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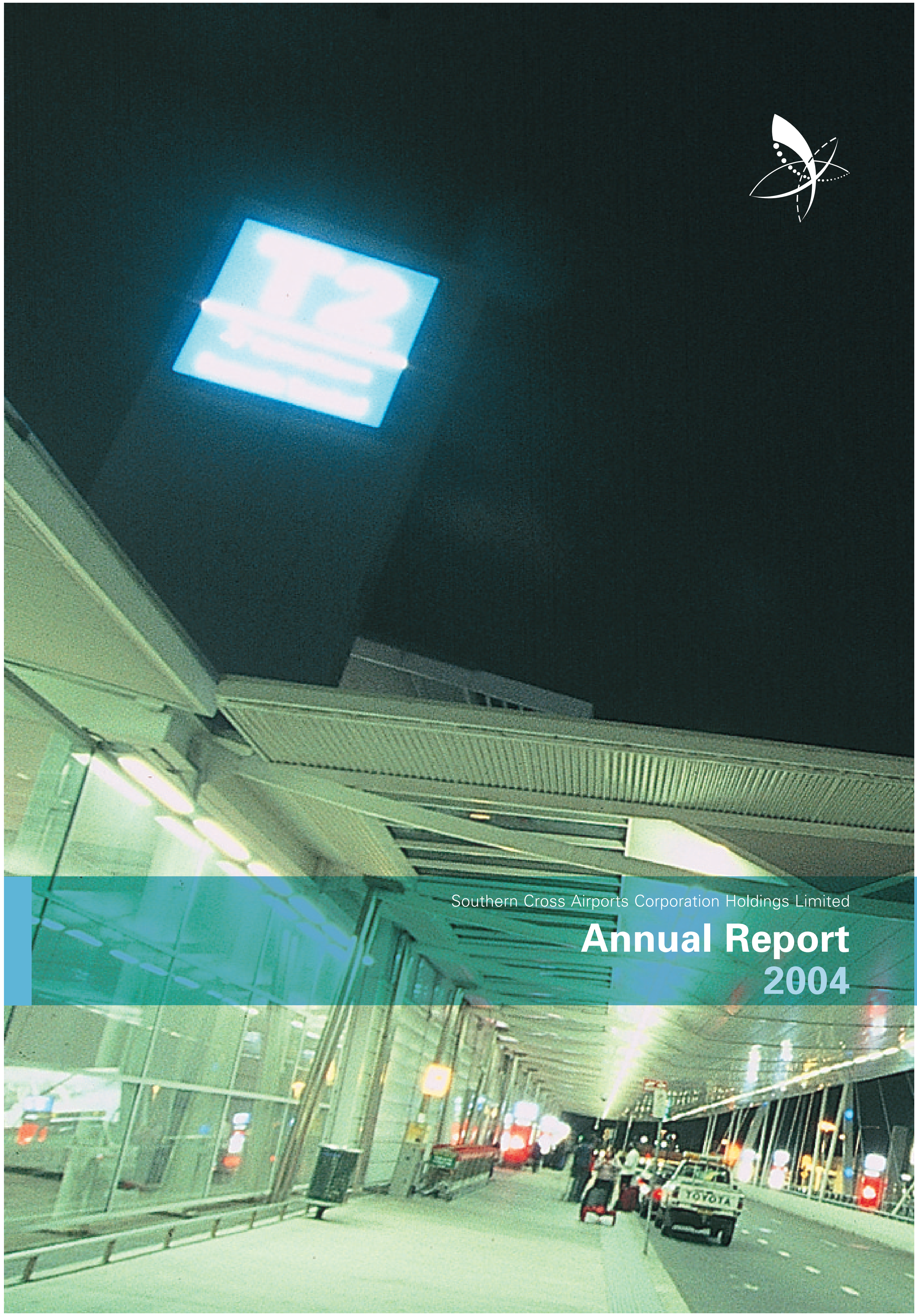

Southern Cross Airports Corporation Holdings Limited

Annual Report 2004

Company Structure

Southern Cross Airports Corporation Holdings Limited "SCACH"

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

Southern Cross Airports Corporation Pty Limited "SCAC"

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

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

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

Airport Nova Developments Pty Limited "Nova"

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

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CHAIRMAN AND CHIEF EXECUTIVE'S REPORT

Sydney Airport is Australia's premier international gateway, welcoming over 26 million passengers in financial year 2004. As the nation's busiest and most critical aviation hub for both passengers and freight, Sydney Airport has maintained its international reputation as one of the world's best airports for the financial year 2004.

Sydney Airport has continued to work with key stakeholders and customers to promote increased activity and restore consumer and commercial confidence in the aviation industry.

While the impact of the Iraq WAR and SARS saw international traffic affected, a first half passenger growth of 7.0 per cent was recorded. The return in confidence was reflected in a 13.9 per cent second-half growth in passenger traffic.

The recovery, coupled with effective marketing initiatives, saw an additional 14,000 seats per week introduced by new carriers through Sydney Airport. New international airlines, destinations and additional capacity on existing routes contributed to an overall 10.3 per cent growth in total passenger traffic on the previous corresponding period[1] (pcp). Total passenger traffic rose to 26.4 million from 23.9 million in 2003.

Major initiatives undertaken during the year included the implementation of a company wide organisation restructure which resulted in a 28 per cent reduction in full-time employees from 399 to 286. The restructure contributed towards the improved control of costs and provides a flatter, more flexible business model.

The 20-year Sydney Airport Master Plan was approved in March 2004 by the Federal Minister for Transport and Regional Services. It provides the vision for the operation and development of the airport for the next 20 years.

The Airport Master Plan will form the basis for a new Airport Environment Strategy (AES), which outlines the key strategic directions for Sydney Airport's environmental management for the period 2005–2010. A Preliminary Draft AES was prepared in consultation with all stakeholders, including the local community, special interest groups, government agencies, airport customers and Local, State and Federal Governments. It has been placed on public exhibition from 1 July to 28 September 2004.

SYDNEY AIRPORT:

- Top 10 Airports World Wide
- Top 5 Airports Asia Pacific

– SkyTrax 2004

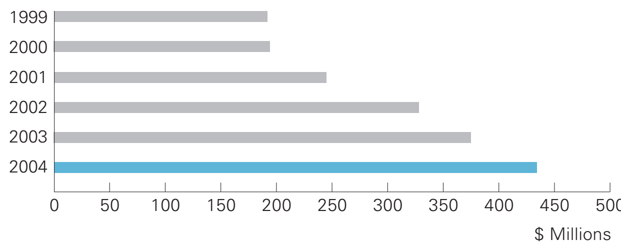
The approval of the Master Plan enables under-utilised, non-aeronautical land within the airport boundaries to be developed, resulting in new commercial leasing opportunities. New arrangements with companies include a lease to Visy Paper Pty Ltd of a 4,000m² vacant building for a recycling facility; the leasing of the remaining ex-Ansett Hangars; leases for an additional 1,170m² of lounge space within T1. Lease renewals were granted to Patrick Corporation, Australian Air Express and Alpha Catering for their ongoing operations.

Property developments accounted for an additional 35,000 m² of commercial and office space. The sites include a large-scale warehouse and distribution facility for DHL, a 10-storey office tower in the international precinct leased to the Australian Customs Service as a key tenant, and a drive-through restaurant for Krispy Kreme Doughnuts. Development site works commenced on a 128 room Accor hotel under the F1 brand.

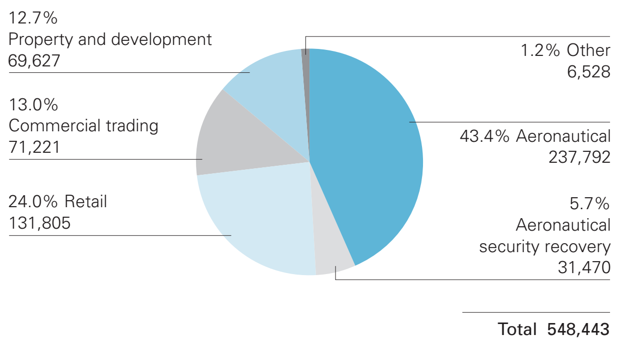
At all times, Sydney Airport has sought to maintain high levels of security in accordance with the requirements stipulated by the Commonwealth Government. Security initiatives during 2004 included increased security screening methods for passengers and baggage, additional security resources of the Australian Federal Police Protective Service as well as increased scrutiny of identity compliance. The integrity of Sydney Airport's safety and security capability will continue to be afforded the highest of priorities by company management.

Southern Cross Airport Corporation Holdings Limited (SCACH) Group delivered a consolidated profit before depreciation and amortisation, net borrowing costs, income tax and specific non-recurring expenses (EBITDA excluding specific non-recurring expenses) of $434.4 million.

EBITDA (before specific non-recurring expenses)



Revenue ($'000)



The 2004 EBITDA result excluding specific non-recurring expenses represents a 15.8 per cent increase in earnings over the pcp (2003: $375.1 million). The EBITDA including specific non-recurring expenses increased 13.4 per cent to $423.5 million (2003: $373.4 million).

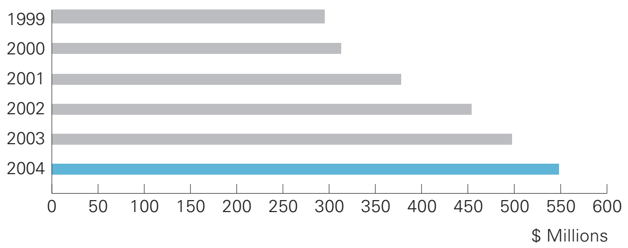
In the fourth quarter of financial year 2004, the SCACH Group recorded its eighth consecutive quarter of double digit EBITDA growth since privatisation in June 2002 – a strong result given the events in the aviation industry over recent times.

