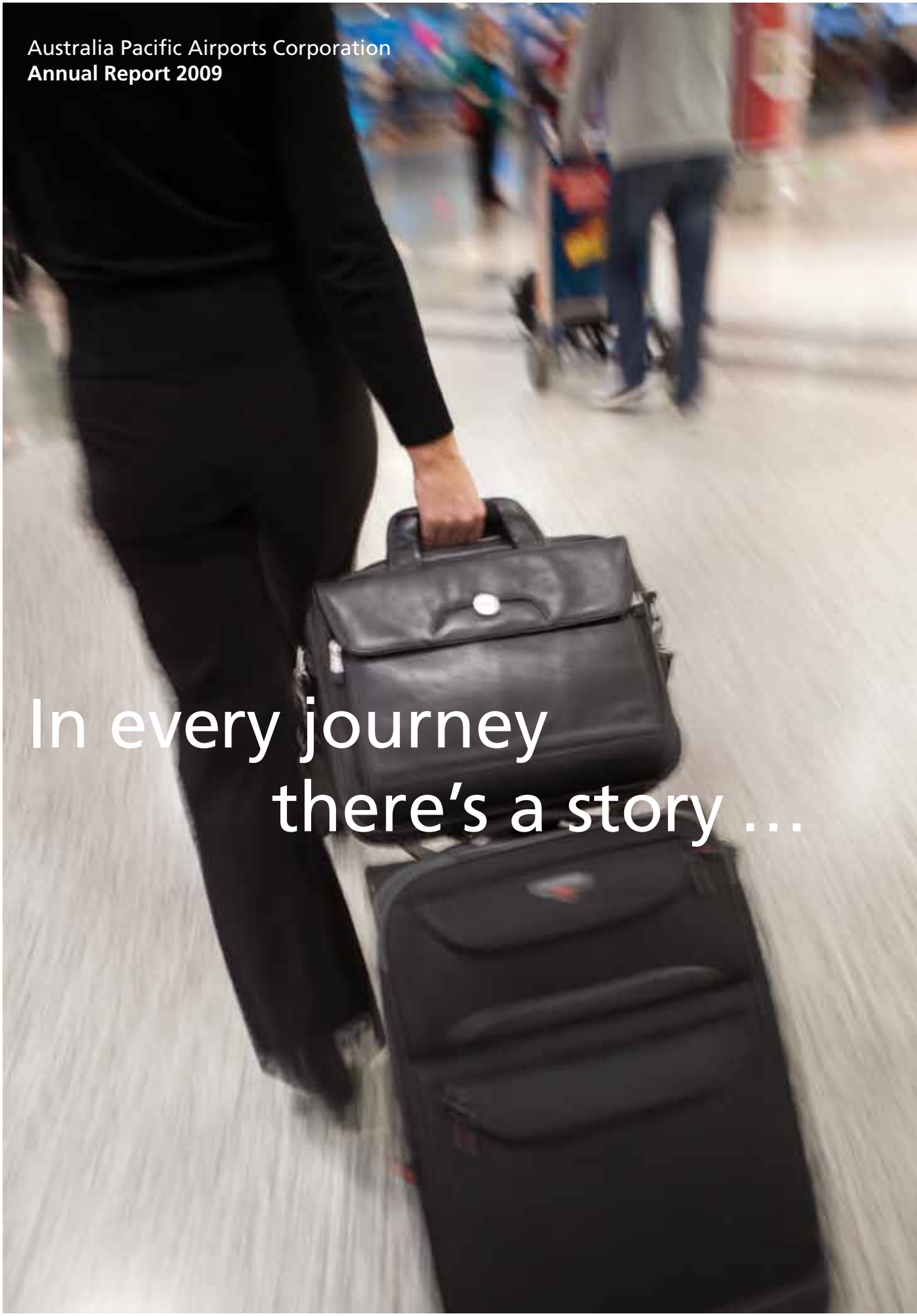
Australia Pacific Airports Corporation
**Annual Report 2009**



# In every journey there's a story …

Australia Pacific Airports Corporation Ltd
ABN 069 775 266

# Contents



## 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.

## Ownership

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. APAC is a majority Australian owned company, representing the retirement savings of thousands of Australians. It has three shareholders:

- AMP Capital Investors Limited
- RREEF Infrastructure
- Hastings Funds Management Limited

## Our purpose

To responsibly develop a growing and profitable airport group in the Asia Pacific region.

## Our objective

To be the most successful airport group in the Asia Pacific region.


In every story
there's a challenge.

In every challenge
there's an opportunity.

# Growth

# With every new passenger, every additional airline and every extra service … our journey gathers momentum

- More people chose to journey with us in 2008/09, with overall passenger growth of 2.1% at Melbourne Airport and 1.7% at Launceston Airport – a strong performance in a challenging environment
- Melbourne Airport attracted new customers Etihad and AirAsia X
- Extra services and capacity from existing airline customers such as Emirates, Qantas, Air China, China Eastern, China Southern, Pacific Blue, Vietnam Airlines, Philippine Airlines and Garuda Airways
- Additional routes and destinations help us connect our customers with new markets for freight, with exports from Melbourne Airport growing by 13% by weight

**Operating profit**

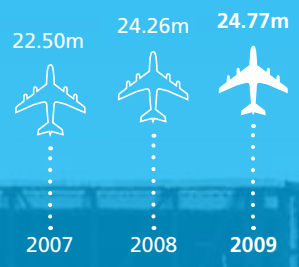
**$352m**

**Freight**

**+13%**

exports by weight

Melbourne passenger numbers*




*Includes transit passengers


# Opportunity

# Our position today is our platform for tomorrow. We continue to seek new horizons …

- Long-term vision for the path ahead secured with government approval of Melbourne Airport Master Plan and Environment Strategy
- Commitment to future growth underpinned by $228m investment in capital expenditure over the past year
- Increased capacity driven by major expansion projects at Melbourne and Launceston Airports, which continue to progress on schedule
- Chinese Visitors Program at Melbourne Airport boosts growth in key market, with China forecast to be the largest international market to Melbourne by 2014

**Launceston**

**$20m**

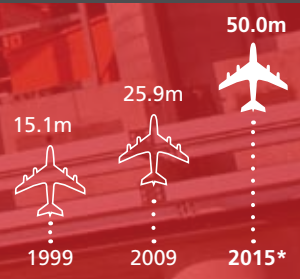
Redevelopment to double size of terminal

**Melbourne**

**$330m**

Investment in T2 expansion

APAC projected passenger numbers*




*As part of growth strategy

# Responsibility

# Our journey is not just about reaching a destination – it's about how we get there

- Vision for environmentally responsible and sustainable growth reinforced by government approval of Melbourne Airport Environment Strategy
- Commitment to being good neighbours continues through initiatives such as creating native-grass reserves, improving local creeks and upgrading cooling towers to reduce water use
- Commitment to being good citizens continues through our contribution to community events and charities, including the Salvation Army, Glover Landscape Art Prize and the Blue Sky Ball
- Dedication to the highest standards of occupational health and safety highlighted by the award of Safety Map Accreditation

## Hand-dryer initiative saves money and the environment

This year, Melbourne Airport purchased 66 new Dyson Airblade™ hand dryers to replace the 66 paper towel dispensers and 66 conventional hand dryers throughout the terminal bathrooms.

This simple initiative will use 77% less energy and provide significant savings, with the cost of the new dryers to be recovered in just over a year.

