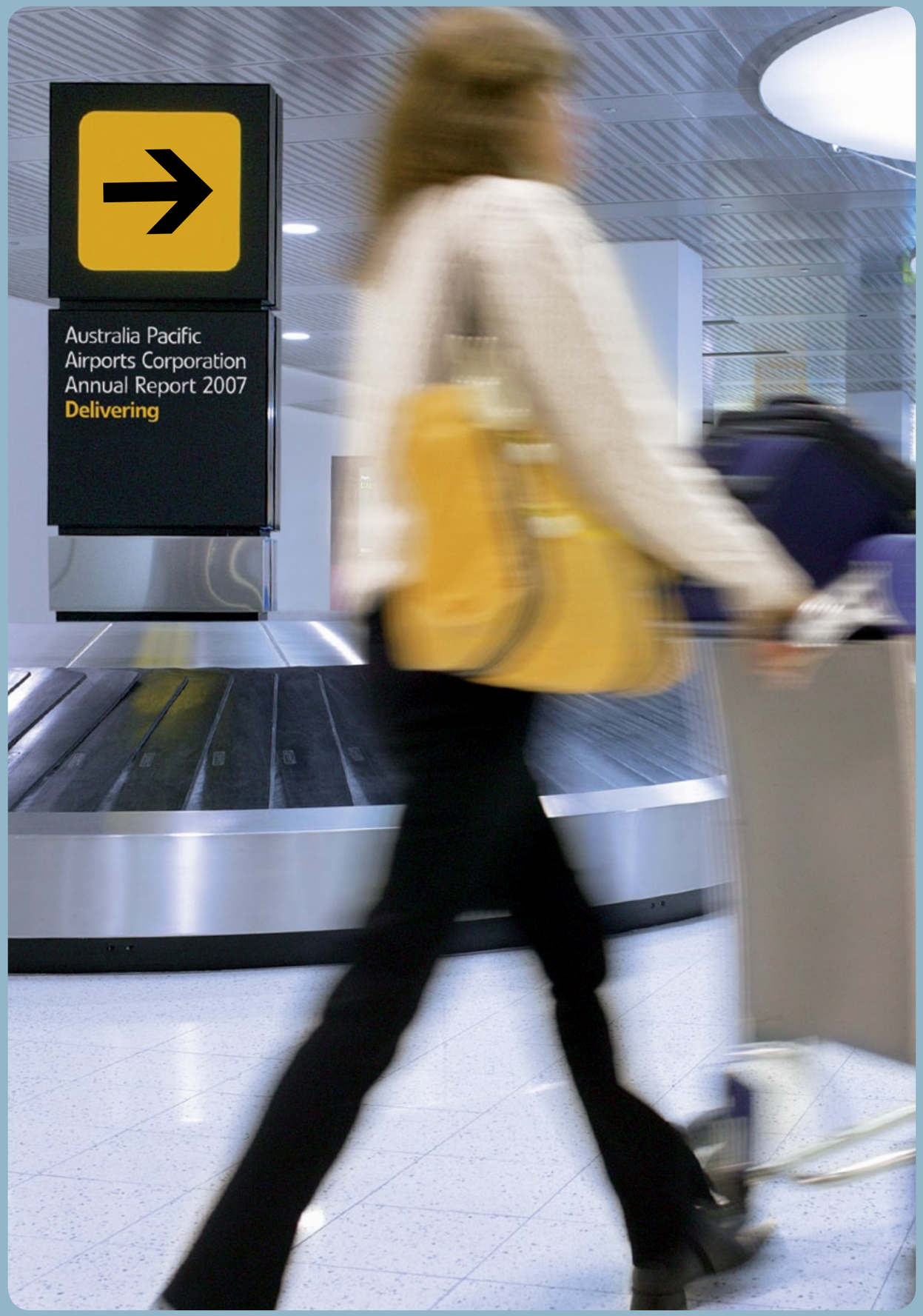


Australia Pacific
Airports Corporation Ltd
ABN 069 775 266
Locked Bag 16
Gladstone Park
Victoria 3043 Australia

Australia
Pacific
Airports

Contents

Results at a glance

Year ended 30 June ($ millions)	2006[1]	2007[2]	Change
Total Revenue	348	384	10%
Operating Expenses	102	114	12%
Operating Profit	246	270	10%
Investment property gains	91	77	(16%)
Profit before borrowing costs, depreciation and amortisation	337	347	3%
Depreciation and Amortisation	33	37	9%
Interest	80	84	4%
Profit / (Loss) Before Tax	223	226	1%
Tax Expense / (Benefit)	67	68	2%
Net Profit / (Loss)	156	158	1%

1 Change to A-IFRS
2 New investment property policy

Chairman's Message

Australia Pacific Airports Corporation (APAC) has delivered another strong year, surpassing our 2005/06 performance to deliver a fifth consecutive year of profit.

Passenger numbers at APAC's two airports continued to grow, with Melbourne and Launceston both experiencing solid increases in the domestic sector. International passenger growth at Melbourne Airport remained positive, buoyed by increases in airline seat capacity in the second half of the year.

Net profit grew by 1% to $158 million, whilst profit before borrowing costs, depreciation and amortisation increased by 3% to $347 million. Costs remained under control at $114 million, and APAC maintained our strong credit rating: keeping an A3 rating with Moody's and A- rating with Standard & Poors.

APAC committed more to capital infrastructure projects in 2006/07 than in any year since its inception 10 years ago. Over $100m was spent on capital projects during the year. A key part of this work included a $23m checked-bag screening system at Melbourne. This system ensures Melbourne Airport meets the Federal Government's requirement for automated checked-bag screening across all domestic and international flights.

Importantly, these projects were delivered through cooperation and agreement with our airlines, and under the Federal Government's light-handed approach to airport regulation. This approach to airport regulation came under review by the Productivity Commission during the year – with the outcome reaffirming the Federal Government's current policy. This decision ensures airports and airlines can negotiate pricing arrangements and capital investment without the need for arbitration. This working environment ensured that in June, APAC was able to negotiate a new 5-year aeronautical pricing agreement with all its domestic and international airline partners.

We also completed a major development of both Melbourne & Launceston Airports' Long Term Car Park facilities. Melbourne's $10m developments included a fleet of 9 new buses and 900 additional parking bays, and at Launceston Airport nearly half a million dollars was invested into a significant expansion that included improved access and a further 350 spaces.

APAC completed a number of significant property developments during the year, including warehouse and distribution facilities for a number of major brand names such as The Reject Shop and Kathmandu, a Mercedes-Benz service and sales centre, along with two new childcare centres to serve the 12,000 staff within the immediate 'airport community'.

APAC also continued to build on its strong commitment to environmental and social responsibility. A range of initiatives to reduce water consumption, energy consumption and waste were all implemented throughout the year with positive results. In particular, a 15% reduction in water consumption per passenger at Melbourne Airport is a testament to APAC's commitment to this critical environmental issue.