Total revenue from all business units rose 10.2 per cent to $548.4 million (2003: $497.8 million). Revenue per passenger excluding security recovery revenue rose by 2.0 per cent from $A19.18 to $A19.56. Aeronautical security recovery revenue was lower than pcp, matched by a reduction in security costs, particularly a reduction in terrorism insurance costs. As such, revenue per passenger (including security recovery revenue) was relatively unchanged at $A20.75 per passenger (2003: $A20.78).

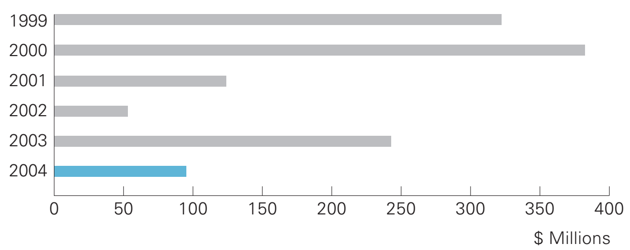
Operating expenses excluding specific non-recurring items were reduced by 7.0 per cent to $114.0 million (2003: $122.6 million). Operating expenses excluding specific non-recurring expenses per passenger declined 15.7 per cent to $4.31 (2003: $5.12). Sustainable operating savings were largely offset in 2004 by restructuring charges as a result of implementing the new organisational plan. Operating expenses including specific non-recurring expenses were $125.0 million (2003: $124.4 million). Operating expenses per passenger including specific non-recurring expenses were $4.73 per passenger (2003: $5.19).

Financial year 2004 reflects the Southern Cross Airports Corporation Holdings Limited (SCACH) Group consolidated result for the period from 1 July 2003 to 30 June 2004. The comparative amounts in the Statement of Financial Performance for SCACH Group financial year 2003 reflect trading from 28 June 2002, being the date the acquisition of Sydney Airport was completed, through to 30 June 2003. For meaningful analysis in this section of the Annual Report comparative information ($ and per cent) reflects the prior corresponding trading period 1 July 2002 to 30 June 2003.

Total Revenue



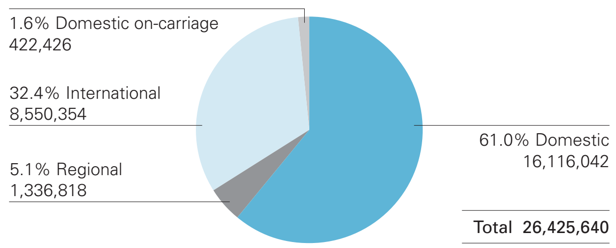
Capital expenditure



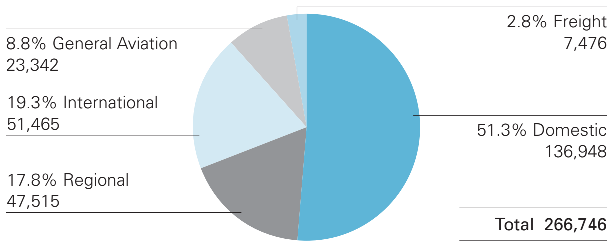
Capital expenditure for 2004 was $93.4 million (2003: $243.1 million including T2 terminal acquisition). Main projects undertaken in 2004 included construction of an office building in the international precinct, airfield lighting upgrade, expansion and refurbishment of T1 and T2 retail, and enhanced security projects such as trace detection screening.

Key Traffic Data – 2004

Passenger Moverments



Aircraft Movements



Initiatives being introduced in financial year 2005 will provide continued earnings growth. These include new airline services; yield improvements from commercial initiatives; property providing solid non-passenger based revenue and a sustainable operating expenditure base. Major project work has commenced for the New Large Aircraft (NLA) project and 100 per cent Checked Bag Screening (CBS).

Sydney Airport is progressing refinancing its $2.5 billion in bank debt facilities, which were scheduled to mature in 2005 and 2007. The proposed refinancing will allow Sydney Airport to repay its existing bank debt and improve debt margins and terms and conditions, as well as progressively reduce cash reserves established at the time of privatisation.

Sydney Airport is today working in a very different environment from only a few years ago. This is partially due to the current global uncertainty. However the positive change in Sydney Airport's circumstances is, for the most part, due to the success of the airport's privatisation. This transition has seen the organisation streamlined, realising increased cost-efficiencies and a greater degree of emphasis across a diverse range of revenue streams.

With a new organisational structure in place, eight consecutive quarters of double digit EBITDA growth and increasing confidence in the aviation market, Sydney Airport is in a good position to perform well again in financial year 2005.

Finally, I express my ongoing appreciation to my fellow directors and to all Sydney Airport staff for their continuing support and efforts in making Sydney Airport one of the most highly regarded airports in both the region and the world.

Max Moore-Wilton
Chairman & Chief Executive

OVERVIEW: FINANCIAL PERFORMANCE

REVIEW OF OPERATIONS AND RESULTS

The SCACH Group has recorded eight consecutive quarters of double digit EBITDA growth since privatisation. EBITDA excluding specific non-recurring expenses for financial year 2004 was $434.4m, a 15.8 per cent increase over 2003.

The consolidated profit before depreciation and amortisation, net borrowing costs, income tax, and specific non-recurring expenses (EBITDA excluding specific non-recurring expense) for 2004 was $434.4 million (2003: $375.1 million) – a 15.8 per cent increase over 2003.

This is a solid outcome to deliver 15.8 per cent growth in EBITDA excluding specific non-recurring expenses in an aviation environment recovering from SARS and the continuing war in Iraq, with total passenger growth of 10.3 per cent. Yield excluding specific expenses (EBITDA excluding specific non-recurring expenses / revenue) increased to 79.2 per cent (2003: 75.4 per cent). EBITDA including specific non-recurring expenses increased 13.4 per cent to $423.5 million (2003: $373.4 million). Yield including specific expenses (EBITDA including specific non-recurring expenses revenue) increased to 77.2 per cent (2003: 75.0 per cent).

Revenue for 2004 was $548.4 million (2003: $497.8 million), a 10.2 per cent increase over 2003.

Aeronautical revenue rose by 18.3 per cent to $237.8 million (2003: $201.1 million). The increase was in part due to the commencement of many new international airline services (Gulf Air, Air Paradise, Emirates, Pacific Blue, Hawaiian Airlines, and Air Mauritius) as well as the full year contribution from the T2 terminal which commenced trading from late September 2002. Australia's newest domestic airline, Jetstar, the low-cost carrier of the Qantas group of airlines, commenced operations from the T2 terminal in May 2004.

Aeronautical security recovery revenue was 17.8 per cent lower than previous corresponding period at $31.5 million (2003: $38.3 million), matched by a reduction in security costs, particularly a reduction in terrorism insurance costs.

The comparative amounts in the Statement of Financial Performance for financial year 2003 reflect trading from 28 June 2002, being the date the acquisition of Sydney Airport was completed, through to 30 June 2003. For meaningful analysis in this section of the Annual Report comparative information ($ and per cent) reflects the prior corresponding trading period 1 July 2002 to 30 June 2003.

FINANCIAL HIGHLIGHTS ($'000)

	2004	2003	CHANGE	% CHANGE
Total revenue	**548,443**	497,756	50,687	10.2%
Operating expense excluding specific expense	**114,032**	122,631	-8,599	-7.0%
Specific non-recurring expense	**10,920**	1,744	9,176	526.1%
Total operating expense	**124,952**	124,375	577	0.5%
Operating profit before depreciation and amortisation, net borrowing costs, income tax and specific expense (EBITDA excluding specific expenses)	**434,411**	375,125	59,286	15.8%
Operating profit before depreciation and amortisation, net borrowing costs, and income tax (EBITDA including specific expenses)	**423,491**	373,381	50,110	13.4%
Depreciation and amortisation	**140,885**	135,316	5,569	4.1%
Operating profit before net borrowing costs and income tax (EBIT)	**282,606**	238,065	44,541	18.7%
Net borrowing costs	**547,135**	528,043	19,092	3.6%
Operating loss before income tax	**264,529**	289,978	25,449	8.8%
Income tax benefit	**0**	31,861	-31,861	-100.0%
Operating loss after income tax (NLAT)	**264,529**	321,839	57,310	-17.8%

Retail revenue rose by 7.8 per cent to $131.8 million (2003: $122.3 million) with trading commencing in the duty free walk-through stores located in international departures and arrivals, in addition to the re-launch of the T1 international food court, and expanded T2 retail trading.

Commercial Trading revenue rose by 12.5% to $71.2 million (2003: $63.3 million) due to the success of long term and valet car parking products.

Property revenue performed strongly at $69.6 million, a 3.2 per cent increase on pcp (2003: $67.5 million) with achievements including completion of the multi storey office development project in the international precinct in July 2004, completion of the new base for DHL operations, opening of the Krispy Kreme Doughnuts wholesale/retail factory development in July 2004, and the commencement of development site works on the Accor F1 hotel development site.

Operating expenses excluding specific non-recurring expenses reduced by 7.0 per cent to $114.0 million (2003: $122.6 million). The new organisational structure introduced in July 2003 positioned Sydney Airport to achieve sustainable staff expense savings through a flatter management structure with clearer responsibilities, and delivering greater operational efficiencies.

Financial year 2004 operating expenses include the full year impact from T2 terminal operations accounting for the increase on the pcp for services and utilities expenses, but which is more than offset by the increase in aeronautical and commercial revenues generated from the T2 terminal. The reduction on the pcp for other operational costs largely reflects the reduction in terrorism insurance costs as well as the positive impact of business initiatives across all expense categories.

Operating expenses including specific non-recurring expenses were relatively unchanged at $125.0 million (2003: $124.4 million). Reduced labour costs were offset by specific non-recurring expenses largely for redundancy and restructuring.

Depreciation and amortisation increased by 4.1 per cent to $140.9 million (2003: $135.3 million). Net borrowing costs increased by 3.6 per cent to $547.1 million (2003: $528.0 million). Net borrowing costs reflect amounts paid or payable to senior financiers, the Southern Cross FLIERS Trust and holders of redeemable preference shares.