It's just one small example of how we're working to create and maintain facilities that are efficient, cost-effective and environmentally sustainable.

# Chairman's message

'We're proud of what we've achieved so far with Melbourne and Launceston Airports, and are excited about the prospect of even greater success ahead.'

Airports are exciting places. This is particularly true of Melbourne and Launceston Airports – two constantly evolving, vital pieces of infrastructure. As Chairman of APAC, I'm proud to be associated with facilities that really are key assets in their States.

The valuable contribution our airports make to the progress of Victoria and Tasmania hasn't happened by chance. APAC has invested considerable time and effort in our long-term, forward-thinking vision and planning – a necessity for the responsible growth of facilities as important and complex as airports. We continue to invest strongly and plan for the future while controlling our costs in the current difficult economic climate.

Our investments are paying off – we've continued to grow in spite of the many challenges faced in the aviation industry throughout the past year. Our operating profit increased by 5%. We also refinanced $300m of debt in a tough environment, which is testament to the confidence shown by the market in our operations.

Our relationships with our many stakeholders remain strong. We recognise that airports cannot operate in isolation from the wider community, and I thank the various government departments, regulatory authorities, local bodies and our airline customers for their contribution to another successful year. Our close relationship has also continued with our three shareholders: AMP Capital Investors, RREEF Infrastructure and Hastings Funds Management.

We were very pleased with the results of surveys of our key stakeholders throughout the year, which showed strong support for our current direction. We take our commitment to being a good corporate citizen very seriously, and were delighted by the positive feedback we received on our safety and security performance, and our environmental initiatives.

Since taking on the position of Chairman in early 2009, I have thoroughly enjoyed the role and am grateful to the APAC team and Board for their commitment and support. I'd like to especially thank our CEO, Chris Woodruff, who uses his extensive experience in the aviation business to provide strong leadership of the company.

We're proud of what we've achieved so far with Melbourne and Launceston Airports, and are excited about the prospect of even greater success ahead.

Jack Ritch
**Chairman**

# Chief Executive Officer's report



'At APAC, everything we do centres around one simple objective: to grow responsibly.'

It's been a challenging year for the aviation industry around the world. But thanks to the hard work of our team, APAC has performed extremely well in a tough market and made significant progress in reaching its long-term goals.

Melbourne Airport achieved above-average growth in international passenger numbers, making it the best-performing major airport in Australia. We've worked to keep costs low whilst maintaining excellent service, and airlines have responded – we welcomed several new carriers and many existing airline customers increased services. This extra capacity has helped drive additional direct flights to and from Melbourne, rather than through other ports.

We continue to actively pursue airport acquisitions as part of our long-term growth strategy, and are well positioned to take advantage of opportunities. We've also supported organic growth through strategies such as our airport cross-promotion project, which is designed to drive international traffic from Melbourne onto Launceston.

We continue to make significant investment in the future of Victoria and Tasmania, with a record $228m spent on infrastructure in the past year. The Melbourne Airport international terminal expansion and Launceston Airport redevelopment continue on time and on plan. We also achieved excellent safety and security audit results at both airports – an outstanding performance during a period of significant construction.

In another important achievement, the Melbourne Airport Master Plan and Environment Strategy were approved by the federal government, giving us and our investors security for our long-term planning and vision.

We also implemented a new organisational structure to deliver against our long-term goals and shorter-term operating strategies. This new structure is working well, with the right team in place to take us forward and actively grow.

Our great performance is due to the efforts of great people. I thank our team and the Board for all their work, and particularly acknowledge our outgoing Chairman, Don Mercer, for his exemplary leadership and vision. I look forward to a continued and fruitful partnership with our new Chairman, Jack Ritch, who has been part of the Board since 1997.

At APAC, everything we do centres around one simple objective: to grow responsibly. I look forward to exploring new opportunities for growth as we continue on our journey to be great.

Chris Woodruff
**Chief Executive Officer**

# 2009 highlights

## Results at a glance

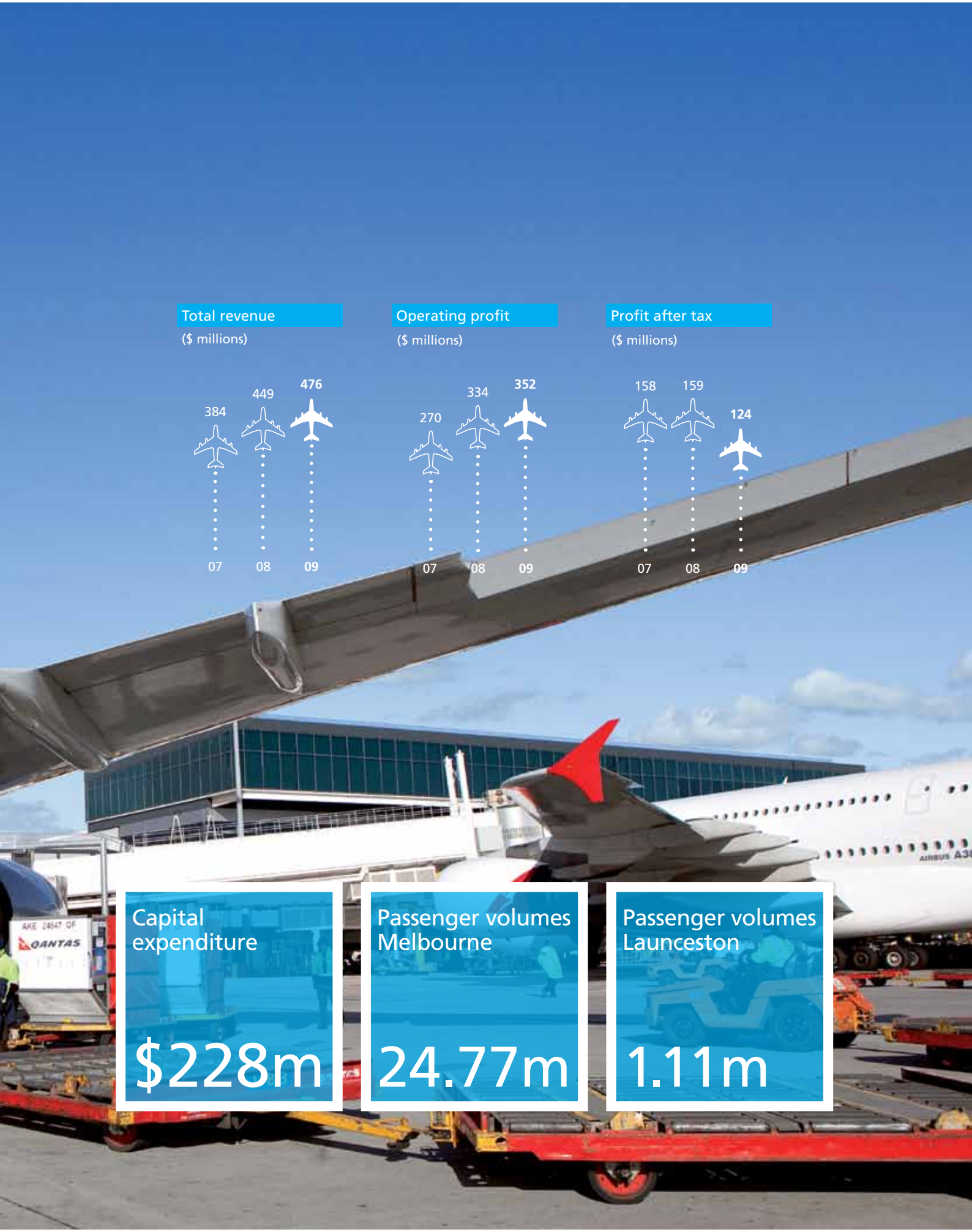
| Year ended 30 June ($ millions) | 2009 | 2008 | Change |
|---|---|---|---|
| Total revenue | 476 | 449 | 6% |
| Operating expenses | 124 | 115 | 8% |
| Operating profit | 352 | 334 | 5% |
| Investment property gains | (33) | 22 | |
| Profit before borrowing costs, depreciation and amortisation | 319 | 356 | (11%) |
| Depreciation and amortisation | 46 | 39 | 17% |
| Interest | 96 | 90 | 10% |
| Profit before tax | 177 | 227 | (22%) |
| Income tax expense | 53 | 68 | (22%) |
| Net profit | 124 | 159 | (22%) |


