Sydney Airports Corporation Limited
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SYDNEY AIRPORTS CORPORATION LIMITED ANNUAL REPORT 2002

2002





ANNUAL REPORT

Sydney Airports
Corporation Limited

A WORLD-CLASS AIRPORT MANAGEMENT COMPANY

Sydney Airports Corporation Limited (SACL) is the manager and operator of Sydney Kingsford Smith Airport (Sydney Airport). SACL is an integrated business comprising four trading units and three support service units. Each unit plays an important role in the design and delivery of the connection process that supports the 'total journey experience'.

On 25 June 2002, the Commonwealth Government announced the sale of Sydney Airport to the Southern Cross Airports Corporation consortium for $5.588 billion. The sale transaction was completed on 28 June 2001, at which time Sydney Airport became a privatised entity.

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OVERVIEW

During the reporting period, the events of 11 September 2001 and Ansett Australia's collapse had a dramatic impact on SACL's operating environment. Despite these historic events and their effect on traffic and other areas of SACL's business, SACL acted quickly and efficiently to improve its operating procedures and overall cost structure, building a firm foundation for sustained business and profit growth.

SACL's profit before depreciation and amortisation, net borrowing costs and income tax and specific (non-recurring) expenses was $326.0 million, an increase of 33.6 per cent.

Profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA) rose to $316.3 million (2001: $226.5 million).

EBIT/average total assets was 6.7 per cent (2001: 4.0 per cent).

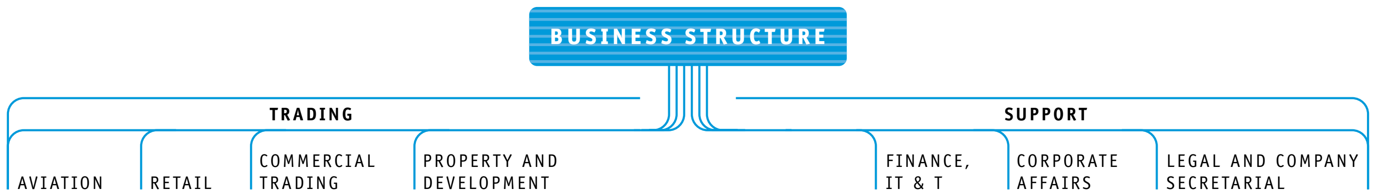
Revenue was derived from SACL's four business streams:

- Aeronautical: revenue up by 64.8 per cent to $180.1 million
- Retail: revenue marginally lower by 1.5 per cent to $115.5 million
- Commercial Trading: revenue stable at $58.6 million
- Property and Development: revenue up by 6.2 per cent to $71.5 million

Revenue derived from aeronautical security recovery was also up by 22.6 per cent to $25.9 million

The decrease of 9.7 per cent in total passengers using Sydney Airport reflected the immediate and dramatic fall in traffic and passenger numbers experienced after Ansett's collapse and September 11. However, improvement in traffic in the second half of the financial year helped counterbalance the negative effect of these events.

This extraordinary result highlights the robust nature of the overall business. Looking ahead, SACL is well positioned to deliver sustained and profitable growth, following a business alignment program and restructure, undertaken during 2002.



FINANCIAL HIGHLIGHTS

	2002 $'000	2001 $'000	% CHANGE
Total revenue	**453,991**	377,601	20.2
Total operating expenses	**137,721**	151,142	(8.9)
Operating profit before depreciation and amortisation, net borrowing costs and income tax and specific (non-recurring) expenses	**325,942**	243,980	33.6
Operating profit before depreciation and amortisation, net borrowing costs and income tax (EBITDA)	**316,270**	226,459	39.6
Depreciation and amortisation	**101,209**	95,450	6.0
Operating profit before net borrowing costs and income tax (EBIT)	**215,061**	131,009	64.2
Net borrowing costs	**74,840**	79,405	(5.7)
Operating profit before income tax	**140,221**	51,604	171.7
Income tax	**53,104**	28,761	84.6
Operating profit after income tax (NPAT)	**87,117**	22,843	281.4

TRAFFIC HIGHLIGHTS

TYPE	2002	2001	CHANGE	% CHANGE
PASSENGER MOVEMENTS				
Domestic	**13,660,441**	15,694,262	(2,033,821)	(13.0)
Regional	**1,794,540**	1,610,524	184,017	11.4
International	**8,037,750**	8,722,667	(684,917)	(7.9)
Domestic on-carriage	**370,813**	409,050	(38,237)	(9.3)
Total passenger movements	**23,863,544**	26,436,503	(2,572,959)	(9.7)
AIRCRAFT MOVEMENTS				
Domestic	**113,749**	151,752	(38,003)	(25.0)
Regional	**65,653**	82,177	(16,524)	(20.1)
International	**45,795**	49,296	(3,501)	(7.1)
General aviation	**22,003**	26,847	(4,844)	(18.0)
Freight	**7,529**	7,267	262	3.6
Total aircraft movements	**254,729**	317,339	(62,610)	(19.7)
TONNAGE ('000s)				
Domestic	**5,414**	6,288	(873)	(13.9)
Regional	**333**	334	(2)	(0.6)
International	**6,110**	6,765	(655)	(9.7)
General aviation	**55**	75	(20)	(26.3)
Freight	**416**	430	(14)	(3.2)
Total tonnage	**12,328**	13,892	(1564)	(11.3)

International Passenger movements exclude transit passengers; Regional passengers include transit passengers. Traffic sources: International and domestic on-carriage passenger numbers provided by Australian Customs Service and Department of Immigration and Multicultural Affairs. Domestic and regional passenger numbers provided by airlines and the Department of Transport and Regional Services, and include three months' preliminary estimates for regional passengers.

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

CHAIRMAN'S REVIEW

The Southern Cross consortium is proud to have been chosen through a highly competitive process as the new "owner" of Sydney Airport. We recognise the significant responsibility required of us in this new role. At the same time, we are delighted to have earned the opportunity to continue building the reputation of Australia's most important infrastructure asset.

Sydney Airport plays a vital role in Australian life and touches a large array of stakeholders in many different ways:

- Sydney Airport is Australia's business and tourism hub, influencing the first and last impression of more than half of all visitors to Australia's shores. In aggregate, it provides access for around 25 million passengers a year, including for interstate and regional destinations.
- Over 60,000 people work directly servicing airport related activities. This team includes not just airport staff, but key airline customers, retailers, property owners and many others.
- Sydney Airport plays a central role in securing passenger safety and service the highest priority in its operations.
- For its shareholders, Sydney Airport is responsible for ensuring an adequate return on their investment.

We also recognise that with this vital role comes a range of challenges in balancing the legitimate aspirations of diverse stakeholders. We take seriously our obligation to work together with all parties to find solutions on all significant issues. For instance, the importance that airlines attach to growing passenger volumes might be at odds with residents' interests. The needs of existing airlines for additional space will have to be balanced with the aspirations of new entrants to obtain access to the Sydney market. On these and other important issues, our approach will be to maintain an open and ongoing dialogue as we develop tenable solutions together.

OUR COMMITMENT

At Southern Cross, our ultimate commitment is to maintain a world class transportation facility, while working diligently with stakeholders to find common ground and to work co-operatively toward solutions. This commitment is reflected in the following primary goals:

- to enhance the customer experience with Sydney Airport by providing airline passengers with efficient ease of operations;
- to reflect our customers needs while at Sydney Airport by offering valuable new services;
- to build and deepen long-term partnerships with airlines and other customers;
- to earn community respect for our ability to listen and actively work together on solutions to shared challenges; and
- to generate ongoing investor support through providing sustainable, growing returns.

These objectives, along with the level of pre-committed Australian equity, allowed Southern Cross to bid $5.6 billion (a figure which included the cost of the former Ansett domestic terminal) resulting in its being chosen as the new airport owner.

Our investors remain firmly of the view that they paid a fair price for this icon asset. The EBITDA multiple compares favourably with that paid for comparable Australian assets. This should ensure that value is added for investors both in the short and long term.

RESILIENCE OF EARNINGS

Our confidence in the future of Sydney Airport is borne out by the results produced in the financial year ending 30 June 2002. EBITDA (profit before depreciation and amortisation, net borrowing costs and income tax and specific non-recurring expenses) – the key measure of the performance of infrastructure assets – rose 33.6 per cent to $326.0 million. Adjusted for incremental one-off expenses associated with privatisation and Ansett, the result improved by 39.6 per cent to $316.3 million.

Revenue also increased by 20.2 per cent to $454.0 million. Such a result in a challenging year bears testimony to the resilience of airport earnings.

A WORLD CLASS AIRPORT

Working in close cooperation with SACL management, we welcome the opportunity to help consolidate Sydney Airport's position as a world-class airport. We will stay dedicated to excellence in customer service; we will maintain our focus on safety and security around the facility; and we will work diligently to minimise any negative impact of Sydney Airport on its neighbours.

Finally, on behalf of the new Board of SACL, I would like to thank the Commonwealth Government for its professionalism in the handling of the bid process, the management and staff of Sydney Airport for their outstanding effort in managing the airport while working through the privatisation, and the former Board of SACL led by Chairman Mr David Mortimer, for its leadership role over the past four years.

HELEN NUGENT
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

The year ended 30 June 2002 was a period of significant achievement for Sydney Airports Corporation Limited (SACL) on behalf of all its stakeholders.

As one would imagine, the terrorist attacks on the United States precipitated an unprecedented period of upheaval in aviation markets worldwide. In Australia, due to the demise of Ansett Australia's, additional disruptions intensified an already difficult operating environment. These major events created significant operational challenges for SACL throughout the course of the year.

Our management team responded by taking decisive action to downsize the organisation and reduce its cost base, without compromising the levels of service. These actions stabilised the business and put SACL in a leaner state in preparation for our entry into the private sector.

All parts of our business achieved real growth or real cost savings despite a significant drop in overall passenger numbers.

FINANCIAL PERFORMANCE

We recorded an outstanding financial result for the reporting period, highlighting the robust nature of the overall business and its resilience to the most adverse of market conditions. Earnings before depreciation and amortisation, net borrowing costs and income tax (EBITDA), increased 39.6 per cent to $316.3 million. SACL recorded a fourfold increase in profit after tax, from $22.8 million to $87.1 million for the financial year.

This result reflects a strong underlying performance from the aviation unit as well as a solid outcome from SACL's retail, commercial trading and property and development trading units. The increase in EBITDA represents a strong performance in extremely difficult trading and operational conditions.

While the improvement in EBITDA is significant, profit was affected by several relatively large specific non-recurring expenses, totalling some $9.7 million (2001: $17.5 million). Taking these expenses into account, SACL's profit before depreciation and amortisation, net borrowing costs and income tax and specific non-recurring expenses was $326.0 million, an increase of 33.6 per cent.

The increase in EBITDA was generated through a 20.2 per cent increase in total revenue to $454.0 million (2001: $377.6 million), and includes an 8.9 per cent decrease in operating expenses to $137.7 million (2001: $151.1 million). Total operating expenses included redundancy costs of $2.3 million (2001: $950,000), as well as specific non-recurring expenses of $9.7 million. These non-recurring expenses included privatisation related costs and the write-off of Ansett bad debts.

FOCUS ON SECURITY

The additional security measures applied immediately following September 11 remain in place at Sydney Airport today. Increased resources and security patrols have been maintained throughout the terminals, on the airport apron and around the airfield's perimeter. Checked-baggage screening has been imposed to protect specific international airlines and flight destinations.

The cost of nine months' additional security measures ($3.1 million) was fully recovered during the six months to 30 June. The Federal Government was still reviewing its counter-terrorism policy at balance date.

In addition, the Government has mandated Improved Quarantine Intervention screening of arriving passengers. The Government has also announced that border protection will remain a major priority throughout its third term.

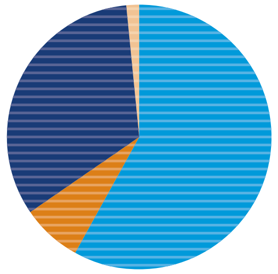
ANSETT

Ansett, through its significant domestic operations and its international arm, represented SACL's second largest airline customer. Hence, the collapse then closure of the airline had a significant impact on Sydney Airport's operations. The total number of domestic aircraft and passenger movements through Sydney Airport was 25.0 per cent and 13.0 per cent respectively below last year's figures, attributable largely to Ansett's closure. In addition to the loss of STAR ALLIANCE feed this closure represented, Ansett International's closure in 2001 also affected Sydney Airports international passenger traffic.

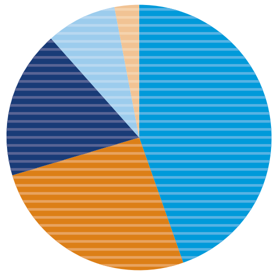
As a result of Ansett's closure, the former Ansett domestic terminal in Sydney was made available for sale through a competitive process by Ansett administrators. SACL agreed to buy the Sydney Ansett domestic terminal for $192 million from the administrators on 2 May 2002. The transaction was completed on 1 July 2002. Following its reopening in September 2002, the terminal is operated by SACL as a multi-user facility available to all existing domestic airlines. It will also be used to provide expansion opportunities for new entrants to the domestic aviation market. We will continue to do all we can to attract new airlines to Sydney Airport in order to ensure a competitive market for travellers.

KEY TRAFFIC DATA – 2002

	PASSENGER MOVEMENTS	
57.2.%	DOMESTIC	13,660,441
7.5%	REGIONAL (EXCL. TRANSITS)	1,794,540
33.7%	INTERNATIONAL	8,037,750
1.6%	DOMESTIC ON-CARRIAGE	370,813
	TOTAL	**23,863,544**



	AIRCRAFT MOVEMENTS	
44.6%	DOMESTIC	113,749
25.8%	REGIONAL	65,653
18.0%	INTERNATIONAL	45,795
8.6%	GENERAL AVIATION	22,003
3.0%	FREIGHT	7,529
	TOTAL	**254,729**



BUSINESS ALIGNMENT

During the first half of the year, our management team led a major Business Alignment Program that positioned the corporation for the new trading and operating environment going forward.

Employee productivity rose as staff numbers were realigned to the changed trading conditions. Full time equivalent (FTE) staff numbers decreased from 482 to 409, including a 25per cent reduction in senior management positions.

TRAFFIC RECOVERY

Sydney Airport handled 23.9 million passengers during the financial year ending July 2002. This was a decrease of 9.7per cent compared with record passenger numbers in the previous year.

However, there has been a steady recovery in international traffic during the second half of the year (January–June 2002). Domestic traffic remained depressed throughout the second half of the year, but both international and domestic sectors are expected to show growth during the current financial year.

PRIVATISATION

On 25 June 2002 the Commonwealth Government announced the sale of SACL to the Southern Cross consortium for $5.588 billion, including the former Ansett domestic terminal.

Following a competitive bidding process, Southern Cross was deemed the bidder most capable of meeting the Government's objectives, which included optimising sale proceeds and identifying a buyer with the management skills and commitment necessary to continue the development of Sydney Airport's services.

Southern Cross is committed to working with existing SACL management to consolidate Sydney Airport's position as a world-class airport, to service its customers at a competitive price, and to work within existing operational constraints to minimise Sydney Airport's impact on its neighbours. No regional airline will be forced to move from Sydney Airport as a result of the sale.

WORLD-CLASS FACILITIES

Sydney Airport's status as one of the world's best airports was reconfirmed by its ranking in the latest independent survey of world airports conducted by UK-based aviation market researcher Skytrax. In what is reputed to be the world's largest airport passenger survey, Sydney attracted over 1.4 million nominations to rank as the world's third-best airport behind its much larger rivals, Singapore and Hong Kong.

Similarly, the IATA Global Airport Monitor for 2001 ranked Sydney Airport as the third-best airport overall in the 15–25 million passengers per annum category and the sixth-best airport in the world. In the 15–25 million class, Sydney maintained its number-one rating in three specific areas: services, availability of flights to cities in another continent, and passport/visa and customs inspections.

OUTLOOK

We see positive signs of growth ahead. Our international airline customers have decided to increase the number of seats available to Sydney in the 2002/03 northern winter season by 4.6 per cent relative to 2001/02.

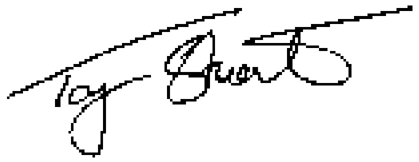
Further productivity gains will be pursued throughout the year, and capital expenditure will be prudent. To restore confidence in air travel across the board, SACL will engage actively in airline marketing.

With these measures and the valuable daily contributions from our staff and managers, we are on our way to a new year of solid results.

CONCLUSION

It has been a privilege to lead such a committed team of management and staff through a very turbulent time. Staff numbers were reduced throughout the period, but in a dignified and professional manner that recognised the valuable contributions each staff member had made to the growth and profitability of the organisation.

Finally, I am especially proud of my colleagues' achievement in re-igniting the privatisation process. The success of that process and the strong results for the year are a result of their determination and capable input.



TONY STUART
Chief Executive Officer

FINANCIAL RESULTS

The results of Sydney Airports Corporation Limited (SACL) proved that the business has the resilience and strength to meet economic challenges. In particular, the results reflect the introduction of new aeronautical pricing late last financial year and the secure long-term nature of non-aeronautical concessions, leases and licences.

