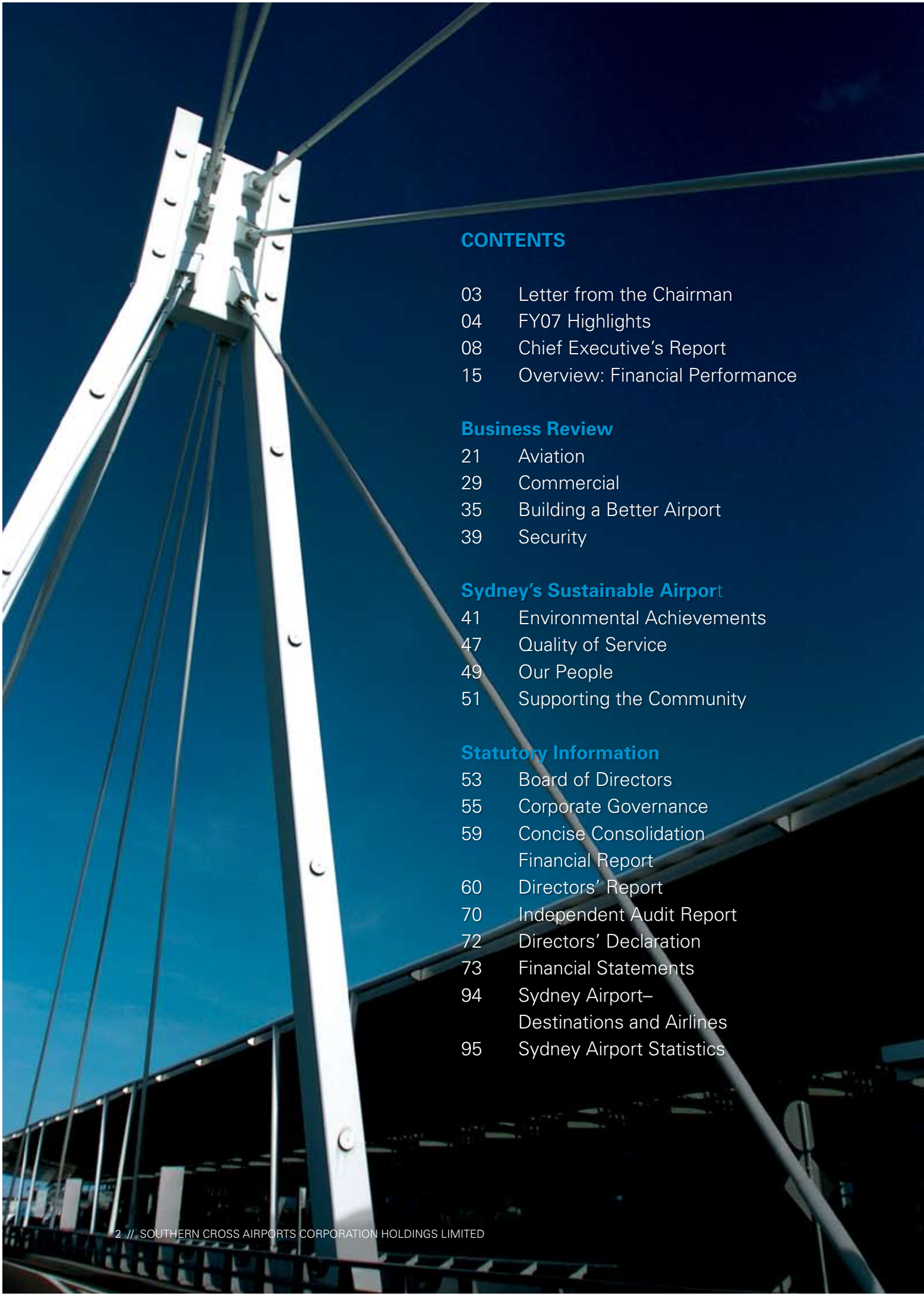
Annual Report 2007

SOUTHERN CROSS
AIRPORTS CORPORATION
HOLDINGS LIMITED



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Letter from the Chairman

The past year has been one of significant achievement for Sydney Airport and I would like to thank the board, management and staff for their efforts.

Traffic at Sydney Airport rose to approximately 31.0 million passengers in 2007, up from 29.1 million in 2006. This is the first year that passenger numbers at Sydney Airport have exceeded 30 million. Overall passenger growth for 2007 was 6.4 per cent, signifying increasing industry and customer confidence. Additional domestic capacity and improved international load factors were the main drivers of this result, with international traffic (excluding domestic on-carriage) up 4.6 per cent and domestic traffic up 8.2 per cent on the previous financial year.

In the five years since Sydney Airport was privatised, passenger numbers have grown from 23.8 million to 31.0 million – an increase of more than 30 per cent. These figures demonstrate that Sydney Airport is successfully managing the challenges of continuous growth. More than $100 million has been invested in airport infrastructure to accommodate the arrival of the new A380 later in 2007 and $20 million was spent on the successful redevelopment of our domestic terminal T2.

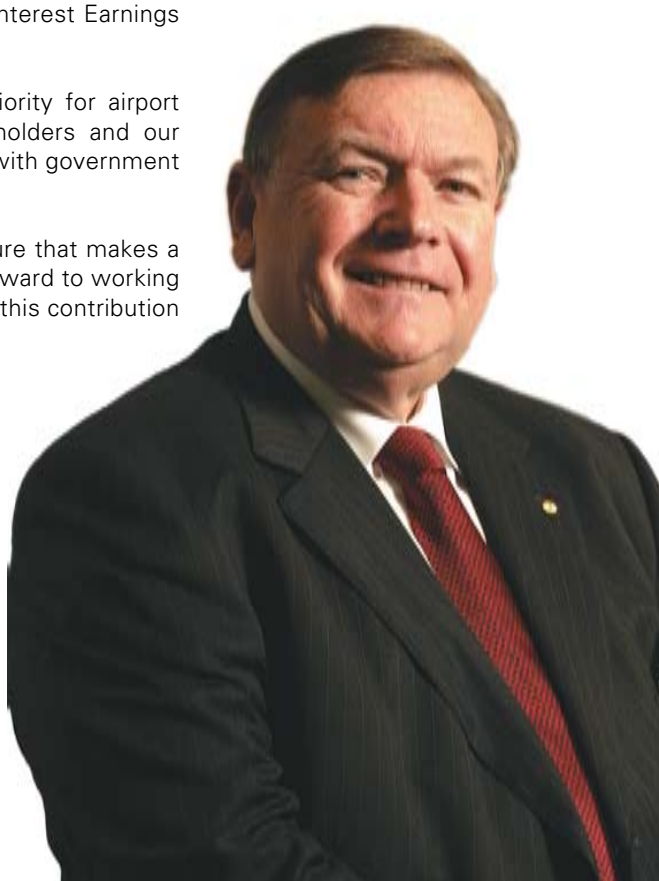
Continued passenger growth is forecast and the resources necessary to efficiently manage it are being allocated. Detailed planning is underway on a major expansion of our international terminal T1. The new look T1 will provide world class passenger facilities with new shops, restaurants and waiting areas as well as centralised passenger processing and an inbound baggage handling system. Construction is scheduled to commence later in 2007.

During the year a $3.68 billion senior debt refinancing was successfully concluded. This provides a strong base to fund our future investment program. Part of the additional debt facilities of $959 million will be used to fund planned capital expenditure projects and to provide additional liquidity and working capital for the business. In addition, a $650 million debt instrument was issued, in the form of Sydney Airport Kingsford Smith Interest Earnings Securities (SKIES).

The management of security at the airport has been a priority for airport management over recent years. I can assure our stakeholders and our customers that Sydney Airport will continue to closely work with government agencies in this area.

Sydney Airport is an important piece of transport infrastructure that makes a substantial contribution to the economy of Sydney. I look forward to working with the management and staff of Sydney Airport to build on this contribution in the year ahead.

Max Moore-Wilton AC
Chairman



FY07 Highlights

Record Passengers
A record 31.0 million passengers travelled through Sydney Airport in FY07. This is an increase of 6.4 per cent - or 1.87 million people – on the previous year.

Strong Earnings
Earnings increased by 11.6 per cent with EBITDA (including specific non-recurring expenses) increasing to $584.7 million.

T2 Redevelopment
The $20 million redevelopment of T2, with a new food court and expanded retail component, was completed in April. The feedback from travellers has been extremely positive with a survey of passengers finding that 89 per cent were satisfied with the overall appearance and cleanliness of T2 – up 9 percentage points on last year.

Checked Bag Screening
In a boost to security, $90 million has been spent over the past three years to provide 100 per cent checked bag screening which is now operational in both T1 and T2.

New Car Park for T1
Construction of a $65 million multistorey car park for T1 is underway. The car park will provide around 3,000 undercover parking spaces to help meet peak period demand.

Ready for the A380
The first passenger flight of the A380 will be made between Singapore and Sydney and is expected in the last quarter of 2007. Sydney Airport has spent more than $100 million on upgrading airport infrastructure to be ready for the new aircraft and a further $30 million will be spent in the next two years.

Successful Refinancing
A $650 million debt instrument, SKIES, was issued in addition to the successful $3.68 billion senior debt refinancing. The refinancing transaction significantly reduced interest margins.

Duty Free Contract
After an extensive commercial review The Nuance Group was awarded the contract to operate airport duty free for a new eight year period. The new 'SYD' tax and duty free brand was developed and successfully launched.

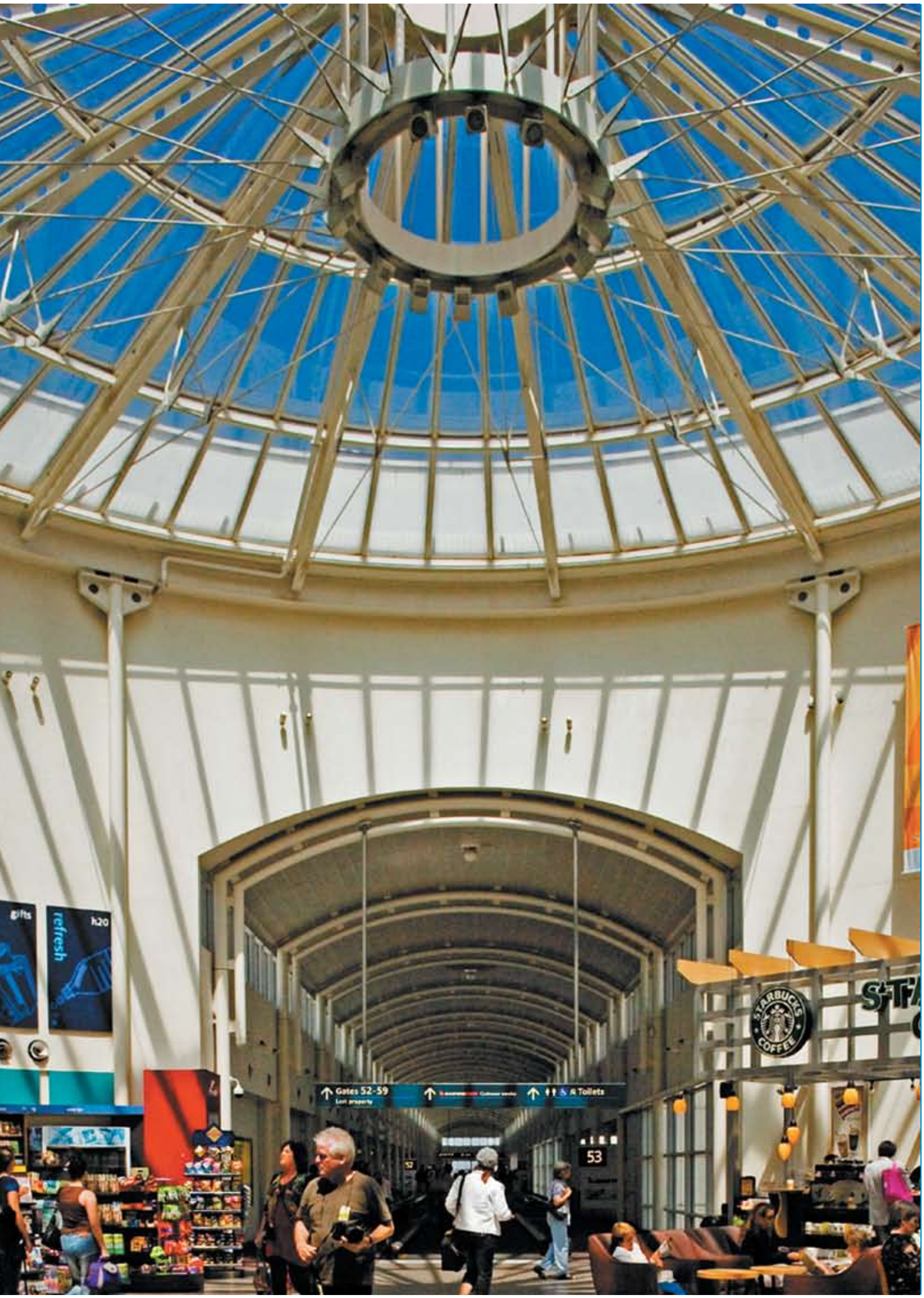
New Airlines
Sydney Airport welcomed the commencement of services by Etihad and Jetstar International. These airlines are major new carriers in the Australian aviation market.

Car Parking Comparison
The Productivity Commission reported that short and long-stay car parking charges at Sydney Airport are around one-third less than in the Sydney CBD.

Park, Bark & Purr
Australia's first airport pet boarding facility for dogs and cats, 'Park, Bark & Purr' was opened to meet the needs of travellers who want to make sure that their pets are looked after while they are away on holiday or a business trip.

Airport Ground Travel Plan
The Airport Ground Travel Plan was finalised and was approved by the Minister for Transport. It provides a comprehensive and innovative approach to improving the travel choices available for passengers and employees at Sydney Airport.

Commercial Agreement Reached
Commercial agreement with Virgin Blue was reached for domestic runway charges. The agreement involves establishing a new Virgin Blue lounge within the T2 Function Centre.


gifts
refresh
h2o
Gates 52-59
Lost property
All Toilets
STARBUCKS COFFEE
53

Sydney Airport, as Australia's leading international gateway, performed strongly in FY07 with record numbers of both domestic and international passengers. This was accompanied by impressive operational accomplishments across all parts of the business.

Financial Performance and Traffic Growth
In FY07, total revenue and other income for Sydney Airport was $724.6 million – a 9.9 per cent increase over the previous financial year. EBITDA (including specific non-recurring expenses) grew by 11.6 per cent over the previous financial year to $584.7 million.

Aeronautical revenue grew by 9.3 per cent to $294.1 million. This increase was attributed to the continued strong growth in passenger numbers in both the international and domestic markets.

Total passenger numbers increased by 6.4 per cent to 31.0 million. The number of domestic and regional passengers increased by 8.1 per cent and reached 20.8 million – exceeding 20 million for the first time. The number of international passengers (excluding domestic on-carriage) grew by 4.6 per cent to approach 10.2 million. The highest ever monthly figure for international passengers occurred in January 2007 with a record 997,773 people travelling through T1.

The strong growth in passenger numbers is supported by sound economic conditions and the introduction of new services by airlines. Notable during the year was the commencement of wide-body services by Jetstar International, contributing to growth in international passenger volumes. In the domestic market, strong Jetstar and Virgin Blue growth has continued to increase passenger throughput at Sydney Airport's owned and operated domestic terminal, T2.

Capital expenditure decreased 20.2 per cent in FY07 to $174.4 million. Investment was undertaken across all areas of the business, and significant projects included the 100 per cent checked baggage screening system at T2, the new Qantas First Lounge at T1, and the T2 retail redevelopment.

Refinancing and SKIES
A $3.68 billion senior debt refinancing was completed in December 2006. In addition, a $650 million debt instrument was issued in the form of Sydney Kingsford Smith Interest Earning Securities (SKIES).

The refinancing provides Sydney Airport with a strong financial base for future operations and enables current investment plans to be funded in the most cost-effective manner. By extending the maturity dates of both bank debt and note facilities the refinancing increased the weighted average term to maturity of Sydney Airport's debt facilities.

SKIES listed on the Australian Stock Exchange and commenced trading on 20 December 2006.

Aviation
A commercial agreement with Virgin Blue was reached in relation to domestic runway charges. As part of the agreement a new Virgin Blue lounge is to be established within the existing T2 Function Centre. The new lounge will provide improved facilities and more space for passengers, and enables Virgin Blue to provide an enhanced travel experience for passengers using the recently refurbished T2.

In May 2007 Qantas opened its new First Lounge in T1 providing a luxury travel product for international passengers. Sydney Airport was responsible for the construction of the new 2,400 square metre lounge which was handed over to Qantas for fit out in late 2006. A premium check-in area has also been installed at Sydney Airport's check-in counter D for Qantas' first class passengers.

The Middle Eastern airline, Eithad, was welcomed to Sydney Airport in March and is now flying daily services to Abu Dhabi. Jetstar International commenced its first long haul international flights in November 2006 and is now offering services to Phuket, Ho Chi Minh City, Bali, Honolulu and Osaka.

Looking forward, Qantas has announced a range of new services including a service to South America and Jetstar International will commence a service to Kuala Lumpur in September while a new low cost carrier, Viva Macau, will commence flying between Sydney and Macau during August. Discussions with Virgin Blue are underway regarding its plans to fly between Australia and North America in 2008.

Retail Development
The $20 million redevelopment of T2 was completed in April 2007 and is a good example of the way that Sydney Airport focuses on meeting the needs of passengers when undertaking commercial developments. T2 was previously owned by Ansett Airlines – a full service domestic carrier with a focus on business passengers. Ansett had provided only a limited retail and food offering and, after its collapse, Sydney Airport acquired T2.

