Australia Pacific
Airports Corporation Ltd
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Victoria 3043 Australia

Australia Pacific Airports

MELBOURNE AIRPORT

LAUNCESTON AIRPORT

This Annual Report is available at:
www.melbourneairport.com.au
www.launcestonairport.com.au

Australia Pacific Airports Corporation
Annual Report 2008

Growing

Responsibly

Contents

'Our capability to plan and deliver major expansion in an environmentally and economically responsible manner is a key strength as we move forward in our long term commitment to Victoria.'

Chris Woodruff CEO

07/08

Results at a glance

Year ended 30 June ($ millions)	2007	2008	Change
Total revenue	384	449	17%
Operating expenses	114	115	0.1%
Operating profit	270	334	24%
Investment property gains	77	22	(71%)
Profit before borrowing costs, depreciation and amortisation	347	356	3%
Depreciation and amortisation	37	39	5%
Interest	84	90	7%
Profit before tax	226	227	0.1%
Income tax expense	68	68	0%
Net profit	158	159	0.1%

'With a new CEO and newly constituted ownership, we have completed another excellent year. APAC has declared sound results, surpassing 2006/2007 performance'.

APAC's successful performance is in part a result of capital investment ahead of demand. Our track record in runway widening, terminal upgrades, roads, Business Park and car park expansion is well documented.

This past year has been one of change. We were joined by incoming CEO Chris Woodruff in September 2007 following the retirement of our much respected Chris Barlow. The transition to Chris as CEO and Managing Director of the company and the airports has been smooth. The Board recognises Chris' excellent first year and acknowledges the support and hard work of his team to further cement APAC's reputation as a leader in airport management. Chris Woodruff has come from the BAA stable so there will be a continuity of style and culture that APAC and its airports have embraced.

The second major transition was the move from four to three shareholders. APAC has enjoyed exceptional stability with the same four shareholders for over a decade. In 2006, BAA was taken over by Spanish infrastructure group Ferovial which decided to divest of all foreign investments, including in Australia, and therefore its interest in APAC. With the departure of BAA finalised in November 2007, the remaining three shareholders; AMP Capital Investors Limited, RREEF Infrastructure and Hastings Funds Management Limited exercised their option rights by purchasing the BAA stake.

The departure of BAA was handled smoothly and without fanfare, reflecting how APAC does business generally.

With a new CEO and newly constituted ownership, we have completed another excellent year. APAC has declared sound results, surpassing 2006/2007 performance.

APAC continues to grow responsibly and has strategically remained ahead of Victorian transport infrastructure needs. Melbourne Airport is currently undertaking the biggest private transport infrastructure project in Victoria - a $330m expansion of the international terminal T2. In January 2008 construction commenced on the upgrade which will address projected passenger growth by including a new international passenger precinct, security and customs areas and faster baggage capabilities. Due for completion in 2012, the project is running on time and on budget.

Launceston Airport also continues to grow and evolve with construction commencing in May 2008 on the largest redevelopment since the airport was built in 1965. Due for completion in mid 2009, the $20m expansion is set to double the size of the terminal.

APAC may have only three shareholders but we proudly partner with an extensive list of stakeholders including the Government, the Cities of Hume, Melbourne and Launceston and our airline customers.

I thank our management team for their dedication and congratulate all APAC staff for their ongoing commitment to excellence.

Don Mercer
Chairman

Chief Executive Officer's Report

My first year as APAC CEO has been a busy and rewarding one. We entered an exciting phase of significant infrastructure expansion at both APAC airports.

Work commenced on the $330m expansion of Melbourne Airport's T2 – the biggest upgrade the airport has seen since it was built in the late1960s. The expansion is currently the largest private sector transport project in Victoria and will see the terminal increase by 25,000m².

Updated every five years, the Melbourne Airport Master Plan was developed this year with a 20 year view. The Master Plan outlines the future vision of the airport for safe, secure, efficient and environmentally sustainable use of the airport site.

An important achievement this year was the second five year pricing agreement Melbourne Airport reached with its international and domestic carriers. The agreement locks in aeronautical charges that includes Melbourne Airport's extensive capital development program. This five year pricing agreement gives the airlines surety, whilst Melbourne Airport continues to deliver its half-billion dollar investment in expansion projects and remains the lowest-charging major international airport in Australia.

In partnership with Airservices Australia, the Civil Aviation Safety Authority and the airlines, Melbourne Airport commenced taxiway lighting upgrades in preparation for new technology allowing aircraft to land in fog conditions. The ground-based "Category III" instrument landing system will be the first of its kind in Australia.

APAC is also attracting new international airlines set to substantially grow Melbourne Airport's international capacity. Many existing airlines are also expanding their capacity with new routes and additional services.

We aspire to greatness – to be great airports and a great business. With this in mind we have developed a new long term plan with some defined goals and strategies. I look forward to reporting on our progress against them next year.

I have enjoyed my first year with APAC and I thank our team, airline customers and other stakeholders who have welcomed and assisted me. I look forward to another challenging and dynamic year.