TRAFFIC HIGHLIGHTS

TYPE	2004	2003	CHANGE	% CHANGE
PASSENGER MOVEMENTS				
Domestic	**16,116,042**	14,580,645	1,535,397	10.5%
Regional	**1,336,818**	1,196,831	139,987	11.7%
Total Domestic and Regional	**17,452,860**	15,777,476	1,675,384	10.6%
International	**8,550,355**	7,817,003	733,352	9.4%
Domestic on-carriage (DOC)	**422,426**	355,037	67,389	19.0%
Total Int'l and DOC	**8,972,781**	8,172,040	800,741	9.8%
Total Passenger Movements	**26,425,640**	23,949,516	2,476,125	10.3%
AIRCRAFT MOVEMENTS				
Domestic	**136,948**	121,687	15,261	12.5%
Regional	**47,515**	49,926	-2,411	-4.8%
International	**51,465**	46,374	5,091	11.0%
General Aviation	**23,342**	23,337	5	0.0%
Freight	**7,476**	10,658	-3,182	-29.9%
Total Aircraft Movements	**266,746**	251,982	14,764	5.9%
TONNAGE (000s)				
Domestic	**5,402**	5,164	238	4.6%
Regional	**288**	323	-35	-10.8%
International	**6,608**	6,010	599	10.0%
General Aviation	**69**	66	3	4.7%
Freight	**475**	452	23	5.2%
Total Tonnage	**12,842**	12,014	828	6.9%

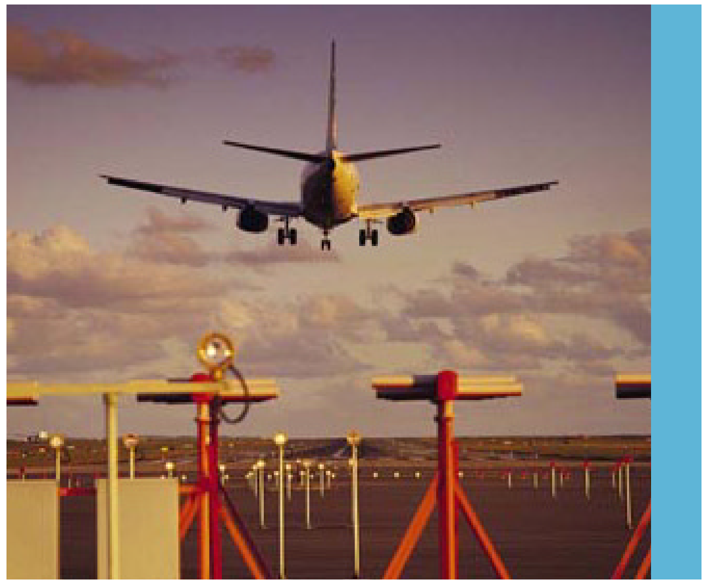
NOTE: FY2004

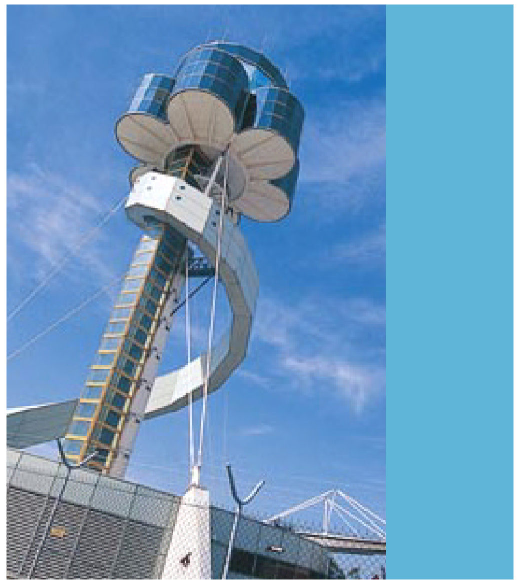
1. Regional pax movements contain estimates
2. Movements and tonnage as at 02 August 04

FY2003

1. Numbers are based on 365 days
2. Pax movements include recent adjustments to regional pax
3. A/C movements and tonnage as at 02 August 04

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





BUSINESS REVIEW – AVIATION

Sydney Airport's aviation business comprises Aviation Business Development, Airport Operations and Asset Planning & Services. These three areas are responsible for managing and developing the main operating entity's aeronautical assets, and facilitating and marketing efficient and profitable movement of aircraft, passengers and freight. Aeronautical revenues, including aeronautical security revenues, account for $269.3 million in annual revenue, representing 49.1 per cent of total Sydney Airport revenue.

Aviation's primary source of income is charges paid by airlines for the use of Sydney Airport. Aviation Business Development (ABD) was created as part of the organisation restructure to further consolidate and grow aviation revenue. ABD is charged with maintaining the commercial and strategic relationships with airline customers in relation to their aeronautical activities at Sydney Airport. In particular it has responsibility for aeronautical revenues and pricing, airline marketing, traffic forecasting, freight and aviation agreements.

Airport Operations is responsible for managing the day to day operations of the airfield and the aviation related areas of Sydney Airport's terminals (T1 and T2). Airport Operations is responsible for regulatory compliance in relation to safety and security, and provides services to both airlines and passengers. Part of this service provision is the Gold Ambassador program which involves a highly dedicated team of volunteers providing information and assistance for passengers in both T1 and T2.

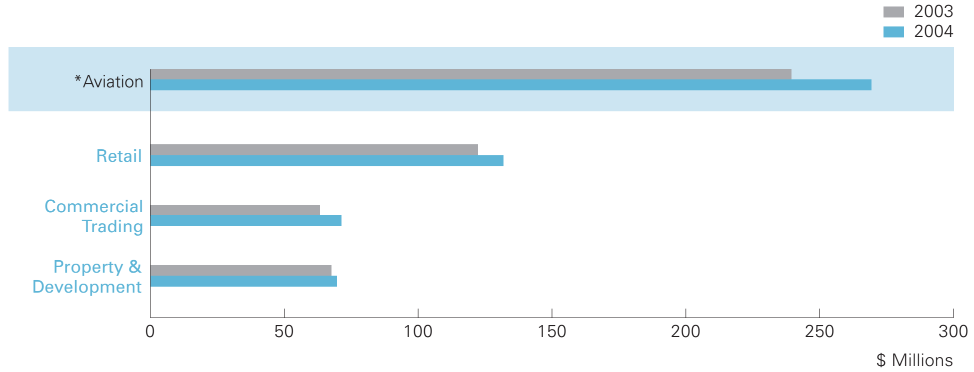
Asset Planning & Services provides services, both directly and through third party contracts, across the airport. These services incorporate maintenance of Sydney Airport's major assets, including specialist assets such as IT, airfield lighting, baggage systems and utilities, and general services such as cleaning. Asset Planning and Services is also responsible for long-term planning, including Master Planning and for major project delivery.

ABD – a key driver of financial performance

Critical to the creation of the ABD Group was greater focus on Sydney Airport's key driver, the growth of passenger through-put. The aviation industry, following numerous shocks, has emerged into a solid period of growth. This has been assisted by strong recovery in demand including stimulation by new low cost airlines. Sydney Airport's airline marketing efforts have borne fruit through the commencement of a number of additional new services and frequencies during the year. This has been assisted by closer ties with the NSW Government, in particular working together with Tourism NSW. New services include Gulf Air flying daily to Bahrain and Athens; Hawaiian Airlines commencing four times weekly services to Honolulu; Air Paradise commencing four times weekly services to Bali; Pacific Blue daily services to each of Wellington and Christchurch in New Zealand, Air Mauritius commencing weekly service to Port Louis and the announcement of a second daily service by Emirates to Dubai (expected to be phased in during the 2005 financial year).

Sydney Airport also was pleased with the outcome of various bilateral air rights negotiations undertaken during the year. These included the initial Singapore open skies agreement, the doubling of capacity to China as well as Hong Kong, in addition to substantial increases in capacity to Malaysia, Korea and Vietnam. The Hong Kong air rights outcomes have paved the way for announcements by Cathay Pacific to add a third daily service, Dragonair to commence services to Sydney from Hong Kong, as well as Qantas services (ultimately daily) through Hong Kong to London. Sydney Airport was also pleased at the announcement by Qantas to commence services to Mumbai and Shanghai later this year. A further two airlines have announced their intention to commence services to Sydney: Royal Brunei (three times weekly services to Bandar Seri Begawan from November 2004), and Virgin Atlantic to London in December 2004 (subject to regulatory approval). The ABD Group also negotiated the start of Jetstar and new regional airline Big Sky Express at the common-use T2 Domestic Terminal. The team will continue detailed work with airlines to encourage new airlines and additional services to Sydney over future years.

2004 Aviation Revenue



*Aviation revenue includes security recovery

Regulation

During the year Sydney Airport successfully defended an application made by Virgin Blue to the National Competition Council (NCC), seeking declaration of Sydney Airport's domestic airside assets pursuant to Part IIIA of the Trade Practices Act. The NCC found that the threat of government re-regulation combined with airline countervailing power were sufficient to prevent Sydney Airport from unjustifiably exercising market power. While the NCC's recommendation was adopted by the Federal Government in January 2004, Virgin Blue subsequently exercised its statutory right of appeal to the Australian Competition Tribunal (ACT). The ACT hearing has been set down for October 2004.

Prior to the NCC's decision and notwithstanding a 5-year price path agreement in place since May 2001, Sydney Airport commenced engagement with the Board of Airline Representatives in Australia (BARA) and airline customers in relation to a new long term pricing agreement for the use of Sydney Airport's aeronautical services and facilities. This is in line with the expectations of the Federal Government in adopting the recommendations of the Productivity Commission for a 5-year period of "light handed" regulation with effect from 1 July 2002. These discussions continue, following the principles set down by the Government, and consistent with the approach adopted by other major Australian airports.

Strong focus on security

Safety and security throughout the airport precinct is afforded the highest of priorities. Government regulated security requirements are a key focus of Sydney Airport. Front line security roles are primarily performed by contracted specialist security firms, with Sydney Airport maintaining a strong policy, management and coordination role.