Operating profit

+5%

International passenger market share

21%


Total revenue
($ millions)
384
449
476
07
08
09
Operating profit
($ millions)
270
334
352
07
08
09
Profit after tax
($ millions)
158
159
124
07
08
09
Capital expenditure
$228m
Passenger volumes Melbourne
24.77m
Passenger volumes Launceston
1.11m

# Review of operations

## Aeronautical

Left: **Damian Tkalec** EGM, Corporate Development
Right: **Simon Gandy** EGM, Melbourne Airport

**Pamela Graham** GM, Launceston Airport

- Another year of passenger growth marks a strong performance in a challenging environment
- New airlines and additional services open up new destinations, new routes and new opportunities
- Specific international passenger markets such as India, Malaysia and New Zealand continue to grow
- Increased capacity, passenger and export growth make Melbourne Airport the best-performing major airport in Australia

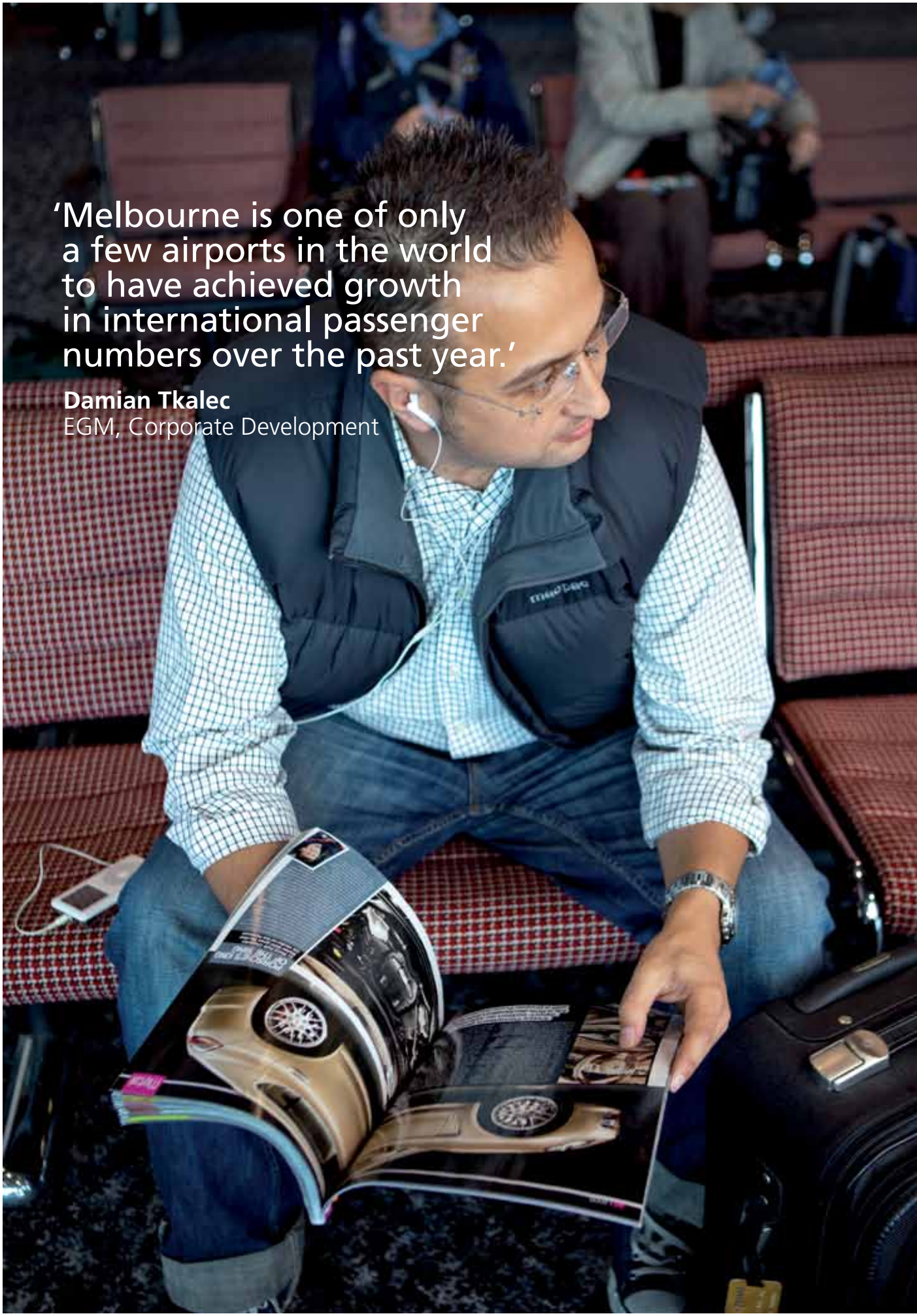
In the area of aeronautical operations, APAC performed strongly in a year marked by challenges including the continued global economic downturn, rising fuel costs and swine flu. Melbourne Airport reported overall passenger growth of 2.1% and particularly solid growth of 2.9% in international passenger numbers, highlighting the strength of the Melbourne market and its resilience as a key tourism and business city. This growth can also be attributed to the strength of specific international passenger markets such as the emerging Indian and Malaysian markets and established markets such as New Zealand, with growth of 36%, 43% and 5%, respectively.

Launceston Airport's passenger numbers also continued to grow in a difficult climate, with an overall increase of 1.7%.

The past year has seen the introduction of Etihad and AirAsia X into the Melbourne market, with both commencing daily services. Emirates introduced a third daily Dubai service, and Qantas launched its A380 services to Los Angeles. Increased seat capacity to and from Melbourne has also been driven by the growth of a number of other airlines, including Air China, China Eastern, China Southern, Pacific Blue, Vietnam Airlines, Philippine Airlines and Garuda Airways. Qatar Airways and V Australia have announced they will soon begin Melbourne services, and Singapore Airlines will commence daily A380 services in September 2009.

Strong growth in passenger numbers and an increase in capacity have helped drive outstanding performances in freight. Exports from Melbourne Airport have increased by 13% by weight over the last year, with Melbourne consistently outperforming both Sydney and Brisbane Airports in freight export growth month-on-month since late 2008.

During the second half of the year, not only did Melbourne overtake Sydney in monthly export volumes for the first time, but it did so for five consecutive months. These results continue to reflect the advantages of Melbourne Airport, with curfew-free operations, extensive road networks and low freight-landing charges making it a key logistics destination.



‘Melbourne is one of only a few airports in the world to have achieved growth in international passenger numbers over the past year.’