Today T2 is Sydney Airport's busiest terminal, handling over 10 million passengers a year and is home to domestic and regional airlines including Virgin Blue, Jetstar, QantasLink and Rex. T2 is now very important to the leisure and tourist market. The needs of these travellers are quite different from those of the business passengers previously served by Ansett.

Customer research helps Sydney Airport to respond proactively to rapidly changing passenger trends and expectations and to improve on the total retail offer. At T2 passengers were telling us that they wanted a brighter terminal and improved ambience, quality brands, more choice and value for money. This is what has been successfully delivered.

The experience gained in redeveloping T2 will be invaluable as Sydney Airport continues to work on a retail platform for T1 that will position it to meet the demands of an expanding and evolving customer base and ensure it remains one of the world's top airport shopping destinations.

The proposed design will service all market segments and achieve an enhancement to the retail and passenger experience. The redevelopment will take the terminal through the next phase of expansion to cater for new generation aircraft, passenger growth and significantly enhanced passenger facilities.

Security Enhancements

The installation and commissioning of a 100 per cent checked bag screening system at T2 has been completed. The $37 million system provides x-ray scanning of check-in and transfer passenger baggage to identify and prevent explosives from being loaded into the hold of planes. The move to 100 per cent checked bag screening was a complex operation involving the construction of more than one kilometre of conveyor belts, and the installation of in-line x-ray machines with the capacity to screen 3,600 bags every hour.

All international flights from Sydney Airport have had 100 per cent checked bag screening since 31 December 2004.

Australian Government mandated restrictions for taking liquids, aerosols and gels through security screening for international flights commenced in March 2007. Sydney Airport worked closely with the Department of Transport and Regional Services to ensure that the implementation of these new security measures proceeded smoothly and without disruption to flight schedules.

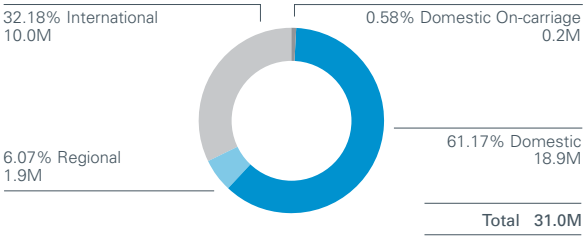
Building a Better Airport

Sydney Airport is investing in upgraded infrastructure to provide passengers with new and improved facilities. The investment program at Sydney Airport is important for the Australian tourism industry as it will meet the needs of the increasing number of international visitors who will be visiting Sydney. The program includes the following important projects:

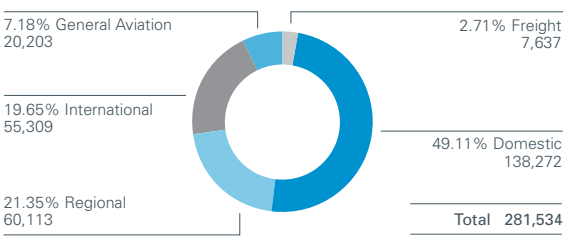
- **Expansion of T1:** Detailed planning on this project continues and commencement of construction is expected by the end of 2007. This will be the first significant upgrade of T1 since the 2000 Olympics. The terminal will be expanded by 7,300 square metres providing centralised security screening and passenger processing for Australian Government agencies, world-class passenger facilities and a new outbound baggage handling system. It will mean a better travel experience with improved facilities for passengers and centralised processing through immigration. There will be new shops, restaurants, waiting areas and additional seating. These facilities are especially important for the 75 per cent of passengers who do not have access to airline lounges.

Key Traffic Data – 2007

Passenger Movements



Aircraft Movements




Emirates
A380/B747/B777


F
Check-in
E
Check-in

- **Ready for the A380:** Sydney Airport has invested more than $100 million to be ready for the A380. Runways and taxiways have been upgraded and new three-door aerobridges have been built to provide faster boarding of this new large aircraft. A further $30 million will be spent over the next two years to complete the terminal upgrades. The first passenger flight of the A380, a milestone in global aviation, will be made between Singapore and Sydney later this year. The significance of the A380 is that it can carry more passengers than other aircraft meaning that fewer A380 flights are required to transport the same amount of passengers. The plane achieves this with significantly reduced noise and emission levels.

- **T1 Multistorey Car Park:** Construction has commenced on a $65 million eight storey car park for T1. The car park will provide around 3,000 undercover parking spaces when it is completed late next year. T1 is currently served by about 1,800 parking spaces – none of which are undercover. When the new car park is complete there will be more than 4,000 car parking spaces available at T1 to help relieve peak period demand and offering a range of parking products to meet the needs of customers.

APEC 2007

Sydney Airport has been involved in detailed planning with government and non-government agencies to ensure the successful coordination of APEC 2007 activities at Sydney Airport. During APEC 2007 the leaders of nations from throughout the region are expected to arrive at Sydney Airport in charter, private and state owned aircraft. A further 9,000 business delegates, support staff and media will also fly in to Sydney Airport.

Sydney Airport will be facilitating APEC arrivals and departures while seeking to maintain normal passenger operations.

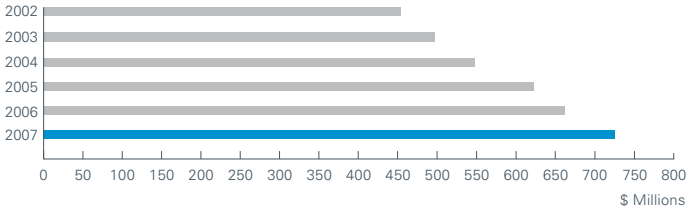
Thank you

The past year has been one of substantial achievement for Sydney Airport. I appreciate the good relationships that have been built with the airlines, government agencies and business partners. The cooperative efforts of all these organisations produce the high levels of passenger satisfaction achieved at Sydney Airport.

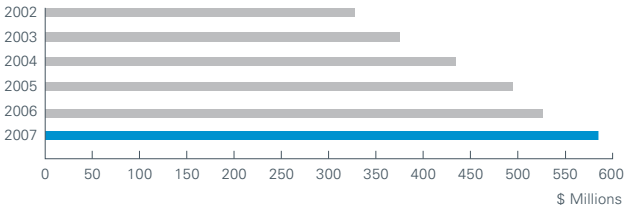
I also want to thank the management and staff of Sydney Airport for their contributions and achievements. I look forward to working with all of them to ensure that Sydney Airport remains Australia's premier airport.

Russell Balding AO
Chief Executive Officer

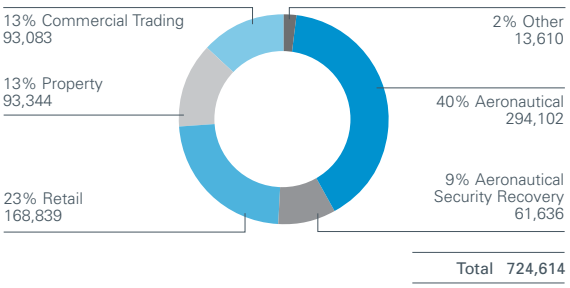
Total Revenue



EBITDA (before specific non-recurring expenses)



Revenue and Other Income ($'000)



Overview: Financial Performance

The consolidated profit before depreciation and amortisation, net financing costs, income tax, and specific non-recurring expenses (EBITDA excluding specific non-recurring expenses) was $585.8 million for the financial year ending 30 June 2007.


SKIES
Sydney Kingsford Smith Interest Earning Security

The consolidated profit before depreciation and amortisation, net financing costs, income tax, and specific non-recurring expenses (EBITDA excluding specific non-recurring expenses) was $585.8 million for the financial year ending 30 June 2007 – an 11.5 per cent increase in earnings over the previous corresponding period (pcp) (FY 2006: $A525.6 million). EBITDA (including specific non-recurring expenses) increased to $584.7 million (FY 2006: $523.8 million).

Total revenue and other income from all business units was $724.6 million – a 9.9 per cent increase over pcp (FY06: $659.3 million).

Aeronautical revenue rose by 9.3 per cent to $294.1 million (FY06: $269.1 million). Growth in aeronautical revenue reflects continued strong passenger numbers in both the international and domestic markets, with new services from Jetstar International and Etihad's new Middle East services contributing to growth in international passenger volumes. In the domestic market, strong Jetstar and Virgin Blue growth has continued to increase passenger throughput at Sydney Airport's owned and operated domestic terminal, T2.

Aeronautical security recovery rose by 30.3 per cent to $61.6 million (FY06: $47.3 million). Over the financial year, aeronautical security recovery was higher than pcp, due to the implementation of enhanced security measures and 100 per cent checked baggage screening at the international and domestic terminals. This was partially offset by the Federal Government now funding counter terrorist first response costs which, for part of the prior corresponding period, were paid for by the airport and recovered from airlines.

Retail revenue rose by 8.3 per cent to $168.8 million (FY06: $155.9 million). The retail business continued to perform solidly. During the financial year, the redeveloped T2 retail offering was completed, delivering the growing number of T2 passengers and their well-wishers a comprehensive choice of retail and food outlets. The Nuance Group was awarded the contract to continue as the airport's duty free operator after a competitive tender process which attracted the world's top duty free operators.

Financial Highlights

The following table shows that the cash generated by the business is significantly larger than the annual debt service requirement.

	FY07 Millions	FY06 Millions
Revenue	728	659
Operating Expenses	- 143	- 135
EBITDA	585	524
Interest revenue	21	10
Capex funded by cash flow	- 6	- 19
Cash available for annual debt service	600	515
Interest – Senior Debt	- 285	- 241
Interest – FLIERS & SKIES	- 55	- 58
Cash available after annual debt service	260	216

Property revenue rose by 7.8 per cent to $93.3 million (FY06: $86.6 million). Growth in property revenues reflected the ongoing development of the property portfolio. Highlights during the year included the opening of the new Qantas First Lounge at T1 and the completion of a new BP service station on General Holmes Drive, whilst construction is underway for a new McDonald's restaurant also on General Holmes Drive.

Commercial trading revenue rose by 9.6 per cent to $93.1 million (FY06: $85.0 million). Commercial trading revenue growth reflects continuing growth in vehicle parking volumes and the new products offered at the airport. Additional undercover positions were provided at the domestic long-term car park, and an upgrade to the Pronto! Valet facilities in the multistorey car park was completed. There are now valet and long-term parking offerings available in addition to short stay parking for both domestic and international passengers. Construction is now underway on a $65 million eight storey car park for Sydney Airport's International Terminal (T1), which when completed later next calendar year will provide around 3,000 undercover parking spaces and a range of car parking products to meet the needs of customers.

Total operating expenses, including specific non-recurring expenses, increased 5.6 per cent on pcp to $143.1 million (FY06: $135.5 million), principally as a result of increased expenditure on recoverable

security requirements. Total operating expenses, excluding specific non-recurring expenses, increased 6.1 per cent on pcp to $141.9 million (FY06: $133.7 million).

Capital Expenditure

Total capital expenditure decreased 20.2 per cent on pcp to $174.4 million (FY06: $218.7 million). Major items of spend for the financial year to June 2007 included 100 per cent checked baggage screening at T2, facilities upgrades in readiness for the Airbus A380, the new Qantas First Lounge at the international terminal, the T2 retail redevelopment and taxiway lighting upgrades.

Depreciation and amortisation

Depreciation and amortisation increased 14.0 per cent to $170.8 million (FY06: $149.9 million).

Finance Costs

External finance costs increased by 18.6% to $406.1 million (FY06: $342.4 million), due to additional debt as part of the refinancing during FY07.


LOW CLEARANCE
4.4m
STOP ON RED
SIGNAL
POLLUTION OR
FINE HAZARD
LOW CLEARANCE
4.4m

Total passenger numbers grew by 6.4 per cent and exceeded 30.0 million for the first time.

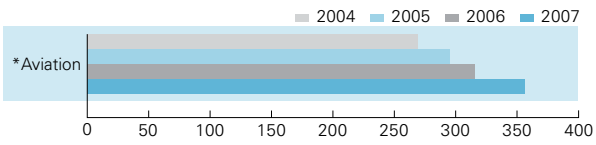
Traffic – A Key Driver of Financial Performance

Aeronautical revenue rose by 9.3 per cent to $294.1 million (2006: $269.1 million). The increase was due to steady growth of international traffic and capacity additions by domestic operators. Jetstar International began operating wide-body services from November 2006 and Etihad commenced services to Abu Dhabi in March 2007. Domestic capacity additions were led by Jetstar which operated an all A320 fleet for the entire financial year. Both Jetstar and Virgin Blue maintained high domestic load factors.

Revenue from aeronautical security recovery was 30.3 per cent higher than the previous corresponding period at $61.6 million (2006: $47.3 million), as a result of increased security operating costs incurred as a result of compliance with government requirements. The most significant increases in expenses arose from the full implementation of checked bag screening measures and the commencement of liquids, aerosols and gels screening arrangements.

During 2006 the Australian Government confirmed that it would fund counter terrorist first response measures. From 1 July 2006 and, during the period, Sydney Airport adjusted for cost recovery received prior to the Government's decision.

Aviation Revenue



*Aviation revenue includes security recovery

$ Millions

International Traffic

International passenger growth during the first quarter of FY07 was dampened by high fuel surcharges due to rising fuel prices and the effect of strong passenger numbers during the first quarter of the previous year. From the second quarter onwards, growth strengthened benefiting from the buoyant Australian economy, strongly improving load factors and new capacity. International passenger growth (excluding domestic on-carriage) for the year was a solid 4.6 per cent.

By the end of the financial year Jetstar International was operating a total of 18 weekly A330 services and Eithad was operating a daily service to Abu Dhabi, offsetting some of the capacity reductions caused by the withdrawal of Austrian Airlines and Gulf Air.

Key passenger markets continued to perform well, with good growth from both Australians and New Zealanders which are traditionally Sydney Airport's largest nationality groups.

The key developing markets of China and India continued very good growth with both nationalities growing at double-digit rates. There was strong growth from Korea, and European travellers also continued to perform well, benefiting from the increasingly popular Sydney – Europe routes via the Middle East.

The year saw some positive amendments to air services agreements with the United Arab Emirates (both Dubai and Abu Dhabi), Qatar, Brunei and Sri Lanka, all of which offer growth opportunities for either incumbent or new entrant carriers at Sydney Airport.

Domestic and Regional Traffic

Domestic traffic grew strongly off the back of significant capacity additions by domestic operators, reflecting the strong economic environment during FY07. Domestic passengers grew by 8.2 per cent and regional passengers by 7.1 per cent, resulting in a total domestic and regional growth rate of 8.1 per cent. A record 20.8 million domestic and regional travellers were welcomed or farewelled at Sydney Airport between July 2006 and June 2007, an average of more than 57,000 per day.

The year was particularly noteworthy for the unusual combination of rising seat capacity, virtually unchanged load factors and improving airline yields, which reflected positive economic conditions and consumer confidence. Passenger growth at T2 was especially strong, reflecting the growth of all airlines using the terminal. T2 is the busiest of the three terminals at Sydney Airport.

Freight

Airfreight volumes and services over the last 12 months were stable. Airfreight contributes just under 3 per cent of Sydney Airport's revenues and remains strategically vital to long haul commercial passenger operations as over 80 per cent of airfreight travels in the belly hold of passenger aircraft. Nearly 300,000 tonnes of international airfreight worth $34 billion were loaded or discharged at Sydney Airport through cargo terminals operated by Australian Air Express, DHL, Menzies Aviation, Toll Air Services and Qantas Freight. Over 60 per cent of exports from Sydney Airport were discharged in New Zealand, Japan, Hong Kong, Singapore or the USA. The export markets to China and the United Arab Emirates showed the highest level of growth. Imports from the USA, China, New Zealand and Hong Kong remained strong with

Traffic Highlights

	FY07	FY06	Change	% change
PASSENGER MOVEMENTS				
Domestic	**18,949,099**	**17,511,985**	1,437,114	8.2
Regional	**1,879,968**	**1,755,589**	124,379	7.1
Total Domestic and Regional	**20,829,068**	**19,267,574**	1,561,494	8.1
International	**9,968,614**	**9,533,641**	434,973	4.6
Domestic on-carriage (DOC)	**181,224**	**306,283**	-125,059	-40.8
Total International and DOC	**10,149,838**	**9,839,924**	309,914	3.1
Total Passenger Movements	**30,978,906**	**29,107,498**	1,871,408	6.4
AIRCRAFT MOVEMENTS				
Domestic	**138,272**	**129,291**	8,981	6.9
Regional	**60,113**	**66,975**	-6,862	-10.2
International	**55,309**	**55,894**	-585	-1.0
General Aviation	**20,203**	**22,640**	-2,437	-10.8
Freight	**7,637**	**7,471**	166	2.2
Total Aircraft Movements	**281,534**	**282,271**	-737	-0.3
TONNAGE (000s)				
Domestic	**5,967**	**5,685**	282	5.0
Regional	**556**	**600**	-44	-7.3
International	**6,961**	**7,209**	-248	-3.4
General Aviation	**95**	**86**	9	10.5
Freight	**634**	**586**	49	8.3
Total Tonnage	**14,214**	**14,166**	48	0.3

NOTES:

FY07

1. Passenger Movements, Aircraft Movements and Tonnage include estimates

FY06

1. Passenger Movements, Aircraft Movements and Tonnage have been updated with actuals compared to the Annual Report 2006

imports originating from Germany demonstrating the strongest growth.