Passenger screening at Sydney Airport operated terminals is performed to Australian Government standards, using x-ray machines, walk through metal detectors and hand held metal detectors. Explosive trace detection systems were introduced at the passenger screening point in October 2003, with random screening of both passengers and carry on goods.

Checked Bag Screening is an increasing focus of the Australian Government and Sydney Airport manages and operates the assets that deliver this service, including in-line x-ray units and conveyor systems. Sydney Airport is working with Government to achieve new mandates for international and domestic baggage screening.

Sydney Airport has an access control system with an extensive network of closed circuit TV cameras which operate 24 hours per day. Sydney Airport also has constant security patrols. Sydney Airport contracts the Australian Federal Police Protective Service to deliver Government regulated uniform security force deterrence patrols and a first response capability. This includes specialist mobile, foot and bike patrols along with technical support from bomb appraisal teams and explosive detection dogs, all of which provide an intelligence driven, proactive and flexible security presence.

An in-house team of security specialists provide advice and guidance on risk management and policy standards to meet Government mandates and corporate requirements. Audits and system testing takes place regularly to ensure achievement of security outcomes.

During the year, the Aviation Transport Security Act 2004 was passed. Sydney Airport is heavily engaged in discussions with the Government on the implementation of the associated Aviation Transport Security Regulations and revised Transport Security programs. In addition, Aviation Security Identification Cards used at airports were required to be re-issued in accordance with enhanced background checks on holders. These initiatives are designed to deliver enhanced aviation security outcomes and to be more flexible to meet contemporary threats.

Master Plan

The Minister for Transport and Regional Services approved the Master Plan for Sydney Airport in March 2004.

The Master Plan was prepared in consultation with key stakeholders and the wider Sydney community. The Plan outlines development concepts at Sydney Airport for the next 20 years and will be reviewed in five years time.

The Master Plan shows that Sydney Airport has the capacity to manage projected growth in international and domestic passenger traffic over the next 20 years while still adhering to the Government's ongoing noise amelioration measures. These include the curfew, movement cap and noise sharing.

However, approval of the Plan does not automatically give approval for any major development on the airport site. Any such development will still require the preparation of a major development plan and associated environmental assessments, including extensive public consultation.

Copies of the Master Plan are now available for purchase or are available for inspection and free download from the Sydney Airport web site – www.sydneyairport.com.au.

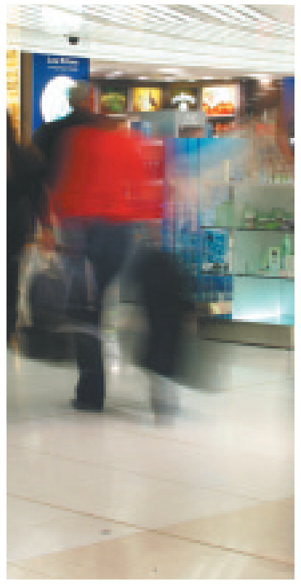
A380 planning

SACL continued the necessary works for the introduction of the new Airbus A380 aircraft targeting airport readiness by May 2006.

The A380 compared to existing passenger aircraft is larger in height, length, wingspan and passenger capacity. The impact of the larger aircraft requires major works on the airfield and at T1 to accommodate and service the A380 operations.

BUSINESS REVIEW – COMMERCIAL

The commercial businesses – which include Retail & Commercial Development, and Property & Development – are responsible for non-aeronautical revenue streams and are major contributors to the consolidated EBITDA performance. Within the airport's operations, the commercial businesses account for $279.2 million in annual revenue, representing 50.9 per cent of total Sydney Airport revenue.



Continued retail growth

Retail & Commercial Development comprises a portfolio of duty free, food & beverage, foreign exchange, advertising and speciality retail products and services. The majority of Retail & Commercial income is derived from T1, with a growing contribution from T2.

Recent global events and the strengthening Australian dollar served to create a challenging trading environment, with retailers having to work harder to convert passengers to customers. The 6.8 per cent lift in retail income to $131.8 million was a positive outcome.

The focus of the retail business has remained on development and innovation, most evidenced in the opening of the duty free walk-through store and the redevelopment of the T1 food court in May 2004.

Passengers departing through Pier B now experience a new standard in duty free retail in Australia's largest duty free store, covering 1,900m².

New brand outlets

The addition of five new brand outlets to the T1 food court has provided passengers a refreshed retail mix, including Krispy Kreme Doughnuts, Oporto, Subway, Asagao and Pulp Juice. For all operators, the Sydney Airport T1 outlet is their first in any airport and represents confidence in the strength of Sydney Airport retail.

T2 passengers have benefited from a 2,000m² increase in retail space, encompassing new stores offering a wide variety of retail as well as additional food and beverage options.

Foreign exchange and advertising both provided strong performances.

Retail marketing has concentrated on the strengthening of the Sydney Airport brand in the market place and its association with a strong retail offer, targeting of key nationality markets and the leverage of opportunity and promotion around key travel periods.

Ongoing property developments

The Property and Development business unit comprises the Property Management, Property and Project Development, Car Parking and Ground Transportation teams. The unit has been active throughout the year in managing its extensive portfolio of 440 leased sites, the delivery of car parking and ground transport products, and the continued pursuit of commercial development opportunities in accordance with the Master Planning principles.

Significant leasing deals concluded during the year included a lease to Visy Paper Pty Ltd of a 4,000m² vacant building for a recycling facility; the leasing of the remaining ex-Ansett Hangars; leases for an additional 1,170m² of lounge space within T1 and lease renewals to Patrick Corporation, Australian Air Express and Alpha Catering.

New property developments

DHL International completed the first stage of its new purpose built freight facility totalling 15,000m², which included a 6,000m² warehouse and the refurbishment of the 1,900m² former Domestic Express Terminal. The second stage of the development commenced in July 2004.

A landmark 10 storey, 15,000m² office block within the boundaries of the T1 car park was completed in July 2004, costing approximately $40 million. The building is fully leased, with the key tenant being Australian Customs Service.

Construction commenced on the 6 storey, 128-room Accor Formule 1 hotel adjacent to the airport's domestic precinct on Ross Smith Avenue, with completion expected in early 2005. Also in Ross Smith Avenue, the Krispy Kreme Doughnut Drive Thru Restaurant was opened in July 2004.

Future development opportunities

Agreement in principle was reached with a proponent for the development of a Roadside Services Centre on General Holmes Drive, to be completed in early 2005.

A Draft Major Development Plan for the provision of additional public car parking and commercial office facilities within the boundaries of the T1 car park has been submitted to the Commonwealth Department of Transport & Regional Services.

Car parking business continues to grow

Car parking and car rental contributed $71.2 million commercial trading revenues or 13.0 per cent of total revenue, representing a growth of 12.5 per cent over the pcp. This result is mainly attributable to growth in long term and valet products, supported by passenger numbers and rate reviews.

Long Term Car Park

Strong emphasis was placed on driving demand for the Long Term Car Park through targeted marketing and the introduction of a new rate structure which yielded a strong increase in demand. It is proposed to increase the capacity by up to 2,000 additional spaces during 2005.

Pronto! Valet Parking

The popularity of the Pronto! Valet product in the Domestic Multi Storey Car Park continued with strong patronage from the business and corporate sectors. Additional areas were allocated during the year to address the increasing demand.

Domestic Car Park

The reconfiguration of the 'meeter and greeter' facilities has resulted in the introduction of the "Short Stay" parking product in the domestic precinct, providing additional time-limited parking spaces to better accommodate the pick up and drop off market. It is proposed to increase capacity at the domestic carpark by up to 700 additional undercover spaces during 2005.

International Car Park

The car park continued to provide a high level of service for the meeter/greeter and fareweller market.

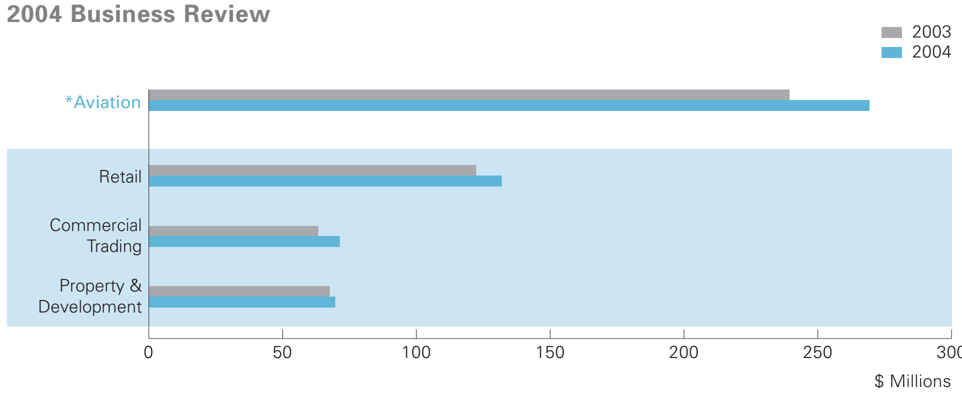
Ground transport strategy

Plans for a ground transport access system were completed. The system will control vehicular access to terminal passenger pick-up zones to enable taxis, limousines and buses, upon the payment of a fee, to enter areas to drop off and collect passengers. The system will provide improved facilities for passengers and transport operators and assist kerbside management.

Car rental business

Strong growth associated with low cost airlines resulted in the allocation of additional car rental bays in the domestic precinct to cope with the increased demand.

2004 Business Review



*Aviation revenue includes security recovery

COMMUNITY TIES

Sydney Airport's Community Investment program is designed to assist local communities affected by the Airport's operations. Educational and environmental initiatives are a focus, as well as activities that help to create a sense of community.

An educational approach

Sydney Airport continued with its Education Grants Scheme, which provided support for projects at local schools and kindergartens. In total, 10 local schools and 15 kindergartens benefited from the Sydney Airport Grants Scheme, valued at $140,000. The major grant of $25,000 was awarded to Sydney Secondary College, Leichhardt Campus for the establishment of a jewellery workshop, which encourages students in the study of art metal and jewellery design.