CORPORATE STRUCTURE

SACL was acquired by Southern Cross Airports Corporation Pty Limited on 28 June 2002. Southern Cross Airports Corporation Pty Limited is the parent company and Southern Cross Airports Holding Limited is the ultimate parent company of SACL.

During the period to 30 June 2002, there were no transactions between SACL and its parent and ultimate parent company.

In accordance with the Share Sale Agreement between the Commonwealth of Australia and Southern Cross Airports Corporation Pty Limited (Share Sale Agreement), SACL's financial statements for the year ended 30 June 2002 were prepared on a basis consistent with the previous year.

FINANCIAL PERFORMANCE

Profit from ordinary activities before depreciation and amortisation, net borrowing cost, income tax and specific non-recurring expenses was $326.0 million (2001: $244.0 million).

Profit from ordinary activities before depreciation and amortisation, net borrowing costs and income tax (EBITDA) was $316.3 million (2001: $226.5 million).

Profit from ordinary activities before net borrowing costs and income tax (EBIT) was $215.1 million (2001: $131.0 million).

Return on assets (EBIT/average total assets) was 6.7 per cent (2001: 4.0 per cent).

The results reflect a strong underlying performance from the Aviation unit and solid outcomes from the Retail, Commercial Trading and Property and Development business units in the context of decreased passenger numbers.

	REVENUE	$'000
39.7%	AERONAUTICAL REVENUE	180,058
5.7%	AERONAUTICAL SECURITY RECOVERY	25,910
25.5%	RETAIL REVENUE	115,520
12.9%	COMMERCIAL TRADING REVENUE	58,609
15.7%	PROPERTY REVENUE	71,476
0.5%	OTHER	2,418
	TOTAL	**453,991**

REVENUE

Total revenue of $454.0 million represents an increase of 20.2 per cent on the previous year.

Revenue was derived from four business streams – Aviation, Retail, Commercial Trading, and Property and Development.

Aeronautical revenue increased by 64.5 per cent to $180.1 million due to aeropricing introduced in May 2001 which generated higher revenue in spite of lower passenger numbers and a decline in landed tonnes.

Aeronautical security recovery increased 22.2 per cent to $25.9 million, reflecting additional security measures, especially post-September 11.

Retail revenue was marginally lower by 1.5 per cent to $115.5 million. This is considered to be a solid performance considering the effect of the Sydney 2000 Olympics and Paralympics in the previous financial year and the 7.9 per cent fall in international traffic that occurred during the period.

Duty free departures continued to be affected by the shifting passenger mix, with lower spend rates from key nationality groups and volumes down in key markets. However duty free arrivals performed well with strong increases in all categories and higher passenger spending.

Commercial Trading revenue was stable at $58.6 million reflecting the improved revenue streams from valet and domestic express terminal parking, offset by decreasing car parking at Sydney Airport given the fall in international and domestic traffic. This was a sound performance considering the diminution in passenger numbers, the closure of valet services at the international terminal due to security reasons, and the postponement of scheduled car parking rate increases.

Property and Development revenue increased by 6.2 per cent to $71.5 million reflecting growth in SACL's property portfolio. The increase would have been greater but for the collapse of Ansett and consequential loss of revenue.

Total revenue per passenger was $19.02 in 2002 (2001: $14.24), an increase of 33.6 per cent.

	EXPENSES	$'000
15.4%	LABOUR	48,344
15.6%	SERVICES AND UTILITIES	48,973
8.3%	OTHER OPERATIONAL COSTS	26,069
4.6%	PROPERTY AND MAINTENANCE	14,335
32.2%	DEPRECIATION AND AMORTISATION	101,209
23.9%	NET BORROWING COSTS	74,840
	TOTAL	**313,770**

OPERATING EXPENSES

Operating expenses decreased by 8.9 per cent to $137.7 million. The decrease in expenses for the year reflects SACL's response to changed trading conditions and lower specific (non-recurring) expenses. As indicated earlier, SACL introduced a Business Alignment Program to reduce overhead costs. Savings produced by the program were tempered by increased security expenditure.

Operating costs included a number of specific (non-recurring) expenses incurred by SACL during the year. These costs totalling $9.7 million included privatisation related costs and bad debts written-off as a result of Ansett (2001: $17.5 million including, airline litigation defence, the Sydney 2000 Olympics and Paralympics facilitation, and significant privatisation costs).

Expenses per passenger were $5.77 (2001: $5.72) before depreciation and amortisation and net borrowing costs. This reflected the significant decline in passenger numbers nominally outweighing the decline in operating costs achieved as a result of the Business Alignment Program.

DEPRECIATION AND AMORTISATION

Airports are asset-intensive businesses with substantial investments in land and infrastructure such as runways, taxiways, aprons, terminals, car parks, roads and other support facilities.

Depreciation and amortisation of $101.2 million represents an increase of 6.0 per cent on the previous year. It reflects the higher asset base for the financial year as a result of the completion of the Sydney Olympics expansion and redevelopment project in the previous year.

SACL FINANCIAL STATISTICS

	2002	2001
Yield (EBITDA/total revenue)	**69.7%**	60.0%
Return on assets (EBIT/average total assets)	**6.7%**	4.0%
Return on equity (NPAT/average net assets)	**4.7%**	1.2%
Total revenue per passenger	**$19.02**	$14.24
Expenses before depreciation and amortisation and net borrowing costs per passenger	**$5.77**	$5.72
Operating profit before depreciation and amortisation and net borrowing costs per passenger	**$13.25**	$8.57
Revenue per FTE (full-time equivalent) person	**$1,110,002**	$783,405
Earnings per share	**87.1 cents**	22.8 cents
Debt to equity ratio	**38:62**	41:59

TAXATION

SACL's permanent differences and timing differences resulted in a relatively high effective tax rate. Permanent differences included the non-deductibility of amortisation of leasehold land and depreciation on older pavements and buildings. Timing differences included the non-deductibility of some borrowing-related costs in the 2002 financial year as a result of financing arrangements put in place by Southern Cross Airports Corporation Pty Limited to purchase SACL.

CASH FLOW

SACL generated $257.4 million cash (2001: $108.0 million) from operating activities. The increase reflected improved yields following the decision by the Australian Competition and Consumer Commission (ACCC) not to object to a substantial increase in aeronautical charges, and SACL's immediate response to 11 September 2001 and the collapse of Ansett by realigning its business to enhance cash flow.

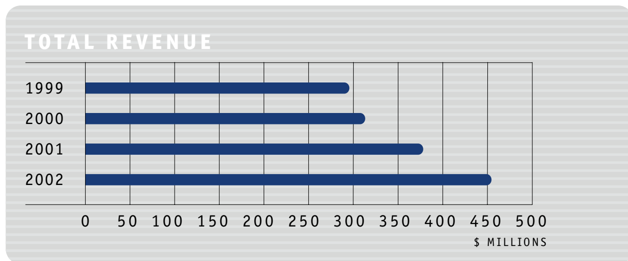
SACL capital expenditure for the financial year, before capitalised borrowing costs, was $53.3 million (2001: $124.2 million). The decrease for the year reflected cash conservation measures imposed by SACL post-September 2001 including capital expenditure reduction and deferral initiatives.

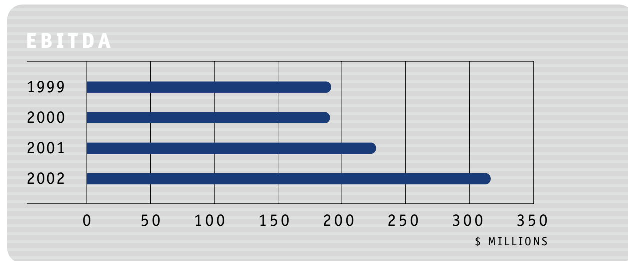
Capital expenditure in the previous year reflected the finalisation of a number of major works, and the acquisition of land at a cost of approximately $30 million for the development of freight and industrial facilities to the north of Sydney Airport.

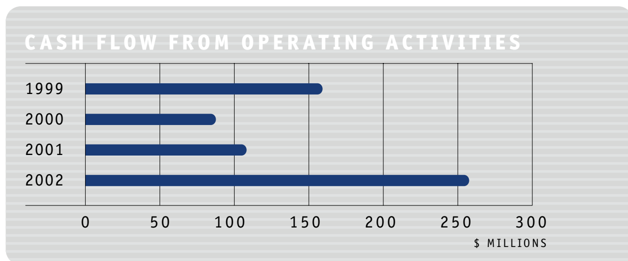
FINANCIAL POSITION

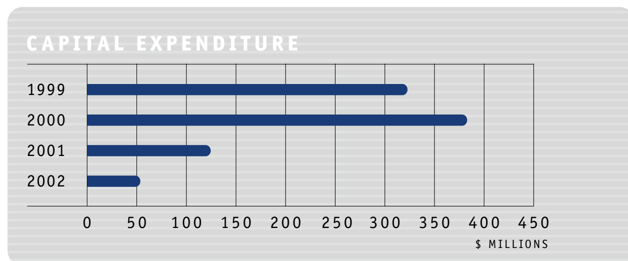
Shareholders' equity 30 June 2002 totalled $1,895 million (2001: $1,834 million), reflecting retained profits and dividends paid during the year.

The debt: equity ratio was 38:62 (2001: 41:59).









PROPERTY, PLANT, AND EQUIPMENT

SACL's leasehold land and buildings (including runways, taxiways, aprons and other infrastructure) and the intangible licence right to operate the airport were valued at directors' valuation of $5.415 billion at 30 June 2002 (see Note 7 to the financial statements). The valuation reflected the purchase price paid by Southern Cross Airports Corporation Pty Limited on 28 June 2002 (as adjusted for the former Ansett domestic terminal that was acquired by SACL on 1 July 2002).

In accordance with the Share Sale Agreement and consistent with the prior year, "property, plant and equipment" are reported at "deemed cost". On this basis, the net book value at year end was $3,125 million (2001: $3,177 million). This included investment in new fixed assets during the year of $49.2 million (2001: $121 million), less depreciation and amortisation of $101.2 million (2001: $95.4 million). The increase in depreciation reflected the higher asset base for the financial year as a result of the completion of the Sydney Airport international terminal upgrade project (SA2000) in the previous year.

DEBT FACILITIES

SACL's debt facilities comprised a $450 million bank-syndicated revolving facility maturing, $400 million in five year medium term notes (with call option) and a $600 million short term note facility. The latter facility was supported by a 364 day $450 million bank-syndicated standby facility.

The $450 million bank-syndicated facility and short-term note facility represented core debt.

Drawings under these facilities were repaid and the facilities cancelled in July 2002, shortly after privatisation. Core debt is now provided by Southern Cross Airports Corporation Pty Limited, the parent company.

TREASURY POLICY

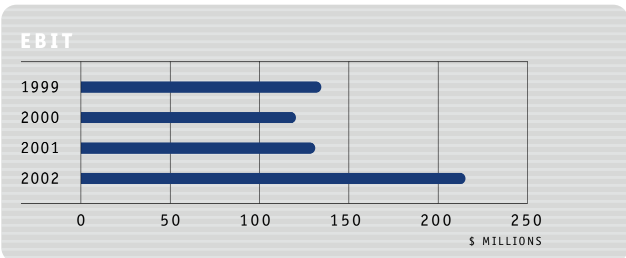
The treasury function is responsible for managing financial risks related to liquidity and funding, interest rates, and foreign exchange. Counterparty credit risk is tightly controlled with specific limits applied to counterparties and to investment transactions.

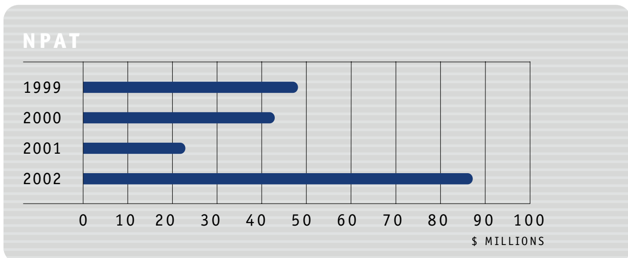
Treasury activity with respect to funding and interest rate risk management was previously focused on ensuring a straightforward privatisation process.

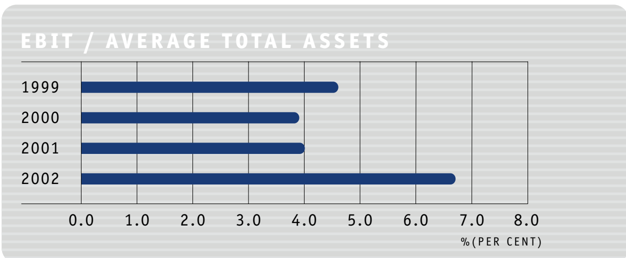
Management of SACL will manage the treasury activities of the Southern Cross Airports Group.

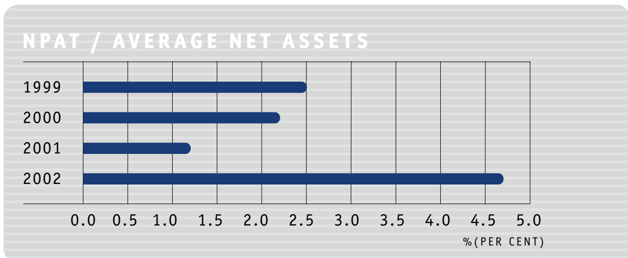
DIVIDENDS

No final dividend was declared for the year (2001: $49.6 million franked). A franked interim dividend of $26.5 million (2001: $9.3 million franked) was paid during the financial year.









BUSINESS ALIGNMENT

SACL undertook a comprehensive Business Alignment Program in response to the substantially changed trading conditions following the events in September.

The main objectives were to reduce operating expenses, to redesign and realign the business to the new trading environment, and to review and redesign systems and processes to support the new organisational structure.

The project was undertaken in-house, to an agreed set of principles, and sustainable outcomes, without reliance on external consultants. The changes, which became effective on 1 March 2002, were designed to maintain the trading and service unit structure, ensure continued airport functionality (especially safety and security), create synergies within directorates and flatten their internal structures, while recognising that privatisation was yet to be completed.

The changes to structure resulted in a reduction in the number of directorates by one, an overall reduction in the number of senior manager positions and the amalgamation and elimination of several departments. The synergies created across the business made 40 full-time jobs (10 per cent of the full-time establishment) redundant. The Business Alignment Program and redundancies were achieved with the full co-operation of the workforce and without disruption to the business. Most contractor and temporary positions were discontinued.

FULL TIME EQUIVALENT STAFF 409
(2001 FIGURE WAS 482)

AVIATION DIRECTORATE	65%
COMMERCIAL DIRECTORATE	10%
SUPPORT UNITS	25%

PEOPLE

The 'can do' culture of our people is a critical success factor for SACL. Corporatisation, SA 2000, the Olympics, the Business Alignment Program and successful privatisation have all been achieved in a pressured environment and against tight deadlines.

Workplace surveys have confirmed that SACL's people believe the business is increasingly commercially-focussed and dynamic, but with safety and security remaining the number one priority. There is a strong 'can do' culture, with people committed to delivering quality customer service. Organisational communication was also seen as an area of significant improvement.

PRIVATISATION

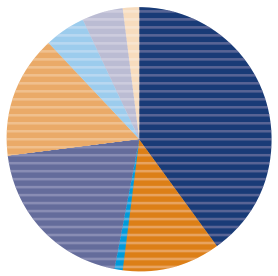
A NEW SHAREHOLDER

Following a competitive bidding process, SACL was sold to the Southern Cross Airports consortium by way of a trade sale. The sale process and transaction were completed successfully during the reporting period. Southern Cross was deemed the bidder most capable of meeting the Government's objectives, which included optimising sale proceeds and identifying a buyer committed to continue the development of Sydney Airport's services. Sponsors of the consortium were Macquarie Bank, HOCHTIEF Airports (industrial partner) and the Commonwealth Bank.

Following the successful sale of Phase 1 airports (Melbourne, Brisbane and Perth) and Phase 2 airports (a further 14 Commonwealth owned airports), during the reporting period the Government sold SACL by way of a trade sale, with the transaction completed successfully on 28 June 2002.

SHAREHOLDERS

MACQUARIE AIRPORTS (MAp)	40%
MACQUARIE AIRPORTS GROUP (MAG)	12%
GLOBAL INFRASTRUCTURE FUND	1%
FERROVIAL AEROPUERTOS	20%
HOCHTIEF AIRPORT	15%
ONTARIO TEACHERS	5%
ABBEY NATIONAL	5%
MOTOR TRADERS' OF AUSTRALIA (SUPERANNUATION FUND)	2%



On 13 December 2000, the Government announced its decision to privatise the four Sydney basin airports, and on 29 March 2001 announced that it intended to dispose of its 100 per cent interest in the operations of Sydney Airport through a trade sale process and dispose of its interest in the other airports in the Sydney basin separately.

The trade sale process was deferred on 24 September 2001 following the disruptions to both global financial markets and the airline and aviation sectors.

The Federal Finance Minister formally advised bidders of the resumption of the process on 11 March 2002, and on 25 June 2002 the Government announced the sale of SACL to the Southern Cross Airports Corporation consortium for $5.588 billion, which included the cost of the former Ansett domestic terminal at Sydney Airport.

