545,830
Interest received	22,125
Dividends received	2
Cash was applied to:	
Payments to suppliers and employees	(182,878)
Income tax paid	(33,306)
Up front debt establishment costs paid	(149,422)
Borrowing costs paid	(382,417)

Net cash flows applied to operating activities	(180,066)
---	------------------

Cash flows from investing activities

Cash was provided from:	
Proceeds from disposal of property, plant and equipment	2,992
Cash was applied to:	
Acquisition of property, plant and equipment	(243,124)
Loan to other entities in wholly owned group	-
Acquisition of business	(4,312,024)
Capitalised borrowing costs	(5,867)

Net cash flows applied to investing activities	(4,558,023)
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Cash flows from financing activities

Cash was provided from:	
Proceeds from borrowings – medium term notes and bank debt	5,301,300
Proceeds from issue of FLIERS	600,000
Proceeds from issue of redeemable preference shares	1,511,250
Proceeds from issue of ordinary shares	503,750
Cash was applied to:	
Costs of issue – ordinary shares	(20,848)
Repayment of borrowings – short term notes	(309,560)
Repayment of borrowings – medium term notes and bank debt	(2,350,000)
Return of Capital	(15,000)

Net cash flows provided from financing activities	5,220,892
--	------------------

Net increase in cash held	482,803
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Closing cash	482,803
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Notes to the financial statements are included on pages 42 to 48.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

1. Summary of significant accounting policies

Basis of Preparation

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 Holding 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 2003 financial statements which form part of the full financial report.

The accounting policies adopted are consistent with those adopted by the primary operating company within the consolidated entity, Sydney Airport Corporation Limited ("SACL"), in the previous financial year. Certain new policies have been adopted since the acquisition of SACL on 28 June 2002, including:

- Principles of consolidation;
- Airport operator licence; and
- Financial instruments.

CONSOLIDATED
\$'000

2. Dividends

Ordinary shares

No dividend is proposed for the ordinary shares for the year ended 30 June 2003.

Floating IPO exchangeable reset securities ("FLIERS")

Distribution paid	43,917
Proposed distribution	10,258
	54,175

Redeemable preference shares ("RPS")

Distribution paid	84,332
Proposed distribution	21,589
Accrued distribution	105,290
	211,211

The redeemable preference share distributions and FLIERS distributions are included as borrowing costs in the Statement of Financial Performance consistent with the statement of financial position classification of the related instrument.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

CONSOLIDATED
\$'000

3. Property, plant and equipment

Leasehold land at cost	3,357,401
Provision for amortisation	(35,523)
	3,321,878
Buildings on leasehold land at cost	552,074
Provision for depreciation	(21,885)
	530,189
Total land and buildings	3,852,067
Runways, taxiways and aprons at cost	702,259
Provision for depreciation	(27,373)
	674,886
Other infrastructure at cost	390,484
Provision for depreciation	(18,281)
	372,203
Operational plant and equipment at cost	160,065
Provision for depreciation	(13,706)
	146,359
Other plant and equipment at cost	68,192
Provision for depreciation	(13,580)
	54,612
Capital works in progress	46,204
Total plant and equipment	1,294,264
Cost	5,276,679
Provision for depreciation and amortisation	(130,348)
Total written down value	5,146,331

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

3. Property, plant and equipment (cont'd)

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the year:

	CONTROLLED ENTITY ACQUIRED	ADDITIONS	DISPOSALS	DEPRECIATION	CLOSING CARRYING VALUE
	\$'000	\$'000	\$'000	\$'000	\$'000
Leasehold land	3,352,646	6,617	(1,862)	(35,523)	3,321,878
Buildings on leasehold land	477,187	74,887	–	(21,885)	530,189
Runways, taxiways and aprons	698,133	4,126	–	(27,373)	674,886
Other infrastructure	303,893	86,591	–	(18,281)	372,203
Operational plant and equipment	136,520	23,545	–	(13,706)	146,359
Other plant and equipment	31,786	36,524	(98)	(13,600)	54,612
Capital works in progress	39,913	6,291	–	–	46,204
Total property, plant and equipment	5,040,078	238,581	(1,960)	(130,368)	5,146,331

Domestic terminal leases

Domestic terminal leases presently include a term that requires SACL to buy buildings constructed by tenants at market value at the date the leases terminate in 2019. The requirement for SACL to purchase buildings under the Ansett domestic terminal lease was extinguished on completion of the acquisition of the Ansett terminal by SACL on 1 July 2002.