Sporting efforts

As part of the community investment program, Sydney Airport also continued its involvement in local sports by supporting six junior soccer teams in neighbouring communities. Sydney Airport renewed its sponsorship agreement with Surf Life Saving Australia's Nippers activities at beaches from North Bondi to Burning Palms. The Sydney Airport Jets football team is also a beneficiary of the Airport's community investment program.

Theatrical pursuits

Sydney Airport again sponsored Company B Belvoir Street Theatre's 'unwaged free performance program', allowing financially disadvantaged members of the local community a unique opportunity to experience world-class stage theatre.

Included in Sydney Airport's arts sponsorship is the funding of the School Holiday Art Program for students attending the Hazelhurst Gallery at Gymea. The financial support provided by Sydney Airport enables the ongoing development and expansion of existing programs at Hazelhurst and specifically fosters interest in arts and development of artistic skills in children.

Also during the year, Sydney Airport sponsored the Lawrence Hargrave: Australia's pioneer aviator exhibit at The Powerhouse Museum. As Hargrave was one of Australia's first aviators, Sydney Airport saw this exhibit as a direct link with the airport and the community.

Local charities

Sydney Airport's support of local charities has increased dramatically with a management agreement drawn up between Sydney Airport and the Rotary Clubs of Botany, Rockdale and Marrickville which allows those clubs to collect funds from the collection bins at Sydney Airport. Over $105,000 was collected during the past year. The funds are distributed locally to worthy charities as well as a proportion going to overseas programs. Sydney Airport also continued its support of other charities including Youth Off the Streets (YoTS).

ENVIRONMENTAL ACHIEVEMENTS

Sydney Airport is committed to world's best environmental practice and to continual improvement of its environmental performance. To this end, Sydney Airport has implemented a comprehensive Environmental Management System (EMS) which establishes and implements environmental policy, planning, monitoring and reporting at Sydney Airport.

During financial year 2004, Sydney Airport made a number of significant achievements on the ground with environmental projects.

Remediating environmental legacies of the past

Sydney Airport continued to implement its Contaminated Sites Strategy, which aims to clean-up and manage sites within the Airport that have been contaminated by past and present activities. A number of contaminated sites were remediated during the year, including the removal of all abandoned underground storage tanks, and the successful remediation of the former service station site on Joyce Drive. Sydney Airport is planning further remediation activities in the coming year.

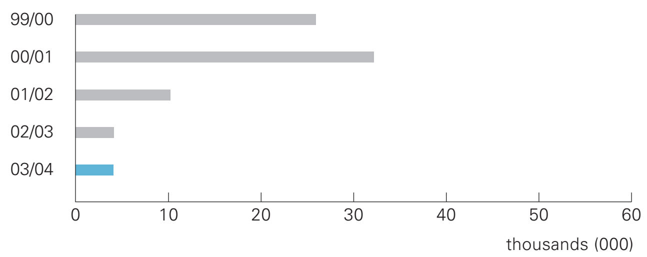
Reducing water use

Sydney Airport undertook a comprehensive Stormwater Management Plan and Water Reuse Options Study and Concept Design. The study aims to significantly reduce potable water use on the Airport through recycling of stormwater run-off for use in irrigation and other activities. Sydney Airport became a signatory to Sydney Water's 'Every Drop Counts' program and commenced including requirements for water saving and reuse options into new developments at the Airport.

Improving energy efficiency

In November 2003 Sydney Airport was awarded a Gold Award from the NSW Government's Sustainable Energy Development Authority (SEDA) for achieving a 15 per cent reduction in energy usage at the Airport. Energy efficiency will continue to be a focus in the coming year with the introduction of new energy policies and requirements for new developments at the Airport.

Aircraft Noise Complaints



Restoring Lady Robinsons Beach

Sydney Airport provided funding towards the restoration of Lady Robinsons Beach on the western shores of Botany Bay during the year. The beach had suffered erosion as a result of natural coastal processes and changed wave conditions due to dredging and reclamation in the Bay. The restoration project involves the construction of five groynes in the northern section of the beach which will be renourished with sand and stabilised with dunal grasses to provide a wide, stable beach.

Sydney Airport environment strategy

An integral component of Sydney Airport's EMS framework is its Airport Environment Strategy (AES), which is a five year plan providing the key strategic direction for environmental management of the Airport. Sydney Airport prepared its Preliminary Draft AES for the period 2005–2010 which, once finalised, will update and replace the current AES. The Preliminary Draft AES was prepared during financial year 2004 in close consultation with key stakeholders including the local community and government agencies at Local, State and Commonwealth levels.

The Preliminary Draft AES was finalised on 30 June 2004 for public exhibition from 1 July to 28 September 2004 before being submitted to the Federal Minister for Transport and Regional Services for consideration and approval.

In line with the AES development, Sydney Airport updated and improved its Environment Policy. The Environment Policy establishes Sydney Airport's key environmental principles, which include commitments to improving knowledge and awareness, community partnering, best practice pollution prevention, and operating in a sustainable manner.

Some of the major initiatives planned under the Preliminary Draft AES include:

- **Reducing water use** – Sydney Airport will look to implement its Stormwater Management Plan and Water Reuse Study with airport-wide water reuse/reduction programs, which aim to significantly reduce potable water use on the airport.
- **Conserving flora and fauna habitat** – Sydney Airport is planning a Wetland Enhancement Program for significant wetland areas on the airport. Sydney Airport will also implement a Tree Preservation and Compensation Policy which aims towards conservation of habitat and trees on the airport.
- **Reducing ground-based noise and air emissions** – Aircraft Auxiliary Power Units (APUs) are a significant source of ground-based noise and air emissions at Sydney Airport. Sydney Airport will look at ways to replace these systems with quieter Fixed Electrical Ground Power Units (FEGPUs). Sydney Airport will also introduce cleaner vehicles into its ground transport fleet.
- **Sustainable transport systems** – Sydney Airport will develop a Ground Travel Plan for the use of sustainable transport modes including public transport, cycling, and pedestrian access.
- **Reducing natural resource use** – Sydney Airport will apply the energy reduction measures learned whilst obtaining its Gold Award from SEDA for new Airport developments. Sydney Airport will also continue implementation of its Waste Management Strategy aimed at reducing waste generation and disposal.
- **Heritage conservation** – Sydney Airport will develop an overall Airport Heritage Management Strategy to appropriately manage heritage elements of the airport.
- **Sustainable environmental management** – Sydney Airport will review and update its EMS as part of its commitment to continual improvement, and seek accreditation of the system to ISO14001.

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BOARD OF DIRECTORS

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

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

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

Martyn Booth BA

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

Patrick Gourley BEc (Hons), MEc

Mr Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations, and a former member of the Military Superannuation Board of Trustees.

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

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

Kerrie Mather BA MComm

Ms Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports. Ms Mather has extensive experience in transport infrastructure transactions and investments, with a particular focus on airports.

Nicholas Moore LLB, CA

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

Luis Sánchez Salmeron BEc. MBA.

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

Ulrich Stucke (Dr. jur.)

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

CORPORATE GOVERNANCE

THE BOARD OF DIRECTORS

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

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

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

THE ROLE OF THE BOARD

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

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

SIZE AND COMPOSITION

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

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

● Member ■ Chair ▲ Deputy Chair

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

NON EXECUTIVE DIRECTORS' FEES

Non executive directors' fees are $60,000 per director per year (plus reimbursement of expenses incurred in attending meetings, attending to business of the Group, and carrying out duties as a director for the Group). The total cost of directors' fees and Board expenses of the Group for the year amounted to $597,000. Non executive directors who are members of committees do not receive a committee fee. The Chairman and Chief Executive does not receive a director's fee or a committee fee.

COMPANY POLICIES

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

GROUP BOARD COMMITTEES

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

TERMS OF REFERENCE AND COMPOSITION OF COMMITTEES

STRATEGY COMMITTEE

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

The role of this committee is to make recommendations to each board in relation to business strategy, business development and major projects, and to undertake wide ranging reviews of the business, benchmark to international peers and be responsible for developing all strategic plans to enhance business performance.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

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

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

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

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

HUMAN RESOURCES COMMITTEE

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

SAFETY, SECURITY, ENVIRONMENT AND HEALTH COMMITTEE

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

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

THE EXECUTIVE

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

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

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

AIRPORT STRATEGIC CONSULTANCY AGREEMENT

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

RISK MANAGEMENT

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

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

ENVIRONMENTAL REGULATION

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

- the development and implementation of an Environment Strategy;
- the monitoring and remediation of air, water and noise pollution from ground-based sources (except noise from aircraft in-flight, landing, taking off and taxiing and pollution from aircraft, which are excluded by the Act and Regulations); and
- the enforcement of the provisions of the Act and associated regulations, by statutory office holders of the Commonwealth Department of Transport and Regional Services. These office holders are known as Airport Environment Officers (AEOs).

ENVIRONMENT STRATEGY

As required under the Act, an Environment Strategy is currently being prepared. The document will be released for public comment during July to September 2004 before being submitted to the Minister for Transport and Regional Services.

The strategy outlines the SCACH Group's plans and actions to measure, monitor, enhance and report on environmental performance over the five-year period from 2005 to 2010. The Group's aim reflected in the strategy is to continually improve environmental performance and minimise the impact of the 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 2004 the AEO did not issue Sydney Airport with any environmental remediation orders, environmental protection orders or infringement notices. In certain circumstances, an 'authorisation' may be sought where it is expected that the pollution limits set out in the Regulations may be exceeded.

MONITORING

During the year ended 30 June 2004:

- air quality monitoring continued to demonstrate that air emissions are within relevant regulatory limits and guidelines;
- the SCACH Group's stormwater monitoring program was completed during the reporting period. Results showed that pollutant concentrations were similar to those from Bankstown Airport and urban Sydney runoff. These results have been reviewed by the AEO.
- the Group continued to implement a risk-based approach to managing existing contaminated sites and preventing future contamination.
- the Group has completed a Master Plan for Sydney Airport. This document (amongst other things) considers environmental issues resulting from Sydney Airport's future operations until 2024. The document is can be viewed on SACL's website, sydneyairport.com.
- no breaches of the regulatory limits were detected and reported to the AEOs. No action was taken against the Group by any party under the Regulations.