Chris Woodruff
CEO

'We aspire to greatness – to be great airports and a great business. With this in mind we have developed a new long term plan with some defined goals and strategies'.

Aeronautical

- Strong passenger growth continues
- Tiger Airways begins Australian operation from its Melbourne Airport home
- Melbourne Airport increases international passenger capacity
- National Aviation Policy review announced

APAC's passenger performance showed continued strength this year with an overall increase of 8%.

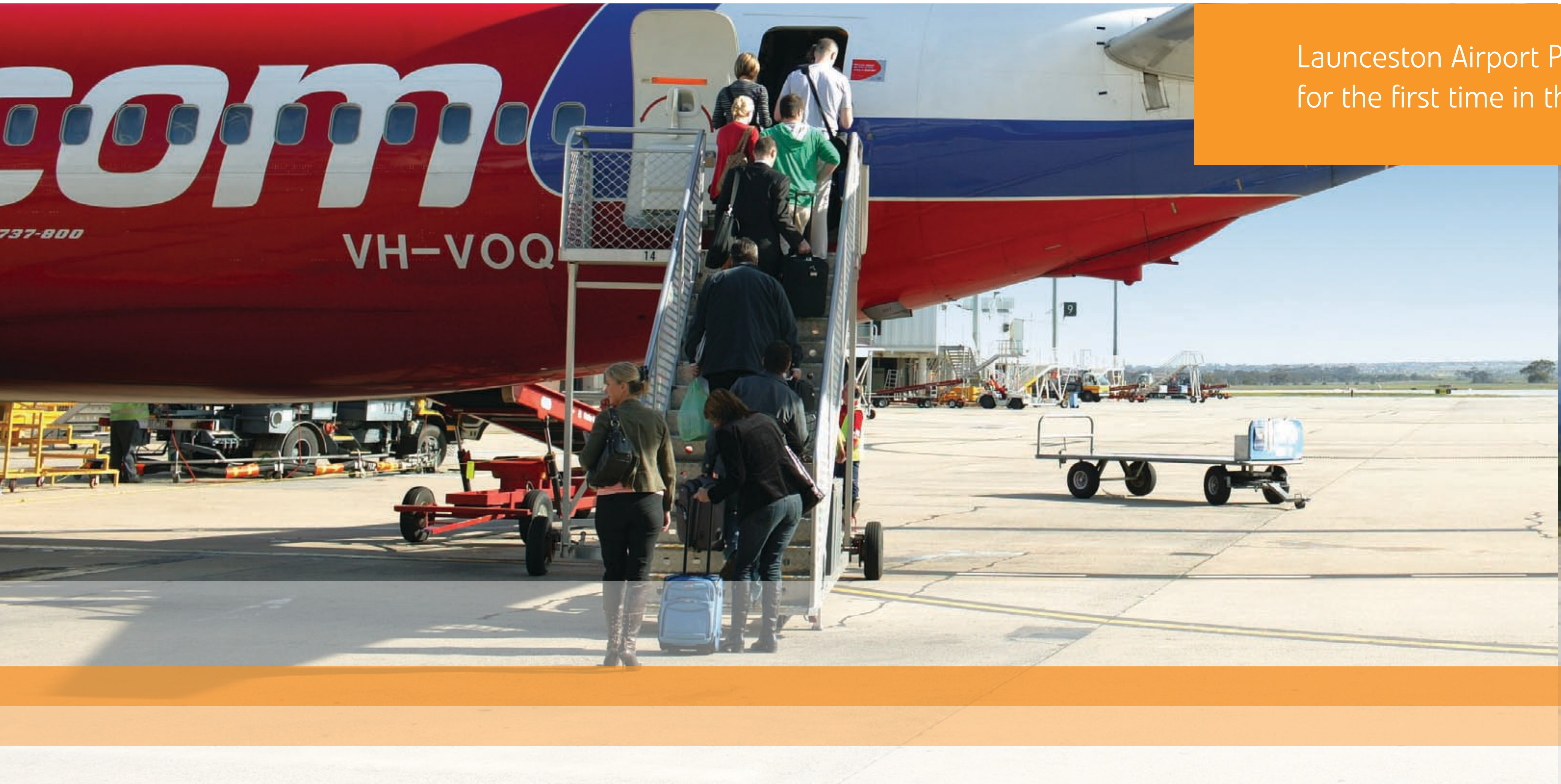
Melbourne Airport passenger numbers continued to perform well with increases of 5% in international and 9% in domestic passengers. The increases in passenger numbers through Melbourne Airport reflect the growth in international and domestic capacity in 2007/2008.

Launceston Airport also experienced strong growth with increased passenger numbers, 11% up on last year.

The additional 107,000 passengers through Launceston Airport in a single year compared to 2006/2007 took passenger numbers to 1,098,000 - the first time in the airport's history for passenger numbers to exceed one million.