SOUTHERN CROSS AIRPORTS

Southern Cross represents a blend of local knowledge and international airport and investment expertise. The consortium is a Sydney-based group, combining airport expertise and financial strength plus airport operating and development skills that match SACL's operations. Being Australian, and independent of other Australian airport interests, the consortium has a detailed understanding the needs of the Sydney, NSW and Australian environments. On confirming its acquisition of SACL, Southern Cross advised that it was committed to working with SACL management to deliver sustainable growth within existing regulatory controls.

THE SOUTHERN CROSS STRENGTHS

- World-class airport management and development skills
- Continuity, stability and growth through working with existing SACL management
- Commitment to build on the existing SACL business within existing controls
- Safety and security: global expertise in airport safety and security
- Understanding of Sydney Airport's importance at a national, state and local level
- Awareness of Sydney Airport's responsibilities within its local communities

MACQUARIE AIRPORTS (MAp)	Macquarie Bank's Australian publicly listed airport fund
MACQUARIE AIRPORTS GROUP (MAG)	Macquarie Bank unlisted specialist airport investment fund
GLOBAL INFRASTRUCTURE FUND	Macquarie Bank specialist infrastructure investment fund
HOCHTIEF AIRPORT	HOCHTIEF's specialist airport management company with stakes in four major airports
FERROVIAL AEROPUERTOS	part of a major Spanish construction group, with global experience in airports and tollroads
ONTARIO TEACHERS	One of the world's largest pension funds and a global investor
ABBEY NATIONAL TREASURY SERVICES	Part of the Abbey National Plc group, with a strong focus on infrastructure and private financing, including global investments in infrastructure and airports
MOTOR TRADERS' OF AUSTRALIA (SUPERANNUATION FUND)	Australian based superannuation fund with investments in other Australian airports

BUSINESS REVIEW

AVIATION

The unit is responsible for managing and developing SACL's aeronautical assets and services to facilitate the efficient and profitable movement of aircraft, passengers and freight. Its principal assets are Sydney Airport's runways, airfield lighting, taxiways and terminals.

FINANCIAL PERFORMANCE

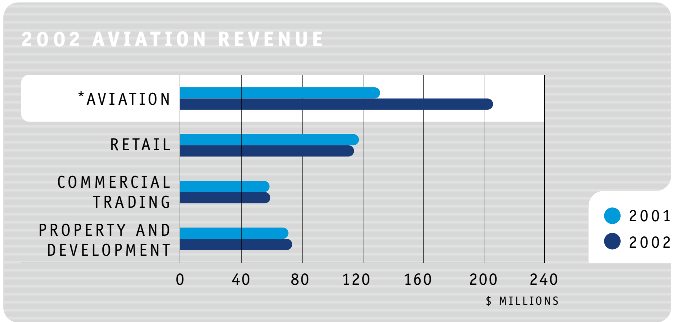
Aviation's primary source of income is the fees paid by airlines for the use of Sydney Airport. The performance of the Aviation business unit was most satisfactory, due in large part to aeronautical charges, which are determined by aircraft tonnage and terminal usage and related fees.

A total of 12.3 million tonnes moved through Sydney Airport during the year (2001: 13.9 million tonnes). While passenger numbers were also down 9.7 per cent on last year, aeronautical income rose by 64.5 per cent. The increase was partly attributable to the full year benefit of the introduction of new dual-till aeronautical charges regime approved by the Australian Competition and Consumer Commission (ACCC) in May 2001.

Following the ACCC's August 2001 approval of its application, SACL also replaced its weight-based international airline charges with a passenger services charge (PSC) on 1 November 2001. SACL's application for a similar PSC for domestic services was rejected by the ACCC following the expression of concerns by a domestic airline.

OPERATING ENVIRONMENT

The highest priority has been given to safety and security throughout the facility. The SACL security team responded immediately to news of the attacks in the United States of America by convening meetings with national security and related agencies to plan and enact a new generation of stringent security measures, which have now become standard. SACL's security team and its airport partners worked diligently over the following months to re-establish a sense of security and stability for the travelling public and the local and international airline industries.



*Aviation revenue includes security recovery

To help bolster the Australian domestic aviation market following the suspension of Ansett flights, Qantas diverted aircraft previously assigned to international services. As a result, Qantas achieved significant business growth at the end of 2001.

ADDITIONAL SECURITY MEASURES

The additional security measures implemented during the year were consistent with those applied by the US Federal Aviation Authority and were introduced and maintained in a manner considered appropriate to Australian conditions. The Government-mandated measures remain in force and SACL will continue to recover the costs of these measures from its airline customers.

Security is now a major part of SACL's business. Recoveries reached $25.9 million during the year.

ANSETT AUSTRALIA'S IMPACT

Ansett was SACL's second largest airline customer. Its collapse also resulted in the effective closure of one of Sydney Airport's domestic terminal facilities for several months.

The collapse of Ansett had an impact on both domestic and international terminal operations at Sydney Airport. The 13.0 per cent decline in overall domestic passengers to 13.7 million, and the significant decline in aircraft movements (down some 25.0 per cent to 113,749), can largely be attributed to the negative impact of the initially restricted schedules and then final closure in March 2002 of the domestic service of Ansett.

Whilst the impact on domestic operations was experienced across all major Australian airports, Sydney Airport also experienced a further negative impact through the closure of Ansett International's operations out of Sydney Airport's international terminal. The service's closure in late 2001 contributed in part to the overall decline in international passenger volumes through the terminal during the reporting period.

TERMINAL 2 (T2)

Sydney Airport is the critical hub in the national aviation system and travellers who pass through it will now be able to benefit from a world-class domestic terminal available to anyone who wants to use it on a common-use basis.

SACL's acquisition of the Ansett domestic terminal (now known as T2) formerly held by Ansett under the long-term lease arrangements entered into prior to deregulation in 1987, provides a unique opportunity to ensure competitive facilities on the ground are available to support competition in the air. In this manner, Sydney Airport has an important and strategic role in keeping airfares competitive by ensuring that T2 can readily be accessed by third party entrants – a significant change from the vertical integration model under the previous domestic terminal lease arrangements.

AVIATION DIRECTORATE RESTRUCTURE

A major reorganisation of the Aviation directorate occurred during the period. Following a corporation-wide Business Alignment Program (see page 15), the Aviation directorate established a single Airport Operations group, and a cohesive asset management group and reduced the number of full-time equivalent staff by 12 per cent from 286 to 250. These changes have already produced significant improvements in operational efficiencies.

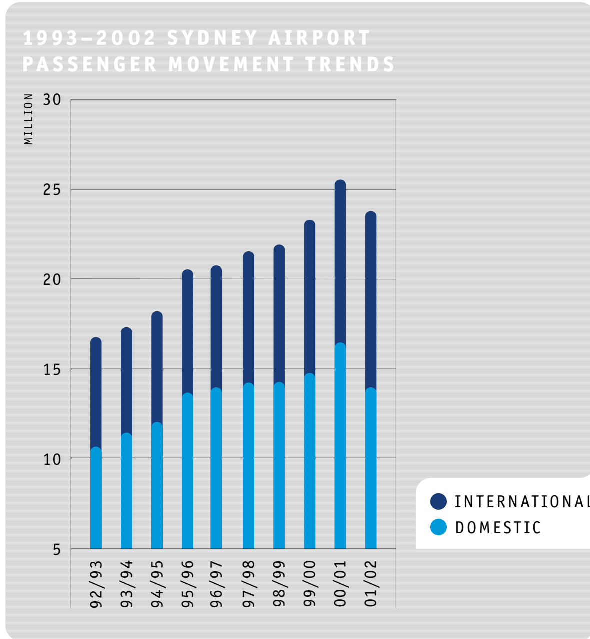
Specific changes included:

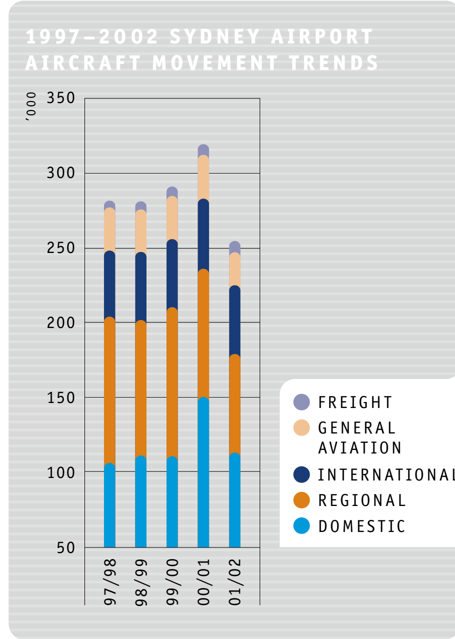
- combining the airfield and terminal operations to form a single Airport Operations group with a keener focus on customer service, efficiency and operational sustainability.
- creating an asset management group which combined construction, maintenance and CADD into a single whole-of-airport team to ensure a sharper focus on asset planning and management, effective capital expenditure, lifecycle costing and return;
- maintaining the focus on safety and security; and
- placing a greater emphasis on airline business development and marketing.

A project group was formed to facilitate the arrival of the New Large Aircraft (NLA) in Sydney in 2006 and to engage major airline customers on the important issue of capital expenditure recovery for this project.

INCREASED EFFICIENCIES

The number of passengers per international movement (176) through Sydney Airport was unchanged from last year (2001: 177), despite the overall fall in passenger traffic. The average number of passengers carried by domestic flights to and from Sydney Airport throughout the year increased by 16.5 per cent to 120, and the average number by regional flights rose by 39.5 per cent to 27. The increases were attributable largely to Qantas' decision to divert larger aircraft to the domestic market and undertake an extensive re-equipment program. Simultaneously, a shakeout at the small-to-medium end of the regional market reduced the number of nine and 19 seat aircraft using Sydney Airport.





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

EXTENSION OF OPERATIONAL LIFE

Forecast aeronautical capacity demand has been delayed, and has thus extended the operational life of Sydney Airport. Additionally, the availability of some peak morning slots has the potential to increase demand for landing rights from international airlines.

The decrease in immediate demand for take-off and landing slots also provided SACL with an opportunity to review its capital expenditure program. Expenditure planned for capacity expansion can be deferred and resources devoted to improvements in planning and project delivery.

AIRPORT SERVICES

AirServices Australia's June 2002 implementation of the Precision Radar Monitor (PRM) for arrivals approaching from the north will increase on-time performance in low visibility conditions.

The introduction of automated screening of passengers' baggage on inbound flights significantly increased SACL's ability to maintain its already very high level of airport security. Throughout this project, the increased quarantine screening was funded by the Federal Government, with Sydney seeing the first reorganisation of secondary line inspection including the installation of x-ray equipment.

SACL's efforts to maintain the high quality of the total journey experience were reinforced by the continuation of its good working relationships with both Australian Quarantine Inspection Services and Customs.

An Improved Quarantine Intervention (IQI) project was made mandatory for all Australian airports by the Federal Government to upgrade detection of disease and prohibited imports.

AVIATION CORE ACTIVITIES

AIRPORT OPERATIONS
ASSET MANAGEMENT
SAFETY AND SECURITY SERVICES
BUSINESS DEVELOPMENT AND MARKETING

BUSINESS REVIEW

COMMERCIAL DIRECTORATE

The Commercial Directorate is responsible for all of SACL's non-aeronautical revenue streams and is a highly significant contributor to corporate EBITDA performance. The Commercial Directorate accounts for $245.6 million representing 54 per cent of total SACL revenue. Following the completion of SACL's Business Alignment Program, the Retail, Commercial Trading and Property and Development units were integrated within one directorate.

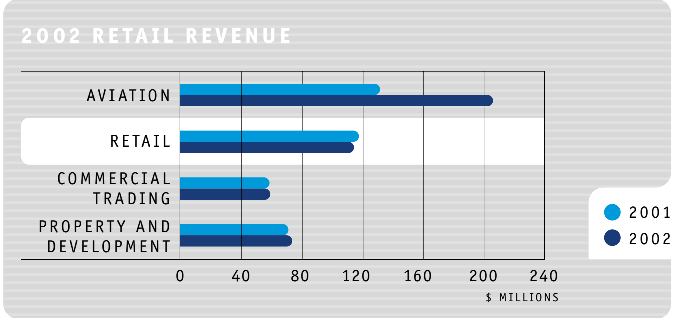
The integration will enhance management's ability to seek synergies and efficiencies in delivering results from existing activities, while developing new products and services and refining its overall commercial offerings to maximise revenues.

FINANCIAL PERFORMANCE – RETAIL

In 2002, SACL's retail income decreased marginally to $115.5 million. This 1.5 per cent decrease was a solid result given the 7.9 per cent decline in international traffic. The real-term revenue growth for the year was exceptional at 4.0 per cent and clearly demonstrated management's ability to respond quickly to a changing business environment.

As an example, contractual arrangements were addressed in consultation with SACL's retail customers where necessary and management made strenuous efforts to balance the retailers' needs with SACL's commercial obligations. As a result, SACL and its retail partners could focus on business recovery and there were no major disputes with leaseholders during the turbulent reporting period.

The Retail business unit achieved a strong overall financial result given the challenging trading environment.



THE RETAIL EXPERIENCE

The retail experience is a fundamental component of contemporary air travel, particularly for international passengers. SACL's Retail business unit constantly fine tunes its portfolio of duty free, foreign exchange, food and beverage, and other specialty retail products and services to make that experience as rewarding as possible for retailers, travellers and visitors.

International passengers remain the primary source of retail income. However, this source will be supplemented in future years by a domestic income stream following the 1 July 2002 acquisition of the former Ansett domestic terminal in Sydney Airport's domestic precinct.

TRADING THROUGH TURBULENCE

The strong trading figures recorded during the Sydney 2000 Olympics and Paralympics periods provided a challenging target in the year immediately following.

Not only did passenger numbers decrease in 2001, but the profile of those passengers (or passenger mix) changed, with a disproportionately large reduction in high value passengers.

Retail responded by reinvigorating the retail offer in co-operation with all its retail concessionaires, to ensure the continuing relevance and attractiveness of the retail experience.

During the reporting period, the Retail business unit negotiated contract extensions on enhanced commercial terms for the key Duty Free and Foreign Exchange concessions, namely the Nuance Group and Travelex.

The Nuance Group, the world's leading airport duty free operator, was granted an extension to its lease for a three-year period expiring October 2006.

Also, under the new agreement, Nuance will invest substantial capital funds to develop additional stores and upgrade existing stores to ensure that they remain at the forefront of global travel retail standards. SACL and Nuance will for the first time, be partners in duty free trading downtown.

The new foreign exchange agreements with Travelex, International Currency Exchange and The Change Group will provide a better service with more locations and incremental returns to SACL.

RETAIL CORE ACTIVITIES

- DUTY FREE
- CURRENCY EXCHANGE
- SPECIALTY RETAIL
- ADVERTISING
- FOOD & BEVERAGE
- NEWSAGENCY & GIFT

BUSINESS REVIEW

COMMERCIAL TRADING

Within the overall Commercial Directorate, the Commercial Trading business unit manages SACL's car parking, car rental, commercial ground transportation activities and new product development including e-commerce.

The significant contributions made to Commercial Trading's revenues by the car parks at the international and domestic terminals are supplemented by long-term parking, valet parking and staff car parking products. Commercial Trading also manages partnerships with six major national and international car rental concessionaires.

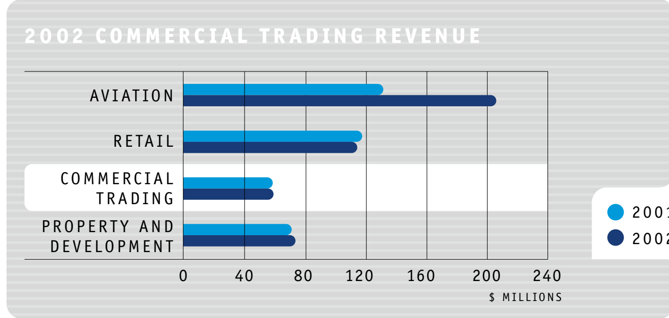
FINANCIAL PERFORMANCE

In the 12 months to 30 June 2002, Commercial Trading earned $58.6 million in revenue, on par with its revenue outcome for 2001. The result, considered in the context of decreasing international and domestic passenger numbers represents a creditable performance for the unit.

KEY DRIVERS

Enhanced product performance and cost reductions managed to lift Commercial Trading's financial performance, despite 7.9 and 13.0 per cent reductions in international and domestic passenger numbers respectively. The average car parking transaction value for international passengers rose by 6 per cent year-on-year. The growth in spending by domestic passengers was even stronger, rising by 11 per cent on 2001.

Rising revenues from Commercial Trading's car park operations reflected recent investments in product upgrades and innovation. Substantial reductions in the car parks' operational costs (including bussing) delivered sustainable savings and earnings growth. On this basis, the yield from car parks should continue to improve and will benefit from the introduction of scheduled fee increases on 1 July 2002.



NEW REVENUE STREAMS

Commercial Trading's ongoing innovation and development program included the establishment of new revenue streams which offer existing assets (including VIP rooms, lounges and meeting rooms) to the corporate market.

The Pronto! valet and car wash products that commenced operation in late 2001 grew rapidly throughout the year providing high quality services and ultra-convenient products to domestic travellers. Regrettably, and as a direct result of the recent security measures introduced at the international terminal, the valet product for international passengers had to be withdrawn in September.