Our key areas of community support saw significant commitments from APAC during the year. Our long-running association with the Salvation Army continued, and we formally launched the Melbourne Airport Emerging Talent program, a major sponsorship initiative designed to provide a boost to a range of key Melbourne arts events and institutions, along with travel grants to the new artistic talent that these events help to nurture.

I congratulate the APAC team for their continued commitment and dedication in delivering another strong year. I extend my sincere thanks to outgoing CEO Chris Barlow, whose work over the past 7 years has seen APAC build a formidable reputation as a leader in airport management in Australasia. I look forward to further cementing this reputation with incoming CEO Chris Woodruff.

Don Mercer
Chairman

APAC Chairman Don Mercer (left) with Chief Executive Officer and Managing Director, Chris Barlow (right).

Chief Executive Officer's Report

Aeronautical

- Strong passenger performance, lead by a robust domestic market.
- Positive outcomes of airline negotiations and Productivity Commission.
- New 5-year aeronautical pricing agreement achieved with all airlines.
- Tiger Airways selects Melbourne Airport as its Australian base.

Passenger performance at APAC's airports during 2006/2007 was strong, delivering an 8% increase in APAC's aeronautical revenue to $147m.

Launceston Airport saw strong growth in its domestic passenger-driven business, achieving an 8% increase in passengers compared to the previous year. Passenger numbers at Launceston reached over 990,000 passengers, equating to an additional 70,000 passengers on the previous year.

Melbourne Airport's domestic traffic continued to perform well. An additional 931,000 domestic passengers travelled through Melbourne's domestic terminals during 2006/2007, an increase of 6% on the previous year bringing our total domestic passengers for the year to 17.8 million. This performance was driven by strong competition between Australia's domestic carriers.

International passenger numbers at Melbourne Airport saw a 3% increase during 2006/2007, reaching 4.5 million. This relatively slow growth stemmed from a reduction in international airline seats at Melbourne by a number of airlines. Austrian Airlines' decision to pull out from the entire Australian market was a notable one, particularly as it represented the last European-based international airline serving Melbourne Airport.

There were some positive international airline seat increases, however, with Jetstar launching its inaugural long-haul international services at Melbourne Airport in November. Increases in seats by Thai Airways, China Eastern Airlines and Garuda Indonesia, along with seasonal charter flights from Korean Airlines were also positive in opening up Melbourne to new markets.

Strong international airline access for foreign airlines is critical to growth of international passengers to Melbourne and southern Australia. In March 2007 the Federal Government announced new air access agreements with the governments of the United Arab Emirates and Qatar respectively. These decisions were strongly welcomed by Melbourne Airport and the Victorian tourism industry.

The freight arm of APAC's business continued to perform well during the year. Melbourne Airport remains the best performing of Australia's three largest international airports in terms of the amount of freight processed when compared to passenger numbers. Between May 2006 and April 2007, Melbourne handled 25% of the three airports' total international passengers, but handled 36% of these same airports' total international freight.

In June 2007 the Productivity Commission delivered its assessment into the arrangements for airline and airport pricing negotiations. The Commission recommended that the current light-handed approach to these negotiations be maintained. The assessment was welcomed by APAC, as it will ensure major aeronautical-focussed capital works can be delivered efficiently to the benefit of both the airport and the airline.

During the year APAC reached an aeronautical pricing agreement with each of its international and domestic airlines for the upcoming 5 years. Melbourne was the first airport in Australia to achieve this type of agreement, which was achieved amidst the government's light-handed approach to airport-airline negotiations. Its confirmation will ensure airlines serving Melbourne can get on with growing their business, and APAC can get on with its job of building the infrastructure to support this growth.

In February 2007 Singapore-based Tiger Airways publicly signalled its intention to enter the Australian domestic market. The low-cost airline soon went about the process of selecting an Australian airport at which it would base its future domestic operations. Despite strong competition from a large number of Australian airports, Melbourne was selected as Tiger Airways Australia's new home. This decision was a major coup for APAC – and a strong reflection on our company's cooperative approach to working with current and potential airline partners.

International passengers at Melbourne Airport reached a record 4.5 million in 2006/2007.

Development

- Completion of $220m A380-focussed developments.
- Melbourne Airport opens $23m baggage screening system in T3 (Domestic).
- Planning commences on $330m redevelopments of T2 (International).

During the reporting period Melbourne and Launceston Airports saw the most significant investment in airport infrastructure developments since Australian airports were privatised in 1997. APAC's consistent focus on delivering the facilities its airlines need to grow their businesses resulted in capital works of over $100m being undertaken during 2006/2007.

In November 2006 Melbourne Airport completed its 2-year $220 million Apron, Runway & Terminal project, which focussed on building the infrastructure to meet the challenge of the Airbus A380 'superjumbo'. The final stage of this project was the opening of the airport's 5th international baggage carousel. This facility provides a double-sized baggage system and carousel designed to handle the bags of up to 550 people from an A380 aircraft.

Also opened during the year was Melbourne Airport's checked-bag screening system in Terminal 3, the home of Virgin Blue and Regional Express. Checked-bag screening systems had already been established in Terminal 1 (Qantas and Jetstar) and Terminal 2 (International) – and the completion of this $23m project ensures Melbourne meets new Federal Government requirements for the x-ray screening of all international and domestic checked baggage.

Over $13m was also invested into apron and airfield upgrade works throughout the year, including concrete slab replacement in key taxiway and aircraft parking areas, and a major upgrade of the airfield lighting system. This $7.7m upgrade of Melbourne's airfield lighting system is set for completion in the coming year. This upgrade will ensure aircraft can land and take off at Melbourne Airport at any time, even during poor visibility weather.

Airfield maintenance was also a major focus for Launceston Airport during 2006/2007 with works undertaken to improve runway and taxiway facilities, along with improvements to passenger and freight aircraft parking bays.

Outside the terminal and airfield, over $10 million of enhancements were also undertaken in Melbourne Airport's Long Term Car Park facility. This major redevelopment added 900 new parking bays, new entry and exit points, as well as new bus shelters to meet the airport's new car park shuttle bus fleet.

Planning also commenced during the year on a series of major projects that combined will be one of the most ambitious developments ever undertaken in Melbourne Airport's history: a $330 million international terminal expansion. These major expansions will add 5 new aircraft gates, a new international baggage processing system and an entirely new outbound passenger and retail precinct to T2.

Melbourne Airport's $23m checked-bag screening system in Terminal 3.

Retail & Car Parking

- Extensive research undertaken of shopping and car park customers.
- Major new food/beverage and car park contracts signed.
- Negative impact on Duty Free sales from new security restrictions.
- $10m development of Long Term Car Park.

Achieved with the key focus of delivering a quality service to customers at the right price, APAC's retail and car parking businesses performed strongly during 2006/2007, achieving $156m, a growth of 13% on the previous year.

Extensive research undertaken during the year has been a key driver of the development of APAC's shopping and eating offer. Focus group testing of business and leisure passengers, as well as those people greeting or farewelling at APAC's airports, has ensured we remain committed to delivering what our passengers want.