Sydney Airport was involved in some diverse airfreight movements during the year, including the arrival of Porntip, Pak Boon, Tang Mo, Tong Dee and Gung. This family of Asian elephants arrived at Sydney Airport before travelling to their new home at Taronga Park Zoo. As well as elephants, approximately 2,000 horses, a flock of alpacas and a shipment of koalas were processed through Sydney Airport's Livestock Transfer Facility. Champion racehorses such as Takeover Target and Miss Andretti travelled through Sydney Airport on their way to Royal Ascot in England. Sydney Airport also facilitated the arrival of firefighting helicopters which were vital to the efforts of local authorities during the summer fire season of 2006/2007.

Regulation

Australia's major airports are subject to a number of government regulations designed to encourage competition and economic efficiency. Following a review by the Productivity Commission in 2006, the major airports (including Sydney Airport) will continue to be subject to 'light-handed' price regulation until 2013. This involves price and quality-of-service monitoring by the Australian Competition and Consumer Commission (ACCC) and the possibility, if warranted, of Government intervention under Part VIIA of the Trade Practices Act (TPA). These monitoring arrangements are complemented by the generic National Access Regime under Part IIIA of the TPA.

Other regulations are designed to ensure continued access to Sydney Airport by regional airlines. A ring fence prevents peak time slots held by regional services from being re-allocated to non-regional airlines, while increases in airport charges for regional services require the approval of the ACCC, which is directed not to allow annual increases greater than the rate of inflation.

In its review, the Productivity Commission concluded that price outcomes and the rates of return earned by the monitored airports do not appear to have been excessive, while charges at Australia's major airports are generally in line with international standards. Based on price and quality outcomes, the

Productivity Commission considered that Australia's airports offered reasonable value for money and also noted that the evidence points to a more favourable investment environment than under more formal price regulation.

In its response to the Productivity Commission's report, the Australian Government reinforced the role of commercial negotiations between airports and airlines to support price and service quality outcomes, while also modifying the light-handed regime in a number of areas from 1 July 2007.

During 2006, Sydney Airport sought judicial review of the Australian Competition Tribunal's 2005 decision to declare Sydney Airport's domestic airside service under Part IIIA of the TPA. In October 2006, the Federal Court upheld the Australian Competition Tribunal's decision and dismissed Sydney Airport's appeal. In March 2007 the High Court dismissed Sydney Airport's application for special leave to appeal the Federal Court's decision. The declaration remains in place for five years from December 2005.

The Australian Competition Tribunal and Federal Court decisions in relation to Sydney Airport are generally considered to have made it easier for infrastructure services to be declared, creating increased uncertainty for infrastructure providers. Accordingly, the Australian Government has announced that it will amend Part IIIA of the TPA to restore the original intent of the access regime.

Following the declaration of the domestic airside service, Virgin Blue notified the ACCC in January 2007 of a dispute with Sydney Airport in relation to domestic runway charges. Virgin Blue objected to Sydney Airport's pricing of domestic runway charges on a per passenger basis. In May 2007, Sydney Airport reached a five year commercial agreement with Virgin Blue which involves Sydney Airport levying its runway charges on the basis of maximum take off weight. The agreement also involves establishing a new Virgin Blue lounge within the existing T2 Function Centre and the dispute was withdrawn.

Aeronautical Charges

Sydney Airport's airside charges represent 2 - 3 per cent of an average return airfare to Melbourne. Airfield and terminal charges represent approximately 1 – 2 per cent of an average London airfare. As such, Sydney Airport's charges are a relatively small component of the taxes and charges included in an airfare. Airline fuel surcharges can represent approximately 20 per cent of an average Sydney to Melbourne airfare or 12 per cent for an average journey to London.

Sydney Airport's current charge for international services has not changed since 2001 except to recover the cost of new investment in aeronautical facilities as agreed with airlines, and the cost of providing security services to meet Government-mandated security obligations which are reconciled against actual costs. Sydney Airport's domestic runway charges have been stable since the introduction of passenger based charges in 2003 except for new investment in aeronautical facilities as agreed with airlines and the cost of providing security services to meet Government-mandated security obligations, which are reconciled against actual costs. In May 2007 Sydney Airport entered into a new commercial agreement with Virgin Blue for a revised runway charge based on maximum take off weight.


SYD
AIRPORT
tax and duty free
by Nuance
BEST PRICE
& RANGE
GUARANTEE
FACT: We GUARANTEE to offer a LOWER PRICE than these airports on selected stocked items
singapore SIN
bangkok BKK
hong kong HKG
heathrow
dubai
auckland
TAGHEUER
REVLON
3 FOR $39

In FY07 Retail, Property Development and Commercial Trading accounted for $355.3 million in revenue, representing nearly 50 per cent of total revenue.

Retail
Sydney Airport's commitment to ensuring passengers have an enjoyable shopping experience is reflected in this year's strong retail business performance and our future strategy. The retail business out-performed passenger growth with a 8.3 per cent increase in revenue to $168.8 million.

T1
The Nuance Group was awarded the contract to continue as the airport's duty free operator after a competitive tender process which attracted the world's top duty free operators. Nuance's development plans provide the platform for duty free at Sydney Airport to evolve from world-class to world's best. This will be achieved by combining innovative store layouts and market leading retail concepts with targeted strategies to improve average transaction values.

A range of initiatives designed to drive sales, add value, and improve the customer experience in all duty free stores is currently being implemented. The first step was the development of a new identity for duty free shopping at Sydney Airport. The new SYD brand is designed to be 'very Sydney, very travel, and very retail' and will achieve high levels of recognition throughout Australia and the world for duty free shopping at Sydney Airport.

Through SYD's 'Best Price and Range Guarantee', passengers will be assured that they are receiving value for money and some of the best duty free prices available anywhere.

Since the commencement of the new contract, all duty free stores at Sydney Airport have been refurbished or redeveloped.

The introduction of security restrictions surrounding liquids, aerosols and gels (LAGs) presented a challenge to duty free retailing. Sydney Airport, together with The Nuance Group, has been working to minimise any negative impact resulting from these restrictions. Clear customer communications and the introduction of a 'Ready for Collection' service that offers passengers the opportunity to make their purchases on departure or via the website and collect them on arrival back in Sydney have assisted in mitigating the potential impact of the LAGs changes.

Recognising the increasing importance of arrivals shopping, both arrivals stores have been redeveloped and expanded.

The Pier C walk-through store is currently under development and will give Pier C a vibrant new look and feel incorporating the latest in duty free store design.

sydney airport *shopping*

The retail and food offer at T1 has been subject to a continuous improvement program to ensure it meets changing passenger needs. This year saw additions to the specialty retail mix such as Ralph Lauren, Fendi and the Omega concept stores.

The food offer was expanded with the addition of branded and local operators including Eagle Boys, Kick Juice and Bondi Seafoods. Plans are underway to further develop and refine the product offer with retail and food development projects being scheduled for completion in the coming year.

The opportunity to contest part of the existing foreign exchange business was well received by the market. Travelex secured the contract and commenced their five year term on 1 July 2007.

T2

The $20 million redevelopment of T2 was launched with a targeted promotional campaign. Key features of the new look terminal include a centralised orientation zone for entry to the departure concourse from check-in and security, leading into a food court that overlooks the tarmac with a blend of space, height and natural light, exciting new branded food and beverage outlets including a café, restaurant, confectionery store and the Taphouse Pub. Integrated into this environment is a diverse mix of specialty retailers offering fashion, lifestyle products, gifts, beauty treatments and massage therapy as well as essential services. The total retail area at T2 was expanded by some 2,200 square meters to almost 5,000 square meters.

The product offer now available at T2 has more than doubled to 50 retail outlets and includes brands like RM Williams, Witchery, Vodafone, FCUK and Virgin. The food and beverage offer includes McDonald's, Subway, Red Rooster, Krispy Kreme, Santos, Starbucks, and Boost Juice.

The focus on popular brands means that customers can be comfortable that they are paying the same prices at Sydney Airport as they would in the CBD. The initial response to the T2 retail redevelopment has been very encouraging with recent passenger surveys providing the following results:

- 77 per cent of passengers were satisfied with the product range – up 17 percentage points on last year;
- 83 per cent of passengers were satisfied with the range of food and beverage outlets – up 18 percentage points on last year;
- 89 per cent of passengers were satisfied with the overall appearance and cleanliness of T2 – up 9 percentage points on last year; and
- 83 per cent of passengers were satisfied with the layout of the terminal – up 8 percentage points on last year.

New Retail Brand and Advertising

Sydney Airport has developed a new retail brand to highlight the unique characteristics and activities of its retail precincts in the international and domestic terminals. The new logo, which resembles a series of aircraft tails, further promotes Sydney Airport as an attractive and appealing shopping destination for travellers. The new identity positions the retail precincts as dynamic, vibrant and energised places to visit. This is a reflection of all the exciting changes happening such as the T2 redevelopment.

The brand development process involved extensive research before settling on the chosen design and the brand will be rolled out in the coming year.

The advertising business has also seen strong growth over the last 12 months. Total media sales across the advertising portfolio increased by 14 per cent to $12.7 million, and so were more than double the growth in passenger numbers over the same period. This result is due to the success of the site development strategy and the performance of these new sites in T1, T2 and external locations.

Property and Development Business

This business area manages the real estate assets of Sydney Airport and contributed $93.3 million in revenue for the year, an increase of 7.8 per cent over the prior year (2006: $86.6 million).

The property portfolio has over 140 tenants occupying almost 500 sites across 82 hectares of lettable property. The average vacancy rate for the year was 1.2 per cent. Assets under management include the lounges, offices and industrial areas within T1 and T2 and sites across the airport that are used for a range of purposes including storage, aircraft maintenance and commercial developments such as the Formule 1 Hotel and the Krispy Kreme factory outlet.

New developments undertaken in FY07 have enhanced the portfolio and added quality services. These additions have included:

- a new Qantas First Lounge in T1. This provides luxurious services and facilities for passengers along with stunning views of the airport;
- a BP Service Station on General Holmes Drive in the south-east sector. This has provided a much

needed fuelling and services point at the northern end of the M5 / M5 East motorways;
- an additional rental vehicle support facility for Europcar in the south-east sector. This is the fifth such facility in the sector and provides further efficiencies and benefits to the car rental industry;
- a new pet boarding facility, trading as 'Park, Bark and Purr', in the south-east sector. This pet care service provides an option for pets to be boarded while their owners are away on holiday or business; and
- a McDonald's restaurant on General Holmes Drive in the south-east sector. Currently under construction, this restaurant is located next to the BP Service Station and is expected to be trading by the end of 2007.

A number of property proposals are being developed and evaluated. These include:
- retail and/or hotel facilities in the north-east precinct;
- a hotel in the T1 precinct;
- office facilities;
- taxiway, apron and hangar developments in the south-east sector, south of General Holmes Drive.

Progress also continues on the preparation of Major Development Plans for the provision of freight facilities in the northern precinct and hangar, office and maintenance facilities in the north-east precinct. The Major Development Plan for a retail centre on land adjacent to Foreshore Road was rejected by the Minister for Transport and Regional Services.

Commercial Trading

This business area includes car parks, car rental operations and the management of ground transport operations. This business area contributed $93.1 million in revenue for the year, an increase of 9.6 per cent over the prior year (2006: $85.0 million). The car parks provide more than 11,000 spaces for public and staff use.

Construction of a $65 million multistorey car park in the T1 precinct commenced in April 2007. A number of temporary changes to parking options at T1 have been made to accommodate the construction of the new car park and minimise any inconvenience to customers, including the introduction of long stay valet parking and the promotion of overnight and long-term car parking options. When completed, the new car park will provide more than 3,000 undercover spaces for the public and staff, bringing the total at T1 to more than 4,000 spaces.

The successful development of value-added car parking products has continued. Pronto! Valet at the domestic car park has been improved with a more efficient service and higher quality presentation. The number of users has increased from 71,352 in FY 06 to 81,816 in FY 07, providing growth of 15 per cent. Undercover parking in the long-term car park in the south-east sector continues to be well received and has been expanded to around 250 car spaces. Occupancy levels for this product are consistently high.

The Ground Transport Access Fee for taxis was automated in January 2007 with the installation of an electronic tag system. The introduction of the new system proceeded smoothly and has improved the management of ground transport at the terminals. The system is the first non-motorway use of electronic tags in NSW that is fully inter-operable with all other NSW motorways so that any electronic tag will be accepted.

During the year the Productivity Commission's "Review of Price Regulation of Airports Services" was finalised and released. This report looked at movements in car parking charges and reported that short and long-stay car parking charges at Sydney Airport are around one-third less than in the Sydney CBD.


TAXI
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TOLL


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R10
SDT
WARNING

Sydney Airport is now ready to accept the first A380 to enter into commercial service when Singapore Airlines introduces the aircraft into its fleet in late 2007.

Ready for the A380

To prepare for the A380 Sydney Airport has upgraded its airfield and constructed three of the planned six A380 contact bays (each with three door aerobridges) and three layover bays.

Construction of additional A380 facilities is continuing. These facilities will be needed to accommodate growth in use of the aircraft as it is introduced into the Qantas and Emirates fleets in 2008. Other carriers are expected to operate the A380 to Sydney as more aircraft become available in subsequent years.

To date Sydney Airport has spent over $100 million upgrading the airport for the A380 and expects to spend a further $30 million over the next two financial years to complete the terminal upgrades.

Additional aircraft parking areas are being provided in the south-west sector to provide additional remote parking and to allow better use of aerobridges by providing alternative areas for off-schedule aircraft arrivals. Construction of the first of these bays is well underway and will be complete by October. Work will then commence on two additional bays to be completed in 2008.

Other Capital Works Projects

Other capital works undertaken during the year include:

- completion of a $20 million project to re-align Taxiway Golf to provide obstacle clearances for new generation aircraft when using the 07/25 runway and to provide better low visibility capacity on the airfield;
- a further $7.1 million was spent on the ongoing upgrade of the taxiway airport lighting systems to improve operational performance and safety;
- a $6 million re-sheet of runway 16L/34R and the adjacent taxiways;
- construction of runway end safety areas on runways 16R, 34L, 16L, 34R and 07 at a cost of $2.7 million;
- upgrades to aerobridges at T1 to accommodate new generation aircraft such as the B777-300 and A340-600 and installation of new aerobridges at T2 to improve customer service and aircraft turn around times;
- stage three of a five year program to upgrade and refurbish existing amenities, check-in counters, floor coverings, lounge areas and to replace the flight information screens with new large LCD monitors;
- installation of a major closed circuit television project (over 400 additional cameras) to improve surveillance of baggage handling areas in T1 and T2; and
- completion of a major T1 forecourt improvement project as well as landscaping in the Domestic precinct and Link Road.

T1 Expansion

The expansion of T1 has been planned and developed in response to changing technologies and industry growth. Construction of the new departures facilities will commence later in 2007. The first stage will build additional floor space through the three levels of T1 providing for the installation of new outbound baggage facilities and early bag store. In 2008 construction will commence on new centralised passport control and security facilities for departing passengers and a major airside retail upgrade.

Work will commence in late 2007 on new arrival baggage facilities to support the higher passenger peak hour flows due to growth in the number of flights and the introduction into service of the A380.

Global Landing System

Sydney Airport worked with Qantas, Airservices Australia, Boeing and Honeywell to install a Global Landing System (GLS) at the airport. The GLS provides aircraft with precision approach capabilities without the need for conventional Instrument Landing Systems (ILS).

On 23 November, QF 513 became the first passenger aircraft in the world to operate to the GLS system under specific Civil Aviation Safety Authority approvals. The system is now available to suitably equipped Qantas aircraft. Full certification is expected in late 2008 at which point suitably equipped aircraft can operate to GLS in lieu of ILS. Qantas is the first airline in the world to equip aircraft with this landing system and Boeing and Airbus have advised that all new aircraft variants will come off the production line with GLS as a standard component of the avionics suite.

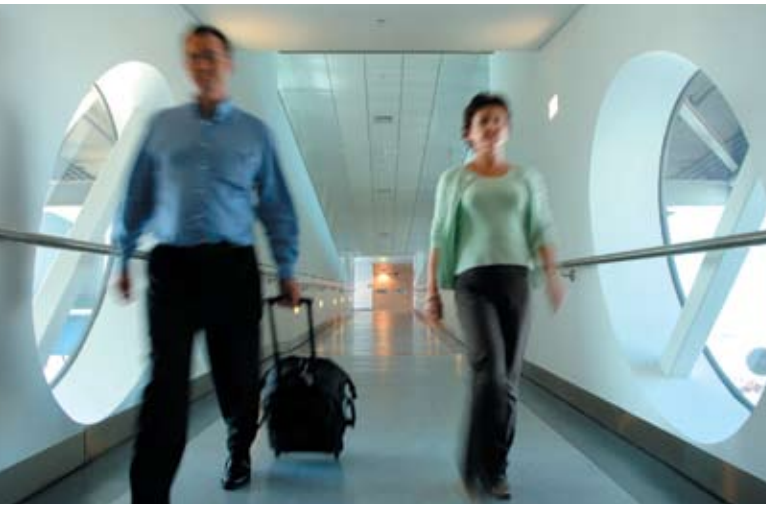
Other Improvements

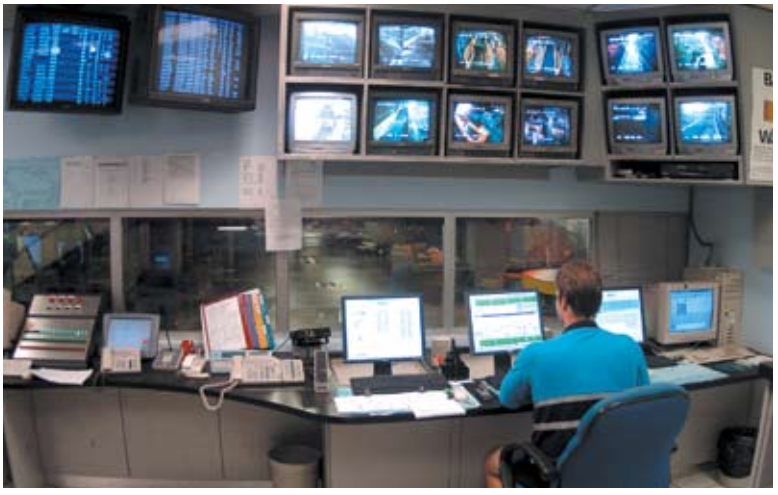
Work was undertaken to expand and update other infrastructure systems in both T1 and T2 such as the electrical distribution, air-conditioning, fire protection and stormwater systems.