New products offered to new markets ranged from Click Away! (an online travel shop offering products ranging from discount flights and holiday packages to accommodation, duty free and travel goods) to the Airport Village (which provides special offers to the 60,000 staff on and around Sydney Airport). The introduction of online business-to-business sales of flight information provided an additional incremental revenue stream.

Commercial Trading also managed a successful program to extend online communications through the sydneyairport.com website for SACL and its business partners.

COMMERCIAL TRADING CORE ACTIVITIES

- CAR PARKING PUBLIC & STAFF
- PRONTO!
- E-COMMERCE
- NEW PRODUCT DEVELOPMENT
- CAR RENTAL CONCESSION
- COMMERCIAL GROUND TRANSPORT

BUSINESS REVIEW

PROPERTY AND DEVELOPMENT

Through its Property and Development unit, SACL is well placed to exploit interest in on-airport activities and in Sydney Airport's central location, both in terms of its proximity to the city centre and ease of access to other major transport modes.

The Property and Development business unit manages an extensive portfolio of commercial and industrial properties. The total area of lettable space is approximately 945,000 square metres.

The portfolio includes a long-term lease for the Qantas domestic terminal, and aircraft hangars, freight facilities, and various airline offices, lounges and check-in counters within the international terminal. Other major leases range from the Qantas Jet Base, and various maintenance facilities.

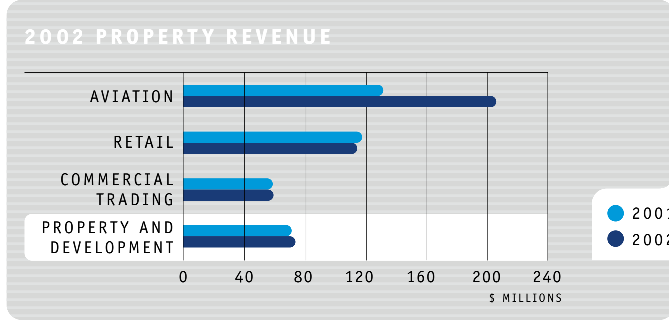
FINANCIAL PERFORMANCE

The total revenues received by the Property and Development unit rose by 6.2 per cent to $71.5 million, despite the loss of the major tenant, Ansett, from September 2001. This growth was fuelled by increases in average rental income per square metre of lettable space by some 11 per cent. The new rates for check-in counters in the international terminal were successfully negotiated with the airlines, producing incremental revenue from May 2002.

KEY VALUE DRIVERS

The role of the Property and Development unit is to manage and unlock the potential property value in and around the airport site, in a manner consistent with the long-term needs of SACL's aviation and commercial activities and its customers. As well as optimising the performance of existing property assets, the unit also looks to create new revenue producing property assets.

Key value drivers include the general level of demand for airport access, the supply of property and price levels able to be achieved.



PORTFOLIO EXPANSION

The acquisition of the former Ansett domestic terminal from Ansett's administrators for $192 million was completed by the end of June 2002.

Other former Ansett properties disclaimed by the Administrators in 2002 are being leased progressively at current market rents.

The new Qantas Club lounge of approx 3,000 sq metres located within the international terminal was opened in May 2002.

A development for Thrifty Car Rental in the southeast sector was negotiated and approved with construction of the facility anticipated to be completed by March 2003.

A Major Development Plan (MDP) for two commercial office blocks in the international precinct was approved by the Minister for Transport and Regional Services in May 2002. The development is expected to deliver up to 27,000 square metres of office accommodation for up to 1,000 staff, and secure parking for 245 cars in two buildings.

SACL was selected as the preferred tenderer to develop more than 15,000 square metres of office accommodation in one of the two blocks in the international precinct for the Australian Customs Service.

LAND ACQUISITION

In May 2002, SACL exercised its option to acquire a parcel of land adjacent to the proposed Global Freight Terminal (GFT) site. SACL has now put together a contiguous site of some 7.5 hectares, the strategic development of which will be finalised as part of a Master Plan process. This brings the total area of land acquired by SACL on or around Sydney Airport over the past 15 months to approximately 22 hectares.

A DIVERSE CUSTOMER BASE

The unit's customer base includes those companies whose aviation related business requires specialist airport property products such as terminals, hangars, aprons and fuel facilities. However, customers also include airport or aviation support services on the periphery of core aviation activities. These require on-airport presence, such as freight centres, catering and car rental sites. New customers during the reporting period included private as well as public sector tenants.

BUSINESS REVIEW

SUPPORT UNITS

It was a particularly challenging year for SACL's support units. In addition to assisting the trading units manage SACL's exposure to the aftermath of September 11 and the Ansett collapse, they played a pivotal role in driving the Business Alignment Program, and meeting the Federal Government and general public demands for a successful privatisation outcome.

LEGAL AND COMPANY SECRETARIAT

While Legal and Company Secretariat retained all its chief responsibilities throughout the year, its staffing levels were reduced significantly.

The Legal and Company Secretariat's primary responsibility is to provide responsive value-adding legal advice and solutions to SACL's business units to assist them achieve the corporation's commercial objective and goals.

The unit is responsible for the day-to-day management of the Board and its Committees. It also provides advice and guidance to the Board, Board Committees and senior management in corporate governance and related corporations law matters, as well as strategic advice on regulatory matters, the structuring of commercial arrangements, funding and litigation.

The primary carriage of the Privatisation process was managed by the unit's specialist Privatisation Coordination Unit (PCU). The PCU was responsible for the privatisation readiness, due diligence and sale completion, and the achievement of SACL's overall privatisation obligations and objectives.

Legal and Company Secretariat also incorporates the Contract Management unit. This unit manages SACL's material tendering and procurement programs, providing process management and ensuring value enhancement, equity and probity.

FINANCE

As well as meeting and managing SACL's funding requirements, the Finance department repositioned the corporation with institutional investors and analysts in the lead up to its sale in June 2002. It also provided SACL's managers with an effective means of identifying and managing risk, determining and negotiating appropriate insurance cover and implementing a risk-oriented internal audit program in a difficult environment.

Working under the Finance Control team guidance, SACL fully complied with all its external financial and taxation reporting obligations. Business and taxation advice was supplied to all business unit managers.

Complex electronic data and communication systems were maintained in peak working order thanks to a continuous and cost-effective contribution from the Information Technology and Telecommunications team.

Appropriate aeronautical services costs were formulated and levied on the basis of valuable information generated by the Economics group. The group also ensured that SACL complied with the various regulatory requirements and that it met its reporting obligations.

Corporate Planning and Strategy further developed SACL's strategic planning framework, its five-year rolling annual corporate planning process and its performance monitoring and reporting processes. SACL's land-use strategy and capital investment programs were also overhauled. During 2002, Economics was integrated into Corporate Planning and Strategy, which now reports directly to the Chief Executive Officer.

CORPORATE AFFAIRS

Corporate Affairs is responsible for Corporate Reputation management, and for developing strategies to build and enhance SACL's capabilities and to facilitate organisational change. During the year, Corporate Affairs assumed responsibility for on-airport environmental management, thereby strengthening its already significant and constructive role in the community.

The People and Performance group provided a human resources advisory service to all SACL directorates to help drive the Business Alignment Program and to ensure target outcomes were achieved, and was responsible for organising and facilitating the Corporation's training and development, succession planning and career development, remuneration, salary packaging and payroll functions. In addition, it assisted business units with staff selection and recruitment, employee induction, workplace relations, equal opportunity, workers' compensation and counselling.

Corporate Affairs also played a pivotal role in the reinvigoration of the SACL privatisation process. The Public Affairs and Stakeholder Relations Group managed all SACL's external communications throughout the period under review. Additionaly, this group managed all internal communications, event management and presentations, the management and communication of SACL's interest in environmental issues, sponsorship issues and community investment programs. During 2002, the marketing communications and research functions of Brand were integrated into the Public Affairs team.

SYDNEY'S SUSTAINABLE AIRPORT

ECONOMIC IMPACT

The management and owners of Sydney Airport are well aware that, despite the significant benefits the facility delivers to the national economy, it also has major obligations to the people who live and work in its vicinity. As a result, SACL actively seeks to listen and effectively respond to the concerns of its local communities.

AN ECONOMIC DRIVER

In July 2001, SACL commissioned a report to analyse the economic significance of Sydney Airport. Economic impact studies measure the contribution of a major commercial or government activity on a regional, state or national economy. Economic impact is usually measured in terms of four key indicators – output, value added (ie GDP), household incomes and employment – and a combination of direct and indirect effects.

The results of the study provide sound evidence that Sydney Airport is a major employment generator and wealth creator in the NSW economy.

KEY FINDINGS

Direct employment (full-time and part-time jobs) of 62,048, plus indirect employment of 108,414 for a total of 170,462 jobs. This represents 8.1% of the Sydney labour force

36,882 direct full time equivalent (FTE) jobs, plus 63,568 indirect FTE jobs for a total of 100,450; and an average wage level that is 40% above the NSW average

Direct contribution of $6.6 billion in NSW Gross State Product and after taking into account flow-on impacts a contribution of a total of $13.6 billion to NSW Gross State Product

Direct generation of $12.1 billion in output and after taking into account flow-on impacts, generation of $24.9 billion in output

Direct provision of $2.7 billion in household income and after taking into account flow-on impacts, provision of $6.0 billion of household income

A SIGNIFICANT BUSINESS HUB

Airlines – there are 45 passenger airlines operating out of Sydney Airport

Other aircraft operators – there are 25 general aviation operators

Freight – there are at least 124 organisations involved in freight activities including transport companies, handlers and forwarders

Airport service providers – there are 205 airport service providers such as fuel providers, maintenance companies, in-flight caterers and security organisations

Retailers – there are at least 131 retail operators on-airport (some of which operate multiple outlets)

Hotels – there are 10 hotels around Sydney Airport

Government – there are 6 Federal and State Government departments

Car rental and car parking – there are as many as 14 operators

Ground transport – there are at least 54 ground transport providers

SYDNEY AIRPORT IMPACT ON EMPLOYMENT IN NSW

	DIRECT EFFECT	INDIRECT EFFECTS	
		Total Flow-on	**Total Impact**
Airlines	41,773	87,008	128,781
Freight handling	5,263	5,293	10,556
Air services management	606	609	1,215
Government operations	1,421	1,978	3,399
Retailers	6,130	7,134	13,264
Car rentals	502	900	1,402
Car park and other	86	79	165
Hotels	1,857	1,492	3,349
Ground pax transport	3,091	2,090	5,181
Total Employment	**60,729**	**106,583**	**167,312**
Total incl. SACL Capex impact	**62,048**	**108,414**	**170,462**

SYDNEY AIRPORT

Sydney Airport is major employment generator in the NSW economy, in addition to those employed directly by SACL. Although SACL is a substantial organisation with diverse operations, it is only one of hundreds of companies carrying out various forms of activity at Sydney Airport.

	SYDNEY AIRPORT LABOUR FORCE	TOTAL
12%	MANAGERS/ PROFESSIONALS	2,457
21%	TRADE-PERSONS	4,209
8%	ADVANCED CLERICAL/ SERVICE	1,631
14%	INTERMEDIATE CLERICAL/ SALES SERVICE	2,799
23%	INTERMEDIATE/ PRODUCTION AND TRANSPORT	4,577
17%	ELEMENTARY CLERICAL/ SALES SERVICE	3,287
5%	LABOURERS/ UNSKILLED	958
	TOTAL	19,918

The Sydney Airport work force has a medium-to-high skill level. Around one-third are skilled workers with trade-persons accounting for 21 per cent and professionals accounting for around 12 per cent. The Sydney Airport labour force is quite different to the Australian labour force. Proportionally, Sydney Airport has double the amount of trade-persons and around 2.5 times the number of intermediate/production and transport workers.

INTERNATIONAL COMPARISONS

Sydney Airport compares favourably with the average for airports in North America and Europe in terms of job creation per 1,000 passengers. Sydney Airport creates 6.6 total jobs per 1000 passengers, compared to 5.7 for North American Airports and 3.4 for European Airports. The Australian average (based on Sydney, Melbourne and Brisbane airports) is 5.4 jobs per 1000 passengers.

SYDNEY'S SUSTAINABLE AIRPORT

INVESTING IN COMMUNITIES Sydney Airport has established a Community Investment Program to benefit the communities most affected by the airport's operations. The program seeks to specifically support environmental and educational initiatives, as well as events and activities that help to create a sense of community.

GREENING THE SCHOOLS

The Greening Program aims to provide students with an outdoor environment in which they can study (such as an indigenous bush foods garden at Mascot Public School), have some 'quiet time' (Ferncourt School's Peace Garden) or participate in school activities such as plays or sporting activities. The Greening Program for local government schools continued during 2002 and an additional three schools have transformed previously unusable or degraded playground space into 'learnscapes'.

EDUCATION

During 2002, Sydney Airport initiated a $145,000 Education Grants Scheme, offering support for worthwhile projects at government schools and kindergartens in areas surrounding Sydney Airport. The major grant of $20,000 was awarded to Arncliffe Public School for their Head Start to Success program, which aims to improve language skills before children commence formal education, allowing students to seamlessly enter the school system.

JUNIOR SPORT

The 2002 soccer season kicked off to a great start with Sydney Airport sponsoring Abbotsford, Earlwood and Marrickville junior teams for a period of three years. Kids that like beach sports have also benefited from Sydney Airport's three-year sponsorship of the Sydney Branch Junior Surf Life Saving competition, covering clubs from North Bondi to the Royal National Park.

COMMUNITY ACTIVITIES

During the year, SACL initiated a three-year sponsorship of Company B Belvoir Street Theatre's free performance program, allowing financially disadvantaged members of the local community a unique opportunity to experience world-class stage theatre. Over the year, this partnership also saw the development of a youth drama program involving one of SACL's favourite charities, Youth Off the Streets (YoTS). This program aims to develop self-confidence and presentation skills in the disadvantaged children cared for by YoTS. SACL was also pleased to be a part of the Kurnell community's Festival of the Sails, Sutherland Shire's Hazelhurst Regional Art Gallery and Marrickville Council's belonging celebrations.

COMMUNITY AWARENESS

As the gateway to multicultural Australia, SACL is committed to welcoming people from all nations and assisting them to be part of its local community. By hosting community festivals at Sydney Airport, SACL aims to bring people of all denominations and race together in the spirit of community – to celebrate the life and colour of Sydney. During the year, over 12,500 visitors from schools, seniors groups and the general public took the opportunity to get 'up close and personal' with some very large aircraft and to learn more about airport operations through Airside Tarmac Tours. The tour for schoolchildren is subsidised by SACL and more 8,300 children enjoyed this unforgettable experience.

LISTENING TO OUR COMMUNITY

Reflecting its policy of listening to its neighbours and addressing their concerns, SACL actively contributed to a wide range of community groups and forums. This included supporting local small businesses through its position on the Board of the Botany Business Enterprise Centre. SACL also helped address neighbourhood environmental concerns on the Botany and Eastern Region Environment Protection Agency, and worked with the community to improve Botany Bay, through participation the Botany Bay Coastal Management Committee and Botany Bay Studies unit. SACL also responded to aircraft noise concerns at the Sydney Airport Community Forum and the flight path Implementation and Monitoring Committee.

COMMUNICATING WITH OUR COMMUNITY

SACL launched the Community Update newspaper column in 2001 to keep the local community informed of upcoming airport activities and important community events. The columns are also a major aspect of SACL's formal consultation process on significant airport development proposals. During 2002, a proposal was put forward by SACL to develop two office buildings within the international terminal car park. Prior to seeking formal approval, the proposal underwent a three-month public comment period; all comments received were addressed in the final document.

AIRPORT FESTIVALS

If we are to become "Sydney's" Airport then SACL must also be part of community life. The annual Airport Festivals form part of our Community Outreach Program, enabling our local and Sydney communities to visit and experience their airport.

The third annual Airport Festival in June 2002 featured an historical aviation exhibition including more than 543 items of memorabilia from some of Australia's greatest aviators. Nancy Bird Walton was present to sign copies of her latest book, and share some of her precious memories with visitors on the weekend.

The two-day family fun festival was well attended with over 15,000 visitors from both the immediate and wider communities visiting Sydney Airport.

SYDNEY'S SUSTAINABLE AIRPORT

ENVIRONMENTAL MANAGEMENT

Our target is to continue to meet all environmental requirements by having comprehensive systems of management, monitoring and reporting.

MANAGING OUR ENVIRONMENT

SACL is committed to world-class environmental management. This has been recognised with SACL receiving a Silver award under the NSW Government Sustainable Energy Development Authority's (SEDA) 2002 "Energy Smart Green Globe Awards" – the leading greenhouse reduction awards scheme in NSW.

In December 1998, SACL signed an "Energy Smart Agreement" with SEDA which required Sydney Airport to develop an Energy Efficiency Action Plan with an overall aim to initiate energy reduction programs and reduce its generation of greenhouse gases.

Under this agreement, SACL is required to, over a five year period (1998–2003), reach three milestones being 4 per cent (bronze award), 10 per cent (silver award) and 15 per cent (gold award) reduction of energy usage. Through the implementation of this action plan, SACL has now reached its second milestone of reducing its energy usage by 10 per cent and is on target to achieve its third and final milestone of an overall energy reduction of 15 per cent by the end of 2003.