Two years ago 30% of passengers cited price as a reason not to purchase at Melbourne Airport. With Melbourne Airport's commitment to its 'Price Guarantee', this has now more than halved. This commitment to passengers ensures that they will pay the same price at APAC's terminals for the same product at the same store off-airport.

This guarantee works in conjunction with a push to attract key retail brands to the airport. New names signed during the year that will open throughout the 2007/2008 financial year include Subway, Nando's and Healthy Habits. Furthermore, APAC signed a significant new agreement with airport food and beverage specialists Delaware North. This agreement has already resulted in significant improvements to a number of existing outlets within the international terminal, and three new Delaware North-operated food and beverage stores to open in the coming year.

Duty Free sales continue to be an integral part of APAC's revenue, making up more than 65% of overall terminal retail income. However during the year airports worldwide saw a major negative impact on duty free sales with the introduction of new security restrictions on the amount of liquids, aerosols and gels that passengers may take through security. As a result of these security changes, at the end of the 2006/2007 financial year APAC retailers were unable to sell any liquid-based items – including make-up, perfume and liquor – to passengers taking a multi-stop international flight, equating to more than 20% of our international passengers.

This change has resulted in a greater promotion of 'Ready to collect': the option for passengers to collect their purchased items upon their return to Melbourne Airport.

Car parking continues to be a key revenue driver for APAC. Since APAC commenced operation in 1997/1998, over $80m has been invested into the development of car parking at Melbourne and Launceston Airports. Over $10 million of enhancements were undertaken in Melbourne Airport's Long Term Car Park during the year, following extensive research of current and potential car park users. These enhancements included the addition of 900 new parking bays, an entire new courtesy bus fleet, and seven new air-conditioned bus shelters that include GPS-enabled car park bus tracking systems.

Complimenting the significant growth in the Long Term Car Park, a major $1m advertising campaign was undertaken by Melbourne Airport to promote its key market-competitive parking price points. A similar campaign has also been undertaken by Launceston Airport to promote its recently opened Long Term Car Park. These campaigns generated a 57% increase in parking website visitation within 6 months, and helped to ensure APAC's strong retail revenue growth in 2006/2007.

APAC undertook over $10m in developments of Melbourne Airport's Long Term Car Park in 2006/2007, including a new courtesy bus fleet and new shelters.

Property

- Reject Shop, Kathmandu and Caterpillar Logistics commence operations.
- Development of two new facilities for Australian air Express.
- Mercedes-Benz 'Airport Express' sales & service centre opens.
- Completion of two airport-based childcare centres.

Significant developments within APAC's growing property portfolio, combined with solid rental incomes saw a strong revenue performance of $47m during 2006/2007, delivering growth of 12% in 12 months.

Inside the main terminal building Melbourne Airport welcomed the opening of two new VIP passenger lounges - the Emirates Lounge and Qantas First Lounge. Both new facilities boast impressive views and a penthouse location in the newly extended T2.

In October 2006, Virgin Blue expanded into Melbourne Airport's F concourse, the second aircraft pier which is part of Terminal 3. This concourse had been used by Regional Express for some time, however Virgin Blue's strong growth at Melbourne Airport required additional gate and terminal facilities. As a result this facility underwent a significant refurbishment to accommodate increased passenger use.

2006/2007 saw a series of significant openings for new developments in the Melbourne Airport Business Park that had commenced construction in the previous year. Major new warehouse and distribution centres for retailer The Reject Shop, outdoor label Kathmandu and spare parts specialists Caterpillar Logistics all commenced operations during the year.

Key airport freight and logistics operators continued to build their presence at Melbourne Airport. Work is nearing completion on a major new office, distribution and handling facilities for Australian air Express (AaE). This International Freight Handling facility is expected to handle more than 1500 tonnes of international cargo per week. Work has also commenced on a dedicated AaE Domestic cargo facility, which is set for completion in early 2008.

To accommodate these and future airport-based developments, work has also been completed during the year on over $5m worth of infrastructure throughout Melbourne Airport's Business Park, including new roads and traffic system upgrades.

Outside of the Melbourne Airport Business Park, a number of developments were completed during the year that are designed to meet the specific needs of Melbourne Airport's growing 'airport community' of over 12,000 staff and 22 million passengers.

Two new childcare facilities – ABC Childcare and Qantas' 'Joey Club' were both opened during the year, with strong enrolments for children of airport based staff. Planning for further developments of 'airport community' amenities to serve the 12,000-strong airport workforce was also undertaken, with a fitness centre, supermarket and other key retail supplies planned for Melbourne Airport's precinct.

Mercedes-Benz' 'Airport Express' centre also opened its doors in November, providing a sales and service facility for the luxury car maker along the prominent entrance way to Melbourne Airport from the Tullamarine Freeway. This facility provides Mercedes-Benz owners with the option of having their vehicle serviced whilst they travel, for it to be collected upon their return.

Key planning and Government approval was also sought for a new 48,000m^2 multi-purpose retail precinct, to be built along the Mercer Drive entrance to Melbourne Airport. Set to open in late 2008, this new development will include bulky goods retailers, a supermarket, fitness centre and campus-style offices.

Planning has also commenced for a fourth hotel at Melbourne Airport. A market study undertaken by APAC during the year has shown the opportunity for a new facility that will serve traditional users such as flight crew and passengers, as well as provide hospitality and conference facilities for the growing Melbourne Airport business community and greater northern Melbourne region.

Australian air Express' new international freight handling facility.

Safety & Security

- Efficient implementation of new international security restrictions.
- Melbourne meets Government deadline for checked-bag security screening for every domestic and international flight.
- Strong performance in government safety and security audits.

The safety of passengers, staff and the airport community remains a fundamental priority for APAC. We work based on a simple premise: if we don't have a safe and secure business, then we have no business.

APAC works closely with a wide range of agencies to manage the security and safety at both of its airports, including the Australian Federal Police, Australian Customs Service, Australian Quarantine & Inspection Service, Civil Aviation Safety Authority (CASA) and Department of Transport & Regional Services (DOTARS).

During the year APAC signed a key memorandum of understanding with the Australian Customs Service that has promoted greater sharing of resources and has driven a stronger relationship between APAC and this key border agency. This stronger working relationship has also helped to reduce passenger wait times at immigration and quarantine points in Melbourne's international terminal whilst ensuring Australia's key border agencies can continue their role of managing border security.

In late August 2006, after a failed terrorist plot to explode liquid-based bombs on a trans-Atlantic flight, United States and European security officials requested airlines and airports worldwide implement additional security measures for passengers travelling on flights to these destinations. Melbourne Airport implemented the necessary changes in consultation with affected airlines within a few hours of these events occurring overseas.

These restrictions became significantly more commonplace in late March 2007, as the Australian Federal Government required Australian airports to implement new rules regarding the carriage of liquids, aerosols and gels for all international flights to and from Australia. Melbourne Airport's implementation of these additional restrictions was handled well – with strong levels of passenger awareness of the restrictions, and no disruptions to passengers or flights.