Valuation of Sydney Airport

In accordance with the senior debt documentation SCAC's shares in SACL were independently valued as at 30 June 2003. The shares were valued at \$4,382.7 million by KPMG Corporate Finance Pty Limited and reflect an increase in the carrying value of the shares of \$832.0 million and an enterprise valuation of Sydney Airport of \$6,636.4 million.

	NOTES	CONSOLIDATED \$'000
4. Intangibles – airport operator licence		
Airport operator licence		544,605
Accumulated amortisation		(5,780)
		538,825
5. Interest-bearing liabilities (non-current)		
Bank loans – secured	5(a)	2,301,300
Medium term notes – secured	5(b)	1,500,000
FLIERS – unsecured	5(c)	600,000
Redeemable preference shares – unsecured	5(d)	1,511,250
		5,912,550

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

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

(a) Bank loans

Senior bank debt facilities comprise three tranches with the following maturities:

	AMOUNT \$'000	MATURITY
Less than 1 year	–	–
Between 1 and 5 years	951,300	28 June 2005
More than 5 years	1,350,000	28 June 2007
	–	–

Interest is charged at Bank Bill Rate Yield (BBSY) plus a pre-determined margin. Weighted average interest rate as at 30 June 2003 was 7.43% (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 described below.

(b) Medium term notes

Medium term notes ("MTN's") represent credit wrapped financial instruments with the following characteristics:

	AMOUNT \$'000		MATURITY
	FIXED INTEREST	FLOATING INTEREST	
Less than 1 year	–	–	
Between 1 and 5 years	600,000	620,000	11 October 2007
More than 5 years	40,000	240,000	11 October 2012

Interest is charged on the floating rate notes at Bank Bill Rate (BBSW) plus a pre-determined margin. Weighted average interest rate on all notes to 30 June 2003 was 6.04% (inclusive of interest rate hedging).

MTNs 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) FLIERS

Floating IPO Exchangeable Reset Securities ("FLIERS") are redeemable convertible preference shares carrying a cumulative dividend at BBSY plus an initial margin of 4%. Distributions are payable quarterly in arrears, subject to availability of cash within the consolidated entity and distributable profits within SCACH. A floor rate of 8.915% applies to dividend payments from the date of issue to 20 July 2003. Effective interest rate as at 30 June 2003 was 8.92%.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

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

FLIERS have a maximum maturity of 10 years and can be redeemed at SCACH's option at a premium after 5 years. 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 after 5 years, the FLIERS dividend rate will be increased. After 10 years, if not converted, FLIERS will be redeemed at face value.

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

(d) Redeemable preference shares

Each redeemable preference share ("RPS") is stapled to one ordinary share of SCACH referred to in Note 6. 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.

	CONSOLIDATED \$'000
6. Contributed equity	
<i>Issued and paid up capital</i>	
10,075,000 fully paid ordinary shares	488,750
Costs of issue	(20,848)
	467,902
	COMPANY NO.
<i>Fully paid ordinary shares</i>	
Balance at beginning of financial year	12
Share buy-back	(12)
Issue of shares	10,075,000
Balance at end of financial year	10,075,000

Terms and conditions of fully paid ordinary shares

Fully paid ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of surplus assets in proportion to the number of and amounts paid up on shares held.