To be Sydney's sustainable airport, we need to ensure that we can maintain high and stable levels of economic growth and employment while:

- protecting human health;
- protecting quality of life;
- minimising the use of non-renewable resources;
- using renewable resources in a sustainable manner; and
- minimising damage to the environment.

We ensure we continue to meet all environmental requirements by having comprehensive systems of management, monitoring and reporting.

During the year, SACL audited key airport facilities to assess environmental practices and performance against SACL's Environment Strategy and reviewed and updated our Environmental Management System.

During the past year, SACL continued to progressively implement the 240 environmental initiatives to which we committed in our five-year Environment Strategy. These actions support sustainability at Sydney Airport. A summary of our environmental achievements is set out below. Further information is available on our website, sydneyairport.com.

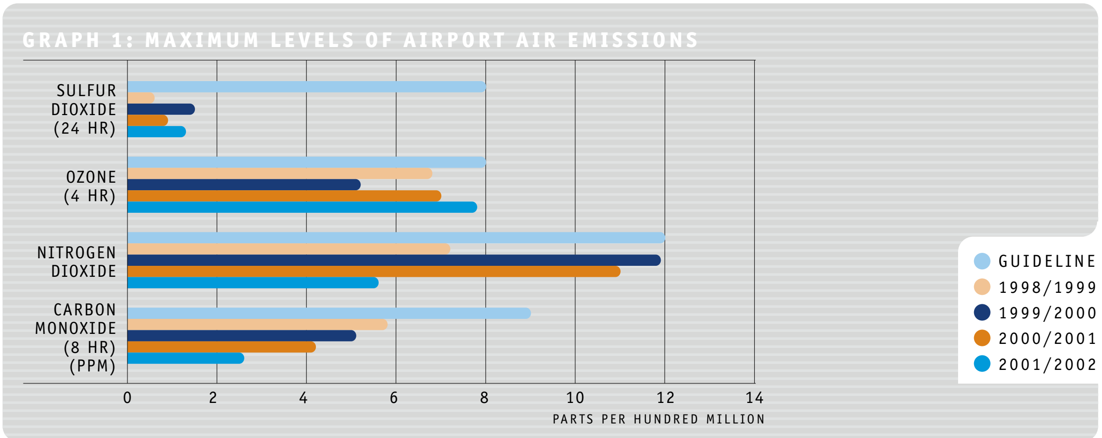
SYDNEY AIRPORT'S ENVIRONMENTAL ACHIEVEMENTS

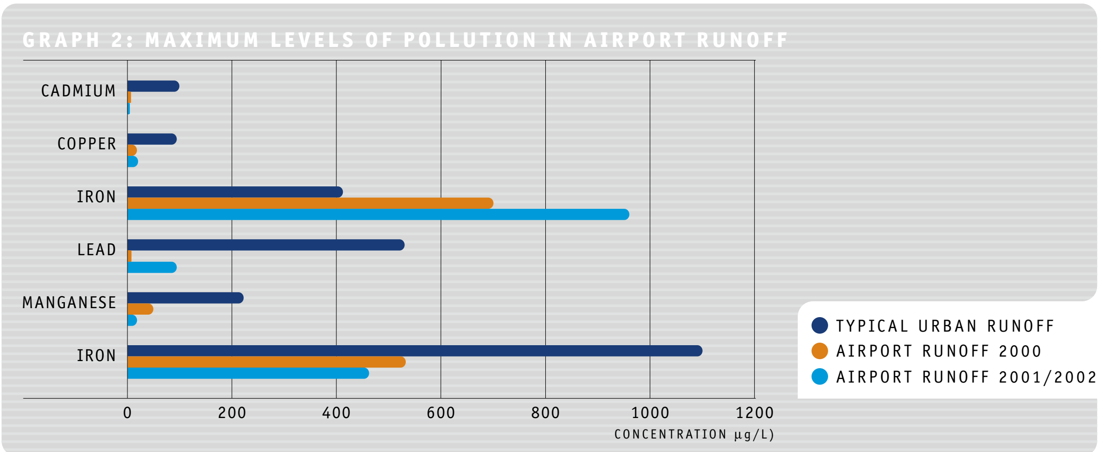
INITIATIVES	TARGETS	ACHIEVEMENTS	NEXT STEPS
AIR POLLUTION	Our target is to continue to meet air quality requirements.	Monitoring continues to demonstrate that requirements are being met (see also GRAPH 1).	Continue monitoring airport air quality.
WATER POLLUTION	Our target is for airport runoff water to be cleaner than runoff from urban areas.	Monitoring showed that this target was met for all measured pollutants except iron (see also GRAPH 2). Iron levels were, however, below guideline levels (1000 µg/L).	Continue monitoring airport water quality and sources of potential pollution.
AIRCRAFT NOISE	Our target is to continue to support noise sharing flight path arrangements for the benefit of the community.	Aircraft noise complaints (monitored by AirServices Australia) dropped by over 65% on last year (see also GRAPH 3).	Continue to work with all stakeholders – AirServices Australia, the government and the community – on noise sharing.
SOILS	Our target is to ensure that no contamination from SACL sites leaves airport boundaries, that contamination does not create safety risks or harm, and that current and future airport activity does not create further contamination.	Detailed management plans are established for three sites. These plans are the means by which we achieve our targets for each site.	Continue to develop plans of action for each site, and prevent future contamination by rigorous environmental management (see below).
WATER CONSUMPTION	Our short-term target is to understand water consumption patterns within the International Terminal, so that specific water reduction targets can be developed.	Commenced an 'Every Drop Counts' program to assess opportunities to reduce water use (see also GRAPH 4).	Develop targets in reducing water consumption by July 2003.
ENERGY CONSUMPTION	Our target is to reduce CO_2 emissions by 15%.	This target was achieved. Consumption was reduced by approximately 51,000GJ and CO_2 emissions by 11,500 tonnes.	Aim to set a new CO_2 reduction target by the end of 2002.

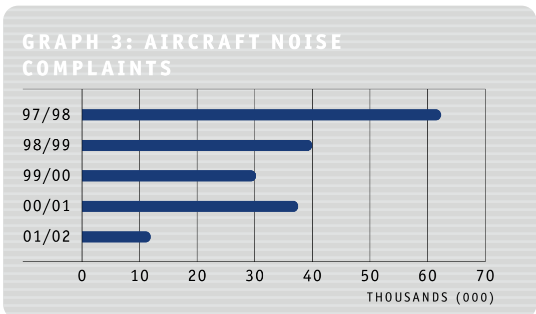
SYDNEY AIRPORT'S ENVIRONMENTAL ACHIEVEMENTS

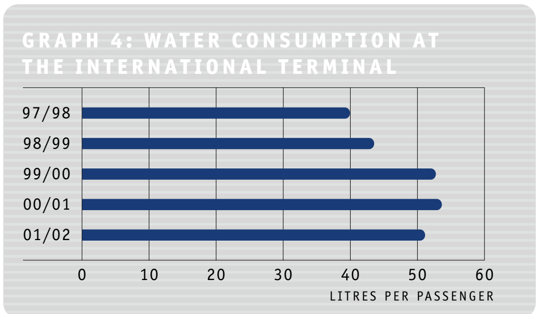
(CONTINUED)

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









STATUTORY INFORMATION

HELEN NUGENT BA (Hons), PhD (Qld), MBA (Harv)

CHAIRMAN

Dr Nugent is a professional non-executive Director. She is a Director of Macquarie Bank Limited, Australian Postal Corporation, TAB (Qld) Limited, and is Chairman of Macquarie Airports, Funds SA and Swiss Re Australia Limited. She has recently retired as Deputy Chair of the Australia Council and Chair of the Major Performing Arts Board of the Australia Council. In 1999 she chaired the Ministerial Inquiry into the Major Performing Arts.

JUAN ANGOITIA

DIRECTOR

Mr Angoitia is the Financial Manager of Ferrovial Aeropuertos, S.A. and is responsible for the economic and finance aspects of Ferrovial Aeropuertos and its overseas interests (including Bristol Internal Airport in the UK and South East Mexican airports). Prior to this, Mr Angoitia was the Operations Manager for BUPA Spain and was responsible for the insurance company in that group, including its private hospitals.

TOMAS PEREZ ARANDA B Eng (Transport & Airports)

DIRECTOR

Mr Aranda is Managing Director of Ferrovial Aeropuertos, S.A. and was the former Airports Director of Cintra Concesiones de Infraestructuras de Transporte S.A. He was an advisor to the Spanish Under Minister in Transport and Civil Works and has considerable airports experience having been General Director for the Gran Canaria (Canary Islands) Airport and Ibiza Airport and was the Airport Maintenance Co-ordinator for the Spanish airport network.

MARTYN BOOTH

DIRECTOR

Mr Booth is an Executive Director of Macquarie Bank Limited. He is a specialist advisor to Macquarie Airports, and has a strategic focus on sourcing and analysing investment opportunities together with enhancing the value of airports through maximising commercial and operational opportunities.

PATRICK GOURLEY

DIRECTOR

Mr Gourley is a part-time consultant on primarily public service management issues to such organisations as the Public Service Commission, the Department of Defence and the Australian Quarantine and Inspection Service. Prior to retiring from the Australian Public Service in 2000, Mr Gourley held a variety of positions relating to human resource issues within (primarily) the Department of Defence, including First Assistant Secretary, Defence Personnel Executive and as a member of the Military Superannuation Board of Trustees.

PENNY GRAHAM

DIRECTOR

Ms Graham is Head of Infrastructure Investments of Abbey National Treasury Services Plc, the wholesale banking arm of Abbey National Plc. She was involved in the recent establishment of Abbey National Treasury Services (Australia) Limited, in June 2002. Ms Graham is a director on a number of boards in the UK across the utility sector, including water and gas, and is a Director of Macquarie Airports Group.

HOLGER LINKWEILER Diplom Oeconom

DIRECTOR

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

KERRIE MATHER BA MComm

DIRECTOR

Ms Mather is an Executive Director of Macquarie Bank Limited and the Managing Director of Macquarie Airports, which has now invested in Sydney, Rome, Birmingham and Bristol airports. Previously Ms Mather worked in the Infrastructure and Utilities Group where she was responsible for the origination and execution of transport infrastructure transactions and investments, with a particular focus on airports.

NICHOLAS MOORE

DIRECTOR

Mr Moore is Head of the Investment Banking Group of Macquarie Bank. He played a leading role in the development of the Group's major business lines in infrastructure financing, cross border leasing and structured finance. The infrastructure business has simultaneously expanded into specialised funds management and now manages projects with an equity value of approximately $7billion ($20 billion gross assets) including the publicly listed Macquarie Infrastructure Group, a Top 30 Australian Company.

TONY STUART B Comm

CHIEF EXECUTIVE OFFICER

Mr Stuart was appointed Chief Executive Officer of SACL on its corporatisation in 1998. He was formerly the General manager – Sydney (Kingsford Smith) Airport of the Federal Airports Corporation. Prior to his Sydney appointment, Mr Stuart was an executive director of Manchester Airport and held senior management positions with British Airways and Shell International.

ALTERNATE DIRECTORS

DR ULRICH STUCKE

HOCHTIEF AIRPORT GMBH

MR FERNANDO MOHINO BOSQUE

FERROVIAL AEROPUERTOS, S.A.

EXECUTIVE MANAGEMENT TEAM






1. TONY STUART
2. DON HUSE
3. HELEN BURGESS
4. CORALIE KELLY
5. GREG RUSSELL
6. CHRIS FALVEY

TONY STUART B Comm

CHIEF EXECUTIVE OFFICER

Mr Stuart was appointed Chief Executive Officer (CEO) in May 1998 following the corporatisation of Sydney Airports Corporation Limited. Previously, he had been General Manager – Sydney (Kingsford Smith) Airport of the Federal Airports Corporation (FAC). Prior to his Sydney appointment, Mr Stuart was an executive director of Manchester Airport and held senior management positions with British Airways and Shell International. He is currently a member of the Business Council of Australia and a Director of the Committee for Sydney.

DON HUSE BCA (Econ), CA (NZ)

CHIEF FINANCIAL OFFICER

Appointed to the role in December 1998, Mr Huse's responsibilities include the overall management of finance, treasury, risk management, corporate planning and strategy, airport economics and information technology. Prior to his appointment as Chief Financial Officer, Mr Huse was the Chief Executive of Wellington International Airport Limited, a position he held for seven years. A chartered accountant by profession, Mr Huse has had an extensive career in financial and general management. He was an independent director of publicly listed company TransAlta New Zealand Limited and chaired its audit and risk committee.

HELEN BURGESS BA, LLB (Hons), GAICD, FCIS

COMPANY SECRETARY AND LEGAL COUNSEL

Ms Burgess was appointed to the role in May 1998. Ms Burgess' responsibilities include the overall management of general counsel, company secretariat, certain regulatory and compliance matters, privatisation preparation and coordination, due diligence and contract management. Prior to her appointment as Company Secretary and Legal Counsel, Ms Burgess worked in senior roles at Freehills specialising in corporate and finance law. Ms Burgess was Company Secretary of the FAC from 1994 and played an integral role in the privatisation of FAC's airports. She also managed the corporatisation of SACL in 1998. Ms Burgess has been a director of various subsidiary companies.

CORALIE KELLY BA, Dip Urban and Regional Planning (Sydney), MBA (Manchester)

DIRECTOR COMMERCIAL

Appointed in March 1998, Ms Kelly brought to SACL in excess of 10 years of international airport business management experience. She is responsible for the strategic and operational management of the commercial activities of SACL. She has been responsible for the formulation of SACL's key business development strategies and has successfully created high growth and innovative commercial and retail business units. Prior to her appointment as Director Commercial, Ms Kelly was the General Manager Retail at Manchester Airport in the United Kingdom.

GREG RUSSELL BA

DIRECTOR AVIATION

Having joined SACL in February 1999, Mr Russell's responsibilities are to maximise efficiency and return from regulated aeronautical assets. This includes overall direction of the business units responsible for operation of the international and domestic Express Terminal assets, airfield operations, capital works, ramp operations, safety, security, freight, regulatory compliance, airline relations and capacity planning. He led the team responsible for Sydney Airport's successful Sydney 2000 Olympic and Paralympic Games program. Prior to joining SACL, Mr Russell was General Manager of Hazelton Airlines and has a background in the mining, energy and food industries, Federal Government, as well as business lobby groups.

CHRIS FALVEY

DIRECTOR CORPORATE AFFAIRS

Mr Falvey was appointed Director of Corporate Affairs in September 2000. His responsibilities include the overall management of external and internal communications, government relations, environment and community relations, and people and performance functions including human resources and recruitment, learning and organisational development and business process improvement. Prior to his appointment as Director Corporate Affairs, Mr Falvey worked within the airline industry, with senior management responsibilities for government, industry and regulatory affairs. Prior to that, in 1998, Mr Falvey was Aviation Policy Adviser and then Chief of Staff to successive Federal Transport Ministers, the Hon John Sharp MP and the Hon Mark Vaile MP.

THE BOARD OF DIRECTORS

SACL's Board, management and the shareholders of its ultimate parent company, Southern Cross Airports Corporation Holdings Limited, are committed to best practice corporate governance. SACL's corporate governance procedures and structures are intended to be robust, with its approach reflecting that adopted by many publicly listed companies.

THE ROLE OF THE BOARD

Apart from a number of issues which have been reserved for the decision of SACL's shareholder, the Board is responsible for the overall direction of SACL, including establishing strategic and financial priorities and objectives. These having been set, the Board (both itself and through its Strategy Committee) monitors management's performance and provides constructive input to the achievement of SACL's goals. Responsibility for the day-to-day management of SACL and for the achievement of the strategy and goals set by the Board rests with SACL's CEO and his management team. One of the underlying aims of the corporate governance procedures is to ensure that the Board, Board 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 the Board and Board committee structure) as well as the consultancy referred to below.

SIZE AND COMPOSITION

At the date of this Annual Report, the Board of Directors consisted of nine non executive Directors and the CEO. The Board and Board committee membership is shown in the following table:

MEMBER	BOARD	STRATEGY	AUDIT AND CORPORATE GOVERNANCE	HUMAN RESOURCES	SAFETY, SECURITY ENVIRONMENT AND HEALTH
Helen Nugent (Chair)	■			■	
Kerrie Mather	●	■		●	
Martyn Booth	●	●			●
Nicholas Moore	●		●		
Holger Linkweiler	●	●		●	▲
Penny Graham	●		●		
John Rickus*	●		■		
Tomas Aranda	●	●			●
Juan Bejar*	●		●	●	
Tony Stuart (CEO)	●	●			▲
SACL MANAGEMENT (NON BOARD MEMBERS)					
Don Huse (CFO)		●			
Greg Timar (GM Corporate Planning and Strategy)		●			

● Member ■ Chairman of Committee ▲ Co-Chairman of Committee

* Mr John Rickus (and his alternate, Mr Michael Delaney) resigned from the Board on 10 September 2002 and was replaced by Mr Patrick Gourley while Mr Juan Bejar resigned on 11 September 2002 and was replaced by Mr Juan Angoitia.

A Director may appoint an alternate Director by giving written notice to the Company. At the date of this Annual Report there were two alternate Directors who were not permanent SACL Board members.