Adding to Melbourne Airport's extensive domestic offering, low cost carrier Tiger Airways began operation in November 2007. Tiger Airways chose Melbourne as its Australian home, a strong reflection on APAC's cooperative approach to working closely with its airline partners. Tiger showed its long term commitment to Melbourne Airport in a five year agreement that highlights the airport's ability to offer a full range of carrier options from one terminal precinct. The low cost carrier also commenced Launceston Airport operations.

Melbourne Airport has significantly increased international passenger capacity with several airlines adding services this year. Cathay Pacific increased flights to triple daily in October 2007. Korean Air inaugurated scheduled services to Melbourne Airport in October 2007. China Southern and Air China introduced direct non-stop services for the first time, resulting in more seats into China, one of Victoria's key growth markets.



Launceston Airport Passengers in 2007/2008 reached over 1 million for the first time in the airport's 43 year history, an increase of 11%

Aeronautical

In 2007/08 year, Chinese International visitors were the fastest growing inbound market for Melbourne Airport, growing by 19.7% to reach 245,798 passenger movements this year.

During this year, China overtook the UK as the second largest inbound market for Melbourne Airport, only behind New Zealand.

Thai Airways increased its Melbourne-Bangkok services from 12 per week to twice daily. Qantas added three new services on the Melbourne-Hong Kong route to a total of 10 services per week. Qantas also introduced two direct Melbourne-Shanghai services per week.

A welcome review of national aviation policy was announced by the Federal Government in April 2008. APAC's submission focused on continuing the curfew-free operation of Melbourne Airport, responsible development and progressive and timely liberalisation of international air services. The Federal Government will release a draft policy for consultation in late 2008.

APAC is not immune to economic trends or decisions by our airline customers as they respond to rising oil costs and reduced passenger demands in some markets.

Planning and Development

- ✓ Melbourne Airport Draft Master Plan 2008 developed for next twenty years
- ✓ Aeronautical Services Agreement confirmed with airlines
- ✓ New Melbourne Airport taxiway opened in April 2008
- ✓ Launceston Airport commences $20m expansion project

APAC maintains its target of providing world class facilities at both of its airports. Each year infrastructure developments require meticulous planning and careful management to ensure passenger convenience and minimise disruption.

Planning

A draft of the Melbourne Airport Master Plan has been updated this year and outlines the future vision of the airport for safe, secure, efficient and environmentally sustainable use of the airport site. As with the previously approved Master Plan, the 2008 Master Plan identifies the locations of future runways, terminals and transport access.

Melbourne Airport is committed to responsible growth, maintaining and creating required facilities for airport staff, tenants and surrounding communities. Plans for a Retail Precinct and Office Development were approved by the Federal Government in July 2007.

Development

Working together with Air Services Australia, the Civil Aviation Safety Authority and the airlines, Melbourne Airport is currently introducing new landing technology allowing aircraft to land in fog conditions. Work has commenced to upgrade centerline lighting along taxiways in preparation for Australia's first "Category III" instrument landing system. The new landing system, set for operation in late 2008, uses radio signals, high intensity lighting and computer software to guide aircraft toward the runway.

A $5m refit of Melbourne Airport's T4 took place from May-November 2007 in preparation for the launch of Tiger Airways. Working closely to meet the needs of the low cost carrier, the new T4 features three gates servicing five aircraft parking positions, check-in, security screening as well as new retail, food and beverage outlets.

Work commenced on a $330m expansion of Melbourne Airport – the biggest private sector transport project in Victoria. The terminal is set to increase by 25,000m² with significant additions to T2's concourse space, cafes, lounges and shopping

Planning and Development

In January 2008 construction commenced on the $330m expansion of the international terminal T2. Due for completion in 2012, the T2 expansion is the largest Melbourne Airport has seen since it was built in the late 1960s.

The expansion will include a new international passenger precinct, security and customs processing zones and expanded baggage capabilities enhanced to provide a 50% increase in baggage handling capacity.

Also in a significant expansion phase, Launceston Airport in May 2008 commenced construction on the largest redevelopment since it was built in 1965. Set to double the size of the terminal, the $20m expansion will increase café and lounge facilities, gate lounges and new security and baggage systems.

The redevelopment will take place in three stages with completion scheduled for mid 2009.

Looking ahead…

In July 2007 Melbourne Airport commenced its second five year pricing agreement with the airlines. At $13.75 per international passenger, the agreement maintains Melbourne Airport's position as the lowest charging major international Australian Airport. The five year agreement gives airlines surety with charges only adjusted by CPI so the price in real terms does not change.

The expansion will include a new international passenger precinct, security and customs processing zones and expanded baggage capabilities enhanced to improve efficiency.

Retail

- Duty Free Arrivals store increases in size by 50% to over 900m^2
- T2 launches new brands Subway, Nando's, Air Bar and Healthy Habits
- $65m expansion of multi level car park commenced

Melbourne Airport's retail business experienced substantial growth during 2007/2008 bringing total revenue to $179m - a 14% increase on $156m the previous year.