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

CONCISE CONSOLIDATED FINANCIAL REPORT

Southern Cross Airports Corporation Holdings Limited
For the financial year ended 30 June 2004
ACN: 098 082 029

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The directors present their report on the results of Southern Cross Airports Corporation Holdings Limited ("SCACH") and its controlled entities for the financial year ("year") ended 30 June 2004.

DIRECTORS

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

NAMES AND PARTICULARS	APPOINTMENT DATE	RESIGNATION DATE
Max Moore-Wilton, Chairman and Chief Executive, has held various key executive positions in the public and private sectors.	22 January 2003	–
Kerrie Mather is an Executive Director of Macquarie Bank Limited and the Chief Executive Officer of Macquarie Airports Management Limited.	27 June 2002	–
Martyn Booth is an Executive Director of Macquarie Bank Limited. He is the Airport Director of Macquarie Airports Management Limited.	25 July 2002	–
Nicholas Moore is Head of the Investment Banking Group of Macquarie Bank Limited, and is a Director of Macquarie Airports Management Limited.	25 July 2002	–
Penny Graham is Head of Infrastructure Investments of Abbey National Treasury Services Plc.	25 July 2002	21 July 2003
Patrick Gourley is a former senior officer of the Department of Defence and the Commonwealth Department of Industrial Relations.	10 September 2002	–
Meredith Hellicar is a Director of various publicly listed companies including AMP Limited, James Hardie, and Amalgamated Holdings.	18 February 2003	–
Dr Ulrich Stucke is Managing Director of HOCHTIEF AirPort GmbH.	10 April 2003	–
Luis Sánchez Salmeron is the Director of the Airports Division of Ferrovial Infraestructuras S.A.	26 May 2003	–

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

ALTERNATE DIRECTORS	APPOINTMENT DATE	RESIGNATION DATE
Juan Angoitia (for Hellicar)	18 February 2003	–
Juan Angoitia (for Sanchez)	29 May 2003	–
Mar Nunez Beltran (for Hellicar)	18 February 2003	–
Mar Nunez Beltran (for Sanchez)	29 May 2003	–
Michael Delaney (for Gourley)	18 September 2003	
William Doughty (for Graham)	14 January 2003	21 July 2003
Meredith Hellicar (for Sanchez)	29 May 2003	–
Holger Linkweiler (for Stucke)	14 April 2003	–
Luis Sanchez Salmeron (for Hellicar)	30 May 2003	–
Richard Sheppard (for Booth)	29 January 2003	–
Richard Sheppard (for Mather)	29 January 2003	–
Richard Sheppard (for Moore)	29 January 2003	–

CORPORATE STRUCTURE

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

- Southern Cross Airports Corporation Pty Limited ("SCAC")
- Sydney Airport Corporation Limited ("SACL")
- Airport Nova Developments Pty Limited ("Nova")

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS AND RESULTS

The comparative amounts in the statement of financial performance reflect trading from 28 June 2002, being the date the acquisition of Sydney Airport was completed, through to 30 June 2003.

For meaningful analysis in this section of the Directors' Report comparative information ($ and %) reflects the prior corresponding trading period (pcp) 1 July 2002 to 30 June 2003.

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $423.5 million for the year to 30 June 2004 (2003 pcp: $373.4 million). EBITDA excluding specific non-recurring expenses increased to $434.4 million (2003 pcp: $375.1 million).

After deducting depreciation and amortisation, net borrowing costs, and income tax, the net loss was $264.5 million (2003 pcp: $257.2 million).

EBITDA (excluding specific non-recurring expenses) represents a 15.8% increase in earnings over the pcp.

Total revenue increased by 10.2% to $548.4 million (2003 pcp: $497.8 million).

Total expenses excluding specific non-recurring expenses reduced by 7.0% to $114.0 million (2003 pcp: $122.6 million). Total expenses including specific non-recurring expenses increased by 0.5% to $125.0 million (2003 pcp: $124.4 million) principally due to restructuring costs.

Depreciation and amortisation increased by 4.1% to $140.9 million (2003 pcp: $135.3 million).

Net borrowing costs increased by 3.6% to $547.1 million (2003 pcp: $528.0 million). The redeemable preference share distributions and FLIERS Trust distributions are included as borrowing costs in the statement of financial performance.

FINANCIAL POSITION

During the year the consolidated entity complied with the maximum gearing and minimum cash flow cover covenants contained in its various debt agreements. Distributions paid and accrued to the FLIERS Trust and redeemable preference shares for the year ended 30 June 2004 totalled $55.4 million (2003 pcp: $54.2 million) and $223.0 million (2003 pcp: $211.2 million) respectively.

SCACH's investment grade corporate credit rating by Standard & Poors was returned to BBB-/stable from BBB-/negative in February 2004. SCACH's investment grade corporate credit rating by Moody's remains unchanged at Baa3/stable. The credit rating for the senior secured debt of SCAC was revised to BBB/stable from BBB/negative by Standard & Poors in February 2004. The credit rating of the senior secured debt of SCAC by Moody's remains unchanged at Baa2/stable.

The consolidated entity is in the process of refinancing its senior bank debt, including the current amount owing of $1,041.0 million. The group is significantly advanced in this process and has received committed offers of finance to participate in the refinancing from various financial institutions.

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

In recognition of its environmental responsibilities SACL has a five-year Environment Strategy designed to protect the environment and ensure compliance with the relevant environmental regulations. SACL also reports regularly on its environmental management; further details of SCACH and SACL's environmental performance are provided on Sydney Airport's website, sydneyairport.com.

INDEMNITIES AND INSURANCE OF OFFICERS AND AUDITORS

Indemnities

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

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

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

Insurance

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

During or since the year to 30 June 2004 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 and the number of meetings attended by each director were as follows:

DIRECTOR	SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS		AUDIT AND CORPORATE GOVERNANCE		HUMAN RESOURCES		SAFETY SECURITY ENVIRONMENT AND HEALTH		STRATEGY	
	H	A	H	A	H	A	H	A	H	A
Max Moore-Wilton	13	13	5	5	4	4	5	5	8	8
Kerrie Mather	13	13	–	–	4	4	4	4	8	8
Martyn Booth	13	7	–	–	–	–	1	0	8	5
Nicholas Moore	13	7	5	2	–	–	–	–	–	–
Penny Graham	2	0	–	–	–	–	–	–	–	–
Patrick Gourley	13	11	5	5	4	4	–	–	–	–
Meredith Hellicar	13	13	5	5	–	–	5	4	–	–
Ulrich Stucke	13	5	–	–	4	1	5	1	8	3
Luis Sanchez Salmeron	13	6	–	–	4	0	–	–	8	4

H – meetings held whilst director A – meetings attended

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

DIRECTOR	SOUTHERN CROSS AIRPORTS CORPORATION HOLDINGS		AUDIT AND CORPORATE GOVERNANCE		HUMAN RESOURCES		SAFETY SECURITY ENVIRONMENT AND HEALTH		STRATEGY	
	H	A	H	A	H	A	H	A	H	A
Juan Angoitia (for Sanchez)	13	4	–	–	4	1	–	–	8	3
Mar Nunez Beltran (for Hellicar)	13	1	–	–	–	–	5	1	–	–
Mar Nunez Beltran (for Sanchez)	13	2	–	–	–	–	–	–	8	1
Michael Delaney (for Gourley)	10	2	–	–	–	–	–	–	–	–
William Doughty (for Graham)	2	1	–	–	–	–	–	–	–	–
Meredith Hellicar (for Sanchez)	13	1	–	–	4	3	–	–	2	0
Holger Linkweiler (for Stucke)	13	8	–	–	4	3	5	4	8	4
Richard Sheppard (for Booth)	13	3	–	–	–	–	–	–	–	–
Richard Sheppard (for Moore)	13	3	5	2	–	–	–	–	–	–

H – meetings held whilst director A – meetings attended

DIRECTORS' REPORT

ROUNDING

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars under the option available to SCACH under ASIC Class Order 98/100. SCACH is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

Max Moore-Wilton
Chairman and Chief Executive

Sydney, 19 August 2004

STATEMENT OF FINANCIAL PERFORMANCE

For the financial year ended 30 June 2004

		CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	**2004 $'000**	2003 2004
REVENUE FROM ORDINARY ACTIVITIES					
Aeronautical revenue		**237,792**	202,686	**–**	–
Aeronautical security recovery	2	**31,470**	38,547	**–**	–
Retail revenue		**131,805**	123,374	**–**	–
Property revenue		**69,627**	67,976	**–**	–
Commercial trading revenue		**71,221**	63,833	**–**	–
Other		**6,326**	2,337	**–**	–
Proceeds from sale of non-current assets		**202**	2,992	**–**	–
Total revenue from ordinary activities before interest		**548,443**	501,745	**–**	–
EXPENSES FROM ORDINARY ACTIVITIES					
Labour		**34,346**	39,428	**–**	–
Services and utilities		**52,476**	50,513	**–**	–
Other operational costs		**14,636**	19,364	**–**	–
Property and maintenance		**12,457**	12,431	**–**	–
Specific expenses:					
Privatisation related costs		**–**	(393)	**–**	–
Restructuring and redundancy		**7,557**	2,156	**–**	–
Airline regulatory action		**791**	–	**–**	–
Aeronautical data adjustment		**2,572**	–	**–**	
Cost of non-current assets sold		**117**	1,960	**–**	–
Total expenses from ordinary activities before depreciation, amortisation and net borrowing costs		**124,952**	125,459	**–**	–
Profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA)		**423,491**	376,286	**–**	–
Depreciation and amortisation		**140,885**	136,148	**–**	–
Profit from ordinary activities before net borrowing costs and income tax (EBIT) (carried forward)		**282,606**	240,138	**–**	–

STATEMENT OF FINANCIAL PERFORMANCE
For the financial year ended 30 June 2004

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	**2004 $'000**	2003 2004
Profit from ordinary activities before net borrowing costs and income tax (EBIT) (brought forward)	**282,606**	240,138	**–**	–
Interest income from other corporations	**22,335**	24,241	**2,081**	3,569
Interest income from wholly-owned entities	**–**	–	**507,181**	273,536
Borrowing costs	**(569,470)**	(552,823)	**(284,181)**	(271,016)
Net borrowing costs	**(547,135)**	(528,582)	**225,081**	6,089
Profit/(loss) from ordinary activities before income tax	**(264,529)**	(288,444)	**225,081**	6,089
Income tax benefit relating to profit/(loss) from ordinary activities	**–**	32,297	**–**	–
Net profit/(loss) from ordinary activities after income tax	**(264,529)**	(256,147)	**225,081**	6,089
Revenue, expense and valuation adjustments attributable to members of the parent entity recognised directly in equity	**–**	–	**–**	–
Total changes in equity other than those resulting from transactions with owners as owners	**(264,529)**	(256,147)	**225,081**	6,089

Notes to the financial statements are included on pages 33 to 41.