When a Director has a material personal interest in a matter that relates to the affairs of SACL, the Director must not vote on the matter nor be present while the matter is being considered at any Board meeting.

BOARD COMMITTEES

As at the date of this Annual Report four Board committees have been established by the Board to assist it with the execution of its responsibilities. These committees meet regularly and make recommendations to the Board on matters delegated to them. The minutes of each committee meeting are provided to all Directors together with the agendas for upcoming meetings so that non-committee members can attend if they wish. 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.

STRATEGY COMMITTEE

The role of this committee is to advise the Board in relation to business strategy, business development and major projects, monitor the performance of the Airport Strategic Consultancy Agreement (ASCA) (refer below) and, with management, to liaise with the ASCA advisers. The specific duties of the committee include:

- setting and reviewing the scope and outcome of strategic tasks (including setting and reviewing parameters and targets);
- undertaking and considering the outcomes of any strategic review processes;
- reviewing and approving the submission of draft business plans and budgets to the Board;
- reviewing progress against forecasts; and
- assisting the Board in the discharge of its responsibilities under the Airports Act 1996 in relation to the preparation, achievement and progress of a Master Plan for Sydney Airport.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

SACL has adopted a Charter of Audit Independence to ensure the Audit and Corporate Governance Committee and the Board are satisfied that the Company's statutory 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 statutory auditor, SACL's management and the Audit and Corporate Governance Committee.

The primary objective of the committee is to assist the Board in fulfilling its responsibilities relating to the accounting, reporting and corporate governance practices of SACL. The committee reviews the interim results and the annual accounts to ensure their accuracy and timeliness and reviews SACL's accounting policies and reporting requirements. It has a program establishment and supervisory role with respect to the auditors and to the audit of SACL, providing a link between the auditors and the Board. This involves:

- reviewing the financial statements, valuations and reporting, etc with the CFO and the external auditors, and making recommendations to the Board;
- reviewing financial information presented by management to shareholders, regulators and the general public;
- reviewing and approving all significant accounting policy, regulatory or reporting changes,
- recommending to the Board the appointment of auditors;
- reviewing the terms of the audit engagement and audit plans;
- evaluating the overall effectiveness of the external audit;

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

(CONTINUED)

- determining if any management restrictions are being placed upon the auditors;
- evaluating the adequacy of SACL's internal audit procedures and policies including (but not limited to) administrative, operating and accounting controls and policies;
- assisting and monitoring compliance with the corporate control environment;
- overseeing the ethical policies and practices of SACL;
- considering proposals and making recommendations in regard to capital structure, dividend policy, funding needs and borrowing proposals for SACL;
- making recommendations to the Board in relation to the SACL risk management policy, and monitoring its implementation; and
- monitoring and making recommendations to the Board in relation to corporate governance principles and practice.

HUMAN RESOURCES COMMITTEE

The committee provides advice and makes recommendations to the Board (and the CEO where appropriate) in relation to senior executive appointments and performance. In particular, the committee's role is to:

- review issues and practices relating to staff development and career progression for employees;
- upon request from the Board, review the performance of senior management;
- review, monitor and make recommendations to the Board in respect of SACL's remuneration policies and strategies relating to senior management;
- monitor employment policy and guidelines; and
- provide advice and make recommendations on organisational structure and succession planning.

SAFETY, SECURITY, ENVIRONMENT AND HEALTH COMMITTEE

The Committee monitors, and considers reports and proposals in relation to:

- the development and revision of environmental policies and strategies to ensure compliance with relevant legislation and best industry practices and the resources required to implement environmental policies and strategies. The committee monitors and reports to the Board on performance of environmental management systems;
- the development and revision of SACL's occupational health and safety policies and strategies, to ensure compliance with relevant legislation and best industry practices and the resources required to implement those policies and strategies. The committee monitors and reports to the Board on SACL's compliance with SACL's health and safety standards and policies;
- airport security (including legislative changes);
- the reporting structures regarding the aviation safety regulations and security system;
- the implementation of the airside safety policy and total airport safety plan; and
- auditing to ensure that standards set are being met and remain appropriate in the context of legislation, technology, benchmarking and safe practices.

THE EXECUTIVE

At the date of this Annual Report, the SACL CEO has six senior executives that report directly to him. These senior executives, together with the CEO, the Deputy CFO, and the Deputy Company Secretary and Legal Counsel, comprise the Executive Committee which meets regularly to consider:

- strategic objectives;
- operational matters;
- monthly reports;
- corporate issues; and
- recommendations and advice, from and to, the SACL Board and its committees.

ASCA

The following information is current as at the date of this Annual Report:

AIRPORT STRATEGIC CONSULTANCY AGREEMENT

SACL has entered into a consultancy agreement with Airport Strategic Consultants Pty Limited, a joint venture between HOCHTIEF Airport GmbH, Macquarie Airport Management Limited and Macquarie Infrastructure Management (UK) Limited to provide SACL with consultancy services in relation to aviation operations, operating expenditure optimisation, master planning, investment and construction projects, financing, retailing, car parking, property, accounting and management reporting, regulatory issues and organisational structure. This arm's length consultancy arrangement is intended to ensure that advice from shareholders or their associates is provided transparently to SACL and enables the members of the Strategy Committee of the Board to work with the consultants and management to make recommendations to the Board.

RISK MANAGEMENT

SACL has established an integrated risk management framework for identifying, evaluating and managing key risks faced by SACL. The Board and/or its committees regularly review the framework to ensure it reflects the need of the business and additionally examine the risk profile of SACL.

ENVIRONMENTAL REGULATION

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

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

The strategy outlines SACL's plans and actions to measure, monitor and report on environmental performance over the five-year period from 1999 to 2004. SACL's aim reflected in the strategy is to continually improve environmental performance and minimise the impact of SACL'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 2002, 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. The Commonwealth Department of Transport and Regional Services is currently preparing an authorisation for the Sydney Water Corporation to discharge untreated sewage from overflows of the Southern and Western Suburbs Ocean Outfall System to the Mill Stream east of Sydney Airport, subject to Sydney Water Corporation's production of an environment plan.

MONITORING

During the year ended 30 June 2002:

- Air quality monitoring continued to demonstrate are within relevant regulatory limits and guidelines;
- SACL continued to implement its stormwater monitoring program. The program is premised upon sampling three significant rain events within each catchment. These rain events must occur when the total influence on airport stormwater systems is minimal. Hence, during 2002 only two rain events were able to be sampled. The conclusions of the program will be available once it is completed;
- SACL investigated the environmental, economic and social implications of key Airport development through the Major Development Plan (MDP) process. The MDP process requires extensive assessment of and consultation on all major airport developments, and the approval of the Commonwealth Minister for Transport and Regional Services. One such MDP was undertaken and approved in 2002 for an office development in the international terminal car park.
- SACL completed an environmental audit of key airport facilities. As a result of this audit, SACL will seek to work with facility owners and operators to improve environmental awareness and general housekeeping issues; and
- SACL continued to implement a risk-based approach to managing existing contaminated sites and preventing future contamination.

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

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

FINANCIAL STATEMENTS

The directors present their report on the results of Sydney Airports Corporation Limited ("SACL") for the year ended 30 June 2002.

DIRECTORS

The names of the directors of SACL in office during the period until the sale of the Company to Southern Cross Airports Corporation Pty Limited were:

David Mortimer	Gabrielle Kibble AO
Ian Ferrier	The Hon. Lloyd Lange
Michael Ball AM	Tony Stuart
Nick Burton Taylor AM	Brian Wilson

On completion of the sale of SACL, on 28 June 2002 all the above directors resigned except Mr Tony Stuart. He remained in office as a director and as chief executive officer. A new board of directors was appointed. It comprises:

Helen Nugent**	Penny Graham**
Kerrie Mather*	John Rickus**
Martyn Booth**	Tomas Aranda**
Holger Linkweiler*	Juan Bejar**
Nicholas Moore**	Tony Stuart

*Appointed 28 June 2002 **Appointed 3 July 2002
Mr Alan Stockdale was appointed a director on 28 June 2002. He resigned on 3 July 2002.

Particulars of the qualifications, experience and special responsibilities of directors are set out in the Annual Report.

CORPORATE STRUCTURE

SACL was acquired by Southern Cross Airports Corporation Pty Limited on 28 June 2002. Southern Cross Airports Corporation Pty Limited is the parent company and Southern Cross Airports Corporation Holdings Limited is the ultimate parent company of SACL.

During the period to 30 June 2002, there were no transactions between SACL and its parent and ultimate parent company.

In accordance with the Share Sale Agreement between the Commonwealth of Australia and Southern Cross Airports Corporation Pty Limited ("Share Sale Agreement"), SACL's financial statements for the year ended 30 June 2002 were prepared on a basis consistent with the previous year.

The results of SACL in future will be consolidated and reported as part of the Southern Cross Airports Group.

PRINCIPAL ACTIVITIES

The principal activities of SACL 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 SACL's business has not changed during the financial year.

EARNINGS PER SHARE

Basic earnings per share was 87.1 cents (2001: 22.8 cents).

DIVIDENDS

No final dividend was declared for the year (2001: $49.623 million franked).

An interim franked dividend of $26.474 million (2001: $9.252 million franked) was paid during the financial year, representing 26.5 cents per share (2001: 9.3 cents per share).

REVIEW OF OPERATIONS AND RESULTS

Financial Performance

	2002 $'000	2001 $'000
Profit from ordinary activities:		
Before depreciation and amortisation, net borrowing costs and income tax and specific (non-recurring) expenses	**325,942**	243,980
Before depreciation and amortisation, net borrowing costs and income tax (EBITDA)	**316,270**	226,459
Before net borrowing costs and income tax (EBIT)	**215,061**	131,009
After income tax	**87,117**	22,843

The results represent a most significant improvement in EBITDA. This outcome was achieved despite the decline in international and domestic traffic volumes that followed the terrorist attacks in New York and the placing in administration of the Ansett Group, both in September 2001.

Given these circumstances the results reported evidence the underlying financial resilience of SACL's business. In particular they reflect the increase in aeronautical charges from 12 May 2001 and the secure long term nature of non-aeronautical concessions, leases and licences.

Significant reductions were achieved in underlying operating expenses and net borrowing costs.

Operating expenses include additional security measures implemented to meet the new regulatory requirements post 11 September 2001 costing $3.087 million (2001: $nil). Operating expenses also included a number of specific (non-recurring) expenses incurred by SACL during the year. These expenses totalled $9.672 million and relate mainly to privatisation and bad debts written off in respect of the Ansett group (2001: $17.521 million which related to the Sydney Olympic and Paralympic Games, airline litigation defence and privatisation).

Borrowing costs were $75.442 million (2001: $80.576 million). Borrowing costs would have been lower but for a redemption premium on medium term notes and other "break" costs. These $8.604 million additional costs arose from obligations entered into by SACL before year end to undertake early repayment of borrowings in July 2002 on refinancing the company immediately post – privatisation.

Financial Position

SACL's leasehold land and buildings (including runways, taxiways, aprons and other infrastructure) and the intangible licence right to operate the airport were valued at directors' valuation of $5.415 billion at 30 June 2002 (see Note 7 to the financial statements). The valuation reflects the purchase price paid by Southern Cross Airports Corporation Pty Limited for Sydney Airport on 28 June 2002 (as adjusted for the former Ansett terminal that was acquired by SACL on 1 July 2002). In accordance with the Share Sale Agreement and consistent with the prior year, "Property, plant and equipment" are reported at "deemed cost" in the Statement of Financial Position.

SACL's operations during the year and the results of those operations are reviewed in detail in the Annual Report and in the accompanying financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Privatisation

On 25 June 2002 the Commonwealth announced that Southern Cross Airports Corporation Pty Limited was the successful bidder for Sydney Airport with a price of $5.396 billion plus $192 million for the Ansett terminal. The transaction was completed on 28 June 2002.

On completion, SACL ceased to be a Government Business Enterprise in terms of the Commonwealth Authorities and Companies Act 1997. Further details are contained in the Annual Report and in the accompanying financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Purchase of the former Ansett Terminal

On 1 July 2002 SACL acquired the former Ansett Sydney terminal for $192 million.
Further details are set out in the Annual Report and in the accompanying financial statements.

Refinancing of Interest-Bearing Liabilities

The interest-bearing liabilities at 30 June 2002 were repaid during July 2002 and replaced with long term funding from Southern Cross Airports Corporation Pty Limited, the parent company. Further details are set out in the accompanying financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Barring unforeseen events and provided international and domestic air traffic volumes continue to recover, SACL's future operating results are expected to improve.

ENVIRONMENTAL REGULATION AND PERFORMANCE

SACL's operations are subject to environmental regulation under the Airports Act 1996 and the supporting Airports (Environment Protection) Regulations 1997. Details of SACL's environmental performance in relation to environmental regulation are set out in the Annual Report.

INSURANCES AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Insurances

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

During the financial year and at the date of signing, SACL has appropriate insurance policies in place to meet the requirements of the Airport Lease and the financiers. At the date of signing this includes Industrial Special Risk Insurance cover (SACL property and business disruption) in respect of terrorism and an indemnity from the Commonwealth of Australia in respect of Airport Owners and Operators Liability Insurance (third party/public liability) in respect of terrorism.

Indemnities

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

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

An "officer" of SACL is any person who is, or has been, a director, secretary or executive officer of SACL, or an employee nominated by the chief executive officer to have the benefit of the constitutional indemnity.

DIRECTORS' MEETINGS

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

	Board of Directors		Audit Committee		Nomination Remuneration and Staff Policy Committee		Safety Security Environment and Health Committee		Finance and Investment Committee		Land Use Planning Committee		Privatisation Committee	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A
David Mortimer*	11	11	–	–	7	7	–	–	10	10	–	–	5	5
Ian Ferrier*	11	9	6	5	–	–	–	–	10	8	–	–	5	4
Michael Ball AM*	11	11	–	–	–	–	5	5	–	–	–	–	–	–
Nick Burton Taylor AM*	11	9	6	6	7	6	–	–	–	–	–	–	–	–
Gabrielle Kibble AO*	11	10	–	–	–	–	5	5	–	–	–	–	5	4
The Hon. Lloyd Lange*	11	10	6	5	7	6	–	–	–	–	–	–	–	–
Tony Stuart	13	11	–	–	7	7	–	–	10	9	–	–	5	5
Brian Wilson*	11	9	–	–	–	–	–	–	10	6	–	–	5	4
Kerrie Mather**	2	2	–	–	–	–	–	–	–	–	–	–	–	–
Holger Linkweiler**	2	2	–	–	–	–	–	–	–	–	–	–	–	–
Alan Stockdale**	2	2	–	–	–	–	–	–	–	–	–	–	–	–

H – Meetings held whilst director A – Meetings attended * – resigned 28 June 2002 ** – appointed 28 June 2002

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 SACL under ASIC Class Order 98/100. SACL is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

HELEN NUGENT
Chairman

TONY STUART
Director

14 August 2002

YEAR ENDED 30 JUNE 2002

	NOTES	2002 $'000	2001 $'000
OPERATING REVENUE FROM ORDINARY ACTIVITIES			
Aeronautical revenue		**180,058**	109,539
Aeronautical security recovery		**25,910**	21,242
Retail revenue		**115,520**	117,324
Property revenue		**71,476**	67,287
Commercial trading revenue		**58,609**	58,560
Total operating revenue from ordinary activities		**451,573**	373,952
NON-OPERATING REVENUE FROM ORDINARY ACTIVITIES			
Proceeds from sale of non-current assets		**348**	269
Dividends from wholly owned group		**–**	990
Other		**2,070**	2,390
Total non-operating revenue before interest from ordinary activities		**2,418**	3,649
Total revenue before interest from ordinary activities		**453,991**	377,601
OPERATING EXPENSES FROM ORDINARY ACTIVITIES			
Labour (excluding specific expenses)		**46,491**	43,639
Services and utilities (excluding specific expenses)		**48,722**	46,409
Other operational costs (excluding specific expenses)		**18,517**	27,342
Property and maintenance (excluding specific expenses)		**14,319**	16,231
Specific expenses:			
Privatisation related costs		**5,301**	8,526
Sydney Olympic Games related costs		**–**	5,493
Airline litigation costs		**274**	3,502
Ansett bad debts written-off		**4,097**	–
Total operating expenses from ordinary activities	2	**137,721**	151,142
PROFIT FROM ORDINARY ACTIVITIES BEFORE DEPRECIATION AND AMORTISATION, NET BORROWING COSTS AND INCOME TAX (EBITDA)		**316,270**	226,459
Depreciation and amortisation	2	**101,209**	95,450
PROFIT FROM ORDINARY ACTIVITIES BEFORE NET BORROWING COSTS AND INCOME TAX (EBIT)		**215,061**	131,009