Completion of the T2 landside refurbishment introduced several new brands to the airport. These included new food and beverage outlets Subway, Nando's, Air Bar and Healthy Habits.

A T3 retail development is due for completion in April 2009 and will provide more food and beverage options at Melbourne Airport's T3.

The new T4 presented an additional retail opportunity. Food and beverage retailer *Café Ton* is being well received. The T4 retail offering will be expanded as Melbourne Airport better understands passenger needs.

The Duty Free Arrivals store has undergone a $10m redevelopment, increasing the floor space by 50% to over 900m^2. This redevelopment, and a focus on 'Ready for Collection' is with the aim of increasing customer convenience shopping duty free.

In December 2007, 2,500 additional parking bays were opened in Melbourne Airport's long term car park in time for peak Christmas demand.

Investment in expansion ensures car park capacity remains ahead of demand.

A $65m expansion of the Melbourne Airport multi level car park is due for completion in June 2009 and will ensure customers have both long and short term parking options close to the terminal. There has been strong growth in long term car park use due to the excellent value this product offers, particularly the "7 days of parking for $69" price point which hasn't changed since June 2005.

To address the growth in passengers through the Launceston airport a new car park was opened in March 2008 with new retail and food and beverage outlets in construction as part of the airport expansion project.

The Duty Free Arrivals store has undergone a $10m redevelopment, increasing the floor space by 50% to over 900m^2.

Property

- Agility Logistics, Toll, Star Track Express, Boeing and ADRT sign new leases totaling 160,000m^2
- 220,000m^2 in leases signed with the Pivot Group

APAC property has delivered continued growth in 2007/2008 with revenue of $53m, an increase of 12% on the previous year.

Achievements for the year include:

- Redevelopment / refurbishment of 560m^2 of office space in T2 to enable Korean Airlines to establish a new office on airport and current tenants to expand/ improve their accommodation;
- Development of an additional 11,060m^2 of vehicular storage space for Budget, Thrifty, Skybus and Qantas;
- Approved plans by Accor Group to double the capacity of their Formule 1 hotel;
- Agreed new lease to John Holland Aviation for an independent maintenance facility; and
- A new lease to Sky Traders enabling them to establish an Antarctic Aviation Solution business at Melbourne Airport.

The Melbourne Airport Business Park has contributed significantly to APAC's property growth this year via the development agreement with Australand/CIP and major agreements with Pivot Group and Investa Property Group.

Over 160,000m^2 was leased during the year including new tenants ADRT, Agility Logistics, Toll, Star Track Express and Boeing.

Leveraging the strength of being able to provide large sites, the Melbourne Airport Business Park welcomes the ADRT lease as one of the largest industrial leasing deals in Melbourne for the year at 86,000m^2.

An additional strength is the Business Park's proximity to air and road transport, including City Link and the Western Ring Road.

Largely servicing taxis and limousines at Melbourne Airport, a new LPG petrol station and carwash was developed by Unigas and Cabcorp and opened on Melrose Drive this year adjacent to Taxi Holding BayOne.

Melbourne Airport Business Park welcomes the new ADRT lease. At 86,000m^2 this was one of the largest industrial leasing deals in Melbourne for the year

Safety and Security

- Safety and security has not been compromised during the Melbourne Airport T2 expansion works
- Over 500 Melbourne Airport staff trained in evacuation
- New airside staff inspection process implemented
- Strong results in government safety and security audits

APAC's operational priority is passenger and worker safety. APAC airports continue to operate successfully under high level security and safety policies, procedures and operations which are regularly updated and audited.

During an expansion and construction phase this year, Melbourne Airport's security has not been compromised, maintaining effective and efficient operations with minimal passenger inconvenience.

This has included maintaining security of the airside building site, a restricted area which required daily access by 300 building workers.

In November 2007, Melbourne Airport opened its new T4 terminal. Safety and security procedures were revised and developed in partnership with Tiger Airways. The security and safety measures for the simultaneous airline launch and T4 terminal opening were implemented successfully and continue to run smoothly.

APAC safety and security has this year implemented a government mandated airside staff inspection process. Introduced with significant industry consultation to minimise disruption, the new security process required a redesign of access paths. Also implemented this year were changes to the Airfield Safety Management System to meet Civil Aviation Safety Authority requirements.

APAC continues to demonstrate compliance and best practice security arrangements with strong internal and external audit results this year.

Enhancing its already significant security position Melbourne Airport has extended its closed circuit camera security system by establishing Australia's first CCTV Australian Federal Police Memorandum of Understanding allowing access to the network.

This technology will provide the Australian Federal Police with exceptional coverage and substantially improve their situational awareness.

Maintaining responsible security and safety conduct for all passengers and employees, Melbourne Airport revised its Airport Emergency Plan and Terminal Evacuation Plan. Part of this revision process saw an increased emphasis on training with warden numbers now exceeding 500 - the greatest number of airport staff to be trained in the airport's history.