Sydney Airport is also trialling new technologies such as LED taxiway lighting, radio frequency identification bag tag scanners and wireless VOIP equipment which have the potential to lower costs, improve productivity and improve service to customers.

To improve data management, communications and system efficiency, Sydney Airport upgraded its data network capacity from one gigabit per second to ten gigabits per second and upgraded the storage capacity from 20 terabytes to 80 terabytes to accommodate the additional closed circuit television cameras and higher resolution digital footage. As part of a continuous improvement process, Sydney Airport is migrating its help desk and fault management process to the Maximo Asset Management System plus a new energy and water metering and billing system was completed.

Sydney Airport has built new maintenance workshops and project offices to replace facilities that had to be demolished to make way for new aircraft parking bays. The new workshops include state-of-the-art equipment for testing airport lighting products, including a photometric laboratory and an electronic mobile airfield lighting monitoring system.






PanaSync/ProPL70i
Panasonic
HERMANN

Airport security remains a priority. Significant new security measures have been successfully introduced this year.

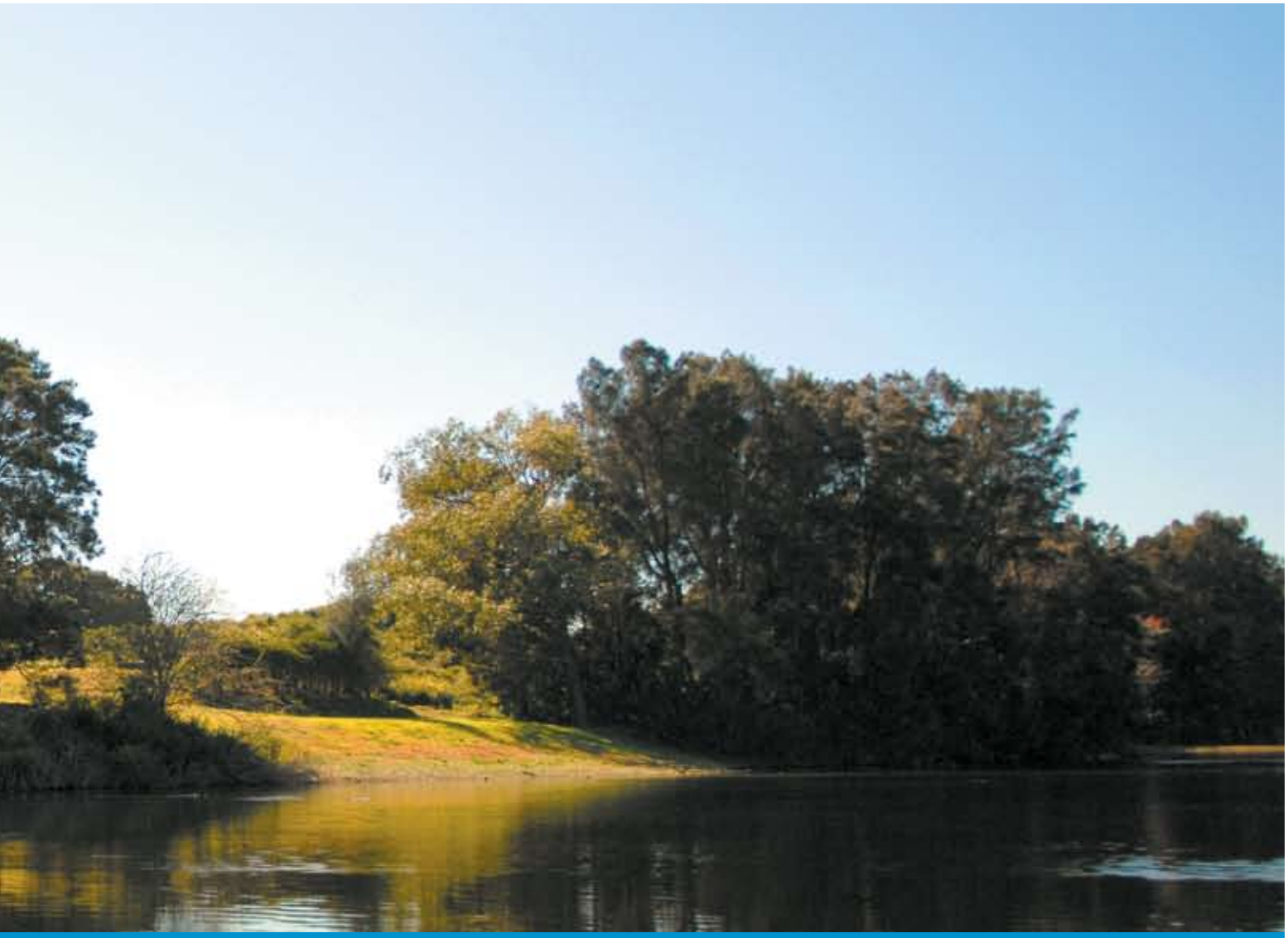
New Security Measures
Australian Government mandated security screening procedures to restrict the carriage of liquids, aerosols and gels onto international flights commenced on 31 March 2007. This new security measure required Sydney Airport to provide additional passenger screening infrastructure as well as contracting and training 100 new passenger screening staff at T1.

A further security initiative was the commencement of 100 per cent checked bag screening for all flights from T2. This involved the design and construction of a $37 million system capable of screening 3,600 bags per hour and involved training an additional 45 staff. Sydney Airport was able to commence 100 per cent screening ahead of the Government mandated target date of 1 August 2007. T1 has operated with 100 per cent checked bag screening since 31 December 2004.

Sydney Airport continues to work cooperatively with the Australian Federal Police on the implementation of a unified airport policing model for the airport. This was a key recommendation of Sir John Wheeler's 2006 review of airport security and policing arrangements. This initiative involves an Airport Police Commander, intelligence and investigative units, and a counter-terrorism first response service along with specialist airport community policing.

A major airport security service contract was tendered and awarded in December 2006 for the provision of various aviation security functions including passenger and checked baggage screening at T1 and T2, perimeter vehicle patrols, access control, guarding and security surveillance monitoring. The contract was designed to provide enhancements to airport security outcomes through improvements in the management and supervisory structure, staff training and competencies along with a strong performance management regime.

An improvement to the background checking arrangements for Aviation Security Identification Cards was made with the introduction of a centralised Government background checking unit. Sydney Airport has been working closely with the Attorney General's Department and the Office of Transport Security to design significant changes to the current airport identification application process. The next phase of this project will see the development of a new database with on-line applications and seamless integration with the new background checking unit.



Environmental Achievements

Sydney Airport's Environment Strategy aims to improve the airport's environment while managing the environmental risks associated with operations. During the year important progress was made with the implementation of the Airport's Environment Strategy.

Water and Energy Saving Strategies

Water and energy savings action plans have been developed in line with guidelines from the NSW Government.

The water plan builds on the work done under the 'Every Drop Counts' program in conjunction with Sydney Water and will complement the water monitoring system that has already prevented the loss of 123.6 million litres of water per annum. After some quite significant work and investment Sydney Airport has now achieved a three star rating under the Every Drop Counts program. The target is to get a full five star rating.

In early 2007 Sydney Airport participated in a pilot program with Sydney Water to convert all existing taps and showers in T1, T2 and the Ulm Building and make them significantly more water efficient. The conversions will see water usage reduced by 6 per cent while still maintaining full functionality. Sydney Airport is also conducting special water monitoring in the Domestic precinct and at T2 to identify additional water savings opportunities in these areas. The feasibility of stormwater harvesting is also being investigated.

Sydney Airport has also committed to building its own water treatment plant which will save up to one million litres of water per day by treating sewage from T1 for reuse in toilet flushing, cooling towers, irrigation and maintenance activities such as runway de-rubberisation. The NSW government has supported this project with a $3 million grant and the plant is expected to be operating by the end of 2008.

The Energy Savings Action Plan aims to significantly reduce the airport's energy use and associated greenhouse gas emissions. The estimated savings will total almost 5.5 million kilowatt hours a year of electricity and 5.5 million mega joules of gas a year, resulting in greenhouse gas savings of about 6,265 tonnes of carbon dioxide a year. This saving equates to taking about 1,670 cars off the road.

To further reduce emissions, Sydney Airport has included hybrid vehicles in its fleet while offsetting the fleet's emissions through participation in the Greenfleet program.

Airport Ground Travel Plan

Sydney Airport's Ground Travel Plan was finalised and approved by the Minister for Transport and Regional Services in March 2007. This plan explores innovative ways to improve the sustainable transport options for passengers, staff and visitors travelling to and from Sydney Airport. Sydney Airport will work with all stakeholders, including major employers and transport and government agencies, to ensure that secure, reliable, cost-effective and sustainable transport options are provided to the local and travelling community.

Sydney Airport will now establish a Working Group to provide for ongoing consultation and development of initiatives such as the enhancement of public bus services and infrastructure to service employees and passengers. Sydney Airport will provide support to the Working Group to enable it to explore options and establish key partnerships with relevant stakeholders and transport agencies to ensure the success of the Airport Ground Travel Plan.

Reducing Aviation Emissions

Sydney Airport is working with other organisations to investigate new measures to reduce aviation emissions. These include more efficient ways to manage aircraft on the ground before departure and are likely to produce significant emissions savings.

To reduce emissions, aircraft need to be given an accurate landing time for cruise and descent planning. When they are three hours from Sydney Airport, long haul aircraft will now be given a programmed landing time. The flight crews will optimise aircraft cruise and descent profiles to arrive at the airport at the designated time.

This may involve a variation to cruise speed but will eliminate the need to hold in a stack to the west or the north of Sydney. When the aircraft reaches the descent point the flight crew will be able to glide using minimum thrust to a point ten miles from the airport. This will reduce both aircraft emissions and aircraft noise. The implementation of enhanced systems such as the Global Landing System currently on trial at Sydney Airport will allow this concept to be further extended to optimise operations.

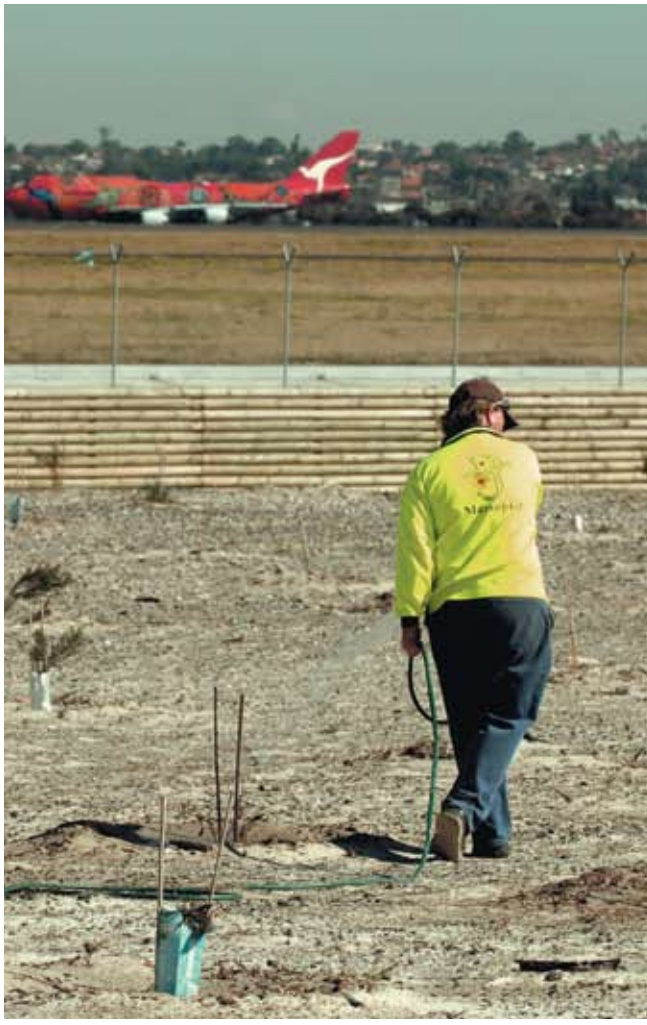
Further work is also being done to allow for more flexible aircraft tracking so that long haul aircraft inbound to Sydney can exploit the most favourable wind conditions instead of tracking on fixed air routes. This will further reduce flight times and emissions.

Other Initiatives

- A management program was developed to support the rehabilitation of the environmentally sensitive Engine Ponds. A fish ladder was commissioned to allow the movement of native fish from Botany

Bay into the wetland. A re-vegetation project also commenced with planting to eventually cover 5,000 square meters of the Engine Pond banks. Litter removal and regular aquatic weeding have also been carried out.

- Sydney Airport's Stormwater Management Plan aims to improve the quality of stormwater runoff from the airport and to ensure that no polluted water enters either Botany Bay or the Alexandra Canal. During the year three gross pollutant traps were installed in the T1 car park to remove litter, sediment, and oil and grease from stormwater runoff. Additionally, works commenced on the installation of a gross pollutant trap and flame trap for stormwater draining from the apron areas of T2 and T3.
- A Resource Recovery Plan was developed which identifies initiatives that Sydney Airport can implement to recover more resources from the non-quarantine waste stream. This will reduce the quantity of waste that requires disposal while also reducing the cost of processing the waste that cannot be recovered.
- As a way to manage environmental risk and assess compliance with environmental policies, Sydney Airport is seeking ISO 14001 accreditation, an internationally recognised standard for measuring environmental performance. During FY07 an extensive review of Environmental Management System software was undertaken with a preferred system trialled. The software will provide a solid and comprehensive system for identifying, managing, reporting and reviewing environmental risks. Sydney Airport is on target for achieving ISO 14001 certification by 2010.




Welcome
to Sydney
sydneyairport.com

Sydney Airport was named the best airport in the Australia/Pacific region by the Skytrax passenger survey.

The Skytrax survey measures more than 40 aspects of passenger satisfaction for airport product and service standards to evaluate the typical airport experience. The survey assesses front-line customer service and general airport customer facilities.

Quality of service for passengers is a priority for everyone at Sydney Airport. The overall level of customer satisfaction is determined by the combination of facilities and service within the Airport. Consistently high levels of customer satisfaction are only achieved if all airport businesses work together to provide a world class end-to-end passenger experience.

Sydney Airport uses ongoing research and customer feedback to measure service levels and to understand the key drivers of passenger satisfaction.

Sydney Airport participates in the Airport Council International's Airport Service Quality benchmarking program. With the participation of domestic and international airports from around the world this program is a useful tool to measure our performance against other similar airports. In 2006, Sydney Airport was rated a top 10 airport in the 25-40 million passenger class.

The ACE (Airport Customer Experience) program continued through FY07. This program is a unique initiative amongst international airports. The ACE program independently monitors performance and rewards retail staff who deliver customer service to a high standard. The program has already demonstrated improvements in all facets of customer service.

Sydney Airport has always encouraged its customers to provide direct feedback. This feedback has helped to identify improvements to processes and facilities. The Sydney Airport website has been updated to make it easier for customers to provide feedback by email.

Research findings are used to identify areas that need improvement and to assess the impact of upgrades. Works undertaken this year included:

- the refurbishment of bathroom facilities. This provides improved service for passengers and also makes the cleaning and maintenance tasks more efficient; and
- re-tiling the floor of the T1 Departures hall to improve the appearance of the facility while also assisting with cleaning and long-term maintenance.

The redeveloped T2 has provided passengers with improved facilities, including additional retail outlets, new floor surfaces and toilets, more effective signage and an abundance of natural light. Feedback has been extremely positive with 89 per cent of passengers reporting that they were satisfied with the overall appearance and cleanliness of T2 – an increase of nine percentage points on last year.

To sustain the focus on customer service the Service Quality Improvement Program was launched in 2006. This program involves Sydney Airport, airlines, and other organisations involved in passenger services identifying new opportunities to improve services and facilitation processes.

The Gold Ambassadors have completed another year of invaluable service. This team of more than one hundred volunteers is committed to assisting passengers and visitors. They are a valuable part of Sydney Airport's focus on customer service.

Working with Others

Ahead of anticipated peak periods Sydney Airport works with border agencies and industry stakeholders to prepare for the higher than normal demand. This involves the preparation of contingency plans and the identification and allocation of appropriate staff resources.

The Christmas holidays produced some record passenger days for Sydney Airport and on these busy days passenger facilitation through the terminals was managed without disruption.

This cooperative approach has also resulted in the trial of a new passenger facilitation initiative called 'Express Path'. The trial commenced in T1 in May 2007 and will be subject to evaluation to establish whether it is effective and should be continued.


Gates 8-37
Café
Shops
FACT: We GUARANTEE to offer a LOWER PRICE than these airports on selected stocked items
singapore SIN heathrow LHR
bangkok BKK dubai DXB
hong kong HKG auckland AKL
SYD
tax and duty free
READY FOR COLLECTION SERVICE
departure or return.

The quality of the Sydney Airport team continues to be key to our ability to deliver consistent growth and world-class services.