YEAR ENDED 30 JUNE 2002

	NOTES	2002 $'000	2001 $'000
(Brought forward) Profit from ordinary activities before net borrowing costs and income tax (EBIT)		**215,061**	131,009
Interest receivable from other persons		**(602)**	(540)
Interest receivable from wholly owned group		**–**	(631)
Additional borrowing costs incurred due to privatisation	11	**8,604**	–
Other borrowing costs	2	**66,838**	80,576
Net borrowing costs		**74,840**	79,405
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX		**140,221**	51,604
Income tax relating to profit from ordinary activities	3	**53,104**	28,761
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX	15	**87,117**	22,843
Net increase in asset revaluation reserve from revaluation of assets	14	**–**	3,975
TOTAL REVENUES, EXPENSES AND VALUATION ADJUSTMENTS ATTRIBUTABLE TO MEMBERS OF SACL AND RECOGNISED DIRECTLY IN EQUITY		**–**	3,975
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS		**87,117**	26,818
Basic earnings per share (cents per share)		**87.1**	22.8
Dividends per share (cents per share)	4	**26.5**	110.5

AT 30 JUNE 2002

	NOTES	2002 $'000	2001 $'000
CURRENT ASSETS			
Cash		**32,658**	6,706
Receivables	5	**33,642**	44,085
Prepayments		**2,267**	3,999
Total current assets		**68,567**	54,790
NON-CURRENT ASSETS			
Investments	6	**–**	127
Property, plant and equipment	7	**3,124,991**	3,177,213
Future income tax benefit		**6,954**	6,436
Prepayments		**–**	2,187
Total non-current assets		**3,131,945**	3,185,963
Total assets		**3,200,512**	3,240,753
CURRENT LIABILITIES			
Payables	8	**70,105**	58,566
Interest-bearing liabilities	9	**–**	861,462
Tax liabilities		**37,541**	1,713
Provisions	10	**7,106**	57,368
Total current liabilities		**114,752**	979,109
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	11	**1,159,560**	400,000
Deferred tax liabilities		**30,508**	26,512
Provisions	12	**885**	968
Total non-current liabilities		**1,190,953**	427,480
Total liabilities		**1,305,705**	1,406,589
NET ASSETS		**1,894,807**	1,834,164
EQUITY			
Contributed equity	13	**794,000**	794,000
Reserves	14	**1,040,164**	1,040,164
Retained profits	15	**60,643**	–
TOTAL EQUITY		**1,894,807**	1,834,164

YEAR ENDED 30 JUNE 2002

	NOTES	2002 $'000	2001 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Receipts from customers		**520,215**	403,571
Interest received		**602**	1,131
Dividends received		**–**	364
Cash was applied to:			
Payments to suppliers and employees		**(150,483)**	(170,005)
Income tax paid		**(13,799)**	(22,865)
Goods and services tax paid		**(33,698)**	(21,660)
Borrowing costs paid		**(65,396)**	(82,539)
Net cash flows provided from operating activities	16	**257,441**	107,997
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from disposal of property, plant and equipment		**348**	269
Proceeds from sale of shares		**23**	–
Liquidation of investments in subsidiaries		**–**	2,527
Cash was applied to:			
Acquisition of property, plant and equipment		**(53,253)**	(124,218)
Advances to related parties		**–**	(146)
Capitalised borrowing costs		**(608)**	(2,628)
Net cash flows applied to investing activities		**(53,490)**	(124,196)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Proceeds from short term notes		**–**	45,462
Cash was applied to:			
Repayment of short term notes		**(101,902)**	(9,000)
Dividends paid		**(76,097)**	(20,939)
Net cash flows provided from (applied to) financing activities		**(177,999)**	15,523
Net increase (decrease) in cash held		**25,952**	(676)
Add opening cash brought forward		**6,706**	7,382
CLOSING CASH		**32,658**	6,706

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

This financial report is a general purpose financial report, prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or current valuations of non-current assets.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

REVENUE RECOGNITION

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue principally comprises:

Aeronautical revenue

Aeronautical revenue with the exception of international passenger flights is generated from:

(a) charges levied on aircraft runway movements (take off and landing) where the invoiced amount is based on the maximum take off weight of fixed wing aircraft and movements of rotary wing aircraft.

(b) charges levied on arriving and departing passengers on airlines utilising the Common User (Domestic Express) terminal.

(c) time based aircraft parking charges.

Aeronautical revenue for international flights is derived from:

(a) a passenger service charge (incorporating runway, security and international terminal use charges) calculated per arriving and departing passenger, excluding transit and transfer passengers, infants and flight crew.

(b) time based aircraft parking charges.

Aeronautical security recovery

Aeronautical security recovery revenue includes charges for:

(a) recovery of counter terrorist first response costs and additional security measures that were implemented post 11 September 2001 which are charged per landing on non international flights of passenger aircraft weighing in excess of 20 tonnes.

(b) passenger and checked baggage screening which are charged per take off on non international flights of passenger aircraft weighing in excess of 20 tonnes.

The recovery on international flights is included in the passenger service charge that is levied on all arriving and departing passengers excluding transit and transfer passengers, infants and flight crew.

Retail revenue

Retail revenue comprises rental from tenants whose activities include duty free, food and beverage, other retail, banking and currency, and advertising.

Property revenue

Property revenue is recognised on the invoiced amount of rent due from airport property, including terminals, buildings and other leased areas.

Commercial trading revenue

Commercial trading revenue includes time based charges from public and staff car parking and concession charges from car rental.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Asset sales

Asset sales revenue is recorded at the date proceeds from the sale are receivable.

GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

INCOME TAX

Tax effect accounting principles are observed whereby income tax expense for the period is matched with the pre-tax result adjusted for permanent differences. The account “Provision for deferred income tax” records the income tax effect of items which will cause taxable income to be higher than book profits in the future. “Future income tax benefit” records the income tax effect of items which cause taxable income to be lower than book profits in the future.

Where assets are revalued, no provision for potential capital gains tax has been made until disposal of the asset.

CASH

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

RECEIVABLES

Trade receivables are recorded at amounts due less any provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred. Credit sales are on 28 day terms.

INVESTMENTS

Listed shares are carried at net market value. Dividend income is taken into profit once the receipt of revenue is controlled.

PROPERTY, PLANT AND EQUIPMENT

Cost and valuation

The cost of non-current assets constructed includes all direct costs incurred. These costs include materials, labour, borrowing costs and other directly related expenditure.

Property, plant and equipment are stated as deemed cost in accordance with Accounting Standards AASB 1041 “Revaluation of Non-Current Assets” and AASB 1010 “Recoverable Amount of Non-Current Assets”.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation and amortisation

Property, plant and equipment assets are depreciated on a straight line basis at various rates being the shorter of the average useful life for that asset type and if relevant over the remaining period of the lease. Leasehold improvements are amortised over the remaining period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

	2002	2001
Leasehold land	Term of the lease	Term of the lease
Leasehold buildings	5–60 years	5–60 years
Runways, taxiways and aprons	2–99 years	2–99 years
Other infrastructure	9–40 years	9–40 years
Operational plant and equipment	14–20 years	14–20 years
Other plant and equipment	1–20 years	1–20 years

LEASES

Leases are classified at their inception as either operating or financial leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

ASSETS ACQUIRED

Assets acquired are recorded at the cost of acquisition, being the purchase consideration plus costs incidental to the acquisition.

RECOVERABLE AMOUNT

Where the carrying value of non-current assets exceeds their recoverable amount, the assets are written down to their recoverable amount. In determining recoverable amount, the expected net cash flows have been discounted to their present value using a market-determined, risk-adjusted discount rate.

MAINTENANCE

Major periodic maintenance expenditure on runways, taxiways and aprons is capitalised and written off over the period between major repairs. This recognises that major maintenance will increase the value of the asset and therefore the cost is apportioned over the period of related benefit. Other maintenance costs are expensed as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BORROWING COSTS

Establishment costs are amortised on a straight line basis over the term of the applicable borrowings.

Borrowing costs comprise interest and the amortisation of costs incurred in establishing borrowing facilities.

Where borrowings are specifically incurred in relation to qualifying assets, the actual borrowing costs are capitalised to those assets. Where borrowings are not specifically incurred in relation to qualifying assets the capitalisation rate is determined as the proportion of the total borrowing costs which relate to the capital development. Borrowing costs are capitalised up to the date when the asset is substantially complete and ready for use and are subsequently amortised over the useful life of the asset.

EMPLOYEE ENTITLEMENTS

Contributions made to defined benefit superannuation plans are charged against profit when due.

Provision is made for employee benefits and related oncosts accumulated as a result of employees rendering services up to balance date. The benefits include wages and salaries, incentives, annual leave, and long service leave. Provisions made in respect of employee entitlements expected to be settled within 12 months are measured at their nominal values and those not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows. In determining the present value of future cash outflows, the interest rates attached to government-guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Provision for executives' incentives is made when the outflow of economic benefits is probable and the amount can be measured reliably. Incentives are included in executives' and directors' remuneration, as applicable, once these benefits have vested with the employee.

FOREIGN CURRENCIES

Transactions in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction. Amounts payable to and by SACL that are outstanding at balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at balance date. Resulting exchange gains and losses are included in the operating result for the year.

LIABILITIES

Amounts payable to other parties are recorded at the principal amount, whether or not billed to the entity. Trade payables are normally settled within 30 days. Settlement terms for other liabilities are set out in the respective notes.

INTEREST–BEARING LIABILITIES

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Bills of exchange and promissory notes are carried at the principal amount plus deferred interest.

DIVIDENDS PAYABLE

Dividends payable are recorded when declared.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments, predominantly interest rate swaps and forward foreign exchange contracts, are transacted to manage financial risk. Speculative trading is specifically prohibited by policy.

Interest income and expense incurred under interest rate swap contracts is recognised in the Statement of Financial Performance on the same basis as the interest on the underlying financial liabilities. The carrying amounts of interest rate swaps, being a net interest receivable or payable, are accrued and included in assets or liabilities respectively.

Gains and losses on other derivative instruments are accounted for on the same basis as the underlying exposures that are being hedged. Accordingly, these gains and losses are brought to account when the gains and losses arising on the underlying exposures are recognised in the Statement of Financial Performance.

CONTRIBUTED EQUITY

Ordinary share capital is recognised at the fair value of the consideration received by SACL.

FAIR VALUE

Fair values are determined by reference to purchasing prices in appropriate markets at the time of valuation.

EARNINGS PER SHARE

Basic earnings per share is determined by dividing the profit from ordinary activities after income tax by the weighted average number of ordinary shares outstanding during the year.

COMPARATIVE AMOUNTS

Certain comparatives have been amended to comply with current year presentation.

2. EXPENSES AND LOSSES/(GAINS)

	2002 $'000	2001 $'000
(a) Expenses		
Depreciation and amortisation of non-current assets:		
Leasehold land	**17,389**	17,082
Leasehold buildings	**25,938**	25,606
Runways, taxiways and aprons	**16,632**	16,665
Other infrastructure	**15,095**	14,485
Operational plant and equipment	**12,167**	11,067
Other plant and equipment	**13,988**	10,545
	101,209	95,450
Borrowing costs:		
Interest expense		
Other persons/corporations	**63,522**	79,917
Other borrowing costs		
Other persons/corporations	**3,924**	3,287
Total borrowing costs	**67,446**	83,204
Less: borrowing costs capitalised	**608**	2,628
Borrowing costs expensed	**66,838**	80,576
Bad and doubtful trade debts:		
Ansett bad debts written – off	**4,097**	50
Other debtors – reduction in provision for doubtful debts	**(763)**	–
Employee leave entitlements	**3,315**	3,595
Superannuation contributions to defined benefit funds	**4,280**	3,442
Operating lease rental expense	**1,529**	1,386
The effective weighted average rate used to capitalise borrowings was 5.56% per annum (2001: 6.51% per annum).		
(b) Losses/(gains)		
Net gain on disposal of property, plant and equipment	**(74)**	(77)
Net loss on write down of investment	**65**	63
Net loss on disposal of investment	**39**	–
(c) Specific expenses		
Privatisation related costs	**5,301**	8,526
Sydney Olympic Games related costs	**–**	5,493
Airline litigation costs	**274**	3,502

Specific costs are material costs that are non-recurring.

Privatisation related costs include an executive retention provision, legal costs, taxation and accounting expenses and other professional fees.

2. EXPENSES AND LOSSES/(GAINS) (CONTINUED)

The costs of handling the increased volumes of traffic visiting Sydney for the Sydney Olympic Games and gearing up the airport for the occasion resulted in a higher level of costs across all expense categories.

Airline litigation costs are primarily legal fees and consultancy fees. These costs were in relation to a business disruption claim in respect of the redevelopment of the international terminal completed in 2000 and a challenge to SACL's 2000/01 aeronautical charge increases.

Ansett bad debts written-off are referred to in note 2 (a) above.

3. INCOME TAX RELATING TO PROFIT FROM ORDINARY ACTIVITIES

The prima facie tax on profit from ordinary activities at 30% (2001: 34%) differs from the income tax provided in the financial statements as follows:

	2002 $'000	2001 $'000
Prima facie tax on profit from ordinary activities	**42,066**	17,545
Tax effect of permanent differences:		
Amortisation of leasehold land	**5,653**	5,774
Non-deductible depreciation and amortisation	**4,827**	5,113
Non-deductible privatisation costs	**1,020**	–
Development allowance	**–**	(648)
Other items (net)	**222**	1,737
Rebateable dividend	**–**	(337)
Capital gains	**15**	–
Capital gains tax on divestment of controlled entities	**–**	1,777
Overprovision from previous year	**(699)**	(975)
Net gain attributable to change in income tax rate	**–**	(1,225)
Income tax expense relating to profit from ordinary activities	**53,104**	**28,761**

4. DIVIDENDS PAID OR PROVIDED

	2002 $'000	2001 $'000
a) Dividends proposed No final dividend is proposed for year ended 30 June 2002 (2001: 49.6 cents per share franked at the tax rate of 30%)	**–**	49,623
b) Dividends paid during the year Franked interim dividend of 26.5 (2001: 9.3) cents per share franked at the tax rate of 30% (2001: 34%)	**26,474**	9,252
c) Year ended 30 June 2001 in specie dividend of 51.6 cents per share	**–**	51,600
	26,474	110,475
The combined amount of exempting and franking credits available for the subsequent financial year are:		
– combined exempting and franking account balance as at the end of the year (2001: 30%)	**78,338**	122,238
– franking credits and exempting credits that will arise from the payment of income tax payable as at the end of the year	**87,595**	6,119
– franking debits that will arise from the payment of dividends as at the end of the financial year	**–**	(49,623)
– franking credits and exempting credits that the entity may be prevented from distributing in the subsequent financial year	**(165,933)**	–
	–	78,734

5. RECEIVABLES

	2002 $'000	2001 $'000
Trade debtors	**34,172**	45,652
Less Provision for doubtful debts	**880**	2,096
	33,292	43,556
Amounts other than trade debts receivable from related parties	**–**	62
Other debtors	**350**	467
	33,642	44,085

6. INVESTMENTS

	2002 $'000	2001 $'000
Investments at net market value comprise:		
Shares listed on prescribed stock exchange	**–**	127
	–	127

	2002 $'000	2001 $'000
7. PROPERTY, PLANT AND EQUIPMENT		
Leasehold land at cost	**1,715,003**	1,714,767
Provision for amortisation	**(68,375)**	(50,985)
	1,646,628	1,663,782
Buildings on leasehold land at cost	**619,004**	610,276
Provision for depreciation	**(79,744)**	(53,806)
	539,260	556,470
Total land and buildings	**2,185,888**	2,220,252
Runways, taxiways and aprons at cost	**494,813**	489,195
Provision for depreciation	**(63,545)**	(46,913)
	431,268	442,282
Other infrastructure at cost	**348,903**	345,013
Provision for depreciation	**(48,998)**	(33,903)
	299,905	311,110
Operational plant and equipment at cost	**167,500**	168,448
Provision for depreciation	**(30,470)**	(18,637)
	137,030	149,811
Other plant and equipment at cost	**62,630**	55,022
Provision for depreciation	**(31,648)**	(17,817)
	30,982	37,205
Capital works in progress	**39,918**	16,553
Total plant and equipment	**939,103**	956,961
Cost	**3,447,771**	3,399,274
Provision for depreciation and amortisation	**(322,780)**	(222,061)
Total written down value	**3,124,991**	3,177,213

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	OPENING CARRYING VALUE $'000	ADDITIONS $'000	DISPOSALS $'000	DEPRECIATION $'000	CLOSING CARRYING VALUE $'000
Leasehold land	1,663,782	235	–	(17,389)	1,646,628
Buildings on leasehold land	556,470	8,728	–	(25,938)	539,260
Runways, taxiways and aprons	442,282	5,618	–	(16,632)	431,268
Other infrastructure	311,110	3,890	–	(15,095)	299,905
Operational plant and equipment	146,327*	2,870	–	(12,167)	137,030
Other plant and equipment	40,689*	4,555	(274)	(13,988)	30,982
Capital works in progress	16,553	23,365	–	–	39,918
Total property, plant and equipment	3,177,213	49,261	(274)	(101,209)	3,124,991

*Computer software totalling $3.484 million was transferred from operational plant and equipment to other plant and equipment.

SACL's leasehold land and buildings (including runways, taxiways, aprons and other infrastructure) and the intangible licence right to operate the airport were valued at directors' valuation at $5.415 billion as at 30 June 2002.

The valuation reflects the purchase price paid by Southern Cross Airports Corporation Pty Limited for SACL on 28 June 2002 (as adjusted for the former Ansett domestic terminal that was acquired by SACL on 1 July 2002) and has not been recorded in the Statement of Financial Position.