In recognising that security costs are a significant percentage of the overall cost structure, Melbourne Airport and its security contractors ISS, have worked hard to identify efficiencies and pass on cost savings to airline customers

Environment

- ✓ Melbourne Airport Draft Environment Strategy 2008-2013 announced
- ✓ Melbourne Airport Environmental Management System recertified at international standard ISO14001

Being the custodian of two large complex sites with over 13,000 staff, responsible environmental planning remains an integral part of the APAC business strategy. APAC aims, through various initiatives, to manage the environmental impact their two major airports have on surrounding areas.

In July 2007, Melbourne Airport was recertified ISO14001 until 2010 by meeting the new international standards in environmental audits.

To maintain ISO14001 certification, Melbourne Airport must demonstrate continuous improvement in environmental management and comply with the set of strict procedures and programs for identifying, monitoring and controlling environmental risks and impacts.

In 2007/2008 Melbourne Airport increased its stormwater management programs to ensure continued comprehensive monitoring of any impacts to the site. This work includes the design and development of a bio-filtration system and remedial works near creeks surrounding the airport.

This year marked the preparation of the renewal of the Melbourne Airport Environment Strategy 2008.

In developing the strategy, Melbourne Airport has taken a consultative approach working with staff groups, tenants, Government stakeholders, external environmental organisations and the general public to devise the plan.

The Melbourne Airport Environment Strategy 2008 outlines the programs, objectives, targets and actions for improving environmental performance at the Melbourne Airport for the next five years.

The draft Environment Strategy 2008 was presented to the Federal Minister for Infrastructure for approval at the end of August 2008.

An important part of the 2008 strategy is resource efficiency. The strategy outlines Melbourne Airport's commitment to calculating Melbourne Airport's carbon footprint including performance measures and reduction targets.

After delivering environmental savings in these areas during 2006/2007, processes have been implemented to ensure future airport expansion projects include Ecological Sustainable Design to the '5 Star' rating target for major new developments where a rating tool is available.

Melbourne Airport aims to make a material reduction in energy usage with an aspirational target of a 25% reduction in energy usage per spuare metre of APAM managed and controlled terminal area by 2013 (Baseline Year 2004/2005)


UNITED AIRLINES
QANTAS
malaysia

Delivering for the Future

2007/08: A good year.

But what would a great year look like?

We aspire to greatness. We want to be a great airport and a great business.

As part of our path to being great we have developed a new strategy for the airport – and like all strategies it is simple in its description.

4 Goals. 5 Strategies

Goals

APAC will serve 50 million passengers per annum by 2015.

APAC will consistently deliver great returns on investment and encourage confidence in future expansion.

APAC will achieve a 75% approval rating from a consistent annual survey amongst its stakeholders.

APAC will achieve its targeted people culture by 2015.

Strategies

Our strategies to get us there are also fairly straight forward:

Service:
Understand the needs of our passengers and business partners and deliver profitable and responsible solutions.

Financial performance:
Maximise our opportunities, and those of our customers, by pursuing value for money.

Grow the business:
Fully understand passenger and airport market opportunities and creatively capitalise on them.

Our reputation:
Earn the respect of our stakeholders by operating and growing responsibly, and communicating clearly.

Our team:
Develop a highly effective organisation of high performing individuals operating as a team.

APAC Management Team 2007/2008
Melbourne and Launceston Airports

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
(until June 2008)
General Manager,
Property Development

Linc Horton
(July 2008-)
General Manager,
Property Development

Christine Spring
General Manager,
Infrastructure

Community

- Key support provided to community events and charities
- 6th year of Melbourne Airport Victorian Tourism Awards
- Melbourne Airport Emerging Talent winners perform on the world stage when they are sent to Berlin, Cannes, Edinburgh and Shanghai

During 2007/2008 APAC continued its commitment to support the wider community via contribution to major Victorian and Tasmanian events and charities.

This year Launceston Airport maintained its major sponsorship of the Glover Prize, a nationally recognised award for landscape painting.

In support of the performing arts, Launceston Airport sponsored the Tasmanian Symphony Orchestra's 60th Anniversary opening presentation in March 2008.

In addition, Launceston Airport has sponsored the 2008 Blue Sky Ball. The annual event began in 2005 with the primary goal of raising funds and awareness in the community regarding depression.

Melbourne Airport has supported the Salvation Army for over a decade. Specifically, Melbourne Airport provides much needed assistance to the Salvation Army's Crossroads Youth and Family Services program. Funds donated by Melbourne Airport have this year provided accommodation assistance and established a new project working with youth at risk. Much of the funding has been directed to projects in Broadmeadows and neighbouring suburbs.

In its third year, the Melbourne Airport Emerging Talent Program remains one of the airport's major community initiatives.

The Emerging Talent Program provides Australian artists with sponsorship and awards in the areas of visual arts, comedy, film, trained voice and performance.

The program recognises the creative achievers of tomorrow, awarding them with funding to develop their work and a travel prize to obtain valuable exposure in a related international event.