Once again, Sydney Airport was ranked in the top 25 per cent of employers in relation to work/ life balance in a national survey of employers. This outstanding result was reinforced by once again maintaining a 100 per cent return-rate from maternity leave. Sydney Airport employed an average of 297 people during FY07. Turnover, absenteeism and employment relations issues are all at consistently low levels.

Sydney Airport's managers and team leaders have participated in a training program to enhance their leadership skills in conjunction with the roll-out of a revitalised performance management program which will cement the delivery of outstanding levels of performance in the future.

Safety

A major focus of activity in the year was health and safety, with the launch of the 'Make Sure it's SACL Safe' awareness program to all employees. The campaign message is to lead, consult, assess and control risks and make safety a key element of decision making. The aim of the campaign is to make safety an integral part of the working environment.

The campaign was supported by a comprehensive round of training on risk assessment, the upgrading of health and safety induction processes for all new employees, and briefing key employees on the importance of the various elements of our Safety Management System. Ongoing consultation with both the Civil Aviation Safety Authority and NSW WorkCover is an essential part of the safety improvement process.

Safety management extends beyond compliance and carries with it the expectation that all risks within Sydney Airport's control are adequately controlled, managed and regularly monitored.

Appropriate risk management is required to ensure that the exposure to hazards is either removed or minimised to the fullest extent within Sydney Airport's control. Safety staffing levels were increased to implement safety initiatives and support the overall safety strategy. The Occupational Health and Safety Committee also met regularly and made recommendations to management on a range of safety issues. These issues were addressed to the satisfaction of the Committee.

Work on the installation of a thunderstorm warning system has commenced. The system will use lights and sirens to communicate the thunderstorm notification received from the Bureau of Meteorology and provide valuable warning to people working on the ramp and apron areas of the airport.

The absolute commitment to identifying and managing potential hazards and promptly responding to incidents is contributing to a consistently low level of injury claims and lost time. Sydney Airport reported four lost time injuries (LTIs) in FY07. This is a slight decrease from the previous year of six LTIs. The ultimate annual target for LTIs remains zero.


SydneyAirport
SydneyAirport

Sydney Airport's community investment program assists local communities. Priorities for the program are sporting, educational and environmental as well as activities that help local charities.

Sport
Sydney Airport actively supports junior sports in the local community. Important sponsorships include:

- Nippers - Surf Life Saving Sydney Branch. The Nippers program teaches beach safety and surf rescue. Children join Nippers to develop beach skills, learn about water safety and have fun. Sydney Airport's sponsorship supports educational programs at camps and competitions.
- Football – Sydney Airport supports the world game with sponsorship for the Marrickville Red Devils, Apia Leichhardt Tigers, Rockdale City Raiders and the Mascot Kings.
- Rugby League – Newtown Junior Jets Rugby League Football Club.
- The Shark Island Swim at South Cronulla Beach.

An Educational Approach
Sydney Airport's Education Grants Scheme provides support for projects at local schools. In total, eight local schools benefited from the scheme. Schools from Botany, Marrickville, Rockdale and Sutherland shared in the grants which funded improved facilities for students. The scheme supports environmental and educational initiatives. Schools supported include:

- Botany Public School - which will spend its grant on the Sir Joseph Banks Botanic Garden project by extending their outdoor learning area to promote an appreciation of local wetlands.
- St Peters Public School – which will use its grant for school hall improvements including acoustics, lighting and a projector screen.
- Cairnsfoot School – which will establish a 'no-mow, no-water' sensory based outdoor learning environment.

Sydney Airport is also working with Singapore Airlines to involve local schools in the celebrations associated with the first passenger flight of the A380. This will involve an art competition with the winning class visiting the airport to inspect the plane.

Local Charities
Sydney Airport's support of local charities continues with a program involving the Rotary Clubs of Botany, Rockdale and Marrickville which allows those clubs to have charity collection bins at Sydney Airport. Over $90,000 was collected and distributed to charities.

Sydney Airport continued its support of other charities and community organisations including Youth Off The Streets (YOTS), The Wesley Mission, The Exodus Foundation, the St George Hospital, Royal Australian Flying Doctor Service, Lifestart East and the South East Neighbourhood Centre. Sydney Airport staff also participate in other fundraising activities including Jeans for Genes Day, Daffodil Day, and Shine Day.

Board of Directors

Max Moore-Wilton AC, BEc – Chairman
Mr Moore-Wilton is Chairman of the SCACH Group of companies. He was appointed to this position in January 2003. Mr Moore-Wilton was CEO of the SCACH Group of companies from January 2003 to April 2006. 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 is currently Chairman of Macquarie Airports Management Limited and Macquarie Media Group and an Executive Director of Macquarie Bank Limited. He is also President of the Airport Council International, Asia/Pacific Region.

Mr Moore-Wilton has also 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.

Russell Balding AO, Dip Tech (Com), B Bus, FCPA, MAICD – Chief Executive Officer
Mr Balding was appointed Chief Executive Officer of the Group in April 2006 and has had a distinguished managerial career, having held senior positions in a number of major organisations which have required extensive government, stakeholder, community and customer interaction. Prior to his current role, Mr Balding was the Managing Director of the Australian Broadcasting Corporation (ABC), and before that Director, Funding Finance and Support Services at the ABC, Director of Finance at the NSW Roads & Traffic Authority and Financial Controller at the NSW Department of Housing.

Mr Balding was awarded an Officer (AO) in the General Division of the Order of Australia in January 2007.

Patrick Gourley BEc (Hons), MEc – Director
Mr Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations, and a former member of the Military Superannuation Board of Trustees. Mr Gourley is a director of the Great Energy Alliance Corporation and the Loy Yang Marketing and Management Company and is a consultant to the Motor Trades Association of Australian Superannuation Fund.

Kerrie Mather BA, MComm – Director
Ms Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports. Ms Mather has extensive experience in transport infrastructure acquisitions, investments and financings, with a particular focus on airports. Ms Mather is also on the Board of Brussels Airport and Copenhagen Airports. Ms Mather is also on the Board of Macquarie Airports Management Limited which she established in 2002.

John Roberts LLB University of Canterbury – Director
Mr Roberts is an Executive Director of Macquarie Bank Limited and is the Global Head of the Investment Banking Group's Funds business and Joint Head of Macquarie's Corporate Finance division. Prior to his return to Sydney in 2003, John led the Infrastructure Funds group in London and was responsible for Macquarie's Investment Banking Group activities in Europe, as well as being head of Macquarie's London office. John is currently a member of several investment committees and Boards of Macquarie-managed vehicles.

Shelley Roberts BBus Sci, ACA – Director
Ms Roberts is an Associate Director of Macquarie Bank. She is a Chartered Accountant who has previously worked for easyJet and KPMG in the UK. Ms Roberts has extensive experience in Strategic Business Planning and Corporate Finance activities. Ms Roberts joined Macquarie Airports in October 2005.

Holger Linkweiler Diplom Oeconom – Director
Mr Linkweiler is Head of Business Planning and Financing at HOCHTIEF AirPort GmbH. In this function he has played a leading role in all major acquisitions, projects and financing of the company.

Mr Linkweiler is also Managing Director of HOCHTIEF Airport Capital (HTAC).

COMPANY SECRETARY

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

Ms Hodge is Group General Counsel & Company Secretary and is responsible for the legal, company secretarial, risk and insurance functions. She is a fellow of Chartered Secretaries Australia and has over 11 years company secretarial experience in both a corporate & government environment. She is a director of Chartered Secretaries Australia Limited, a member of its Education Committee and National Corporate & Legal Issues Committee and the Deputy Chair of its NSW & ACT Branch Council.

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

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

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

The Board, management and shareholders are committed to a high standard of corporate governance. SCACH's corporate governance procedures and structures have been formulated with regard to on-going 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 Chief Executive Officer 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, the Chief Executive Officer and five non-executive Directors.

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

NON EXECUTIVE DIRECTORS' FEES

In addition to the fees paid to non executive directors disclosed in the remuneration section of the Directors' Report, non executive directors also receive 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 $225,000. Non executive directors who are members of committees do not receive a committee fee. The Chief Executive Officer does not receive a director's fee or a committee fee.

MEMBER	BOARD	STRATEGY	AUDIT AND CORPORATE GOVERNANCE	HUMAN RESOURCES	SAFETY, SECURITY ENVIRONMENT AND HEALTH
Maxwell Moore-Wilton	● ■	● ■	● ■	● ■	● ■
Russell Balding	●	●	●	●	●
Patrick Gourley	●		●	●	
Kerrie Mather	●	● ▲		●	●
John Roberts	●				
Shelley Roberts	●	●	●		
Holger Linkweiler	●	●	●	●	●

● Member ■ Chair ▲ Deputy Chair

COMPANY POLICIES
The Board has adopted a number of policies in key areas including finance and treasury risk management, auditor independence, workplace health and safety, environment, equal employment opportunity, privacy, trade practices and dealings by employees in the SKIES issued in December 2006 and securities of other companies.

GROUP BOARD COMMITTEES
The Group has in place a number of policies in key areas including finance and treasury risk management, auditor independence, workplace health and safety, environment, equal employment opportunity, continuous disclosure, privacy, trade practices and dealings by employees in the SKIES issued in December 2006 and the securities of other companies.

TERMS OF REFERENCE AND COMPOSITION OF COMMITTEES

STRATEGY COMMITTEE
This Committee is chaired by Max Moore-Wilton, other members being Russell Balding, Kerrie Mather, Shelley Roberts, Holger Linkweiler and the Chief Financial Officer. 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 Max Moore-Wilton, the other members being Russell Balding, Patrick Gourley, Holger Linkweiler and Shelley Roberts. The Chief Financial Officer attends by invitation. The Secretary is Financial Controller, Nick Livesey.

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 (having been updated during the year to reflect changes in general governance practices in this area) 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 Russell Balding, Patrick Gourley, Kerrie Mather, and Holger Linkweiler. The Secretary is the General Manager, Corporate Affairs and Human Resources, Rod Gilmour. The Committee provides advice and makes recommendations to the SACL Board (and the Chief Executive Officer 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, Russell Balding, Kerrie Mather and Holger Linkweiler. The Secretary is one of the internal Senior Corporate Lawyers, Wayne Leach.

The Committee monitors and considers reports and proposals in relation to airport security (including legislative changes); the Safety Management System, 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 Chief Executive Officer has eight senior executives who report directly to him. The Chief Executive Officer together with the senior executives comprise the Senior Management

Team which meets regularly to consider:
- strategic objectives;
- operational matters;
- corporate issues; and
- recommendations and advice, from and to, each Board and the committees.

The current management structure is shown below.

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

AIRPORT STRATEGIC CONSULTANCY AGREEMENT

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

RISK MANAGEMENT

An integrated risk management framework is in place for identifying and evaluating risk.

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

The CEO and CFO have provided a six monthly sign-off to the SCACH Board and to the CEO and CFO of Macquarie Airports on the Groups compliance with Principles 4 and 7 of the ASX Corporate Governance Principles.

ENVIRONMENTAL REGULATION

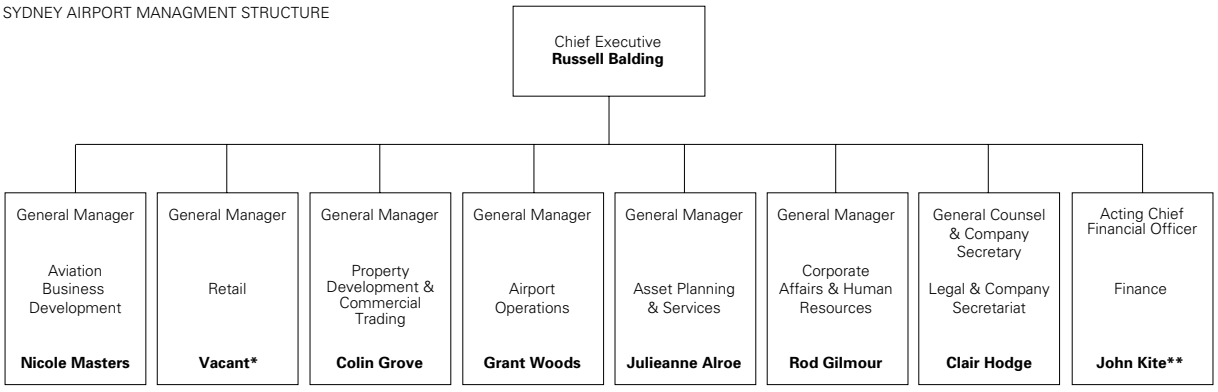
The primary piece of environmental legislation applicable to the SCACH Group is the Airports Act 1996 (the Act) and regulations made under that Act, including the Airports (Environment Protection) Regulations 1997. The main environmental requirements of the Act and the Regulations include:
- the development and implementation of an Environment Strategy
- the monitoring and remediation of air, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Act and Regulations); and
- the enforcement of the provisions of the Act and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers (AEOs).

ENVIRONMENT STRATEGY

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

The strategy outlines the SCACH Group's plans and actions to measure, monitor, enhance and report on

SYDNEY AIRPORT MANAGMENT STRUCTURE



*Mr Derek Larsen has been appointed General Manager Retail effective 6 August 2007
**Mr Simon Bligh has been appointed Chief Financial Officer effective 30 July 2007

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

REGULATORY COMPLIANCE

During the year ended 30 June 2007 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 2006:

- 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;
- Master Plan for Sydney Airport (amongst other things) considers environmental issues resulting from Sydney Airport's future operations until 2024. The document can be viewed on SACL's website, sydneyairport.com.
- no breaches of the regulatory limits were detected and reported to the AEOs. No action was taken against SACL by any party under the Regulations; and
- further information on the SACL's environmental performance can be viewed on SACL's website, sydneyairport.com.

CONCISE CONSOLIDATED FINANCIAL REPORT

Southern Cross Airports Corporation Holdings Limited

DIRECTORS' REPORT

The directors present their report on the audited consolidated results of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its controlled entities for the financial year ended 30 June 2007.

Directors

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

NAMES AND PARTICULARS	APPOINTMENT DATE	RESIGNATION DATE
Max Moore-Wilton, Chairman, has held various key executive positions in the public and private sectors. He is an Executive Director of Macquarie Bank Limited and the Chairman of Macquarie Airports Management Limited.	22 January 2003	–
Russell Balding, Chief Executive Officer, is a former Managing Director of the Australian Broadcasting Corporation. His career spans a number of major organisations which have required extensive government, stakeholder, community and customer interaction.	4 April 2006	–
Patrick Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations.	10 September 2002	–
Meredith Hellicar is a director of various publicly listed companies including AMP Limited and Amalgamated Holdings Limited.	18 February 2003	20 March 2007
Holger Linkweiler is Managing Director of Hochtief Airport Capital and Head of Business Planning & Financing of Hochtief AirPort GmbH.	17 October 2005	–
Kerrie Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports Management Limited.	27 June 2002	–
John Roberts is an Executive Director of Macquarie Bank Limited and Global Head of Macquarie Bank Limited's Investment Banking Group's Funds business and Joint Head of Macquarie's Corporate Finance division.	15 February 2006	–
Shelley Roberts is an Associate Director of Macquarie Bank Limited. Prior to her role with Macquarie Airports, she worked for easyJet and KPMG in the UK.	15 February 2006	–
Luis Sanchez Salmeron is the Director of the Airports Division of Ferrovial Infraestructuras S.A.	26 May 2003	20 March 2007

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

ALTERNATE DIRECTORS	APPOINTMENT DATE	RESIGNATION DATE
Juan Angoitia (for Hellicar)	18 February 2003	20 March 2007
Juan Angoitia (for Sanchez)	29 May 2003	20 March 2007
Martyn Booth (for Mather)	10 August 2005	-
Martyn Booth (for J Roberts)	15 February 2006	-
Martyn Booth (for S Roberts)	15 February 2006	-
Michael Delaney (for Gourley)	18 September 2003	-
Meredith Hellicar (for Sanchez)	29 May 2003	20 March 2007
Kerrie Mather (for J Roberts)	15 February 2006	-
Kerrie Mather (for S Roberts)	15 February 2006	-
Lars Petzold (for Linkweiler)	18 October 2005	9 October 2006
Gerhard Schroeder (for Linkweiler)	12 October 2006	-
John Roberts (for Mather)	15 February 2006	-
John Roberts (for S Roberts)	15 February 2006	-
Shelley Roberts (for Mather)	15 February 2006	-
Shelley Roberts (for J Roberts)	15 February 2006	-
Luis Sanchez Salmeron (for Hellicar)	30 May 2003	20 March 2007

Directors were in office for this entire period unless otherwise stated.

Company Secretary

Ms Clair Hodge B Com LLB (UNSW) GAICD FCIS is General Counsel and Company Secretary. She has over 11 years of company secretarial experience in both the private and government sector. She is a director of Chartered Secretaries Australia Limited, the deputy Chair of NSW Council of Chartered Secretaries Australia and a member of its national Corporate & Legal Issues Committee.

Directorships of other listed companies

Directorships or alternate directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows. The companies listed in the table below are listed on the Australian Stock Exchange. Any additional listings are noted in the table:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
Max Moore-Wilton	Macquarie Airports Management Limited	Since April 2006
	Macquarie Media Group	Since February 2007
Meredith Hellicar	Amalgamated Holdings Limited	Since August 2003
	AMP Limited	Since March 2003
	James Hardie Industries N.V	October 2001 to February 2007
Kerrie Mather	Macquarie Airports Management Limited	To August 2004
John Roberts	Macquarie Infrastructure Group	Since July 2003
	Macquarie International Infrastructure Fund Limited (Singapore Exchange)	Since January 2007
	Macquarie Infrastructure Company (New York Stock Exchange)	Since April 2004
	Macquarie Communications Infrastructure Group	Since August 2004
	Macquarie Airports	Since August 2004
	DUET Group	Since May 2004
	Macquarie Capital Alliance Group	Since December 2006
	Macquarie Specialised Asset Management	July 2003 to June 2006

Corporate Structure

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

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

Principal Activities

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

Review of operations and results

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $584.7 million for the year ended 30 June 2007 (2006: $523.8 million). EBITDA excluding specific expenses increased to $585.8 million (2006: $525.6 million).