**Damian Tkalec**
EGM, Corporate Development

‘We continue to plan for future growth, with $228m invested in capital expenditure over the last year – the highest level of investment we have ever made.’

**Nathan Agnew**
EGM, Strategy, Asset and Planning

# Review of operations



## Planning and development

Left: **Nathan Agnew** EGM, Strategy, Asset and Planning
Right: **Kirby Clark** Chief Financial Officer/Deputy Chief Executive Officer

- Government approval of Melbourne Airport Master Plan and Environment Strategy provides blueprint for responsible growth
- $330m expansion of international terminal T2 continues on time and on plan
- $20m expansion of Launceston Airport set to double size of the terminal

The Melbourne Airport Master Plan and Environment Strategy were approved in November 2008 by the federal Minister for Transport, with the minister commending APAC for its extensive collaboration with stakeholders and the community when preparing the strategies. The Master Plan and Environment Strategy outline the vision for Melbourne Airport over the next 20 years, and provide a framework for responsible growth and development of the airport site.

The $330m international terminal expansion – one of the largest private infrastructure projects in Victoria – continues according to plan. When fully completed in 2011, the terminal will have doubled in size to include three extra A380-compatible gates, an upgraded baggage system and a new international security and customs precinct. The first stage of the baggage-system upgrade opened successfully in December 2008, and the new gates are on track to open in November 2009 in time for the Christmas peak.

The major terminal redevelopment project at Launceston Airport continues on schedule for completion in October 2009. The $20m project includes new retail and lounge facilities, a baggage-screening upgrade, implementation of state-of-the-art security technology and development of a common user terminal.

As part of APAC's commitment to planning for future growth, work has also begun on the development of a Ground Transport Plan for Melbourne Airport. Extensive consultation with government and stakeholders is currently taking place to develop a plan that provides choice about modes of transport to access Melbourne Airport – both now and in the future.

Looking ahead, initiatives to streamline the flow of traffic within the forecourt area at Melbourne Airport are currently being developed in discussion with key customers and stakeholders. Redevelopment of the forecourt layout is being planned with a view to enhancing security and simplifying visitor movement through the area.

# Review of operations

## Retail

Left: **Shane de Wit** Acting GM, Retail and Car Parks
Right: **Damian Tkalec** EGM, Corporate Development

- New duty-free retail precinct development on schedule, with first stage due to begin trading in late 2010
- $55m multi-level car park expansion completed within budget

Melbourne Airport's retail business continued to grow during 2008/09, bringing total revenue to $191m – a 4% increase on the previous year.

Completion of the T3 mezzanine redevelopment at Melbourne Airport created a popular new retail precinct. Construction of a new duty-free retail precinct continues on schedule as part of Melbourne Airport's international terminal T2 expansion. Retail at Launceston Airport also performed strongly, with new retailers moving into the additional retail space created through the airport's expansion project.

A major redevelopment of the multi-level car park at Melbourne Airport was completed in July 2009. The redevelopment provided an extra 2,700 car spaces, increasing the car park's capacity by approximately 25%. The significant investment highlights APAC's commitment to providing customers with more convenient undercover parking close to the terminals, and ensures that car park capacity remains ahead of demand.

## Property

Left: **Linc Horton** GM, Property
Right: **John Nahyna** GM, Operations

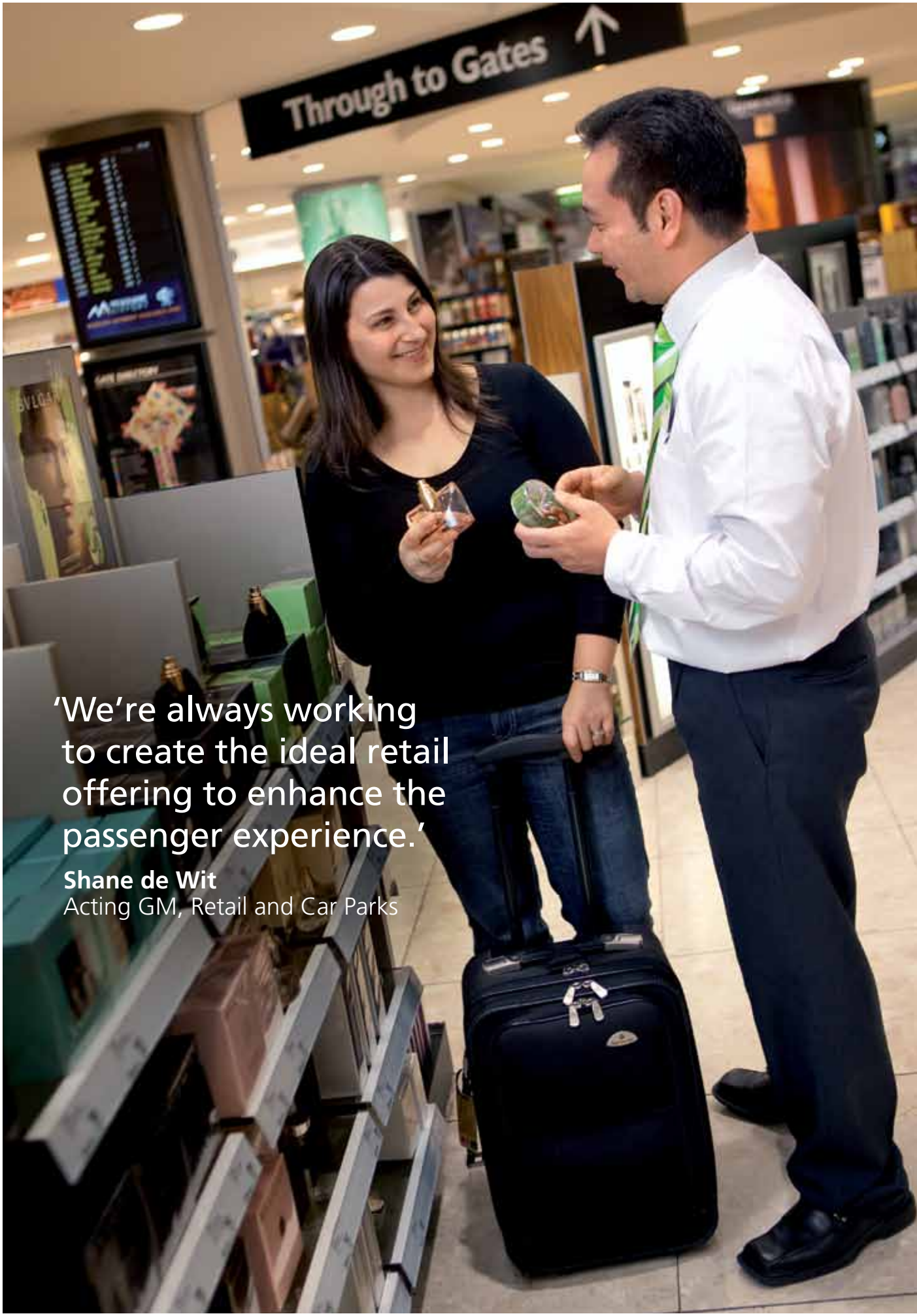
- New and existing leases provide continued strong growth
- Logistics giants DB Schenker and DHL Danzas consolidate facilities at Melbourne Airport

APAC continued to grow its property area significantly in 2008/09, with income increasing by 10% to achieve revenue of $58.2m.