The winner of the inaugural Emerging Australian Filmmaker Award, Julius Avery, was this year presented the Jury Award at the Cannes Film Festival for his recent work. Illustrating the talent of the award recipients, this prestigious stepping stone comes less than two years after his 2006 Melbourne Airport Emerging Talent Award. Also winning in his category at the Berlin Film Festival 2008 is Warwick Thornton who won the airport's Emerging Australian Filmmaker Award in 2007.

Melbourne Airport continued its support of the Victorian tourism industry with their naming rights sponsorship of Melbourne Airport Victorian Tourism Awards.

The Victorian Tourism Industry Awards continue to celebrate industry achievements and recognise excellence.

As part of the airport's long term support of tourism in general, the airport renewed its major sponsorship of the Melbourne Airport Developing Tourism Leaders Awards. Coordinated by the tourism industry through the Victoria wide network of university and TAFE institutes, the award nurtures business and entrepreneurial skills of final year tourism students.

Melbourne Airport provides much-needed assistance to the Salvation Army's Crossroads Youth and Family Services program.

Results Summary

FINANCIAL RESULTS - APAC

Year ended 30 June ($ millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 07 - 08
Aeronautical	50	53	57	57	91	112	126	136	147	171	16%
Retail	61	68	77	80	90	106	123	138	156	183	17%
Property and rental	32	36	41	42	37	40	44	42	47	53	13%
Security and other	14	14	20	22	25	28	30	32	34	42	24%
Total revenue	**157**	**171**	**195**	**201**	**243**	**286**	**323**	**348**	**384**	**449**	**17%**
Operating expenses	48	48	55	65	74	83	93	102	114	115	0.1%
Operating profit	**109**	**123**	**140**	**136**	**169**	**203**	**230**	**246**	**270**	**334**	**24%**
Investment property gains	0	0	0	0	0	0	0	91	77	22	(71%)
Profit before borrowing costs, depreciation and amortisation	**109**	**123**	**140**	**136**	**169**	**203**	**230**	**337**	**347**	**356**	**3%**
Depreciation and amortisation	32	34	35	36	40	45	38	34	37	39	5%
Interest	107	109	137	97	97	90	80	80	84	90	7%
Profit / (loss) before tax	**(30)**	**(21)**	**(32)**	**3**	**32**	**68**	**112**	**223**	**226**	**227**	**0.1%**
Tax expense / (benefit)	0	0	(22)	5	13	27	33	67	68	68	0%
Net profit / (loss)	**(30)**	**(21)**	**(10)**	**(2)**	**19**	**41**	**79**	**156**	**158**	**159**	**0.1%**

PASSENGER VOLUMES - MELBOURNE AIRPORT

Year end 30 June (millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 07 - 08
International	2.73	2.99	3.36	3.41	3.28	3.76	4.30	4.38	4.53	4.77	5.3%
Domestic	11.64	12.34	13.56	12.81	13.48	15.23	16.30	16.88	17.81	19.36	8.7%
Total*	**14.58**	**15.57**	**17.24**	**16.48**	**16.92**	**19.16**	**20.78**	**21.43**	**22.50**	**24.26**	**7.8%**

**Total includes transit passengers*

AIRCRAFT MOVEMENTS - MELBOURNE AIRPORT

Year end 30 June (thousands)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 07 - 08
International	18.2	20.5	23.1	22.6	21.3	24.0	28.0	25.2	24.1	25.2	4.6%
Domestic	136.2	142.7	162.0	133.1	135.0	140.0	151.2	152.9	154.8	166.8	7.8%
General Aviation	2.4	1.5	2.3	1.9	1.6	1.3	1.3	1.2	1.3	1.5	15.4%
Total	**156.8**	**164.7**	**187.4**	**157.6**	**157.9**	**165.3**	**180.5**	**179.3**	**180.2**	**193.5**	**7.4%**

PASSENGER VOLUMES – LAUNCESTON AIRPORT

Year end 30 June (millions)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 07 - 08
Domestic	0.52	0.54	0.52	0.53	0.58	0.67	0.82	0.92	0.99	1.10	11.1%

AIRCRAFT MOVEMENTS – LAUNCESTON AIRPORT

Year end 30 June (thousands)	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Change 07 - 08
Regular public transport	10.1	10.8	13.3	9.2	7.5	7.9	9.3	9.5	9.7	10.7	10.3%
General Aviation	19.0	16.8	13.1	12.4	7.4	7.4	5.7	5.5	4.8	6.4	33.3%
Total	**29.1**	**27.6**	**26.4**	**21.6**	**14.9**	**15.3**	**15.0**	**15.0**	**14.5**	**17.1**	**17.9%**

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 with 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.