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

Each of the fully paid ordinary shares has been stapled to one redeemable preference share referred to in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

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) Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2003:

	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE \$'000	FIXED INTEREST RATE MATURITY			NON- INTEREST BEARING \$'000	TOTAL \$'000
			LESS THAN 1 YEAR \$'000	MORE 1 TO 5 YEARS \$'000	MORE THAN 5 YEARS \$'000		
<i>Financial Assets</i>							
Cash	4.69	482,803	–	–	–	–	482,803
Current receivables	–	–	–	–	–	38,756	38,756
		482,803	–	–	–	38,756	521,559
<i>Financial Liabilities</i>							
Payables	–	–	–	–	–	203,967	203,967
Interest-bearing liabilities	8.13	3,761,300	–	600,000	1,551,250	–	5,912,550
Interest rate swaps*	6.42	(3,150,000)	–	(100,000)	3,250,000	–	–
		611,300	–	500,000	4,801,250	203,967	6,116,517
Net financial liabilities		(128,497)	–	(500,000)	(4,801,250)	(165,211)	(5,594,958)

* Notional principal amounts

Reconciliation of net financial liabilities to net assets

	CONSOLIDATED \$'000
Net financial liabilities as above	(5,594,958)
Non-financial assets and liabilities	
Other current assets	18,498
Property, plant and equipment	5,146,331
Other non-current assets	111,275
Intangibles – airport operator licence	538,825
Current provisions	(7,067)
Non-current provisions	(1,149)
Net assets per Statement of Financial Position	211,755

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR 28 JUNE 2002 TO 30 JUNE 2003

8. Financial instruments (cont'd)

(c) 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 \$208.8 million unfavourable.

(d) 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 %	NOTIONAL PRINCIPAL AMOUNT \$'000
1 to 2 years	4.98	100,000
5 years and more	6.46	3,250,000
		3,350,000

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 2003.

9. Discussion and Analysis

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of \$376.3 million for the financial year. This reflects the result for the period from 28 June 2002 to 30 June 2003. The first day of the 2003 financial year for the consolidated entity was 28 June 2002 being the day the Sydney Airport sale transaction was completed. After deducting depreciation and amortisation and net borrowing costs, and adjusting for income tax, the net loss for the year was \$256.1 million.

As no material transactions were entered into by SCACH in the period to 27 June 2002, for comparison purposes, the SACL result for the 2002 financial year is used.

The EBITDA result compares with the corresponding SACL 2002 financial year result of \$316.3 million. Excluding specific non-recurring expenses, EBITDA increased by 15.2% to \$378.1 million compared with the previous year (SACL 2002: \$328.2 million). Total revenue from all business units rose 10.5% to \$501.7 million (SACL 2002: \$454.0 million). Total expenses were reduced by 8.9% to \$125.5 million (SACL 2002: \$137.7 million).

Depreciation and amortisation was significantly higher at \$136.1 million (SACL 2002: \$101.2 million). This reflects the higher net book value of property, plant and equipment, and the airport operator licence following their restatement to fair value on acquisition in the consolidated financial statements as required by AASB 1024 "Consolidated Financial Reports" and AASB 1015 "Acquisition of Assets".

Net borrowing costs of the consolidated entity were \$528.6 million (SACL 2002: \$74.8 million).

Distributions paid and proposed for FLIERS and redeemable preference shares for the year ended 30 June 2003 totalled \$54.2 million and \$105.9 million respectively. Distributions are classified as interest expense in accordance with the classification of the respective financial instruments on the Statement of Financial Position.

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 concise financial statements and notes of the consolidated entity 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 2003.

On behalf of the Board



Max Moore-Wilton
Chairman and Chief Executive

Sydney
22 August 2003

**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 period 28 June 2002 to 30 June 2003 as set out on pages 38 to 49, 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.

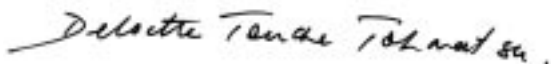
Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Southern Cross Airports Corporation Holdings Limited for the period 28 June 2002 to 30 June 2003. Our audit report on the full financial report was signed on 22 August 2003, 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



James H W Riddell
Partner
Chartered Accountants

Sydney, 22 August 2003

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

Southern Cross Airports Corporation Holdings Limited
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