In a major achievement for the property team, DB Schenker and DHL Danzas centralised their operations at Melbourne Airport Business Park. Schenker, the German logistics giant, consolidated four sites spread throughout Victoria into one mega-hub at Melbourne Airport, which includes an 11,000 $m^2$ warehouse. DHL also consolidated its facilities to create a South-East Asia headquarters at Melbourne, providing a base from which to drive future growth.

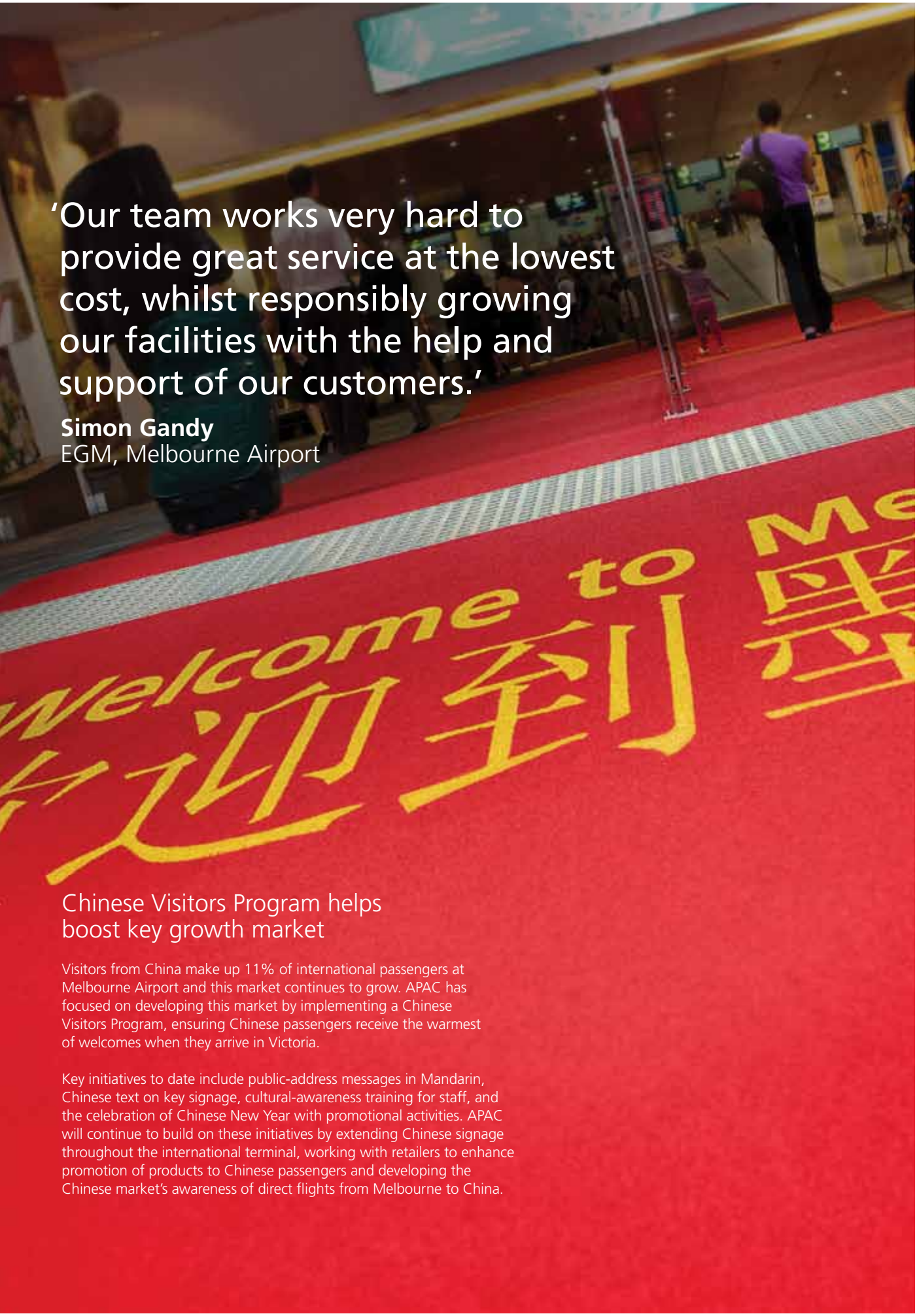
The decision of these global companies to align themselves with Melbourne Airport Business Park highlights the advantages offered over other locations. With curfew-free airport operations and proximity to extensive road networks connecting to the CBD, Port of Melbourne and the rest of Australia, Melbourne Airport provides an efficient logistics hub for businesses.

APAC is currently exploring a new strategy to drive responsible growth in its property portfolio for the benefit of shareholders into the future. The strategy supports the sustainable development of assets, with a view to boosting long-term returns.




‘We’re always working to create the ideal retail offering to enhance the passenger experience.’

**Shane de Wit**
Acting GM, Retail and Car Parks




‘Our team works very hard to provide great service at the lowest cost, whilst responsibly growing our facilities with the help and support of our customers.’

**Simon Gandy**
EGM, Melbourne Airport

## Chinese Visitors Program helps boost key growth market

Visitors from China make up 11% of international passengers at Melbourne Airport and this market continues to grow. APAC has focused on developing this market by implementing a Chinese Visitors Program, ensuring Chinese passengers receive the warmest of welcomes when they arrive in Victoria.

Key initiatives to date include public-address messages in Mandarin, Chinese text on key signage, cultural-awareness training for staff, and the celebration of Chinese New Year with promotional activities. APAC will continue to build on these initiatives by extending Chinese signage throughout the international terminal, working with retailers to enhance promotion of products to Chinese passengers and developing the Chinese market’s awareness of direct flights from Melbourne to China.

# Review of operations



## Operations

Left: **Simon Gandy** EGM, Melbourne Airport
Right: **John Nahyna** GM, Operations

- Best-ever results achieved in safety and security audits
- APAC airports awarded Safety Map Accreditation
- Energy-management initiatives help save money and the environment

APAC continues to demonstrate a commitment to the highest level of safety and security. Melbourne Airport achieved its best-ever results in internal and external safety and security audits, with the Civil Aviation Safety Authority lauding Melbourne's airfield operations as best practice for airside safety management. The audit results are particularly impressive during a period of significant construction, as safety and security have not been compromised.

Government-mandated airside staff inspection legislation was implemented with minimal cost and excellent security results. Melbourne Airport also executed another successful full-scale emergency exercise involving offsite and onsite authorities.

Both Melbourne and Launceston Airports were awarded Safety Map Accreditation for occupational health and safety – the only Australian airports to achieve this accreditation.

APAC has continued to support airlines in challenging times by identifying efficiencies and passing on cost savings. Security-screening costs were reduced by more than $1m over the past year, with charges to airlines remaining significantly lower than at other major Australian airports.

Melbourne Airport has also focused on delivering financially and environmentally responsible energy-management solutions to service the airport's growing requirements. Initiatives have included an upgrade of the building-management system to provide optimum air conditioning, external roof treatments to reduce the effects of the outside environment on the inside conditions, environmental building designs to reduce energy use and energy-saving lighting solutions incorporated into building refurbishments. Melbourne Airport also upgraded its chiller plant to utilise the most efficient products on the market. All of these strategies and improvements have produced year-on-year energy savings, even with a growing building footprint and extreme seasonal conditions.

# Review of operations

## Environment and community

Left: **Colleen Newsome** EGM, People and Performance
Right: **Nathan Agnew** EGM, Strategy, Asset and Planning

- Government approval of Melbourne Airport Environment Strategy reinforces commitment to key environmental initiatives
- APAC continues to support the wider community through contribution to local events and charities
- Consistency across APAC's environmental, safety and community principles supports responsible growth

As the custodian of two major pieces of public infrastructure, APAC takes very seriously its responsibility to the environment and wider community.