APAC Board of Directors

Don Mercer	Chris Woodruff	John Dorrian	Phil Garling	Steve Boulton	Damian Moloney	Jack Ritch	Richard Hedley
Chairman of the Board	Managing Director and Chief Executive Officer	Director	Director	Director	Director	Director	Director
Don Mercer was appointed Chairman of APAC in November 1997.	Chris Woodruff was appointed a Director of APAC in August 2007.	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 was appointed a Director of APAC in March 2004. Phil is head of Infrastructure at AMP Capital Investors (AMPCI).	Steve Boulton was appointed a director of APAC in February 2008. Steve is the CEO of Hastings Funds Management.	Damian Moloney was appointed a director of APAC in May 2008. Damian is the Chief Executive of Industry Funds Management (IFM).	Jack Ritch was appointed a Director of APAC in 1997. Jack is Chairman of AMP Capital Investors.	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.

Company Secretaries

Kirby Clark

Damian Tkalec

Profit and Loss for the Financial Year
Ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000
Operating revenue		
Aeronautical revenue	170,484	147,261
Retail revenue	183,369	155,638
Property revenue	46,613	41,235
Rental revenue	6,193	5,588
Security, outgoings and other income	42,329	34,079
Interest revenue	391	269
Total operating revenue	**449,379**	**384,070**
Non-operating revenue	46	329
Revenue from ordinary activities	**449,425**	**384,399**
Less: operating costs		
Staff costs	25,882	21,534
Service and utilities	58,368	46,624
Maintenance costs	12,494	11,783
Administration, marketing and other	16,577	14,278
Performance payments	1,763	20,370
Operating profit	**334,341**	**269,810**
Add:		
Change in fair value of investment property	21,877	76,833
Operating profit before borrowing costs, depreciation and amortisation	**356,218**	**346,643**
Less:		
Depreciation and amortisation	39,255	36,605
Borrowing costs	89,866	83,542
Profit before income tax expense	**227,097**	**226,496**
Less:		
Income tax expense	68,397	68,578
Profit for the year	**158,700**	**157,918**

Balance Sheet
as at 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000
Current assets		
Inventories	544	442
Receivables	24,272	21,438
Other financial assets	13,933	6,694
Total current assets	**38,749**	**28,574**
Non-current assets		
Property, plant and equipment	907,867	799,845
Investment property	894,849	874,122
Goodwill	671,866	671,866
Other intangible assets	-	-
Other financial assets	14,376	1,242
Total non-current assets	**2,488,958**	**2,347,075**
Total assets	**2,527,707**	**2,375,649**
Current liabilities		
Bank overdraft	2,039	1,548
Payables	48,619	46,830
Borrowings	-	449,010
Current tax liabilities	23,999	15,026
Provisions	4,309	3,991
Total current liabilities	**78,966**	**516,405**
Non-current liabilities		
Borrowings	1,429,423	890,907
Payables	1,132	1,132
Deferred tax liabilities	341,299	327,329
Provisions	760	736
Other liabilities	6,145	6,382
Total non-current liabilities	**1,778,759**	**1,226,486**
Total liabilities	**1,857,725**	**1,742,891**
Net assets	**669,982**	**632,758**
Equity		
Issued capital	118,100	118,100
Reserves	19,818	5,479
Retained earnings	532,064	509,179
Total equity	**669,982**	**632,758**

Cash Flow Statement

as at 30 June 2008

	Consolidated Inflows (Outflows) 2008 $'000	2007 $'000
Cash flows from operating activities		
Receipts from customers	484,814	419,072
Payments to suppliers and employees	(163,764)	(153,178)
Income tax (paid) / received	(51,599)	(47,295)
Interest and bill discounts received	391	269
Interest and other costs of finance paid	(87,576)	(82,690)
Net cash provided by operating activities	**182,266**	**136,178**
Cash flows from investing activities		
Payment for property, plant and equipment	(131,533)	(90,406)
Proceeds from sale of property, plant and equipment	228	662
Payment for investment property	(2,664)	(16,969)
Net cash used in investing activities	**(133,969)**	**(106,713)**
Cash Flows from financing activities		
Proceeds from borrowings	669,500	193,500
Repayment of borrowings	(580,800)	(125,200)
Payment for debt issue costs	(1,673)	-
Dividend paid	(135,815)	(102,747)
Net cash provided by / (used in) financing activities	**(48,788)**	**(34,447)**
Net increase / (decrease) in cash held	**(491)**	**(4,982)**
Cash assets at the beginning of the financial year	**(1,548)**	**3,434**
Cash assets at the end of the financial year	**(2,039)**	**(1,548)**

Summary of Key Notes to Financial Information for the Financial Year

Ended 30 June 2008

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 26 August 2008 and can be obtained from the website listed in note 24.

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 judgements, 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 judgements. 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.

Judgements 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.

Summary of Key Notes to Financial Information for the Financial Year

Ended 30 June 2008

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 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).

Summary of Key Notes to Financial Information for the Financial Year

Ended 30 June 2008

1 Summary of key accounting policies (cont'd)

(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

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.