After deducting depreciation and amortisation, net finance costs and income tax, the net loss was $182.3 million (2006: $147.7 million). EBITDA (excluding specific non-recurring expenses) represents an 11.5% increase in earnings over the previous corresponding period. Total revenue increased by 9.9% over the previous corresponding period to $724.6 million (2006: $659.2 million).

Total expenses excluding specific non-recurring expenses increased by 6.1% to $141.9 million (2006: $133.7 million). Total expenses including specific non-recurring expenses increased by 5.6% to $143.1 million (2006: $135.5 million) principally due to an increase in recoverable security related costs.

Depreciation and amortisation costs increased by 14.0% to $170.8 million (2006: $149.9 million).

Net finance costs increased by 10.2% to $574.4 million (2006: $521.2 million) primarily explained by the increase in external group debt levels after a refinance during the year, which included the early redemption of Floating IPO exchangeable reset securities ("FLIERS") and the issuance of publicly traded debt instrument, Sydney Kingsford Smith Interest Earnings Securities ("SKIES"), by SCACH on the ASX. The redeemable preference share distributions to shareholders, FLIERS Trust distributions and SKIES distributions are included as finance costs in the Income Statement.

Financial position

During the period the consolidated entity complied with the maximum gearing and minimum cash flow cover ratio covenants contained in its various debt agreements. Borrowing costs payable in respect of the FLIERS Trust, SKIES and redeemable preference shares for the year ended 30 June 2007 totalled $29.6 million (2006: $58.9 million), $29.0 million (2006: Nil) and $209.2 million (2006: $205.1 million) respectively.

SCACH's investment grade corporate credit ratings by Standard & Poor's and Moody's remained at BBB- and Baa3 respectively. SCAC's senior secured debt credit ratings by Standard & Poor's, Moody's and Fitch remain at BBB, Baa2 and BBB respectively. FinCo's senior debt credit ratings from Standard & Poor's, Moody's and Fitch remain at BBB, Baa2 and BBB respectively.

In December 2006, the SCACH Group completed a $3,683 million senior debt refinancing. This transaction included the refinance of some of its existing bank debt and maturing capital markets facilities with new debt facilities. Part of the additional debt facilities of $959 million will be used to fund planned capital expenditure projects and to provide additional liquidity and working capital for the business. The consolidated entity managed the debt raising programme to ensure that the existing investment grade credit ratings were maintained. SCACH implemented the refinance in two stages with the bulk of the debt facilities being raised in December 2006, with a smaller debt raising to be drawn down in October 2007. In addition, the $600 million in FLIERS issued by the FLIERS Trust were redeemed and a new $650 million debt instrument, SKIES, was issued by SCACH, which is traded on the ASX.

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.

Dividends and Distributions

Dividends and distributions paid during the year ended 30 June 2007:

	2007 $'000	2006 $'000
– on ordinary shares	338,371	48,764
– on Sydney Kingsford Smith Interest Earning Securities ("SKIES") (i)	14,922	–
– on floating IPO exchangeable reset securities ("FLIERS") (i)	40,449	58,230
– on redeemable preference shares ("RPS") (i)	207,589	223,380
	601,331	330,374

The FLIERS, SKIES and RPS distributions are included as finance costs in the Income Statement.
(i) Represents cash paid

In respect of the financial year ended 30 June 2007, the directors approved the payment of a final ordinary dividend of $411,525 thousand (2006: nil) and RPS distribution of $50,865 thousand (2006: 45,494 thousand) on 23 July 2007.

Significant changes in the state of affairs

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

Significant events after the balance date

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

Likely developments and expected results

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

Environmental regulation and performance

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

Indemnities and insurance of officers and auditors

Indemnities

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

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

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

Insurance

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

During or since the year to 30 June 2007 the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditors of SCACH and its controlled entities.

Directors' meetings

The number of meetings of directors (including meetings of board committees) held during the year ended 30 June 2007 and the number of meetings attended by each director were as follows:

DIRECTOR	BOARD OF DIRECTORS		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	15	14	5	5	3	3	4	4	6	6
Russell Balding	15	15	5	5	3	3	4	4	6	6
Patrick Gourley	15	14	5	4	3	2	–	–	–	–
Meredith Hellicar	11	10	4	1	–	–	3	3	–	–
Holger Linkweiler	15	4	1	1	3	1	4	1	6	2
Kerrie Mather	15	12	–	–	3	2	4	1	6	6
John Roberts	15	6	–	–	–	–	–	–	–	–
Shelley Roberts	15	15	5	5	–	–	–	–	6	6
Luis Sanchez Salmeron	11	1	–	–	3	–	–	–	4	–

H – meetings held while director A – meetings attended '–' indicates not applicable to that director

The number of meetings of directors (including meetings of board committees) held during the year ended 30 June 2007 and the number of meetings attended by each alternate director were as follows:

DIRECTOR	BOARD OF DIRECTORS		AUDIT AND CORPORATE GOVERNANCE		HUMAN RESOURCES		SAFETY SECURITY ENVIRONMENT AND HEALTH		STRATEGY	
	H	A	H	A	H	A	H	A	H	A
Juan Angoitia (for Sanchez Salmeron)	11	6	–	–	–	–	–	–	–	–
Juan Angoitia (for Hellicar)	–	–	–	–	–	–	–	–	–	–
Martyn Booth (for Mather)	–	–	–	–	–	–	–	–	–	–
Martyn Booth (for J Roberts)	–	–	–	–	–	–	–	–	–	–
Martyn Booth (for S Roberts)	–	–	–	–	–	–	–	–	–	–
Michael Delaney (for Gourley)	–	–	–	–	–	–	–	–	–	–
Kerrie Mather (for J Roberts)	–	–	–	–	–	–	–	–	–	–
Kerrie Mather (for S Roberts)	–	–	–	–	–	–	–	–	–	–
Lars Petzold (for Linkweiler)	–	–	–	–	–	–	–	–	–	–
Gerhard Schroeder (for Linkweiler)	15	11	–	–	3	2	4	3	6	4
John Roberts (for Mather)	–	–	–	–	–	–	–	–	–	–
John Roberts (for S Roberts)	–	–	–	–	–	–	–	–	–	–
Shelley Roberts (for Mather)	15	1	–	–	3	1	4	3	–	–
Shelley Roberts (for J Roberts)	15	2	–	–	–	–	–	–	–	–
Luis Sanchez Salmeron (for Hellicar)	11	1	–	–	–	–	–	–	–	–
Meredith Hellicar (for Sanchez-Salmeron)	–	–	–	–	3	1	–	–	–	–

H – meetings held whilst alternate director A – meetings attended '–' indicates not applicable to that director

DIRECTORS' REPORT
REMUNERATION REPORT

Remuneration and Reward Philosophy

The Human Resources Committee of the Board (HR Committee) oversees remuneration practices across the organisation and at all levels. The HR Committee assesses the appropriateness of policies and practices, including those in relation to remuneration, in order to fairly and responsibly reward employees, and to ensure that rewards are directly related to performance and remuneration is market competitive.

The HR Committee recognises that the key to achieving sustained performance is to generally align rewards with increasing shareholder returns. For employees earning $110,000 per annum or more, this generally includes the provision of incentives with earnings based on the achievement of specific financial and other performance targets.

Executive Remuneration & Rewards

The guiding principles applied in managing remuneration and rewards for executives include:
- Linking individual performance to the achievement of financial targets and business strategies;
- The achievement of short term and long term financial business targets that deliver sustained growth in returns to shareholders (e.g. growth in passenger numbers, growth in revenue, growth in average revenue per passenger and EBITDA); and
- Using market data to set appropriate levels of fixed remuneration.

The overall level of each executive's remuneration is considered in terms of Total Annual Reward ("TAR"). The components of TAR are:

Fixed Annual Reward ("FAR")	–	Includes base pay and benefits and superannuation.
Short Term Incentive ("STI")	–	Annual cash award delivered under the STI terms and substantially based on the achievement of specific financial and other targets.
Long Term Incentive ("LTI")	–	Cash award delivered under the LTI terms and substantially based on the achievement of budgeted EBITDA. Amounts are payable up to 3 years after being determined.

Base Pay

Base pay is delivered as part of the FAR which may be delivered as a combination of cash and prescribed non-financial benefits at each executive's discretion.

The FAR is reviewed annually against relevant market information and surveys to ensure the pay remains market competitive. An executive's FAR is also reviewed on promotion. There is no guarantee of any increase in FAR in any executive's contract.

Benefits

Executives receive various benefits, the costs of which are deducted from their FAR. Benefits so provided include car parking, payment of professional membership/s, and reimbursement of home telephone costs for some executives.

Superannuation

Retirement benefits are generally delivered under the Sydney Airport Superannuation Plan. This plan is a hybrid plan providing both defined benefit and defined contribution arrangements.

To be eligible for defined benefit arrangements, an executive must have joined the plan before April 2000. Such executives' benefits are based on their years of membership, final average salary and chosen level of personal contributions. Executives who have joined the organisation from April 2000 are provided with defined contribution arrangements.

Executives are free to exercise "choice" of superannuation plan, in which case the benefits provided are only in the form of defined contributions.

Short-Term Incentives

Executives eligible for STI have a target STI opportunity depending on the accountabilities of the role, impact on the organisation and business unit performance. The STI target incentive is expressed as a maximum amount for each financial year.

Each year, the HR Committee of the Board considers the appropriate STI targets and values and their linkage to key performance indicators (KPIs).

For the year ended 30 June 2007, the KPIs linked to STI were based on group, individual business and personal objectives as well as specific financial objectives. The KPIs included reducing operating costs and achieving specific targets in relation to overall EBITDA and successful completion of specific projects and objectives.

STI payments are determined after the end of each year based on assessment of individual performance, including achievement of the specified financial and other targets. Higher levels of assessed performance lead to higher proportions of target STI being awarded. Determinations of the proportions of target STI awarded are made by the CEO and subject to endorsement by the HR Committee.

Long-Term Incentives

Executives eligible for an LTI have a target LTI opportunity depending on the accountabilities of the role and impact on the organisation or business unit performance. The LTI target incentive is expressed as a maximum amount for each financial year.

Each year, the HR Committee considers the appropriate LTI targets and values.

For the year ended 30 June 2007, LTI was based on the Company's achievement of budgeted EBITDA. This was generic across all Executives.

LTI payments are determined based on achievement of budgeted EBITDA. Determinations of the proportions of target LTI awarded are made by the CEO and subject to endorsement by the HR Committee.

Disclosures

The disclosures in this section relate to the directors of the company and the five most highly remunerated executives during the financial year.

	SHORT-TERM EMPLOYEE BENEFITS		POST-EMPLOYMENT BENEFITS	OTHER LONG-TERM EMPLOYEE BENEFITS [3]	TERMINATION BENEFITS [6]	TOTAL
	SALARY & FEES $	BONUS [3] $	SUPERANNUATION $	$	$	$
Non-executive directors [5]						
M. Moore-Wilton (Chairman)	15,000	–	–	–	–	15,000
P. Gourley	60,000	–	–	–	–	60,000
M. Hellicar	45,000	–	–	–	–	45,000
H. Linkweiler	60,000	–	–	–	–	60,000
K. Mather	15,000	–	–	–	–	15,000
J. Roberts	15,000	–	–	–	–	15,000
S. Roberts	15,000	–	–	–	–	15,000
Executive director						
R. Balding (Chief Executive Officer) [4]	585,860	375,000	49,907	214,629	–	1,225,396
Five most highly remunerated executives						
J. Alroe (General Manager Assets & Planning)	254,298	114,000	31,870	75,809	–	475,977
C. Grove (General Manager Property Development & Commercial Trading)	282,021	192,000	22,597	36,870	–	533,488
C. Hodge (Company Secretary) [1]	234,694	56,500	29,161	46,638	–	366,993
R. Martin (Chief Financial Officer) (ceased as an Executive 7 February 2007) [2]	191,041	34,200	26,056	(57,971)	80,000	273,326
R. McFadyen (General Manager Retail) (ceased as an Executive 1 June 2007)	233,803	144,000	25,360	43,245	104,330	550,738
Totals	**2,006,717**	**915,700**	**184,951**	**359,220**	**184,330**	**3,650,918**

Notes:

[1] Ms Hodge also acts separately as General Counsel of the Group but the above disclosure is made solely due to her position as company secretary, which renders her a "company executive" under s300A(1B) of the Corporations Act.

[2] Ms Martin's negative value under Other Long-Term Employee Benefits reflects the adjustment of prior accruals now not due as a result of the timing of her departure.

[3] The bonuses and long-term incentives included are those determined in the period or before the accounts are signed whether or not they are paid in the period.

[4] Mr Balding does not receive a director's fee. The remuneration shown is in his role as Chief Executive Officer. The amount paid as bonuses in 2006/07 includes $75,000 determined in respect of the 2005/06 year but after the accounts for that year were signed.

[5] Includes remuneration pertaining to alternate directors.

[6] Represents payments classified as eligible termination payments in accordance with relevant taxation legislation.

Non-audit services

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 8 to the financial statements.

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

The directors are of the opinion that the services as disclosed in note 8 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and
- None of the services undermine the general principles relating to auditor independence as set out in the Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Auditor's independence declaration
The auditor's independence declaration required under the Corporations Act 2001 is included on page 70- of the financial report.

Rounding
The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated under the option available to SCACH under ASIC Class Order 98/0100, dated 10 July 1998. SCACH is an entity to which the Class Order applies.

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

On behalf of the Directors

Max Moore-Wilton
Chairman

Sydney, 24 August 2007

Deloitte.

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AUDITOR'S INDEPENDENCE DECLARATION

24 August 2007

The Board of Directors
Southern Cross Airports Corporation Holdings Limited
The Ulm Building
1 Link Road
Sydney International Airport
Mascot NSW 2020

Dear Board Members

AUDITOR'S INDEPENDENCE DECLARATION TO SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

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

As lead audit partner for the audit of the financial statements of Southern Cross Airports Corporation Holdings Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

G. Couttas

G Couttas
Partner

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS LIMITED

The accompanying concise financial report of Southern Cross Airports Corporation Holdings Limited comprises the balance sheet as at 30 June 2007, the income statement, cash flow statement and statement of recognised income and expense for the year then ended and related notes, derived from the audited financial report of Southern Cross Airports Corporation Holdings Limited for the consolidated entity for the year ended 30 June 2007 and the directors' declaration of the consolidated entity as set out on pages 74 to 94. The consolidated entity comprises both Southern Cross Airports Corporation Holdings Limited (the company) and the entities it controlled at the year's end or from time to time during the financial year. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Director's Responsibility for the Concise Financial Report
The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Southern Cross Airports Corporation Holdings Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 24 August 2007 and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit we have complied with the independence requirements of the Corporations Act 2001.

Audit Opinion
In our opinion, the concise financial report of Southern Cross Airports Corporation Holdings Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039 "*Concise Financial Reports*".