The comparative amounts for the corresponding accounting period last year reflect trading from 28 June 2002, being the date the acquisition of Sydney Airport was completed, through to 30 June 2003.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2004

		CONSOLIDATED		COMPANY	
		2004 $'000	2003 $'000	**2004 $'000**	2003 2004
Current assets					
Cash and short term deposits		**445,757**	482,803	**35,400**	51,189
Receivables		**38,476**	38,756	**206,399**	174,839
Other assets		**2,412**	3,024	**–**	–
Total current assets		**486,645**	524,583	**241,799**	226,028
Non-current assets					
Receivables		**–**	–	**2,713,757**	2,410,605
Property, plant and equipment	4	**5,115,195**	5,146,331	**–**	–
Other assets		**112,188**	126,749	**80,916**	85,811
Intangibles-airport operator licence		**533,049**	538,825	**–**	–
Total non-current assets		**5,760,432**	5,811,905	**2,794,673**	2,496,416
Total assets		**6,247,077**	6,336,488	**3,036,472**	2,722,444
Current liabilities					
Payables		**290,592**	203,967	**226,150**	137,203
Interest-bearing liabilities	5	**1,041,000**	–	**–**	–
Provisions		**5,863**	7,067	**–**	–
Total current liabilities		**1,337,455**	211,034	**226,150**	137,203
Non-current liabilities					
Interest-bearing liabilities	6	**4,961,250**	5,912,550	**2,111,250**	2,111,250
Provisions		**1,146**	1,149	–	–
Total non-current liabilities		**4,962,396**	5,913,699	**2,111,250**	2,111,250
Total liabilities		**6,299,851**	6,124,733	**2,337,400**	2,248,453
Net assets/(liabilities)		**(52,774)**	211,755	**699,072**	473,991
Equity/(deficiency in equity)					
Contributed equity		**467,902**	467,902	**467,902**	467,902
Retained profits/(accumulated losses)		**(520,676)**	(256,147)	**231,170**	6,089
Total equity/(deficiency in equity)		**(52,774)**	211,755	**699,072**	473,991

Notes to the financial statements are included on pages 33 to 41.

STATEMENT OF CASH FLOWS
For the financial year ended 30 June 2004

	CONSOLIDATED 2004 $'000	2003 $'000	COMPANY 2004 $'000	2003 2004
Cash flows from operating activities				
Cash was provided from:				
Receipts from customers	**600,834**	545,830	**–**	–
Interest received	**22,354**	22,125	**173,699**	102,269
Dividends received	**–**	2	**–**	–
Cash was applied to:				
Payments to suppliers and employees	**(187,371)**	(182,878)	**–**	(1)
Income tax paid	**–**	(33,306)	**–**	–
Debt establishment costs paid	**–**	(149,422)	**–**	(91,441)
Borrowing costs paid	**(465,921)**	(382,417)	**(190,337)**	(128,185)
Net cash flows applied to operating activities	**(30,104)**	(180,066)	**(16,638)**	(117,358)
Cash flows from investing activities				
Cash was provided from:				
Proceeds from disposal of property, plant and equipment	**202**	2,992	**–**	–
Refund of acquisition costs	**206**	–	**–**	–
Loans to other entities in wholly owned group	**–**	–	**849**	–
Cash was applied to:				
Acquisition of property, plant and equipment	**(93,432)**	(243,124)	**–**	–
Loans to other entities in wholly owned group	**–**	–	**–**	(2,410,605)
Acquisition of business	**–**	(4,312,024)	**–**	–
Capitalised borrowing costs	**(3,618)**	(5,867)	**–**	–
Net cash flows provided from/(applied to) investing activities	**(96,642)**	(4,558,023)	**849**	(2,410,605)
Cash flows from financing activities				
Cash was provided from:				
Proceeds from borrowings – medium term notes and bank debt	**89,700**	5,301,300	**–**	–
Proceeds from issue of FLIERS	**–**	600,000	**–**	600,000
Proceeds from issue of redeemable preference shares	**–**	1,511,250	**–**	1,511,250
Proceeds from issue of ordinary shares	**–**	503,750	**–**	503,750
Cash was applied to:				
Costs of issue – ordinary shares	**–**	(20,848)	**–**	(20,848)
Repayment of borrowings – short term notes	**–**	(309,560)	**–**	–
Repayment of borrowings – medium term notes and bank debt	**–**	(2,350,000)	**–**	–
Return of capital	**–**	(15,000)	**–**	(15,000)
Net cash flows provided from financing activities	**89,700**	5,220,892	**–**	2,579,152
Net increase/(decrease) in cash held	**(37,046)**	482,803	**(15,789)**	51,189
Add opening cash brought forward	**482,803**	–	**51,189**	–
Closing cash	**445,757**	482,803	**35,400**	51,189

Notes to the financial statements are included on pages 33 to 41.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2004

1. Summary of significant accounting policies

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

A full description of the accounting policies adopted by the consolidated entity is provided in the 2004 financial statements which form part of the full financial report. The accounting policies of the company and consolidated entity are consistent with those of the previous financial year.

2. Aeronautical Security Recovery

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

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

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

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

b) Domestic services include counter terrorist first response and additional security measures, levied on a per passenger basis, and passenger screening (Terminal 2 only) the cost of which is invoiced directly to airlines on a monthly basis.

Security recoveries include any direct operating expenses incurred together with recovery of depreciation expense and the recovery of 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 2004 $'000	2003 $'000
Revenue		
Security recovery	**31,470**	38,547
Expenses		
Direct costs	**(26,422)**	(32,450)
Depreciation	**(2,976)**	(3,839)
Borrowing costs	**(2,072)**	(2,258)
Surplus/deficit	**Nil**	Nil

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	**2004 $'000**	2003 2004
3. Dividends				
No dividend was paid or proposed for the ordinary shares for the years ended 30 June 2003 and 30 June 2004.				
Floating IPO exchangeable reset securities ("FLIERS")				
Proposed distribution at the beginning of the year	**(10,258)**	–	**(10,258)**	–
Distribution paid	**54,365**	43,917	**54,365**	43,917
Proposed distribution at the end of the year	**11,336**	10,258	**11,336**	10,258
	55,443	54,175	**55,443**	54,175
Redeemable preference shares ("RPS")				
Proposed distribution at the beginning of the year	**(21,589)**	–	**(21,589)**	–
Distribution paid	**135,224**	84,332	**135,224**	84,332
Proposed distribution at the end of the year	**31,317**	21,589	**31,317**	21,589
	144,952	105,921	**144,952**	105,921
Increase in accrued distributions	**78,089**	105,290	**78,089**	105,290
	223,041	211,211	**223,041**	211,211

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

Proposed distributions at the beginning and end of years include only that portion of the proposed distribution that is attributable to the relevant accounting period. FLIERS and RPS distributions will be made on 20 July and 21 July 2004 respectively and will be commensurately higher than the proposed distributions at the end of the year to 30 June 2004 as stated above.

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

The consolidated entity has not paid income tax during the current financial year and has not recorded a current tax liability at year end. The franking account balance is $nil (2003: $nil).

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	**2004 $'000**	2003 2004
4. Property, plant and equipment				
Total land and buildings	**3,811,556**	3,852,067	**–**	–
Total plant and equipment	**1,303,639**	1,294,264	**–**	–
Total property, plant and equipment	**5,115,195**	5,146,331	**–**	–

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 2004. A valuation of $5,364.2 million was adopted by the Board and was based on a valuation range determined by KPMG Corporate Finance Pty Limited (2003: $4,382.7 million). The valuation reflects a cumulative increase in the carrying value of the shares since acquisition of $1,813.6 million which is reversed on consolidation (2003: $832.0 million). The valuation as at 30 June 2004 equates to an enterprise valuation of the SCACH Group of $7,719.2 million (2003: $6,636.4 million) compared to a book value of $5,641.3 million (2003: $5,675.8 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.