	Consolidated 2008 $'000	Consolidated 2007 $'000
2 Income tax recognised in profit		
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit from operations	**227,097**	**226,496**
Income tax expense calculated at 30%	68,129	67,949
Permanent differences:		
Non deductible expenses	191	153
Non-deductible depreciation	62	62
Under provision of income tax in previous year	15	414
Income tax expense	**68,397**	**68,578**
3 Current receivables		
Trade receivables	24,272	21,438

	Consolidated					
	$'000	$'000	$'000	$'000	$'000	$'000
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
4 Property, plant and equipment						
Gross carrying amount – at cost						
Balance at 30 June 2007	65,530	243,512	558,028	162,581	31,227	1,060,878
Additions	-	-	-	-	143,697	143,697
Disposals	-	(202)	(1)	(682)	-	(885)
Transfers to / (from) assets under construction	-	21,512	51,324	19,363	(92,199)	-
Transfers from Investment Property	-	3,814	-	-	-	3,814
Balance at 30 June 2008	**65,530**	**268,636**	**609,351**	**181,262**	**82,725**	**1,207,504**
Accumulated depreciation/ amortisation						
Balance at 30 June 2007	5,736	76,156	93,212	85,929	-	261,033
Depreciation and amortisation expense	671	10,513	16,461	11,610	-	39,255
Disposals	-	(27)	-	(624)	-	(651)
Balance at 30 June 2008	**6,407**	**86,642**	**109,673**	**96,915**		**299,637**
Net book value as at 30 June 2008	**59,123**	**181,994**	**499,678**	**84,347**	**82,725**	**907,867**

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.

	Consolidated	
	2008	**2007**
	$'000	**$'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	671	669
• Buildings	10,513	9,861
• Roads, runways and other infrastructure	16,461	15,003
• Plant and equipment	11,610	10,770
	39,255	**36,303**
5 Investment Properties		
Balance at beginning of financial year	874,122	780,320
Additions for the year	2,664	16,969
Net gain from fair value adjustments	21,877	76,833
Transfer from/(to) operating assets	(3,814)	-
Balance at end of financial year	**894,849**	**874,122**

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 2008

	Consolidated 2008 $'000	Consolidated 2007 $'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 12.5% per annum, (2007: 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	**4,000**	**3,698**
Amortisation expense	-	302
Balance at end of financial year	**4,000**	**4,000**
Net book value	-	-
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

	Consolidated 2008 $'000	Consolidated 2007 $'000
8 Current payables		
Trade payables	39,142	20,886
Goods and services tax payable	1,194	1,368
Non-trade payables to:		
- Other related parties	-	18,042
- Other	465	904
	40,801	**41,200**
Interest Payable to:		
- Secured debt – other entities (i)	7,515	5,396
- Other	303	234
	7,818	**5,630**
	48,619	**46,830**
(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.		
9 Current borrowings		
Secured (i)		
• Tranche 1 ($300m fixed 6.75% due 15 June 2008)	-	300,000
• Tranche 2 ($150m variable due 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. Security given is all the assets of all operating companies. There have been no defaults on loans payable during the current or prior years.		
10 Current tax liabilities		
Income tax payable	**23,999**	**15,026**

Summary of Key Notes to Financial Information for the Financial Year
Ended 30 June 2008

	Consolidated 2008 $'000	Consolidated 2007 $'000
11 Current provisions		
Employee entitlements	**4,309**	**3,991**
12 Borrowings		
Non-trade payables to:		
- Senior – bank debt (i)	654,600	115,900
- 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	**1,436,880**	**898,180**
Deferred borrowing costs	(7,457)	(7,273)
	1,429,423	**890,907**
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	2,479	2,348
(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.		
13 Non-current payables		
Non trade payables	**1,132**	**1,132**
14 Deferred tax liabilities		
Temporary differences	**341,299**	**327,329**
15 Non-current provisions		
Employee benefits	**760**	**736**
16 Non-current other liabilities		
Unearned revenue	**6,145**	**6,382**

	Consolidated 2008 $'000	Consolidated 2007 $'000
17 Capitalised borrowing costs		
Borrowing costs capitalised during the financial year	**2,377**	**1,495**
Weighted average capitalisation rate on funds borrowed generally	6.5%	6.4%
18 Issued capital		
118,100,000 Ordinary shares – fully paid (2007: 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	**5,479**	**6,133**
Gained recognised:		
- interest rate swaps	20,484	(939)
Deferred tax arising on hedges	(6,145)	285
	14,339	**(654)**
Balance at end of financial year	**19,818**	**5,479**
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	509,179	454,008
Profit for the year	158,700	157,918
Dividends paid	(135,815)	(102,747)
Balance at end of financial year	**532,064**	**509,179**
21 Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment not longer than 1 year	175,052	61,334
Longer than 1 year	93,032	-
Balance at end of financial year	268,084	61,334

22 Controlled entities

Name of entity		Country of incorporation	Ownership interest 2008 %	Ownership interest 2007 %
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

(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.

23 Dividends

	Consolidated 2008 $'000	Consolidated 2007 $'000
A fully franked interim dividend was paid during the financial year	135,815	102,747
Franking account	42,721	40,316

24 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.

Notes