In August 2006, Melbourne Airport became the first major Australian capital city airport to establish a dedicated 24-7 Australian Federal Police team onsite. Implemented as part of the Federal Government's review into airport security, the Australian Federal Police team now provides the major police and security presence at Melbourne Airport, and together with APAC coordinates a range of enforcement and response agencies onsite.

APAC also undertook emergency training exercises during the year in partnership with emergency response agencies. These exercises, held in October and May, involved hundreds of staff from over 20 airport and non-airport based agencies, and provided Melbourne Airport with a number of opportunities to test its security and emergency response procedures.

These exercises complement regular performance assessments by DOTARS and CASA. In 2006/2007 both Melbourne and Launceston Airports performed strongly in security and safety audits undertaken by these two key government agencies. Beyond these audits, Melbourne Airport also became the first Australian airport to implement ongoing random drug and alcohol testing for airfield staff.

During the year Melbourne Airport also completed a major upgrade of its baggage system within T3. This upgrade included the establishment of a checked-bag screening system for all domestic baggage within this terminal, ensuring Terminal 3 came into line with the systems already in place within Terminal 1 (Qantas and Jetstar) and Terminal 2 (International). This $23m project ensures Melbourne has met new Federal Government requirements for the x-ray screening of all international and domestic checked baggage.

New security restrictions on liquids, aerosols and gels presented airports worldwide with a range of new challenges.

Environment

- Environment Management System accredited at best practise for 4th year.
- Significant power usage and waste generation reductions.
- New water saving initiatives reduce water consumption by 16% per passenger at Melbourne Airport.

APAC's approach to managing its environmental impact is one of both partnership and leadership. As the operator of two major Australian airports, it is our responsibility to ensure we minimise our own impact and make critical contributions to the improvement of the environment in and around the airport. However, our role is also to help to set the boundaries in which our airlines, passengers and other key airport stakeholder groups minimise their respective environmental impact.

Melbourne Airport's Environmental Management System was recertified at best practise ISO 14001 standard for the fourth consecutive year.

The Melbourne Airport Noise Abatement Committee, which includes representatives of the Department of Sustainability of Victoria, Department of Infrastructure, Federal Department of Transport and Regional Services and Airservices Australia, as well as Brimbank, Hume, Melton, Moonee Valley, Moreland and Whittlesea City Councils, met regularly throughout the year for community consultation regarding aircraft and airport-related noise effecting the areas surrounding the airport. In 2006/2007 this committee oversaw the approval of a number of new flight paths that helped to make notable aircraft noise reductions.

Community forums with residents of Diggers Rest and Brimbank were also held during the year – which provided a valuable forum for residents in areas close to Melbourne Airport to provide feedback on a wide range of issues to APAC.

During 2006/2007, APAC undertook a number of key initiatives to improve the immediate surrounds of both Launceston and Melbourne Airports. An initiative to manage weeds and pests within the Grey Box Forest – the forest that runs alongside both of Melbourne's runways – was implemented during the year, along with an extensive heritage study of indigenous sites within this area.

The Melbourne Airport Environment Award achieved a strong increase in entries during 2006/2007, the program's third year. The Award program encourages environmental innovation and organisational commitment by the wide range of airport businesses, and provides grants to winning businesses to undertake a further environmental project. Virgin Blue accepted the Best Environmental Initiative Award for their innovative fit out of their Melbourne Airport office facility. Holiday Inn Melbourne Airport was awarded in the Best Company Environmental Performance category for its sustained focus on reducing its environmental impact across all aspects of its business.

Our waste minimisation program now ensures that over 18% waste at Melbourne Airport is diverted from landfill – an increase of 12% since 2005/2006, bringing APAC closer to its target of 20% in 2007.

After successful trials undertaken during 2005 and early 2006, Melbourne Airport completed the coverage of over 35,000m² of terminal roof space with 'Skycool' paint. This paint is specially designed to reduce temperatures within the terminal buildings and thus reduce energy usage on air conditioning. This initiative played an important role in reducing Melbourne's electricity consumption by more than 5% per passenger compared to the previous year.

At Launceston Airport, APAC undertook a significant lighting replacement program, replacing tube lighting units with lower-wattage and longer-life globes. Across the Launceston terminal building this has made significant reductions in energy consumption.

With Victoria's water storages at critical levels, APAC continues to implement a number of initiatives to minimise the amount of water consumed in and around its airport terminals. All public bathroom taps within APAC's Melbourne terminals (T2 and T3) have now been fitted with motion sensors in order to minimise the amount of water used by passengers. Toilets have also all been fitted with dual-flush systems. Outside of the terminals, all future tenants on airport land must now implement a water tank system as part of their development. APAC saw a significant drop in water consumption during the year, reducing consumption by more than 15% per passenger – from 11.82 to 9.94 litres per passenger – compared to the previous year.

'Skycool' paint was applied to over 35,000m² of Melbourne Airport's terminal roof space, significantly reducing air conditioning usage.

Community

- Melbourne Airport Emerging Talent Program formally launched, sending emerging Victorian artists to Berlin, Vienna, Edinburgh and Montreal.
- Key support provided to major Victorian and Tasmanian events.
- 5th year of Melbourne Airport Victorian Tourism Awards.

APAC's community support initiatives are delivered with two clear goals: to support the community in and around its airports, and to make valuable contributions to the growth of the cities that these airports serve.

During 2006/2007, APAC continued to support a range of cultural initiatives throughout Melbourne and Launceston.

Melbourne Airport's foremost charity relationship remained the Salvation Army's Assisted Accommodation Centre in Broadmeadows. In 2006/2007, Melbourne Airport contributed over $50,000 to this accommodation facility for those in need of temporary housing. This facility is a vital part of the immediate local community near the airport, and is one that we are proud to have assisted for over 8 years.

Melbourne Airport's major community initiative, the Melbourne Airport Emerging Talent Program, was formally launched in early 2007, bringing together a series of awards at some of Melbourne's key artistic institutions. This program supports new artists across a range of art disciplines: including visual arts, comedy, film, classical voice and fringe performance. The aim of the program is to provide Melbourne's 'stars of tomorrow' with the opportunity to take part in some of the most prestigious arts events across the world. The program includes the Best Newcomer Award at the Melbourne International Comedy Festival, Emerging Australian Filmmaker Award at the Melbourne International Film Festival, Innovators Award at the Linden Centre for Contemporary Arts and Melbourne Airport "I'm off to Edinburgh" Award for Outstanding Melbourne Newcomer at the Melbourne Fringe Festival.

The Emerging Talent Program's key aim is to provide a major opportunity to Melbourne's 'next crop' of artists and its key cultural events. In business terms, it is an investment in the future of the cultural infrastructure of this state, ensuring Melbourne's reputation as the cultural centre of the Asia Pacific continues to grow.

APAC also continued its strong support of the Victorian tourism industry, celebrating its 5th year as the premier sponsor of the Melbourne Airport Victorian Tourism Awards in 2006. These awards are more than a symbolic 'pat on the back': they provide national recognition for Victoria's leading tourism businesses.