	CONSOLIDATED		COMPANY	
	2004 $'000	2003 $'000	**2004 $'000**	2003 2004
5. Interest–bearing liabilities (current)				
Bank loans – secured	**1,041,000**	–	**–**	–

Senior bank debt facilities comprise two tranches with the following maturity:

	AMOUNT $'000	MATURITY
Less than 1 year	1,041,000	28 June 2005

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

Bank loans are secured by fixed and floating charges over the assets and undertakings of the consolidated entity (except as otherwise excluded) and a mortgage over the Airport Lease. Senior bank debt ranks pari passu with the medium term notes described in Note 6 (b). A refinancing program is in progress to refinance this and other senior bank debt facilities included in Note 6 (a).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2004

		CONSOLIDATED 2004 $'000	CONSOLIDATED 2003 $'000	COMPANY 2004 $'000	COMPANY 2003 2004
6. Interest–bearing liabilities (non-current)					
Bank loans – secured	6(a)	**1,350,000**	2,301,300		–
Medium term notes – secured	6(b)	**1,500,000**	1,500,000		–
FLIERS – unsecured	6(c)	**600,000**	600,000	**600,000**	600,000
Redeemable preference shares – unsecured	6(d)	**1,511,250**	1,511,250	**1,511,250**	1,511,250
		4,961,250	5,912,550	**2,111,250**	2,111,250

(a) Bank loans

Senior bank debt facilities comprise one tranche with the following maturity:

	AMOUNT $'000	MATURITY
Between 1 and 5 years	1,350,000	28 June 2007

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

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

(b) Medium term notes

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

	AMOUNT $'000 FIXED INTEREST	AMOUNT $'000 FLOATING INTEREST	MATURITY
Between 1 and 5 years	600,000	620,000	11 October 2007
More than 5 years	40,000	240,000	11 October 2012
Total	640,000	860,000	

Interest is charged on the floating rate notes at Bank Bill Rate (BBSW) plus a pre-determined margin. The weighted average interest rate on all MTN's for the year ended 30 June 2004 was 6.55% (inclusive of interest rate hedging).

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

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

(c) FLIERS

The floating IPO Exchangeable Reset Securities ("FLIERS") issued by SCACH are redeemable convertible preference shares carrying a cumulative dividend at BBSY plus a margin of 4%. Distributions are payable quarterly in arrears, subject to availability of cash within the consolidated entity and distributable profits within SCACH. The dividend rate applicable for the quarter ended 20 July 2004 was 9.58%.

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

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

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

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

(d) Redeemable preference shares

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

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

7. Segment information

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

8. Financial instruments

(a) Significant Accounting Policies

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

(b) Net fair values

The carrying value of all financial assets and liabilities approximates fair value, except for interest rate swaps where the net fair value of the interest rate swaps at balance date is $58.2 million unfavourable (30 June 2003: $208.8 million unfavourable).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2004

8. Financial instruments (cont'd)

(c) Interest rate risk

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

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

* RPS distribution is payable at 13.5% pa of face value of shares (refer Note 6)
** Notional principal amounts

Reconciliation of net financial liabilities to net assets

	CONSOLIDATED 2004 $'000	2003 $'000
Net financial liabilities as above	**(5,808,609)**	(5,594,958)
Non-financial assets and liabilities		
Other current assets	**18,729**	18,498
Property, plant and equipment	**5,115,195**	5,146,331
Other non-current assets	**95,871**	111,275
Intangibles – airport operator licence	**533,049**	538,825
Current provisions	**(5,863)**	(7,067)
Non-current provisions	**(1,146)**	(1,149)
Net assets per statement of financial position	**(52,774)**	211,755

8. Financial instruments (cont'd)

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

			FIXED INTEREST RATE MATURITY				
	AVERAGE INTEREST RATE %	VARIABLE INTEREST RATE $'000	LESS THAN 1 YEAR $'000	1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000	NON-INTEREST BEARING $'000	TOTAL $'000
Financial Assets							
Cash	4.69	482,803	–	–	–	–	482,803
Current receivables	–	–	–	–	–	38,756	38,756
		482,803	**–**	**–**	**–**	**38,756**	**521,559**
Financial Liabilities							
Current payables	–	–	–	–	–	203,967	203,967
Interest-bearing liabilities – bank loans and medium term notes	5.68	3,161,300	–	600,000	40,000	–	3,801,300
Interest-bearing liabilities – FLIERS	8.91	600,000	–	–	–	–	600,000
Interest-bearing liabilities – RPS*	–	–			1,511,250	–	1,511,250
Interest rate swaps**	6.51	(3,150,000)	–	(100,000)	3,250,000	–	–
		611,300	**–**	**500,000**	**4,801,250**	**203,967**	**6,116,517**
Net financial liabilities		**(128,497)**	**–**	**(500,000)**	**(4,801,250)**	**(165,211)**	**(5,594,958)**

* RPS distribution is payable at 13.5% pa of face value of shares (refer Note 6)
** Notional principal amounts

(d) Credit risk exposures

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

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

(e) Derivative instruments

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

OUTSTANDING CONTRACTS	WEIGHTED AVERAGE INTEREST RATE %	NOTIONAL PRINCIPAL AMOUNT $'000
Less than 1 year	5.12	(80,000)
1 to 2 years	4.41	(20,000)
5 years and more	6.46	3,300,000
		3,200,000

The consolidated entity may also periodically enter into foreign exchange contracts designed as a specific hedge for foreign exchange liabilities arising from the purchase of supplies or other contracts. No foreign exchange contracts were entered into during the year to 30 June 2004.

9. Discussion and analysis

The comparative amounts in the statement of financial performance reflect trading from 28 June 2002, being the date the acquisition of Sydney Airport was completed, through to 30 June 2003.

For meaningful analysis the comparative information ($ and %) reflects the prior corresponding trading period (pcp) 1 July 2002 to 30 June 2003.

The consolidated entity earned a consolidated profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA) of $423.5 million for the year to 30 June 2004 (2003 pcp: $373.4 million). EBITDA excluding specific non-recurring expenses increased to $434.4 million (2003 pcp: $375.1 million).

After deducting depreciation and amortisation, net borrowing costs, and income tax, the net loss was $264.5 million (2003 pcp: net loss $257.2 million).

EBITDA (excluding specific non-recurring expenses) represents a 15.8% increase in earnings over the pcp.

Total revenue increased by 10.2% to $548.4 million (2003 pcp: $497.8 million).

Total expenses excluding specific non-recurring expenses reduced by 7.0% to $114.0 million (2003 pcp: $122.6 million). Total expenses including specific non-recurring expenses increased by 0.5% to $125.0 million (2003 pcp: $124.4 million) principally due to restructuring costs.

Depreciation and amortisation increased by 4.1% to $140.9 million (2003 pcp: $135.3 million).

Net borrowing costs increased by 3.6% to $547.1 million (2003 pcp: $528.0 million). The redeemable preference share distributions and FLIERS Trust distributions are included as borrowing costs in the statement of financial performance.

10. International financial reporting standards

The consolidated entity will be required to prepare financial reports using Australian accounting standards that are equivalent to International Financial Reporting Standards (IFRS) and their related pronouncements for all periods beginning on or after 1 January 2005.

The first financial report to be prepared by the consolidated entity in accordance with IFRS will be the financial report for the year ending 30 June 2006. IFRS also requires the consolidated entity to restate comparative period balances. As a result, the opening statement of financial position of the consolidated entity as at 1 July 2004 will be restated so that all transactions and balances are recognised and measured in accordance with IFRS. Transitional adjustments will be reflected either as a reclassification of items in the statement of financial position, or an adjustment of opening retained earnings.

A formal IFRS conversion project was started during the current reporting period. A project team is responsible for assessing the impact that IFRS will have on the accounting and reporting of the consolidated entity. The project team is also responsible for keeping abreast of IFRS developments. The project team will deliver reports as each phase of this process is completed to the board of directors prior to the consolidated entity transitioning to IFRS.

The project is divided into three distinct phases: impact assessment and evaluation, information systems design and adaptation, and implementation. Management have been working with IFRS specialists to ensure that the interpretation of the standards and application to the consolidated entity is as intended. The first phase of the project is in progress and a review of the appropriateness of current information systems will commence shortly.

10. International financial reporting standards (cont'd)

The following are some of the topics that are expected to impact the consolidated entity following the adoption of IFRS. It is not practical at this time to quantify these changes as no conclusions have been reached regarding various accounting treatments under IFRS where the relevant accounting standards have been recently issued or where alternatives are available to the consolidated entity and the financial impact of such alternatives has not been fully assessed.

Carrying value of non-current assets

It is the current accounting policy of the consolidated entity to measure all classes of property, plant and equipment at cost. Under the IFRS transitional provisions there are a number of options available in determining an ongoing accounting policy for property. These options, which are being considered by SCACH, include: continuing use of the cost basis; using fair value as at date of transition as deemed cost; reverting to the original historical cost; and valuing the property, plant and equipment at fair value on an ongoing basis.

Business Combinations

The consolidated entity has the option of retaining the accounting treatment for business combinations in accordance with Australian Accounting Standards, or restating all business combinations prior to the opening balance sheet date. Accordingly determining whether to restate the acquisition of Sydney Airport is an important consideration for SCACH.

Tax effect accounting

IFRS require a full provision approach to deferred tax which is based on "temporary differences", being differences between the carrying value of an asset or liability and the amount attributed to it for tax purposes. As a consequence, deferred tax is recognised when assets acquired in a business combination are recorded at fair value as in the acquisition of Sydney Airport.

Hedge Accounting

The consolidated entity's interest rate swaps will be required to be measured at fair value and recognised in the statement of financial position under IFRS. Therefore the net fair value of SCACH's interest rate swaps as at 30 June 2004 of $58.2 million unfavourable would have to be recognised as a liability under IFRS. SCACH treasury documentation, policies and procedures will be reviewed and changed to effectively manage interest rate exposure particularly with regard to the strict qualifying criteria for hedge accounting.

DIRECTORS' DECLARATION

Southern Cross Airports Corporation Holdings Limited

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

In the opinion of the directors:

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

(b) the financial statements and specific disclosures included in this concise financial report have been derived from the full financial report for the year ended 30 June 2004.

On behalf of the Board

Max Moore-Wilton
Chairman and Chief Executive

Sydney
19 August 2004

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

Scope

We have audited the concise financial report of Southern Cross Airports Corporation Holdings Limited for the financial year ended 30 June 2004 as set out on pages 29 to 42, in order to express an opinion on it to the members of the company. The concise financial report includes both the financial statements of the company and the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Southern Cross Airports Corporation Holdings Limited for the year ended 30 June 2004. Our audit report on the full financial report was signed on 19 August 2004, and was not subject to any qualification.

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

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

Audit Opinion

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

DELOITTE TOUCHE TOHMATSU

J H W Riddell
Partner
Chartered Accountants

Sydney, 19 August 2004

SYDNEY AIRPORT STATISTICS

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

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

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