The Melbourne Airport Environment Strategy represents a key part of APAC's vision for responsible and environmentally sustainable operations. Approved by the federal government in November 2008, the strategy commits to energy-management initiatives, water-consumption management and community engagement. A key element includes reducing APAC's resource consumption.

Over the past year APAC has worked closely with government and community groups on projects such as creating native-grass reserves, improving local creeks, upgrading cooling towers and setting up a showerhead exchange on World Environment Day.

APAC also continued its commitment to the wider community by supporting local events and charities. Launceston Airport was the major sponsor of the Glover Landscape Art Prize and the Blue Sky Ball – an event to support mental health. Melbourne Airport continued its support of many organisations and events, including the Victorian Tourism Awards, the Melbourne Food and Wine Festival, and the Melbourne International Arts Festival.

Melbourne Airport's long-standing relationship with the Salvation Army also increased over the past year. In addition to providing an extra financial contribution after the Victorian bushfires in February 2009, APAC staff volunteered their time by collecting donations throughout the airport.

Looking ahead, Melbourne and Launceston Airports are set to widen their community partnerships. Melbourne Airport will support local youth as part of Western Chances, an initiative that provides sponsorships for underprivileged students.

‘We continue to build strong relationships with our neighbours and local community groups as part of our commitment to the responsible growth of our airports.’

**Colleen Newsome**
EGM, People and Performance

# Results summary

| | 2000 | 2001 | 2002 |
|---|---|---|---|
| **Financial results – Australia Pacific Airports Corporation** | | | |
| Year ended 30 June ($ millions) | | | |
| Aeronautical | 53 | 57 | 57 |
| Retail | 68 | 77 | 80 |
| Property and rental | 36 | 41 | 42 |
| Security and other | 14 | 20 | 22 |
| **Total revenue** | **171** | **195** | **201** |
| Operating expenses | 48 | 55 | 65 |
| **Operating profit** | **123** | **140** | **136** |
| Investment property gains | 0 | 0 | 0 |
| **Profit before borrowing costs, depreciation and amortisation** | **123** | **140** | **136** |
| Depreciation and amortisation | 34 | 35 | 36 |
| Interest | 109 | 137 | 97 |
| **Profit / (loss) before tax** | **(21)** | **(32)** | **3** |
| Tax expense / (benefit) | 0 | (22) | 5 |
| **Net profit / (loss)** | **(21)** | **(10)** | **(2)** |
| **Passenger volumes – Melbourne Airport** | | | |
| Year ended 30 June (millions) | | | |
| International | 2.99 | 3.36 | 3.41 |
| Domestic | 12.34 | 13.56 | 12.81 |
| **Total*** | **15.57** | **17.24** | **16.48** |

*Total includes transit passengers

| | | | |
|---|---|---|---|
| **Aircraft movements – Melbourne Airport** | | | |
| Year ended 30 June (thousands) | | | |
| International | 20.5 | 23.1 | 22.6 |
| Domestic | 142.7 | 162.0 | 133.1 |
| General aviation | 1.5 | 2.3 | 1.9 |
| **Total** | **164.7** | **187.4** | **157.6** |
| **Passenger volumes – Launceston Airport** | | | |
| Year ended 30 June (millions) | | | |
| Domestic | 0.54 | 0.52 | 0.53 |
| **Aircraft movements – Melbourne Airport** | | | |
| Year ended 30 June (thousands) | | | |
| Regular public transport | 10.8 | 13.3 | 9.2 |
| General aviation | 16.8 | 13.1 | 12.4 |
| **Total** | **27.6** | **26.4** | **21.6** |

| 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | **2009** | Change |
|---|---|---|---|---|---|---|---|
| 91 | 112 | 126 | 136 | 147 | 171 | 178 | 4% |
| 90 | 106 | 123 | 138 | 156 | 183 | 191 | 4% |
| 37 | 40 | 44 | 42 | 47 | 53 | 58 | 10% |
| 25 | 28 | 30 | 32 | 34 | 42 | 49 | 15% |
| **243** | **286** | **323** | **348** | **384** | **449** | **476** | **6%** |
| 74 | 83 | 93 | 102 | 114 | 115 | 124 | 8% |
| **169** | **203** | **230** | **246** | **270** | **334** | **352** | **5%** |
| 0 | 0 | 0 | 91 | 77 | 22 | (33) | |
| **169** | **203** | **230** | **337** | **347** | **356** | **319** | **(11%)** |
| 40 | 45 | 38 | 34 | 37 | 39 | 46 | 17% |
| 97 | 90 | 80 | 80 | 84 | 90 | 96 | 10% |
| **32** | **68** | **112** | **223** | **226** | **227** | **177** | **(22%)** |
| 13 | 27 | 33 | 67 | 68 | 68 | 53 | (22%) |
| **19** | **41** | **79** | **156** | **158** | **159** | **124** | **(22%)** |
| | | | | | | | |
| 3.28 | 3.76 | 4.30 | 4.38 | 4.53 | 4.77 | 4.91 | 2.9% |
| 13.48 | 15.23 | 16.30 | 16.88 | 17.81 | 19.36 | 19.74 | 2.0% |
| **16.92** | **19.16** | **20.78** | **21.43** | **22.50** | **24.26** | **24.77** | **2.1%** |
| | | | | | | | |
| 21.3 | 24.0 | 28.0 | 25.2 | 24.1 | 25.2 | 27.0 | 7.1% |
| 135.0 | 140.0 | 151.2 | 152.9 | 154.8 | 166.8 | 166.1 | (0.4%) |
| 1.6 | 1.3 | 1.3 | 1.2 | 1.3 | 1.5 | 0.9 | (40.0%) |
| **157.9** | **165.3** | **180.5** | **179.3** | **180.2** | **193.5** | **194.0** | **0.3%** |
| | | | | | | | |
| 0.58 | 0.67 | 0.82 | 0.92 | 0.99 | 1.10 | 1.11 | 1.7% |
| | | | | | | | |
| 7.5 | 7.9 | 9.3 | 9.5 | 9.7 | 10.7 | 10.7 | 0.0% |
| 7.4 | 7.4 | 5.7 | 5.5 | 4.8 | 6.4 | 6.1 | (4.7%) |
| **14.9** | **15.3** | **15.0** | **15.0** | **14.5** | **17.1** | **16.8** | **(1.8%)** |

# APAC Board of Directors

Jack Ritch
**Chairman of the Board**

Jack Ritch was appointed a Director of APAC in 1997.

Jack is Chairman of AMP Capital Investors.

Chris Woodruff
**Managing Director and Chief Executive Officer**

Chris Woodruff was appointed a Director of APAC in August 2007.

Phil Garling
**Director**

Phil Garling was appointed a Director of APAC in March 2004.

Phil is head of Infrastructure at AMP Capital Investors (AMPCI).

Richard Hedley
**Director**

Richard Hedley was appointed a Director of APAC in June 2008.

Richard is a Director of RREEF Alternative Investments, the global alternative investment management division of the Deutsche Bank Group.

Steve Boulton
**Director**

Steve Boulton was appointed
a Director of APAC in February 2008.

Steve is the CEO of Hastings Funds
Management.

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.

Damian Moloney
**Director**

Damian Moloney was appointed
a Director of APAC in May 2008.