These awards were again complimented by the major sponsorship of Service Skills Victoria's Melbourne Airport Developing Tourism Leaders Awards, a program to provide a valuable employment-focussed 'foot in the door' for final year tourism and hospitality students.

Launceston Airport continued its series of contributions to the northern Tasmania community including major sponsorship of the Glover Prize, a nationally-recognised landscape art prize celebrating northern Tasmania. Launceston Airport continued its support of the Northern Tasmania Rural Co-pilots community mentoring scheme. This program provides support to a number of locally-based student pilots to help them achieve their professional pilot accreditation.

Chris Barlow
Chief Executive Officer

Kate McLennan, the winner of the 2006 'Melbourne Airport "I'm off to Edinburgh" Award for Outstanding Melbourne Newcomer' at the Melbourne Fringe Festival, has taken her show to the Edinburgh Fringe Festival thanks to Melbourne Airport's Emerging Talent Program.

Results Summary

Financial Results APAC

Year ended 30 June ($ millions)	1998	1999	2000	2001	2002	2003	2004	2005[1]	2006[1]	2007[2]	Change 06 to 07
Aeronautical	50	50	53	57	57	91	112	126	136	147	8%
Retail	53	61	68	77	80	90	106	123	138	156	13%
Property and Rental	28	32	36	41	42	37	40	44	42	47	12%
Security and Other	13	14	14	20	22	25	28	30	32	34	6%
Total Revenue	**144**	**157**	**171**	**195**	**201**	**243**	**286**	**323**	**348**	**384**	**10%**
Operating Expenses	47	48	48	55	65	74	83	93	102	114	12%
Operating Profit	**97**	**109**	**123**	**140**	**136**	**169**	**203**	**230**	**246**	**270**	**10%**
Investment property gains	0	0	0	0	0	0	0	0	91	77	(16%)
Profit before borrowing costs, depreciation and amortisation	**98**	**109**	**123**	**140**	**136**	**169**	**203**	**230**	**337**	**347**	**3%**
Depreciation and Amortisation	26	32	34	35	36	40	45	38	34	37	9%
Interest	103	107	109	137	97	97	90	80	80	84	4%
Profit / (Loss) Before Tax	**(31)**	**(30)**	**(21)**	**(32)**	**3**	**32**	**68**	**112**	**223**	**226**	**1%**
Tax Expense / (Benefit)	0	0	0	(22)	5	13	27	33	67	68	2%
Net Profit / (Loss)	**(31)**	**(30)**	**(21)**	**(10)**	**(2)**	**19**	**41**	**79**	**156**	**158**	**1%**

1 Change to A-IFRS

2 New investment property policy

Passenger Volumes - Melbourne Airport

Year end 30 June (millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change 06 to 07
International	2.56	2.73	2.99	3.36	3.41	3.28	3.76	4.30	4.38	4.53	3.4%
Domestic	11.41	11.64	12.34	13.56	12.81	13.48	15.23	16.30	16.88	17.81	5.5%
Total*	**14.20**	**14.58**	**15.57**	**17.24**	**16.48**	**16.92**	**19.16**	**20.78**	**21.43**	**22.50**	**5.0%**

*Total includes transit passengers

Aircraft Movements - Melbourne Airport

Year end 30 June (thousands)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change 06 to 07
International	17.8	18.2	20.5	23.1	22.6	21.3	24.0	28.0	25.2	24.1	(4.4%)
Domestic	126.2	136.2	142.7	162.0	133.1	135.0	140.0	151.2	152.9	154.8	1.2%
General Aviation	10.1	2.4	1.5	2.3	1.9	1.6	1.3	1.3	1.2	1.3	8.3%
Total	**154.1**	**156.8**	**164.7**	**187.4**	**157.6**	**157.9**	**165.3**	**180.5**	**179.3**	**180.2**	**0.5%**

Passenger Volumes – Launceston Airport

Year end 30 June (millions)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	Change 06 to 07
Domestic	0.54	0.52	0.54	0.52	0.53	0.58	0.67	0.82	0.92	0.99	7.6%

Aircraft Movements – Launceston Airport

Year end 30 June (thousands)	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	06 to 07
Regular public transport	10.5	10.1	10.8	13.3	9.2	7.5	7.9	9.3	9.5	9.7	2.1%
General Aviation	24.0	19.0	16.8	13.1	12.4	7.4	7.4	5.7	5.5	4.8	(12.7%)
Total	**34.5**	**29.1**	**27.6**	**26.4**	**21.6**	**14.9**	**15.3**	**15.0**	**15.0**	**14.5**	**(3.3 %)**

About APAC

Australia Pacific Airports Corporation Limited (APAC) operates two Australian airports – Melbourne and Launceston.

APAC acquired Melbourne Airport in July 1997 and Launceston Airport, in partnership with the Launceston City Council, in May 1998. Both airports are operated under a 50-year long-term lease from the Federal Government, with an option for a further 49 years.

APAC has demonstrated consistent growth since its inception in 1997. Strong management and diverse revenue streams continue to enable APAC to capitalise on opportunities and deliver aviation excellence.

Ownership

APAC is a majority Australian-owned company with four shareholders:

– AMP Capital Investors Limited
– RREEF infrastructure
– BAA Limited
– Hastings Funds Management Limited

Our Mission

Our Mission is to be the leading airport company in the Asia Pacific region and to fully realise our airports' potential. To achieve this we will:

– Provide safe, secure and efficient services
– Provide quality customer service
– Identify opportunities for growth and development
– Develop employee skills and provide recognition and incentive for achievement
– Be a responsible and active corporate citizen
– Provide an appropriate financial return to shareholders

These principles form the core of our performance management system. They ensure that the integrity of our aims and our company values are maintained and strengthened from within.

Our Vision

Australia will be enhanced through APAC's ongoing contribution to transport infrastructure, tourism development and successful partnership that will generate economic growth and long-term employment.

APAC Board of Directors

Don Mercer
Chairman of the Board

Don Mercer was appointed Chairman of APAC in November 1997.

Chris Barlow
Managing Director and Chief Executive Officer

Chris Barlow was appointed a Director of APAC in July 2000.

John Dorrian
Director

John Dorrian was appointed a director of APAC in April 2007. John is a Managing Director of Deutsche Bank AG and head of Infrastructure Investments for RREEF Asia Pacific.

Phil Garling
Director

Phil Garling was appointed a Director of APAC in March 2004. Phil is head of Infrastructure at AMP Capital Investors (AMPCI).

Duncan Garrood
Director

Duncan Garrood was appointed a Director of APAC in October 2004. Duncan is Divisional Managing Director of BAA.

Peter McGregor
Director

Peter McGregor was appointed a director of APAC in April 2007. Peter is the Chief Operating Officer of Australian Infrastructure Fund which is managed by Hastings Funds Management.

Jack Ritch
Director

Jack Ritch was appointed a Director of APAC in 1997. Jack is Chairman of AMP Capital Investors.