DOMESTIC TERMINAL LEASES

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

	2002 $'000	2001 $'000
8. PAYABLES		
Trade creditors	**38,809**	44,268
Other creditors	**31,296**	14,298
	70,105	58,566

	NOTES	2002 $'000	2001 $'000
9. INTEREST-BEARING LIABILITIES (CURRENT)			
Unsecured			
Bank loan	11, 26	**–**	450,000
Short term notes	11, 26	**–**	411,462
		–	861,462

At 30 June 2001, the short term notes and bank loan were classified as current liabilities as these facilities both matured within twelve months. The $450 million bank standby facility that supported the short term note program, and the $450 million bank loan facility were later extended to 3 March 2003 and 4 September 2003 respectively and were repaid in July 2002 (refer note 11).

	NOTES	2002 $'000	2001 $'000
10. PROVISIONS (CURRENT)			
Dividends		**–**	49,623
Employee entitlements	19	**7,106**	7,745
		7,106	57,368
11. INTEREST-BEARING LIABILITIES (NON-CURRENT)			
Unsecured			
Bank loan	9, 26	**450,000**	–
Short term notes	9, 26	**309,560**	–
Medium term notes	26	**400,000**	400,000
		1,159,560	400,000

The bank loan was repaid in full on 3 July 2002. Interest was charged at the banks' floating rate plus an agreed margin. The weighted average effective rate was 5.27% per annum (2001: 6.48% per annum).

The short term notes were issued under a revolving $600 million short term note program. Notes on issue at 30 June 2002 were repaid on maturity with the final repayment on 23 July 2002. Interest was charged at the banks' floating rate plus dealer fee and margin. The weighted average effective rate was 4.86% per annum (2001: 5.96% per annum).

The medium term notes were repaid on 15 July 2002. Interest was fixed at an effective interest rate of 6.35% per annum (2001: 6.35% per annum).

Borrowing costs of $8.604 million arose from obligations entered into by SACL before year end to undertake early repayment of borrowings in July 2002 on refinancing the company immediately post-privatisation. The repayments were funded by loans from Southern Cross Airports Corporation Pty Limited, the parent company.

	NOTES	2002 $'000	2001 $'000
12. PROVISIONS (NON-CURRENT)			
Employee entitlements	19	**885**	968
13. CONTRIBUTED EQUITY			
Issued and paid up capital			
100,000,100 ordinary shares, fully paid		**794,000**	794,000
(2001: 100,000,100 ordinary shares)			

Terms and conditions of ordinary shares

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

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

	2002 $'000	2001 $'000
14. RESERVES		
Asset revaluation reserve at the beginning of the year	**1,040,164**	1,087,789
Revaluation increment on the revaluation of shares in controlled entities	**–**	3,975
Transfer to retained profits	**–**	(51,600)
Asset revaluation reserve at the end of the year	**1,040,164**	1,040,164
15. RETAINED PROFITS		
Retained profits at the beginning of the year	**–**	36,032
Net profit attributable to members of SACL	**87,117**	22,843
Transfer from asset revaluation reserve	**–**	51,600
Dividends recognised as a liability or paid if not previously recognised as a liability	**(26,474)**	(110,475)
Retained profits at the end of the year	**60,643**	–

16. CASH FLOW INFORMATION

	2002 $'000	2001 $'000
(a) Reconciliation of the profit from ordinary activities after income tax to the net cash flows from operating activities		
Profit from ordinary activities after income tax	**87,117**	22,843
Depreciation and amortisation of non-current assets	**101,209**	95,450
Provision for employee entitlements	**(722)**	1,315
Write down of investments	**65**	63
Loss on sale of investments	**39**	–
Net profit on disposal of property, plant & equipment	**(74)**	(77)
Changes in assets and liabilities		
Trade receivables	**18,920**	(17,928)
Trade and other creditors	**2,214**	(14,178)
Tax provision	**35,828**	(4,468)
Deferred income tax liability	**3,996**	12,559
Future income tax benefit	**(517)**	(2,196)
Prepayments	**9,366**	14,614
Net cash flows provided from operating activities	**257,441**	107,997

(b) Financing facilities available
At balance date, the following financing facilities had been negotiated and were available:

	2002 $'000	2001 $'000
Total facilities	**1,455,000**	1,450,000
Facilities used at balance date	**1,160,000**	1,264,000
Facilities unused at balance date	**295,000**	186,000

The facilities at balance date totalling $1,455,000 were terminated during July 2002 and the borrowings thereon were repaid in full. Repayment of the facilities was funded by loans from Southern Cross Airports Pty Limited, the parent company.

17. EXPENDITURE COMMITMENTS

	2002 $'000	2001 $'000
(a) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date but not provided for:		
Payable not later than one year	**191,030**	5,817
	191,030	5,817

Capital expenditure commitments include the balance of settlement costs on the acquisition of the Ansett terminal and stamp duty thereon.

	2002 $'000	2001 $'000
(b) Lease expenditure commitments		
Operating leases (non-cancellable):		
Minimum lease payments		
– not later than one year	**1,395**	1,391
– later than one year but not later than five years	**2,639**	3,469
– later than five years	**1,014**	–
– aggregate lease expenditure contracted for at balance date	**5,048**	4,860

Property leases are:
a non-cancellable lease with a 4 year term, with rent payable monthly in advance.
a non-cancellable lease with a 50 year term, with rent payable quarterly in advance.

18. LEASES

Substantially all of the property owned by SACL is leased to third parties under operating leases. Lease terms vary between tenants as allowed by the lease from the Commonwealth of Australia and some leases include percentage rental payments based on sales volume.

As at 30 June 2002 future minimum rental revenue under non-cancellable operating leases was as follows:

YEAR ENDING	2002 $'000	2001 $'000
30 June 2003	**154,231**	163,460
30 June 2004	**146,312**	145,838
30 June 2005	**137,124**	89,920
30 June 2006	**118,239**	57,682
30 June 2007	**66,594**	39,830
Thereafter	**323,241**	516,701

Future minimum lease revenue due includes rents payable on leases that are based on estimates of minimum passenger throughput rents but exclude percentage rentals, which may become receivable on the basis of sales in excess of a stipulated minimum, and also exclude recovery of outgoings. No present value discount rate has been applied to minimum lease payments. Minimum lease payments due should not be read as a forecast.

At 30 June 2002, lease commitments receivable by SACL amounted to $7.2 million (2001: $17.4 million).

19. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

EMPLOYEE ENTITLEMENTS

	NOTES	2002 $'000	2001 $'000
The aggregate employee entitlement liability is comprised of:			
Accrued wages, salaries and on costs		**7,147**	6,168
Provisions (current)	10	**7,106**	7,745
Provisions (non-current)	12	**885**	968
		15,138	14,881

SUPERANNUATION COMMITMENTS

Airports Australia Super Fund

All employees are entitled to varying levels of benefits on retirement, disability or death. The superannuation plan provides defined benefits based on years of service and final average salary. The plan also provides accumulation style benefits for the superannuation guarantee and members' contributions. Employees contribute to the plan at various percentages of their wages and salaries. SACL also contributes to the plan. Contributions by SACL of up to 9% of employees' wages and salaries are legally enforceable in Australia.

Employer contributions paid in respect of these employees amounted to $4,068,572 (2001: $3,253,680). Details of the Airports Australia Super Fund as it relates to employees of SACL extracted from the most recent financial report are as follows:

	2002 $
Net market value of plan assets (30 June 2001)	32,919
Accrued benefits (1 July 2001)	33,421
Deficit of net market value of plan assets compared with accrued benefits	(502)
Vested benefits (30 June 2001)	32,840

The difference between the accrued benefits and net market value of the plan assets has not been recognised in the accounts of SACL. Contributions to the plan are expensed as incurred.

The last actuarial review of the plan was performed by Mr Greg Murray FIA, FIAA on 6 April 2001.

Commonwealth Superannuation Scheme

Former Commonwealth employees transferred to SACL retain their right to participate in the Commonwealth Superannuation Scheme. Employer contributions paid in respect of these employees amounted to $211,102 (2001: $187,714).

20. CONTINGENT LIABILITIES

(i) SACL is subject to claims and disputes inherent in the day-to-day conduct of the business, particularly in respect of construction activities.

(ii) There are no material unrecorded liabilities at 30 June 2002 nor are there any claims against SACL that, in the expectation of the directors, will give rise to a material loss in the future.

21. REMUNERATION OF DIRECTORS

	2002 $	2001 $
Income paid or payable, or otherwise made available, in respect of the year, to all directors of SACL, directly or indirectly, from SACL or any related party	**908,871**	837,676

The number of directors of SACL whose income (including superannuation contributions) falls within the following bands is:

	2002	2001
$0 – $9,999	**3**	–
$20,000 – $29,999	**–**	1
$30,000 – $39,999	**3**	5
$40,000 – $49,999	**2**	1
$50,000 – $59,999	**1**	–
$60,000 – $69,999	**–**	1
$70,000 – $79,999	**1**	–
$530,000 – $539,999	**–**	1
$580,000 – $589,999	**1**	–

22. REMUNERATION OF EXECUTIVES

An executive is a person who, as a member of the SACL senior management team, is involved in the strategic direction and operational management of SACL. This includes the chief executive officer (CEO) of SACL, those who report direct to him and the next level of executives who have a direct reporting relationship to the CEO's direct reports.

	2002 $	2001 $
Remuneration received or due and receivable by executives of SACL in respect of the year whose annual remuneration, including redundancy payments, is $100,000 or more, from SACL or any related party.	**6,121,343**	5,205,694

	2002	2001
The number of executives of SACL whose annual remuneration, including redundancy payments, falls within the following bands:		
$100,000 – $109,999	**–**	1
$130,000 – $139,999	**–**	1
$150,000 – $159,999	**1**	4
$160,000 – $169,999	**2**	1
$170,000 – $179,999	**–**	1
$180,000 – $189,999	**1**	2
$200,000 – $209,999	**–**	3
$210,000 – $219,999	**–**	2
$220,000 – $229,999	**3**	3
$230,000 – $239,999	**1**	–
$260,000 – $269,999	**1**	–
$270,000 – $279,999	**1**	–
$280,000 – $289,999	**2**	–
$290,000 – $299,999	**1**	
$310,000 – $319,999	**–**	2
$330,000 – $339,999	**–**	1
$350,000 – $359,999	**2**	–
$380,000 – $389,999	**2**	–
$410,000 – $419,999	**–**	1
$530,000 – $539,999	**1**	1
$540,000 – $549,999	**1**	–
$580,000 – $589,999	**1**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2002

23. AUDITORS' REMUNERATION

	2002 $	2001 $
Amounts received or due and receivable by the Australian National Audit Office as auditors of SACL	**218,000**	185,000
	218,000	185,000

	2002 $	2001 $
Ernst & Young has been contracted by the Australian National Audit Office to provide audit services. Fees for these services are included above. In addition Ernst & Young has earned the following fees for engagements where it has been separately contracted by SACL:		
Assurance opinions	**81,566**	16,802
Advisory services	**524,369**	13,282
Privatisation support	**344,866**	391,689
	950,801	421,773

24. RELATED PARTY DISCLOSURES

(a) The directors of SACL during the year were:

David Mortimer*
Ian Ferrier*
Gabrielle Kibble AO*
The Hon. Lloyd Lange*
Michael Ball AM*
Nick Burton Taylor AM*
Brian Wilson*
Tony Stuart

*On 28 June 2002, following the sale of SACL to Southern Cross Airports Corporation Pty Limited the above directors resigned.

On 28 June 2002, Alan Stockdale, Holger Linkweiler and Kerrie Mather were appointed directors. Mr Stockdale resigned on 3 July 2002.

On 3 July 2002 the following directors were appointed to the board of SACL:

Helen Nugent
Martyn Booth
Nicholas Moore
Penny Graham
John Rickus
Tomas Aranda
Juan Bejar

24. RELATED PARTY DISCLOSURES (CONTINUED)

(b) The following related party transactions occurred during the year:
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(i) Transactions with former controlled entities

1 For the three months subsequent to divestment, SACL provided management services to the previously wholly owned controlled entities. Management fees were charged for these services on normal commercial terms recognised on an accrual basis.

Management fees received for the year from Bankstown Airport Limited were $52,294 (2001: $372,000), Camden Airport Limited $Nil (2001: $17,000) and Hoxton Park Airport Limited $Nil (2001: $11,000).

2 The ultimate parent entity of each of Bankstown Airport Limited, Camden Airport Limited, and Hoxton Park Airport Limited is the Commonwealth of Australia.

(ii) Transactions with other related parties
SACL provided management services to Essendon Airport Limited, a related party, for the two months to August 2001. Management fees receivable for the year were $22,000 (2001: $120,000). Amount outstanding at 30 June 2002 was $Nil (2001: $61,844). The ultimate parent entity of Essendon Airport Limited was the Commonwealth of Australia. Essendon Airport Limited was sold during the year ended 30 June 2002.

(iii) Transactions with director–related entities
A number of directors of SACL also hold directorships, partnerships and consultancies with other businesses, that provide goods or services to SACL in the ordinary course of business and on normal terms and conditions and are not considered to be significant in nature.

The directors of SACL do not exercise significant influence with these businesses.

SACL directors do not derive any direct personal benefit from the transactions between SACL and these businesses.

(iv) Transactions with Commonwealth of Australia (ultimate parent entity until sale of SACL on 28 June 2002)
SACL supplied services to, and acquired other services from, the Commonwealth of Australia, its Departments of State, trading and other agencies. All such transactions are made within normal customer/supplier relationships on terms and conditions no more favourable than those available to other customers or suppliers and there are no exclusive rights to supply any such services. Services provided to any one governmental department or agency or in total do not represent a significant component of SACL's operating revenues. For these reasons, the financial statements do not disclose transactions relating to the purchase and sale of goods and services from/to the Commonwealth of Australia, its Departments of State, trading and other agencies, other than those stated.

(v) Transactions with parent company and ultimate parent company
SACL was acquired by Southern Cross Airports Corporation Pty Limited on 28 June 2002. During the period to 30 June 2002 there were no transactions between SACL and its parent and ultimate parent company.

Southern Cross Airports Corporation Pty Limited is the parent company and Southern Cross Airports Corporation Holdings Limited is the ultimate parent company.

24. RELATED PARTY DISCLOSURES (CONTINUED)

(c) SACL is an unlisted public company, incorporated in Australia. The registered office and principal place of business is Airport Central, 241 O'Riordan Street, Mascot NSW 2020. The number of employees in SACL at 30 June 2002 was 409 (2001: 482).

25. SEGMENT INFORMATION

SACL has one business segment that provides and operates airport facilities within Australia.

26. FINANCIAL INSTRUMENTS

(a) Interest rate risk
All financial assets other than cash are non-interest bearing. The interest rate on the cash balance at 30 June 2002 was 4.70% per annum. Interest-bearing financial liabilities are detailed in notes 9 and 11.

(b) Net fair values
The carrying value of all assets and liabilities approximates fair value.

(c) Credit risk exposures
SACL'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.

SACL minimises concentrations of credit risk by undertaking transactions with a large number of customers within the aeronautical industry.

(d) Hedging instruments
SACL may periodically enter into forward exchange contracts designed as a specific hedge for foreign exchange liabilities arising for the purchase of supplies. No forward exchange contracts were entered into during the year (2001: $Nil).

27. SUBSEQUENT EVENTS

(a) Purchase of the former Ansett Terminal
On 1 July 2002 SACL acquired the former Ansett Sydney Terminal for $192 million.

(b) Refinancing of interest-bearing liabilities
The interest-bearing liabilities at 30 June 2002 were repaid during July 2002 and replaced with long term funding from Southern Cross Airports Corporation Pty Limited, the parent company.

In accordance with a resolution of the directors of SACL, we state that:

In the opinion of the directors:

(a) the financial statements and notes of SACL are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of SACL's financial position as at 30 June 2002 and of its performance for the year ended on that date; and

  (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that SACL will be able to pay its debts as and when they become due and payable.

On behalf of the Board:

HELEN NUGENT
Chairman

TONY STUART
Director

Sydney
14 August 2002

To the members of Sydney Airports Corporation Limited

SCOPE

I have audited the financial report of Sydney Airports Corporation Limited for the year ended 30 June 2002, as set out on pages 48 to 76.

The Sydney Airports Corporation Limited's directors are responsible for the financial report. I have conducted an independent audit of the financial report in order to express an opinion on it to the members of the Sydney Airports Corporation Limited.

The audit has been conducted in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards, to provide reasonable assurance whether the financial report is free of material misstatement. Audit procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with my understanding of the Sydney Airports Corporation Limited's financial position, and performance as represented by the results of its operations and its cash flows.

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

AUDIT OPINION

In my opinion, the financial report of Sydney Airports Corporation Limited is in accordance with:

(a) the Corporations Act 2001, including:

  i) giving a true and fair view of the Sydney Airports Corporation Limited's financial position as at 30 June 2002 and of its performance for the year ended on that date; and

  ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Australian National Audit Office

DAVID C McKEAN
Executive Director

Delegate of the Auditor-General

Sydney
14 August 2002

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	International	34 gates		
	Qantas Domestic	13 gates		
	Ansett Domestic	18 gates		
	Domestic Express	5 gates		
	Airfreight	3 international / 2 domestic		
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