Damian is the Chief Executive
of Industry Funds Management (IFM).

**Company Secretaries**

Kirby Clark
**Chief Financial Officer/
Deputy Chief Executive
Officer**

Lisa Evans
**Legal Services Manager
and Company Secretary**

# Profit and loss for the financial year

## for the financial year ended 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **Operating revenue** | | |
| Aeronautical revenue | 177,666 | 170,484 |
| Retail revenue | 191,024 | 183,369 |
| Property revenue | 51,576 | 46,613 |
| Rental revenue | 6,643 | 6,193 |
| Security, outgoings and other income | 48,746 | 42,329 |
| Interest revenue | 170 | 391 |
| **Total operating revenue** | **475,825** | **449,379** |
| Non-operating revenue | 24 | 46 |
| **Revenue from ordinary activities** | **475,849** | **449,425** |
| **Less: operating costs** | | |
| Staff costs | 25,233 | 25,882 |
| Service and utilities | 66,354 | 58,368 |
| Maintenance costs | 11,761 | 12,494 |
| Administration, marketing and other | 20,989 | 18,340 |
| **Operating profit** | **351,512** | **334,341** |
| **Add:** | | |
| Change in fair value of investment property | (32,992) | 21,877 |
| **Profit before borrowing costs, depreciation and amortisation** | **318,520** | **356,218** |
| **Less:** | | |
| Depreciation and amortisation | 45,994 | 39,255 |
| Borrowing costs | 95,818 | 89,866 |
| **Profit before income tax expense** | **176,708** | **227,097** |
| **Less:** | | |
| Income tax expense | 53,173 | 68,397 |
| **Profit for the year** | **123,535** | **158,700** |

# Balance sheet

## as at 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **Current assets** | | |
| Cash at bank | 13,589 | - |
| Inventories | 542 | 544 |
| Receivables | 29,906 | 24,272 |
| Other financial assets | 39 | 13,933 |
| **Total current assets** | **44,076** | **38,749** |
| **Non-current assets** | | |
| Property, plant and equipment | 1,083,220 | 907,867 |
| Investment property | 872,811 | 894,849 |
| Goodwill | 671,866 | 671,866 |
| Other financial assets | - | 14,376 |
| **Total non-current assets** | **2,627,897** | **2,488,958** |
| **Total assets** | **2,671,973** | **2,527,707** |
| **Current liabilities** | | |
| Bank overdraft | - | 2,039 |
| Payables | 44,226 | 48,619 |
| Current tax liabilities | 18,607 | 23,999 |
| Provisions | 4,578 | 4,309 |
| Other financial liabilities | 13,535 | - |
| **Total current liabilities** | **80,946** | **78,966** |
| **Non-current liabilities** | | |
| Borrowings | 1,646,820 | 1,429,423 |
| Payables | 1,132 | 1,132 |
| Deferred tax liabilities | 312,850 | 341,299 |
| Provisions | 641 | 760 |
| Other liabilities | 30,222 | 6,145 |
| **Total non-current liabilities** | **1,991,665** | **1,778,759** |
| **Total liabilities** | **2,072,611** | **1,857,725** |
| **Net assets** | **599,362** | **669,982** |
| **Equity** | | |
| Issued capital | 118,100 | 118,100 |
| Reserves | (26,712) | 19,818 |
| Retained earnings | 507,974 | 532,064 |
| **Total equity** | **599,362** | **669,982** |

# Cash flow statement

## as at 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **Cash flows from operating activities** | | |
| Receipts from customers | **517,512** | 484,814 |
| Payments to suppliers and employees | **(173,892)** | (163,764) |
| Income tax (paid) received | **(67,073)** | (51,599) |
| Interest received | **170** | 391 |
| Interest and other costs of finance paid | **(101,215)** | (87,576) |
| **Net cash provided by operating activities** | **175,502** | **182,266** |
| **Cash flows from investing activities** | | |
| Payment for property, plant and equipment | **(216,689)** | (131,533) |
| Proceeds from sale of property, plant and equipment | **20** | 228 |
| Payment for investment property | **(10,954)** | (2,664) |
| **Net cash used in investing activities** | **(227,623)** | **(133,969)** |
| **Cash flows from financing activities** | | |
| Proceeds from borrowings | **467,400** | 669,500 |
| Repayment of borrowings | **(250,000)** | (580,800) |
| Payment for debt issue costs | **(2,026)** | (1,673) |
| Dividend paid | **(147,625)** | (135,815) |
| **Net cash provided by/(used in) financing activities** | **67,749** | **(48,788)** |
| **Net increase/(decrease) in cash held** | **15,628** | **(491)** |
| **Cash assets at the beginning of the financial year** | **(2,039)** | **(1,548)** |
| **Cash assets at the end of the financial year** | **13,589** | **(2,039)** |

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

### 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 31 August 2009 and can be obtained from the website listed in Note 22.

#### 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.

#### *Rounding off of amounts*

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order, amounts in the Directors' Report and the Financial Report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

#### *Significant accounting policies*

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 are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries as defined in Accounting Standard AASB 127 'Consolidated and Separate Financial Statements'. A list of subsidiaries appears in Note 20 to the financial statements. Consistent accounting policies are 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

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

### 1. Summary of key accounting policies (continued)

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 than 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 Limited ('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).

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

Property held to earn rentals and/or for capital appreciation, is 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.

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '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** | **176,708** | **227,097** |
| Income tax expense calculated at 30% | 53,012 | 68,129 |
| Permanent differences: | | |
| Non-deductible expenses | 164 | 191 |
| Non-deductible depreciation | 62 | 62 |
| Under provision of income tax in previous year | - | 15 |
| Investment allowance | (65) | - |
| **Income tax expense** | **53,173** | **68,397** |
| | | |
| **3. Current receivables** | | |
| Trade receivables | 29,906 | 24,272 |

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Leasehold land | Buildings | Roads, runways and other infrastructure | Plant and equipment | Assets under construction | Total |
| | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 | $ '000 |
| **4. Property, plant and equipment** | | | | | | |
| Gross carrying amount – at cost | | | | | | |
| Balance at 30 June 2008 | **65,530** | **268,636** | **609,351** | **181,262** | **82,725** | **1,207,504** |
| Additions | - | - | - | - | 221,461 | 221,461 |
| Disposals | - | - | (3,440) | (713) | - | (4,153) |
| Transfers to/(from) assets under construction | - | 77,708 | 40,549 | 31,510 | (149,767) | - |
| **Balance at 30 June 2009** | **65,530** | **346,344** | **646,460** | **212,059** | **154,419** | **1,424,812** |
| Accumulated depreciation/ amortisation | | | | | | |
| Balance at 30 June 2008 | **6,407** | **86,642** | **109,673** | **96,915** | **-** | **299,637** |
| Depreciation and amortisation expense | 670 | 12,560 | 19,028 | 13,736 | - | 45,994 |
| Disposals | - | - | (3,352) | (687) | - | (4,039) |
| **Balance at 30 June 2009** | **7,077** | **99,202** | **125,349** | **109,964** | **-** | **341,592** |
| **Net book value as at 30 June 2009** | **58,453** | **247,142** | **521,111** | **102,095** | **154,419** | **1,083,220** |

An independent valuation of certain assets was completed at 30 June 2009. Leasehold land, buildings, roads 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 $148,348,000 for Leasehold land, $383,500,000 for Buildings and $640,400,000 for Roads, runways and infrastructure as at 30 June 2009. The valuation did not include any allowance for capital gains tax that may arise on disposal.