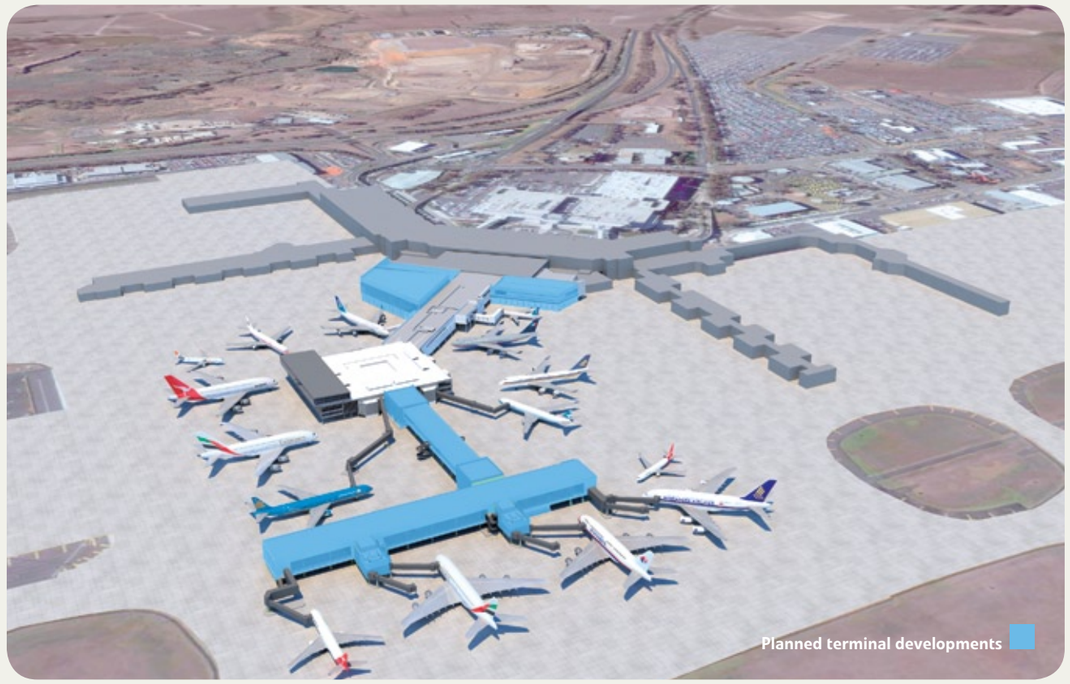
Company Secretaries

Kirby Clark

Damian Tkalec

Delivering for the future

Melbourne Airport's $330m expansion of T2 (International)



The $330m expansion of T2

APAC is set to undertake the largest upgrade of Melbourne Airport's Terminal 2 since it was originally built in the late 1960s.

Consisting of a number of individual projects, these expansions will roll out over the next 5 years at a cost of over $330m. The expansion will:

- Improve and expand processing and terminal facilities for passengers
- Increase airline gate capacity
- Upgrade the baggage system

The first of these key projects will commence construction in late 2007, with the construction of a new 5,000m² outbound international passenger security and Customs processing zone.

Melbourne's international baggage capabilities will be enhanced with space for an additional two A380 baggage carousels, and will increase outbound baggage throughput from 3000 bags per hour to 4500 bags by 2012.

As part of the expansions, a completely new passenger concourse will also be added to T2, providing 5 new aircraft parking bays – including three gates with A380 dual-level aerobridges.

An entire new international passenger precinct will be created by 2011, which will add 50% more café, lounge, duty free and specialty shop space to T2, featuring 10-metre high windows providing spectacular views into the airfield.

To find out more about the expansion of T2, visit www.melbourneairport.com.au

APAC Management Team 2007/2008

Chris Woodruff
Managing Director
& Chief Executive Officer

Kirby Clark
Chief Financial Officer
& Deputy CEO

Damian Tkalec
General Manager,
Legal Services

Pamela Graham
General Manager,
Launceston Airport

Geoffrey Conaghan
General Manager,
Corporate Affairs

David Foxley
General Manager,
Development & Construction

Simon Gandy
General Manager,
Environment, Strategy & Planning

Gilly Gray
General Manager,
Retail & Car Parks

John Nahyna
General Manager,
Operations

Colleen Newsome
General Manager,
Human Resources

Gerard Neylan
General Manager,
Property Development

Christine Spring
General Manager,
Infrastructure

Profit and Loss for the Financial Year

Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
Operating revenue		
Aeronautical revenue	147,261	135,907
Retail revenue	155,638	137,770
Property revenue	41,235	37,878
Rental revenue	5,588	4,050
Security, outgoings and other income	34,079	32,391
Interest revenue	269	466
Total operating revenue	**384,070**	**348,462**
Non-operating revenue	329	3
Revenue from ordinary activities	**384,399**	**348,465**
Less: operating costs		
Staff costs	21,534	20,295
Service and utilities	46,624	39,893
Maintenance costs	11,783	10,450
Administration, marketing and other	14,278	12,724
Performance payments	20,370	19,514
Operating profit	**269,810**	**245,589**
Add :		
Change in fair value of investment property	76,833	91,085
Operating profit before borrowing costs, depreciation and amortisation	**346,643**	**336,674**
Less:		
Depreciation and amortisation	36,605	33,490
Borrowing costs	83,542	80,021
Profit before income tax expense	**226,496**	**223,163**
Less:		
Income tax expense	68,578	67,078
Profit for the year	**157,918**	**156,085**

Balance Sheet

as at 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
Current assets		
Cash	-	3,434
Inventories	442	632
Receivables	21,438	17,766
Other financial assets	6,694	5,233
Total current assets	**28,574**	**27,065**
Non-current assets		
Property, plant and equipment	799,845	751,434
Investment property	874,122	780,320
Goodwill	671,866	671,866
Other intangible assets	-	302
Other financial assets	1,242	3,534
Total non-current assets	**2,347,075**	**2,207,456**
Total assets	**2,375,649**	**2,234,521**
Current liabilities		
Bank overdraft	1,548	-
Payables	46,830	52,872
Borrowings	449,010	-
Current tax liabilities	15,026	15,692
Provisions	3,991	4,286
Total current liabilities	**516,405**	**72,850**
Non-current liabilities		
Borrowings	890,907	1,269,270
Payables	1,132	1,103
Deferred tax liabilities	327,329	306,300
Provisions	736	597
Other liabilities	6,382	6,160
Total non-current liabilities	**1,226,486**	**1,583,430**
Total liabilities	**1,742,891**	**1,656,280**
Net assets	**632,758**	**578,241**
Equity		
Issued capital	118,100	118,100
Reserves	5,479	6,133
Retained earnings	509,179	454,008
Total equity	**632,758**	**578,241**