DELOITTE TOUCHE TOHMATSU

G Couttas
Partner
Chartered Accountants

Sydney, 24 August 2007

DIRECTORS' DECLARATION

The directors declare that:

(a) In the directors' opinion, the attached financial statements and notes thereto comply with Accounting Standard AASB 1039 "Concise Financial Reports"; and

(b) the attached financial statements and notes thereto have been derived from the full financial report of the company.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

Max Moore-Wilton
Chairman

Sydney, 24 August 2007

INCOME STATEMENT

For the financial year ended 30 June 2007

	NOTES	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Revenue					
Aeronautical revenue		294,102	269,063	–	–
Aeronautical security recovery	2	61,636	47,317	–	–
Retail revenue		168,839	155,908	–	–
Property revenue		93,344	86,621	–	–
Commercial trading revenue		93,083	84,959	–	–
Other		13,610	15,362	–	–
Total revenue		724,614	659,230	–	–
Income					
Gain on disposal of non-current assets		3,098	74	–	–
Expenses					
Employee benefits expense		(34,247)	(34,902)	–	–
Services and utilities		(75,297)	(68,581)	–	–
Other operational costs		(16,262)	(14,994)	–	–
Property and maintenance		(16,075)	(15,246)	–	–
Specific expenses:					
Restructuring and redundancy		–	(653)	–	–
Airline regulatory action		(1,169)	(1,090)	–	–
Loss on disposal of non-current assets		–	–	–	–
Total expenses before depreciation, amortisation and finance costs		(143,050)	(135,466)	–	–
Profit before depreciation and amortisation, finance costs and income tax (EBITDA)		584,662	523,838	–	–
Depreciation and amortisation		(170,837)	(149,900)	–	–
Profit before finance costs and income tax (EBIT)		413,825	373,938	–	–
Interest income from other corporations		35,348	10,010	19,192	1,901
Interest income from wholly-owned subsidiaries		–	–	584,166	752,939
Change in fair value of FLIERS and interest rate swaps		5,523	16,589	5,603	13,774
Borrowing costs – redeemable preference share held by ordinary shareholders (i)		(209,174)	(205,376)	(209,174)	(205,376)
Borrowing costs – FLIERS		(29,552)	(58,886)	(29,552)	(58,886)
Borrowing costs – senior debt		(347,473)	(283,549)	–	–
Borrowing costs – SKIES		(29,044)	–	(29,044)	–
Net finance (costs)/income		(574,372)	(521,212)	341,191	504,352
(Loss)/profit before income tax expense		(160,547)	(147,274)	341,191	504,352
Income tax expense		(21,747)	(425)	(102,334)	(148,383)
Net (loss)/profit for the year attributable to members of the parent entity		(182,294)	(147,699)	238,857	355,969

(i) Redeemable preference shares are stapled to ordinary shares

Notes to the financial statements are included on pages 77 to 92

BALANCE SHEET

as at 30 June 2007

	NOTES	CONSOLIDATED 2007 $'000	CONSOLIDATED 2006 $'000	COMPANY 2007 $'000	COMPANY 2006 $'000
Current assets					
Cash and cash equivalents		772,969	197,010	454,602	32,059
Trade and other receivables		78,239	64,369	26,230	1,085
Other financial assets		6,603	9,952	575,781	1,044,166
Total current assets		857,811	271,331	1,056,613	1,077,310
Non-current assets					
Property, plant and equipment		2,092,935	2,070,634	–	–
Intangibles	4	3,534,947	3,550,368	–	–
Goodwill	5	688,284	688,284	–	–
Trade and other receivables		31,537	23,947	–	–
Other financial assets		98,715	19,752	2,407,580	2,408,608
Other assets		37,905	1,174	–	–
Deferred tax assets		–	–	203,507	225,413
Total non-current assets		6,484,323	6,354,159	2,611,087	2,634,021
Total assets		7,342,134	6,625,490	3,667,700	3,711,331
Current liabilities					
Trade and other payables		150,833	135,997	349,421	270,382
Provisions		7,696	7,043	–	–
Other current liabilities		37,435	22,919	–	–
Total current liabilities		195,964	165,959	349,421	270,382
Non-current liabilities					
Borrowings	6	7,520,613	6,432,510	2,086,383	2,109,539
Provisions		1,321	1,400	–	–
Deferred tax liability		116,933	71,845	–	–
Total non-current liabilities		7,638,867	6,505,755	2,086,383	2,109,539
Total liabilities		7,834,831	6,671,714	2,435,804	2,379,921
Net (liabilities)/assets		(492,697)	(46,224)	1,231,896	1,331,410
Equity					
Issued capital		467,902	467,902	467,902	467,902
Cash flow hedge reserve		53,288	(19,426)	–	–
(Accumulated losses)/Retained earnings		(1,013,887)	(494,700)	763,994	863,508
Total equity		(492,697)	(46,224)	1,231,896	1,331,410

Notes to the financial statements are included on pages 77 to 92

CASH FLOW STATEMENT

For the Financial year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	804,196	668,951	–	–
Interest received	20,930	10,910	1,057,420	330,153
Cash was applied to:				
Payments to suppliers and employees	(215,735)	(148,723)	–	–
Interest – senior debt	(284,057)	(240,682)	–	–
Distribution – FLIERS	(40,449)	(58,230)	(40,449)	(58,230)
Interest - SKIES	(14,922)	–	(14,922)	–
Net cash flows provided by operating activities	269,963	232,226	1,002,049	271,923
Cash flows from investing activities				
Cash was provided from:				
Proceeds from disposal of property, plant and Equipment	162	85	–	–
Cash was applied to:				
Acquisition of property, plant and equipment	(174,425)	(218,677)	–	–
Capitalised borrowing costs	(8,488)	(9,448)	–	–
Net cash flows used in investing activities	(182,751)	(228,040)	–	–
Cash flows from financing activities				
Cash was provided from:				
Proceeds from borrowings – medium term notes and bank loans	1,468,872	415,640	–	–
Loans from other entities in wholly owned group		–	1,028	536
Proceeds from issue of SKIES	650,000	–	650,000	–
Cash was applied to:				
Repayment of borrowings – medium term notes and bank loans	(358,000)	(201,895)	–	–
Advances to related parties	–	–	(10,695)	–
Repayment of FLIERS	(653,644)	–	(653,644)	–
Debt establishment costs	(72,521)	(11,635)	(20,235)	(536)
Dividends paid – ordinary shares	(338,371)	(48,764)	(338,371)	(48,764)
Distribution – redeemable preference shares	(207,589)	(223,380)	(207,589)	(223,380)
Net cash flows provided by/(used in) financing activities	488,747	(70,034)	(579,506)	(272,144)
Net increase/(decrease) in cash and cash equivalents	575,959	(65,848)	422,543	(221)
Cash and cash equivalents at beginning of the financial year	197,010	262,858	32,059	32,280
Cash and cash equivalents at end of the financial year	772,969	197,010	454,602	32,059

Notes to the financial statements are included on pages 77 to 92

STATEMENT OF RECOGNISED INCOME AND EXPENSE

For the Financial year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Cash flow hedge:				
Gain/(loss) taken to equity	92,123	36,904	–	–
Transferred to profit or loss for the year	(16,428)	(252)	–	–
Recognition of deferred tax	(22,707)	(10,774)	–	–
Amortisation of swap reset costs	19,726	20,452	–	–
Actuarial gain/(loss) on defined benefit plans	2,112	2,844	–	–
Recognition of deferred tax	(634)	(3,806)	–	(2,955)
Other	–	135	–	–
Net income recognised directly in equity	74,192	45,503	–	(2,955)
Net (loss)/profit for the year	(182,294)	(147,699)	238,857	355,969
Total recognised income and expense for the period	(108,102)	(102,196)	238,857	353,014
Attributable to:				
Equity holders of the parent	(108,102)	(102,196)	238,857	353,014

Notes to the financial statements are included on pages 77 to 92

NOTES TO THE FINANCIAL STATEMENTS

For the Financial year ended 30 June 2007

1. SUMMARY OF 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 Airport Corporation Holdings Limited.

All amounts are presented in Australian dollars.

A full description of the accounting policies adopted by the Group is provided in the notes to the financial statements which form part of the full financial report.

Adoption of new and revised Accounting Standards
In the current year, there are no new or revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) which became effective for the current annual reporting period that are relevant to the Group.

At the date of authorisation of the financial report, the following Standards and Interpretations were on issue but not yet effective:

AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2007
AASB 101 'Presentation of Financial Statements' – revised standard	Effective for annual reporting periods beginning on or after 1 January 2007
Interpretation 10 'Interim Financial Reporting and Impairment'	Effective for annual reporting periods beginning on or after 1 November 2006
AASB Interpretation 12 'Service Concession Arrangements' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2008
AASB 8 'Operating Segments' and consequential amendments to other accounting standards resulting from its issue	Effective for annual reporting periods beginning on or after 1 January 2009

Management have begun the process to assess whether AASB Interpretation 12 will be applicable to SCACH and its operations as an airport operator. In addition, management are assessing the impact of AASB 8 regarding segment reporting and the impact of this standard on the disclosures required in the SCACH accounts.

Other than the matters noted above, the directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised) and AASB 7 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company and the Group's financial instruments and the objectives, policies and processes for managing capital.

These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement.

1. SUMMARY OF ACCOUNTING POLICIES (cont'd)

Going Concern

The financial report has been prepared on the basis that the Group is a going concern, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at the financial year end 30 June 2007, the consolidated entity has net liabilities of $492.7 million. An independent valuation by KPMG as at 30 June 2007 supported an increase in the Equity Value since privatisation in 2002 of approximately $3,655 million (2006: $2,870 million). This valuation increment, if applied in the financial statements of the consolidated entity, would more than absorb the deficiency in net assets. In addition, the consolidated entity successfully completed a $4.3 billion financing transaction during the year, including the refinance of some senior debt facilities and the establishment of new facilities for capital expenditure, liquidity and general working capital purposes. As at 30 June 2007, $2,349 million in committed facilities remain undrawn.

In addition, as part of the refinance, the $600 million in FLIERS issued by the FLIERS Trust were redeemed and a new $650 million debt instrument, SKIES, was issued by SCACH, which is traded on the ASX.

Accordingly, the going concern basis of accounting is considered to be appropriate in the preparation of the financial report.

2. AERONAUTICAL SECURITY RECOVERY

The income statement includes both revenues and costs relating to aeronautical security recovery. Security recovery charges are set at appropriate levels to ensure cost recovery only, in accordance with ACCC guidelines for pass-through of Government mandated security costs. Aeronautical security recoveries include charges in relation to services provided on both international and domestic sectors. Security charges are not levied on regional passenger services (other than in relation to Terminal 2 checked bag screening and passenger screening services). Aeronautical security recoveries are for the following services, all of which are mandated government requirements:

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

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

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

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

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Revenue				
Security recovery	61,636	47,317	–	–
Expenses				
Direct costs	(44,499)	(37,291)	–	–
Depreciation	(9,810)	(5,838)	–	–
Borrowing costs	(7,327)	(4,188)	–	–
Surplus/deficit	–	–	–	–

3. DIVIDENDS AND DISTRIBUTIONS PAID AND PROPOSED

	2007		2006	
	$ PER SHARE	TOTAL $'000	**$ PER SHARE**	TOTAL $'000
Ordinary shares				
Recognised amounts				
First quarter (July)	–	–	–	–
Second quarter (October)	–	–	4.5123	45,461
Third quarter (January)	15.9371	160,566	0.2526	2,545
Fourth quarter (April)	11.2088	112,929	0.0752	758
Special distribution – December 2006	6.4393	64,876		–
		338,371		48,764
Dividends were paid on 23 October 2006, 29 January 2007 and 27 April 2007. These dividends were all unfranked.				
Unrecognised amounts				
Final dividend	40.8462	411,525	–	–
On 23 July 2007, the directors declared an unfranked dividend of $411,525 thousand to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2007.				

		CONSOLIDATED		COMPANY	
		2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Floating IPO Exchangeable Reset Securities ("FLIERS")					
Proposed distribution at the beginning of the year		(11,555)	(11,579)	(11,555)	(11,579)
Distribution paid		40,449	58,230	40,449	58,230
Proposed distribution at the end of the year		–	11,555	–	11,555
	(i)	28,894	58,206	28,894	58,206
Sydney Kingsford Smith Interest Earning Securities ("SKIES")					
Proposed payment at the beginning of the year		–	–	–	–
Distribution paid		14,922	–	14,922	–
Proposed payment at the end of the year		13,475	–	13,475	–
	(i)	28,397	–	28,397	–
Redeemable preference shares ("RPS")					
Proposed distribution at the beginning of the year		(39,686)	(57,949)	(39,686)	(57,949)
Distributions paid		207,589	223,380	207,589	223,380
Proposed distribution at the end of the year		36,332	39,686	36,332	39,686
	(i)	204,235	205,117	204,235	205,117

(i) Distributions in respect of FLIERS, SKIES and RPS (which are stapled to ordinary shares) are included as borrowing costs in the income statement consistent with the balance sheet classification of the related instrument.
Proposed distributions include only that portion of the proposed distribution that is attributable to the accounting period. Distributions in respect of FLIERS were made on 20 July 2006, 20 October 2006 and final FLIERS payment on 20 December 2006 upon cancellation of the FLIERS. Distributions in respect of RPS were made on 21 July 2006, 21 October 2006, 20 December 2006 (special refinance distribution), 29 January 2007, 27 April 2007. Distributions in respect of SKIES were made on 27 April 2007.

4. INTANGIBLE ASSETS

CONSOLIDATED	LEASEHOLD LAND $'000	AIRPORT OPERATOR LICENCE $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2007			
Gross carrying costs			
Opening cost as at 1 July 2006	1,648,344	2,058,070	3,706,414
Transfers*	23,690	–	23,690
At 30 June 2007	1,672,034	2,058,070	3,730,104
Accumulated amortisation			
Opening accumulated amortisation as at 1 July 2006	(69,398)	(86,648)	(156,046)
Amortisation	(17,449)	(21,662)	(39,111)
At 30 June 2007	(86,847)	(108,310)	(195,157)
At 30 June 2007			
Cost (gross carrying amount)	1,672,034	2,058,070	3,730,104
Accumulated amortisation	(86,847)	(108,310)	(195,157)
Net carrying amount	1,585,187	1,949,760	3,534,947

CONSOLIDATED	LEASEHOLD LAND $'000	AIRPORT OPERATOR LICENCE $'000	TOTAL $'000
YEAR ENDED 30 JUNE 2006			
Gross carrying costs	1,648,344	2,058,070	3,706,414
Accumulated amortisation			
Opening accumulated amortisation as at 1 July 2005	(52,049)	(64,986)	(117,035)
Amortisation	(17,349)	(21,662)	(39,011)
At 30 June 2006	(69,398)	(86,648)	(156,046)
At 30 June 2006			
Cost (gross carrying amount)	1,648,344	2,058,070	3,706,414
Accumulated amortisation	(69,398)	(86,648)	(156,046)
Net carrying amount	1,578,946	1,971,422	3,550,368

4. INTANGIBLE ASSETS (cont'd)

Significant intangible assets

The consolidated entity holds the right to operate the leasehold land as an airport. As at 30 June 1998, the Commonwealth of Australia granted Sydney Airport Corporation Limited, a wholly-owned subsidiary, the ownership of a 50 plus 49 year lease of land. At the same time, an airport operator license was granted, which is subject to meeting certain requirements set by governing bodies in Australia on an annual basis.

Transfers*

During the year there was a transfer of $23,690 thousand from capital work-in-progress to intangibles which represents the capitalisation of the sea wall around the Botany Bay section of the aerodrome. This asset has been reclassified as an addition to the aerodrome leasehold land and as such is an intangible asset of the airport.

The carrying amounts and remaining useful lives of the intangibles are:

	LEASEHOLD LAND		AIRPORT OPERATOR LICENCE	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Carrying amount	1,585,187	1,578,946	1,949,760	1,971,422
Remaining useful life	90 years	91 years	90 years	91 years

Leasehold land and the airport operator licence have been recognised at their respective cost of acquisition by reference to the purchase consideration and independent professional valuation advice. Both intangibles have been assessed as having a finite life and are amortised using the straight line method over a period of 95 years from 28 June 2002, being the date of acquisition. Both assets are tested for impairment where an indicator of impairment arises.

Leasehold land and the Airport Operator Licence have been tested for impairment based on a single cash generating unit approach. All income streams are inextricably linked to one single cash generating unit and individual cash flows cannot be separated from airport operations. The recoverable amount of this cash generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period.

	CONSOLIDATED		COMPANY	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
5. GOODWILL				
Gross carrying amount	688,284	688,284	–	–
Accumulated impairment losses	–	–	–	–
Net book value				
At the beginning of the financial year	688,284	688,284	–	–
At the end of the financial year	688,284	688,284	–	–

Goodwill relates to the acquisition of Sydney Airport at 28 June 2002 and is considered as an indefinite life asset.

Indefinite life intangible assets, such as goodwill, are reviewed annually for impairment. The recoverable amount of such assets is assessed by reference to their value in use. Value in use is determined by reference to discounted cash flow forecasts for the cash generating unit of Sydney Airport.

Under the Group's debt documents, SCACH is required to undertake an annual independent Valuation based on 20 year forecast cashflows. The key assumptions upon which management has based the cashflow projections are passenger forecasts, revenue and operating expenses, interest rates, inflation and future financing assumptions. A five year Corporate Plan was approved by the Board in June 2007 and this is used as the basis of the first 5 years of cashflows. The five year Corporate Plan is the result of a detailed business planning process, based on historical performance and the company's views on key drivers. For the remaining 15 years of the forecasts, the assumptions are based on the five year Corporate Plan and industry comparables for key drivers including inflation and long term passenger forecasts. A period of 20 years is used for cashflow projections as the airport operates under a 50 year lease (42 years remaining) from the Commonwealth, with an additional zero cost 49 year option.

In its Valuation as at 30 June 2007, KPMG Corporate Finance calculated the Equity Value of the cash generating unit (SCACH) in accordance with the Group's debt documents by discounting the SCACH equity cashflows at a discount rate derived using the CAPM model, being 15.2% per annum. Net Finance Debt is then added to Equity Value to arrive at Enterprise Value. Further details of the Valuation as at 30 June 2007, performed by KPMG Corporate Finance are contained below.

During the financial year, no such assets were found to be impaired (2006 : $Nil).

Valuation of Sydney Airport

In accordance with the senior debt documentation the shares in SACL held by SCAC were independently valued as at 30 June 2007. A valuation of $8,083.0 million was adopted by the Board and was based on a valuation range determined by KPMG Corporate Finance Pty Limited (2006: $6,895.5 million). The valuation as at 30 June 2007 equates to an Enterprise Value of the SCACH Group of $11,047 million (2006: $9,747 million) compared to a book value of $6,272.9 million (2006: $6,272.9 million), which represents the total of equity and net debt. Net debt comprises interest bearing liabilities and accrued interest less cash and deferred borrowing costs. The 30 June 2007 enterprise valuation of $11,047 million reflects a cumulative increase in the SCACH Equity Value since acquisition of approximately $4,170 million.

6. NON-CURRENT BORROWINGS

At amortised cost

		CONSOLIDATED		COMPANY	
		2007	2006	**2007**	2006
		$'000	$'000	**$'000**	$'000
Bank loans	(i)	879,989	1,090,077	–	–
Medium term notes	(ii)	3,691,245	2,876,573	–	–
Delayed drawdown medium term notes	(iii)	14	–	–	
Capital indexed bonds	(iv)	862,982	356,321	–	–
FLIERS	(v)	–	659,246	–	659,246
SKIES	(vi)	631,152	–	631,152	–
Redeemable preference shares	(vii)	1,455,231	1,450,293	1,455,231	1,450,293
		7,520,613	6,432,510	2,086,383	2,109,539

(i) Bank loans

Senior bank debt facilities as at 30 June 2007 comprised of five tranches (2006: 3 tranches) with the following maturities:

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
Tranche A	10 September 2009	450,000	450,000	447,074	447,846
Tranche B	10 September 2011	348,105	348,105	345,939	345,424
Tranche C	10 September 2009	11,000	299,000	9,519	296,807
Tranche D	8 December 2009	67,000	–	62,911	–
Tranche E	8 December 2009	17,000	–	14,546	–
		893,105	1,097,105	879,989	1,090,077

Interest is charged at Bank Bill Swap Bid Rate ("BBSY") plus a pre-determined margin. Refer to Note 7 for disclosure of the effective interest rate.