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| 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 | 670 | 671 |
| • Buildings | 12,560 | 10,513 |
| • Roads, runways and other infrastructure | 19,028 | 16,461 |
| • Plant and equipment | 13,736 | 11,610 |
| | **45,994** | **39,255** |

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **5. Investment properties** | | |
| Balance at beginning of financial year | 894,849 | 874,122 |
| Additions for the year | 10,954 | 2,664 |
| Net gain from fair value adjustments | (32,992) | 21,877 |
| Transfer from/(to) operating assets | - | (3,814) |
| Balance at end of financial year | **872,811** | **894,849** |

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 bases of valuation being:
1. discounted cash flow; and
2. capitalisation approach

| | | |
|---|---|---|
| **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 10.9% per annum, (2008: 12.5%).

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **7. Current payables** | | |
| Trade payables | 35,091 | 39,142 |
| Goods and services tax payable | 1,302 | 1,194 |
| Non-trade payables to: | | |
| – Other | 586 | 465 |
| | **36,979** | **40,801** |
| | | |
| Interest payable to: | | |
| – Secured debt – other entities[i] | 6,965 | 7,515 |
| – Other | 282 | 303 |
| | **7,247** | **7,818** |
| | **44,226** | **48,619** |

(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years.

| | | |
|---|---|---|
| **8. Current tax liabilities** | | |
| Income tax payable | **18,607** | **23,999** |
| | | |
| **9. Current provisions** | | |
| Employee entitlements | **4,578** | **4,309** |

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **10. Borrowings** | | |
| Non-trade payables to: | | |
| – Senior – bank debt[i] | 872,000 | 654,600 |
| – Domestic bonds[i] | | |
| • Tranche 3 ($250m variable due 11 June 2011) | 250,000 | 250,000 |
| • Tranche 4 ($100m fixed 6.00% due 15 December 2015) | 100,000 | 100,000 |
| • Tranche 5 ($200m variable due 15 December 2015) | 200,000 | 200,000 |
| – US Private Placement[i] | | |
| ($232m fixed 6.65% due 13 May 2011) | 232,280 | 232,280 |
| **Total borrowings** | **1,654,280** | **1,436,880** |
| Deferred borrowing costs | (7,460) | (7,457) |
| | **1,646,820** | **1,429,423** |
| 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 | 2,023 | 2,479 |

(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years.

| | | |
|---|---|---|
| **11. Non-current payables** | | |
| Non-trade payables | **1,132** | **1,132** |
| **12. Deferred tax liabilities** | | |
| Temporary differences | **312,850** | **341,299** |
| **13. Non-current provisions** | | |
| Employee benefits | **641** | **760** |
| **14. Non-current other liabilities** | | |
| Unearned revenue | 5,592 | 6,145 |
| Interest rate swaps | 24,630 | - |
| | **30,222** | **6,145** |

| | Consolidated | |
|---|---|---|
| | **2009** | 2008 |
| | $ '000 | $ '000 |
| **15. Capitalised borrowing costs** | | |
| Borrowing costs capitalised during the financial year | 6,849 | 2,377 |
| Weighted average capitalisation rate on funds borrowed generally | 7.0% | 6.5% |
| **16. Issued capital** | | |
| 118,100,000 Ordinary shares – fully paid (2008: 118,100,000) | **118,100** | **118,100** |
| Fully paid Ordinary shares carry one vote per share and carry the right to dividends. | | |
| **17. Hedging reserve** | | |
| Balance at beginning of financial year | **19,818** | **5,479** |
| Gained recognised: | | |
| – interest rate swaps | (66,471) | 20,484 |
| Deferred tax arising on hedges | 19,941 | (6,145) |
| | **(46,530)** | **14,339** |
| **Balance at end of financial year** | **26,712** | **19,818** |
| 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. | | |
| **18. Retained earnings** | | |
| Balance at beginning of financial year | 532,064 | 509,179 |
| Profit for the year | 123,535 | 158,700 |
| Dividends paid | (147,625) | (135,815) |
| Balance at end of financial year | **507,974** | **532,064** |
| **19. Commitments for expenditure** | | |
| Capital expenditure commitments | | |
| Property, plant and equipment | | |
| Not longer than 1 year | 129,849 | 175,052 |
| Longer than 1 year but not longer than 5 years | 40,797 | 93,032 |
| | **170,646** | **268,084** |

# Summary of key notes to the financial information

## for the financial year ended 30 June 2009

### 20. Controlled entities

| Name of entity | Country of incorporation | 2009 % Ownership interest | 2008 % Ownership interest |
|---|---|---|---|
| **Parent entity** | | | |
| Australia Pacific Airports Corporation Limited | Australia | | |
| | | | |
| **Controlled entities** | | | |
| APAC (Holdings No. 2 ) Pty. Limited[(i)(ii)] | Australia | 100 | - |
| 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.

### 21. Dividends

| | Consolidated 2009 $ '000 | Consolidated 2008 $ '000 |
|---|---|---|
| A fully franked interim dividend was paid during the financial year | 147,625 | 135,815 |
| Franking account | 41,083 | 42,721 |

## 22. 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

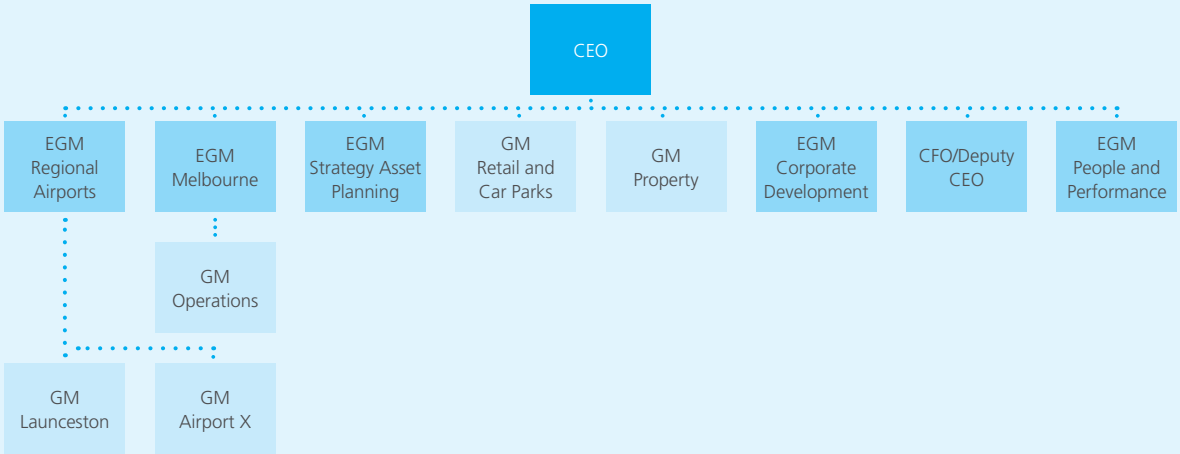
Website: www.melbourneairport.com.au

Email: reception@melair.com.au

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

# Senior management and corporate directory

## Australia Pacific Airports Corporation Senior Management




## Australia Pacific Airports Corporation Ltd

ABN 069 775 266

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Gladstone Park
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## Melbourne Airport

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Victoria 3045 Australia

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Email: reception@melair.com.au

Website: www.melbourneairport.com.au

## Launceston Airport

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Email: information@lst.com.au

Website: www.launcestonairport.com.au

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