Cash Flow Statement

as at 30 June 2007

	Consolidated Inflows (Outflows)	
	2007 $'000	2006 $'000
Cash flows from operating activities		
Receipts from customers	419,072	379,629
Payments to suppliers and employees	(153,178)	(132,087)
Income tax (paid) received	(47,295)	(53,949)
Interest and bill discounts received	269	466
Interest and other costs of finance paid	(82,690)	(78,476)
Net cash provided by operating activities	**136,178**	**115,583**
Cash flows from investing activities		
Payment for property, plant and equipment	(90,406)	(77,652)
Proceeds from sale of property, plant and equipment	662	59
Payment for investment property	(16,969)	(989)
Net cash used in investing activities	**(106,713)**	**(78,582)**
Cash flows from financing activities		
Proceeds from borrowings	193,500	413,400
Repayment of borrowings	(125,200)	(347,200)
Payment for debt issue costs	-	(7,062)
Dividend paid	(102,747)	(93,752)
Net cash provided by / (used in) financing activities	**(34,447)**	**(34,614)**
Net increase / (decrease) in cash held	**(4,982)**	**2,387**
Cash assets at the beginning of the financial year	**3,434**	**1,047**
Cash assets at the end of the financial year	**(1,548)**	**3,434**

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

1. Summary of key accounting policies

Statement of compliance

The financial report is extracted from a general purpose financial report which has been prepared in accordance with the Corporations Act, Accounting Standards and Urgent Issues Group Interpretations and complies with other requirements of the law. Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS').

Compliance with the A-IFRS ensures that the consolidated financial statements and notes of the entity comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 27 August 2007 and can be obtained from the website listed in Note 25.

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated all amounts are presented in Australian dollars.

In the application of A-IFRS management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of A-IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

1. Summary of key accounting policies (cont'd)

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Principles of consolidation

The consolidated financial statements have been prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB1024 "Consolidated Financial Statements". A list of controlled entities appears in Note 22 to the financial statements. Consistent accounting policies have been employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the consolidated financial statements, all inter-company balances and transactions and unrealised profits arising within the consolidated entity are eliminated in full.

(b) Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment.

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

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 10–40 years
- Roads, runways and other infrastructure 13–80 years
- Plant and equipment 3–15 years

Land leased as part of the airport acquisition has been valued at acquisition at fair value. The leased land is amortised on a straight line basis over the period of the leases, which are 99 years.

(c) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other then as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the reporting date, to recover or settle that carrying amount of its assets and liabilities.

Deferred tax assets and liability are offset when they relate to income taxes leased by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in that income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken to account in the determination of goodwill or excess.

Tax consolidation

The company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Australia Pacific Airports Corporation Pty Ltd ("APAC") is the head entity in the tax-consolidated group. Tax expense/recovery, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by APAC (as head entity in the tax-consolidated group).

(d) Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Goodwill and intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Investment Property

In prior periods, the consolidated entity elected not to classify any of its property as investment property and presented all such assets within the property, plant and equipment line item of the balance sheet at cost less accumulated depreciation/amortisation.

Under the consolidated entity's revised policy, property held to earn rentals and/or for capital appreciation, is now separately presented in the balance sheet as investment property. Investment property is initially recorded at cost, including transaction costs. Subsequent to initial recognition, investment property is recorded at fair value. Gains or losses arising from a change in the fair value of this investment property are recognised in the profit or loss for the period in which they arise.

The directors believe that the revised accounting policy for investment property provides more relevant and reliable information about the financial position and performance of the consolidated entity because of emerging industry practices since the implementation of A-IFRS. The impact of the changes is set out in Note 24.

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated	
	2007	2006
	$'000	$'000
2. Income tax recognised in profit		
The prima facie income tax (expense)/benefit on pre-tax accounting profit reconciles to the income tax (expense)/benefit in the financial statements as follows:		
Profit from operations	**226,496**	**223,163**
Income tax expense calculated at 30%	67,949	66,949
Permanent differences:		
Non deductible expenses	153	174
Non deductible depreciation	62	-
(Under)/over provision of income tax in previous year	414	(45)
Income tax expense	**68,578**	**67,078**
3. Current receivables		
Trade receivables	21,438	17,766

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated					
	$'000	$'000	$'000	$'000	$'000	$'000
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under constuction	Total
4. Property, plant and equipment						
Gross carrying amount – at cost						
Balance at 30 June 2006	65,530	212,924	528,428	136,298	34,414	977,594
Additions	-	-	-	-	85,076	85,076
Disposals	-	-	(22)	(1,770)	-	(1,792)
Transfers to / (from) assets under construction	-	30,588	29,622	28,053	(88,263)	-
Balance at 30 June 2007	**65,530**	**243,512**	**558,028**	**162,581**	**31,227**	**1,060,878**
Accumulated depreciation/ amortisation						
Balance at 30 June 2006	5,067	66,295	78,210	76,588	-	226,160
Depreciation and amortisation expense	669	9,861	15,003	10,770	-	36,303
Disposals	-	-	(1)	(1,429)	-	(1,430)
Balance at 30 June 2007	**5,736**	**76,156**	**93,212**	**85,929**	**-**	**261,033**
Net book value as at 30 June 2007	**59,794**	**167,356**	**464,816**	**76,652**	**31,227**	**799,845**

An independent valuation of certain assets was completed at 30 June 2006. Leasehold land, buildings, road and runways and other infrastructure were valued by Mr Gary Longden FAPI of the firm Jones Lang LaSalle. The valuation was based on depreciated replacement value. The Directors have decided not to book the revaluation in the financial statements. If the valuation had been booked the carrying values would have been $185,629,000 for Leasehold land, $272,595,000 for Buildings and $512,000,000 for Roads, runways and infrastructure as at 30 June 2006. The valuation did not include any allowance for capital gains tax that may arise on disposal.

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
4. Property, plant and equipment (cont'd)		
Aggregate depreciation and amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year.		
• Leasehold land	669	670
• Buildings	9,861	8,576
• Roads, runways and other infrastructure	15,003	13,890
• Plant and equipment	10,770	9,896
	36,303	**33,032**
5. Investment properties		
Balance at beginning of financial year	780,320	688,246
Additions for the year	16,969	989
Net gain from fair value adjustments	76,833	91,085
Balance at end of financial year	**874,122**	**780,320**

Investment property was valued by Mr. Gary Longden FAPI of the firm Jones Lang LaSalle. Mr. Longden is an independent valuer and has extensive experience of valuing property for the consolidated entity. The value of investment property is measured on a fair value basis being the amounts for which the property could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar property in the same location and subject to similar leases.