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

6. NON-CURRENT BORROWINGS (cont'd)

(ii) Medium term notes ("MTN")

MTN as at 30 June 2007 comprised of nine issues (30 June 2006: five issues) with the following maturities:

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
Issue 1	11 October 2007	1,220,000	1,220,000	1,219,640	1,217,886
Issue 2	20 November 2009	420,000	420,000	415,242	412,762
Issue 3	11 October 2012	280,000	280,000	270,970	267,519
Issue 4	20 November 2014	700,000	700,000	687,583	684,967
Issue 5	20 November 2015	300,000	300,000	294,507	293,439
Issue 6	21 November 2011	150,000	–	147,790	–
Issue 7	21 November 2011	250,000	–	244,964	–
Issue 8	20 November 2013	217,000	–	213,714	–
Issue 9	20 November 2021	200,000	–	196,835	–
		3,737,000	2,920,000	3,691,245	2,876,573

Fixed interest is charged on the following MTN's at the following rates
$600m facility included in Issue 1: 6.02%
$40m facility included in Issue 3: 6.425%
$250m facility (Issue 7): 6.25%

The remaining floating rate notes at the Bank Bill Swap Rate ("BBSW") plus a pre-determined margin.

The $1,220.0 million of MTN due 11 October 2007 (Issue 1) have been disclosed as a non-current liability as they are to be refinanced under the delayed drawdown MTN facility that was put in place on 15 December 2006 (refer note (iii) below).

MTN's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. Medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

6.NON-CURRENT BORROWINGS (cont'd)

(iii) Delayed drawdown medium term notes ("MTN's")

Delayed drawdown MTN as at 30 June 2007 comprised of two issues with the following maturities:

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
Issue 1	October 2022	7	–	7	–
Issue 2	October 2027	7	–	7	–
		14	–	14	–

The MTN's were issued at a nominal instalment of $0.01 per $100 note on 15 December 2006 and the second instalment of these MTN's will be as follows:
Issue 1 ($750m facility): 4 October 2007
Issue 2 ($659m facility): 26 September 2007

The proceeds received from the second instalment in September/October 2007 will be used to repay the $1,220.0 million MTN due 11 October 2007 (Issue 1). $34.9 million of deferred debt establishment costs relating to the second instalment of the delayed drawdown MTN's are classified as other non-current assets and will be classified as borrowings when the second instalment is received in September/October 2007.

Interest is charged on the floating rate notes at the Bank Bill Swap Rate ("BBSW") plus a pre-determined margin.

MTN 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. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation and Financial Security Assurance Inc. Medium term notes rank pari passu with the senior bank debt and capital indexed bonds.

(iv) Capital indexed bonds ("CIB")

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
Issue 1	20 November 2020	579,549	368,515	574,274	356,321
Issue 2	20 November 2030	304,880	–	288,708	–
		884,429	368,515	862,982	356,321

Interest is charged at a fixed rate of 3.76% p.a. on Issue 1 and 3.12% on Issue 2. Additionally, the principal repayable for both issues is increased through to maturity linked to the rate of inflation ("CPI"). The fixed interest charged is calculated on the increasing liability.

CIB's are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport lease. Financial guarantees in respect of the notes are provided by MBIA Insurance Corporation and Ambac Assurance Corporation. Capital indexed bonds rank pari passu with the senior bank debt and medium term notes.

(v) Floating IPO Exchangeable Reset Securities ("FLIERS")
The FLIERS issued by SCACH were redeemable convertible preference shares that carried a cumulative dividend at BBSY plus a margin of 4%. FLIERS were redeemed and cancelled on 20 December 2006. Up until date of redemption, FLIERS were accounted for at fair value through profit or loss.

6.NON-CURRENT BORROWINGS (cont'd)

(vi) Sydney Kingsford Smith Interest Earning Securities ("SKIES")

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
	20 December 2016	650,000	–	631,152	–

The SKIES issued by SCACH on 20 December 2006 are a subordinated debt instrument carrying a cumulative interest cost of BBSW plus a margin of 1.8%. The first remarketing date for the margin is 20 December 2011.

The SKIES mature on 20 December 2016.

Holders of the SKIES rank in priority to ordinary shares and redeemable preference shares for the payment of distributions and return of capital.

SKIES are listed and traded on the Australian Stock Exchange.

(vii) Redeemable preference shares ("RPS")

		PRINCIPAL AMOUNT DRAWN		CARRYING AMOUNT	
	MATURITY DATE	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)	30 JUNE 2007 ($'000)	30 JUNE 2006 ($'000)
	28 June 2032	1,511,250	1,511,250	1,455,231	1,450,293

Each RPS is stapled to one ordinary share of SCACH at a nominal value of $150 each. RPS are redeemable at a premium of $50 per RPS on 28 June 2032.

The shares carry an entitlement to a fixed cumulative dividend at a rate of 13.5% p.a.. Dividends are 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.

(viii) Deferred debt establishment costs

Deferred establishment costs are amortised over the term of maturity of the underlying financial instrument following the effective interest rate method.

7. FINANCIAL INSTRUMENTS

Accounting policies and financial risk management objectives and policies

Accounting policies and financial risk management objectives and policies

Details of the accounting policies adopted as well as the financial risk management objectives and policies in place are disclosed in Note 1 of the full financial report.

Fair values

Except as detailed in the following table, the directors consider the carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

The following tables detail the fair value of financial assets and financial liabilities:

		CARRYING AMOUNT		FAIR VALUE	
		2007	2006	2007	2006
CONSOLIDATED		$'000	$'000	$'000	$'000
Financial assets					
Derivative assets – interest rate swaps	(i)	105,318	29,704	105,318	29,704
Financial liabilities					
Interest-bearing liabilities – FLIERS	(ii)	–	659,246	–	659,246

(i) The fair value of derivative items has been calculated by discounting the expected future cash flows at prevailing interest rates. Related fair value adjustments are disclosed in the Statement of Recognised Income and Expense and in the Income Statement.

(ii) The ASX quoted ask price was used to determine the fair value of the FLIERS up until redemption date on 20 December 2006.

		CARRYING AMOUNT		FAIR VALUE	
		2007	2006	2007	2006
COMPANY		$'000	$'000	$'000	$'000
Financial liabilities					
Interest-bearing liabilities – FLIERS	(i)	–	659,246	–	659,246

(i) The ASX quoted ask price was used to determine the fair value of the FLIERS up until redemption on 20 December 2006.

7. FINANCIAL INSTRUMENTS (cont'd)

Interest rate risk

The following tables set out the carrying amount by maturity of the financial instruments that are exposed to cash flow interest rate risks:

Consolidated 2007

			FIXED INTEREST RATE MATURITY							
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE (iv) %	VARIABLE INTEREST RATE $'000	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets										
Trade and other receivables	–	–	–	–	–	–	–	–	109,776	109,776
Derivative assets-interest rate swaps	–	105,318	–	–	–	–	–	–	–	105,318
Cash assets – cash at bank and short term deposits	6.3	772,969	–	–	–	–	–	–	–	772,969
		878,287	**–**	**–**	**–**	**–**	**–**	**–**	**109,776**	**988,063**
Financial Liabilities										
Trade and other liabilities	–	–	–	–	–	–	–	–	150,833	150,833
Borrowings – CIB	(ii)	–	–	–	–	–	–	862,982	–	862,982
Borrowings – RPS	13.5 (i)	–	–	–	–	–	–	1,455,231	–	1,455,231
Borrowings – bank loans	6.44	879,989	–	–	–	–	–	–	–	879,989
Borrowings – MTN	6.91	2,807,766	599,813	–	–	–	–	283,666	–	3,691,245
Borrowings – Delayed drawdown MTN	– (v)	–	–	–	–	–	–	–	14	14
Borrowings – SKIES	8.41	631,152	–	–	–	–	–	–	–	631,152
Derivative assets-interest rate swaps (iii)		(4,856,085)	–	1,400,000	701,579	550,000	348,000	1,856,506	–	–
		(537,178)	**599,813**	**1,400,000**	**701,579**	**550,000**	**348,000**	**4,458,385**	**150,847**	**7,671,446**

(i) RPS distribution is payable at 13.5% p.a. of the face value of shares
(ii) Interest is charged at a fixed rate of 3.76% p.a. on Issue 1 and 3.12% on Issue 2. Additionally, the bond liability for both issues is increased through to maturity linked to the rate of inflation ("CPI"). The fixed interest charged is calculated on the increasing liability.
(iii) Notional principal amounts.
(iv) Weighted average effective interest rate is calculated over the 12 month period.
(v) Interest is only payable after the second instalment in September/October 2007

7. FINANCIAL INSTRUMENTS (cont'd)

Consolidated 2006

			FIXED INTEREST RATE MATURITY							
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE (iii) %	VARIABLE INTEREST RATE $'000	1 YEAR OR LESS $'000	1 TO 2 YEARS $'000	2 TO 3 YEARS $'000	3 TO 4 YEARS $'000	4 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets										
Trade and other receivables	–	–	–	–	–	–	–	–	88,316	88,316
Derivative assets-interest rate swaps	–	29,704	–	–	–	–	–	–	–	29,704
Cash assets – cash at bank and short term deposits	5.59	197,010	–	–	–	–	–	–	–	197,010
		226,714	**–**	**–**	**–**	**–**	**–**	**–**	**88,316**	**315,030**
Financial Liabilities										
Trade and other liabilities	–	–	–	–	–	–	–	–	135,997	135,997
Borrowings – CIB	3.76	–	–	–	–	–	–	356,321	–	356,321
Borrowings – RPS	13.5 (i)	–	–	–	–	–	–	1,450,293	–	1,450,293
Borrowings – bank loans	6.28	1,090,077	–	–	–	–	–	–	–	1,090,077
Borrowings – MTN	6.58	2,876,573	–	–	–	–	–	–	–	2,876,573
Borrowings – FLIERS	9.74	659,246	–	–	–	–	–	–	–	659,246
Derivative assets-interest rate swaps (ii)	–	(3,259,730)	–	–	2,859,730	–	400,000	–	–	–
		1,366,166	**–**	**–**	**2,859,730**	**–**	**400,000**	**1,806,614**	**135,997**	**6,568,507**

(i) RPS distribution is payable at 13.5% p.a. of the face value of shares
(ii) Notional principal amounts.
(iii) Weighted average effective interest rate is calculated over the 12 month period.

7. FINANCIAL INSTRUMENTS (cont'd)

Hedging activities – Cash flow hedges

Interest rate swaps are used to reduce exposure to cash flow interest rate risk. They comprise contracts made with other parties to exchange on specified settlement dates the difference between fixed rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. The payment or receipt of the net amount of interest is made every quarter.

At 30 June 2007, the Group had the following interest rate swap agreements in place to hedge the exposure to changes in the fair values of the floating interest liabilities:

NOTIONAL AMOUNT $'000	RECEIVE INTEREST RATE %	PAY INTEREST RATE %	MATURITY	UNDERLYING FINANCIAL INSTRUMENT
(461,579) (i)	BBSW	6.4983	11 July 2007	(i)
798,105	BBSY	5.690	20 May 2009	Bank loans
601,895	BBSW	5.640	20 May 2009	MTN
701,579	BBSW	5.640	11 July 2009	MTN
150,000	BBSW	6.3725	20 November 2011	MTN
118,000	BBSW	6.3725	20 August 2012	MTN
620,000	BBSW	6.3825	11 October 2012	MTN
299,000	BBSY	6.3825	20 August 2012	MTN
819,506	BBSW	6.3825	20 August 2015	MTN
400,000 (ii)	BBSW	6.015	20 May 2011	MTN
348,000 (ii)	BBSW	6.3825	20 August 2011	MTN
(147,470) (iii)	BBSW	6.2125	11 April 2008	(iii)
4,247,036				

(i) The Group entered into a fixed to floating swap which matures on 11 July 2007 to offset an overhedged position.
(ii) Forward start swap, commencing 20 May 2009
(iii) Forward start swap commencing 11 January 2008 to offset a future overhedged position.

As at 30 June 2006, the Group had the following interest-rate swap contracts outstanding:

NOTIONAL AMOUNT $'000	RECEIVE INTEREST RATE %	PAY INTEREST RATE %	MATURITY	UNDERLYING FINANCIAL INSTRUMENT
798,105	BBSY	5.690	20 May 2009	Bank loans
1,360,046	BBSW	5.640	20 May 2009	MTN
701,579	BBSW	5.640	11 July 2009	MTN
*400,000	BBSW	6.015	20 May 2011	MTN
3,259,730				

* Forward start swap, commencing 20 May 2009

The table below shows the maturity analysis of interest rate contracts.

OUTSTANDING FLOATING FOR FIXED CONTRACTS	AVERAGE CONTRACTED FIXED INTEREST RATES		NOTIONAL PRINCIPAL AMOUNT		FAIR VALUE	
	2007 %	2006 %	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Less than 1 year	6.4291	–	(609,049)	–	224	–
1 to 2 years	5.6685	–	1,400,000	–	30,567	–
2 to 5 years	5.9640	5.74	1,599,579	2,859,730	16,364	28,349
5 years +	6.3819	6.015	1,856,506	400,000	58,163	1,355
			4,247,036	3,259,730	105,318	29,704

From 22 November 2004, interest rate swaps contracts exchanging floating interest amounts for fixed rate interest amounts are designated and effective as cash flow hedges.

8. AUDITOR'S REMUNERATION

	CONSOLIDATED		COMPANY	
	2007 $	2006 $	**2007 $**	2006 $
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:				
– an audit or review of the financial report of the entity and any other entity in the consolidated entity	308,138	291,000	–	–
– other services in relation to the entity and any other entity in the consolidated entity:				
– tax compliance	347,058	78,119	–	–
– assurance related	51,000	20,000	–	–
– accounting assistance	523,342	41,000	–	–
	1,229,538	430,119	–	–
Other auditors:				
Internal audit services	182,382	206,720	–	–

9. SEGMENT INFORMATION

The Group predominantly operates in one business segment which provides and operates airport facilities at Mascot, NSW, Australia.

10. EVENTS AFTER THE BALANCE SHEET DATE

An ordinary dividend of $411,525 thousand was declared for the year ended 30 June 2007. The final dividend has not been recognised in this financial report because it was declared after 30 June 2007.

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

Sydney Airport–Destinations and Airlines

International Destinations	Domestic Destinations	Regional Destinations	International Airlines	Domestic/Regional Airlines
Abu Dhabi	Adelaide	Albury	Aerolineas Argentinas	Aeropelican
Apia	Alice Springs	Armidale	Air Caledonie International	Jetstar
Auckland	Avalon	Ballina	Air Canada	Qantas
Bali	Ayers Rock	Bathurst	Air China	Qantas Eastern
Bangkok	Brisbane	Broken Hill	Air Mauritius	Regional Express
Beijing	Broome	Cobar	Air New Zealand	Virgin Blue
Brunei	Cairns	Coffs Harbour	Air Niugini	
Buenos Aires	Canberra	Cooma	Air Pacific	
Chicago	Coolangatta	Dubbo	Air Tahiti Nui	
Christchurch	Darwin	Griffith	Air Vanuatu	
Cook Islands	Hamilton Island	Grafton	Asiana Airlines	
Dubai	Hervey Bay	Inverell	British Airways	
Dunedin	Hobart	Lismore	Cathay Pacific	
Frankfurt	Launceston	Lord Howe Island	China Airlines	
Guangzhou	Mackay	Merimbula	China Eastern Airlines	
Hamilton	Maroochydore	Moree	China Southern Airlines	
Hanoi	Melbourne	Moruya	Emirates	
Ho Chi Minh City	Mildura	Mudgee	Etihad Airways	
Hong Kong	Mount Hotham	Narrabri	Freedom Air	
Honolulu	Perth	Narrandera	Garuda Indonesia	
Incheon	Proserpine	Newcastle	Hawaiian Airlines	
Jakarta	Rockhampton	Orange	Jalways	
Johannesburg	Townsville	Parkes	Jetstar International	
Kuala Lumpur		Port Macquarie	Korean Air	
Los Angeles		Tamworth	Lanchile	
London		Taree	Malaysia Airlines	
Manila		Wagga Wagga	Ozjet	
Mauritius		West Wyalong	Pacific Blue	
Mumbai			Philippine Airlines	
Nadi			Polynesian Blue	
New York			Qantas	
Norfolk Island			Royal Brunei	
Noumea			Singapore Airlines	
Osaka			Thai Airways	
Palmerston North			United Airlines	
Papeete			Vietnam Airlines	
Phuket			Virgin Atlantic	
Port Moresby				
Port Vila				
Queenstown				
San Francisco				
Santiago				
Shanghai				
Singapore				
Suva				
Taipei				
Tokyo				
Tongatapu				
Vancouver				
Wellington				

As at June 2007

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	PAPI***
		16L/34R	Category 1	PAPI
		07/25		PAPI
Terminals	T1 (International)	27 contact gates plus 5 layover/bus		
	T2 (Domestic)	18 contact gates plus 13 layover/bus		
	T3 (Qantas Domestic)	19 contact gates plus 2 walk up positions		
	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 7 (2330-0500 AEST)			
ATC	Terminal Area Control Unit and Tower			

*International Civil Aviation Organisation
**International Air Transport Association
***Precision Approach Path Indicator

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