In assessing the value of the investment property, the independent valuers have considered two basis of valuation being:

1. discounted cash flow; and
2. capitalisation approach

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
6. Goodwill		
Goodwill at cost:	**671,866**	**671,866**
Goodwill has been allocated for impairment testing to two cash generating units, being the operations of Melbourne and Launceston Airports. The recoverable amount of cash generating units is determined based on a value in use calculation which use cashflow projections based on financial budgets approved by management covering a ten year period, and a discount rate of 12% per annum, (2006: 12.5%).		
7. Other intangible assets		
Contract premium		
Gross carrying amount – at cost		
Balance at beginning of financial year	4,000	4,000
Additions	-	-
Balance at end of financial year	**4,000**	**4,000**
Accumulated amortisation		
Balance at beginning of financial year	**3,698**	**3,240**
Amortisation expense	302	458
Balance at end of financial year	**4,000**	**3,698**
Net book value	**-**	**302**
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
• Contract premium	302	458

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
8. Current payables		
Trade payables	20,886	23,780
Goods and services tax payable	1,368	1,419
Non-trade payables to:		
- Other related parties	18,042	17,730
- Other	904	4,743
	41,200	**47,672**
Interest Payable to:		
- Secured debt – other entities (i)	5,396	5,022
- Other	234	178
	5,630	**5,200**
	46,830	**52,872**
(i) Secured by a fixed and floating charge over the consolidated entity's assets.		
9. Current borrowings		
Secured:		
Domestic (i)		
Tranche 1 ($300m fixed 6.75% 15 June 2008)	300,000	-
Tranche 2 ($150m variable to 11 June 2008)	150,000	-
	450,000	-
Deferred borrowing costs	(990)	-
	449,010	**-**
(i) Secured by a fixed and floating charge over the consolidated entity's assets.		

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
10. Current tax liabilities		
Income tax payable	**15,026**	**15,692**
11. Current provisions		
Employee entitlements	**3,991**	**4,286**
12. Borrowings		
Non-trade payables to:		
- Senior – bank debt (i)	115,900	47,600
- Domestic bonds (i)		
Tranche 1 ($300m fixed 6.75% to 15 June 2008)	-	300,000
Tranche 2 ($150m variable to 11 June 2008)	-	150,000
Tranche 3 ($250m variable to 11 June 2011)	250,000	250,000
Tranche 4 ($100m fixed 6.00% 15 December 2015)	100,000	100,000
Tranche 5 ($200m variable to 15 December 2015)	200,000	200,000
- US Private Placement (i)		
($232m fixed 6.65% to 13 May 2011)	232,280	232,280
Total borrowings	**898,180**	**1,279,880**
Deferred borrowing costs	(7,273)	(10,610)
	890,907	**1,269,270**
Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:		
• Deferred borrowing costs	2,348	2,514
(i) Secured by a fixed and floating charge over the consolidated entity's assets.		

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
13. Non-current payables		
Non trade payables	**1,132**	**1,103**
14. Deferred tax liabilities		
Temporary differences	**327,329**	**306,300**
15. Non-current provisions		
Employee benefits	**736**	**597**
16. Non-current other liabilities		
Unearned revenue	**6,382**	**6,160**
17. Capitalised borrowing costs		
Borrowing costs capitalised during the financial year	**1,495**	**998**
Weighted average capitalisation rate on funds borrowed generally	6.4%	6.4%
18. Issued capital		
118,100,000 Ordinary shares – fully paid (2006: 118,100,000)	**118,100**	**118,100**
Fully paid ordinary shares carry one vote per share and carry the right to dividends		
19. Hedging reserve		
Balance at beginning of financial year	**6,133**	**(713)**
Gained recognised:		
- interest rate swaps	(939)	9,781
Deferred tax arising on hedges	285	(2,935)
	(654)	**6,846**
Balance at end of financial year	**5,479**	**6,133**
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.		
20. Retained earnings		
Balance at beginning of financial year as previously stated	454,008	24,413
Adjustment due to change in accounting policy	-	367,262
Balance at beginning of financial year as restated	454,008	391,675
Profit for the year	157,918	156,085
Dividends paid	(102,747)	(93,752)
Balance at end of financial year	**509,179**	**454,008**

Summary of Key Notes to Financial Information

for the Financial Year Ended 30 June 2007

	Consolidated 2007 $'000	Consolidated 2006 $'000
21. Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment		
Not longer than 1 year	61,334	40,425

22. Controlled entities

Name of entity	Country of incorporation		Ownership interest 2007 %	Ownership interest 2006 %
Parent entity				
Australia Pacific Airports Corporation Limited		Australia		
Controlled entities				
Australia Pacific Airports (Melbourne) Pty. Limited		Australia	100	100
Australia Pacific Airports (Property) Pty. Limited	(i) (ii)	Australia	100	100
APAC (Holdings) Pty. Limited	(i)	Australia	100	100
Australia Pacific Airports (Launceston) Pty. Limited	(i)	Australia	100	100

(i) These subsidiaries are classified as small proprietary companies and in accordance with the Corporations Act 2001 are relieved from the requirement to prepare, audit and lodge financial statements.

(ii) This subsidiary was dormant during the financial year.

	Consolidated 2007 $'000	Consolidated 2006 $'000
23. Dividends		
A fully franked interim dividend was paid during the financial year	102,747	93,752
Franking account	40,316	37,107

24. Change in accounting policy for investment properties

In prior periods, the consolidated entity elected not to classify any assets as investment property and present all assets within property plant and equipment assets of the balance sheet at cost less accumulated depreciation/amortisation.

Under the consolidated entity's revised policy, investment property is now recorded at fair value and separately presented in the balance sheet. Gains or losses arising from a change in fair value of these investment properties are recognised in the profit or loss for the period in which they arise.

The directors believe that the revised accounting policy for investment properties provides more relevant and reliable information about the financial position and performance of the consolidated entity because of emerging industry practices since the implementation of A-IFRS.

The change in accounting policy has been applied retrospectively, with an adjustment to the applicable opening balances as at 1 July 2005 and an adjustment to the applicable balances for the year ended 30 June 2006.

The effect of the above change in accounting policy is set out below :

	Consolidated		Company	
	2007	2006	2007	2006
	$'000	$'000	$'000	$'000
As at 1 July				
Increase in total equity	-	(367,262)	-	-
Decrease in property, plant and equipment	-	(132,896)	-	-
Decrease in contract premiums	-	(29,520)	-	-
Increase in investment properties	-	688,246	-	-
Increase in deferred tax liabilities	-	(157,723)	-	-
Increase in non current liabilities	-	(845)	-	-
For the period ended 30 June				
Increase in investment gains	76,833	91,085	-	-
Decrease in depreciation and amortisation	-	8,134	-	-
Increase in borrowing costs	-	(29)	-	-
Increase in income tax expense	(23,050)	(29,765)	-	-
Increase in total equity	(53,783)	(69,425)	-	-
Increase in investment properties	-	8,134	-	-
Increase in property plant and equipment	76,833	91,085	-	-
Increase in deferred tax liabilities	(23,050)	(29,765)	-	-
Increase in current liabilities	-	(29)	-	-

25. Additional Company Information

Australia Pacific Airports Corporation Limited ACN 069 775 266 is a non-listed public company incorporated and operating in Australia.

Principal Registered Office and Principal Place of Business
Level 2, Terminal 2
Melbourne Airport
(03) 9297 1600

Website: www.melbourneairport.com.au
Email: reception@melair.com.au

Information is extracted from the Audit Financial Statements which are available on the above website.

This Annual Report has been printed on recycled paper.

Notes