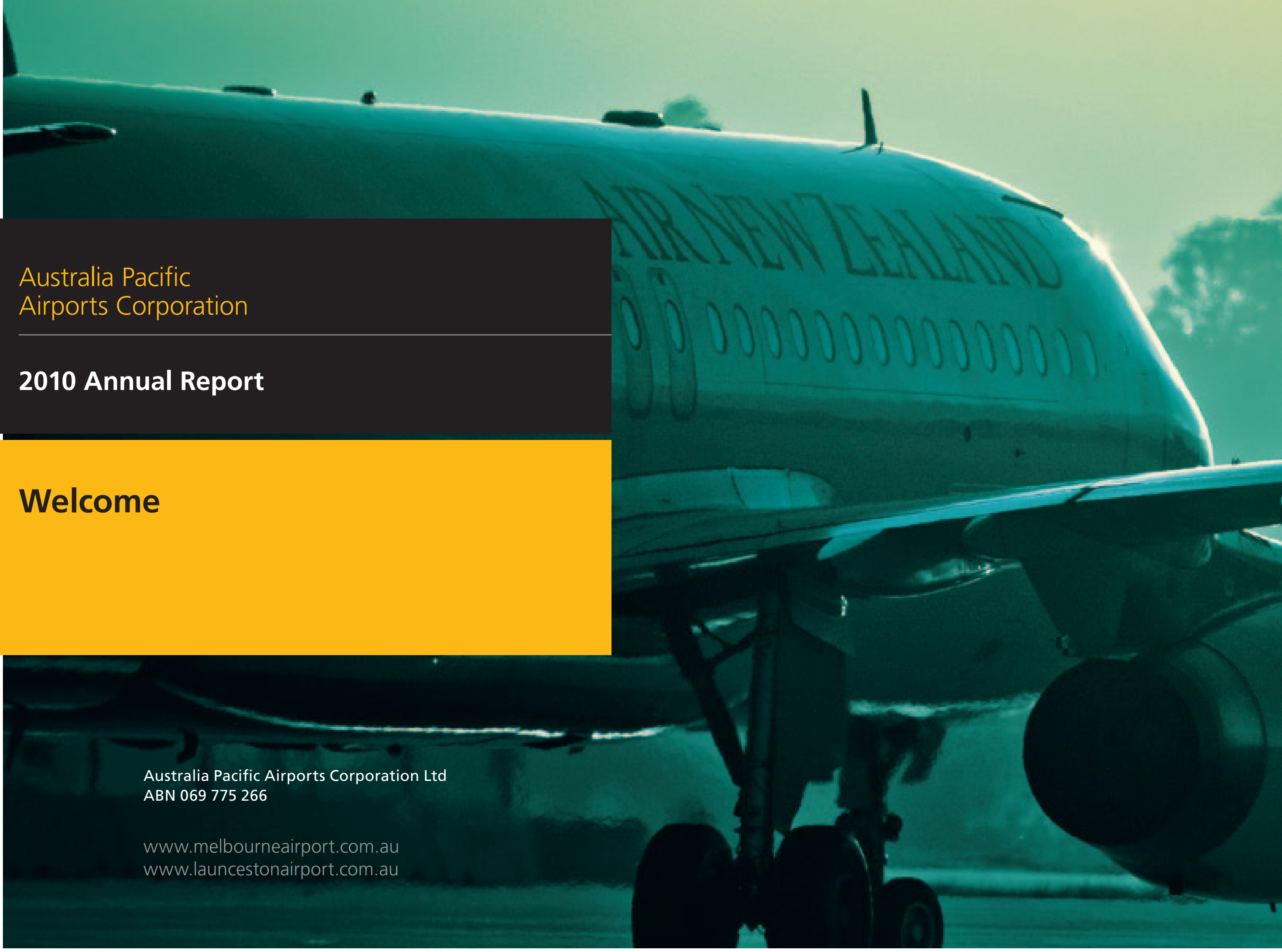
Australia Pacific
Airports Corporation

2010 Annual Report

Delivering responsible growth together

Contents



Australia Pacific
Airports Corporation

2010 Annual Report

Welcome

Australia Pacific Airports Corporation Ltd
ABN 069 775 266

www.melbourneairport.com.au
www.launcestonairport.com.au

About APAC

Australia Pacific Airports Corporation Limited (APAC) operates two key Australian aviation assets, Melbourne Airport and Launceston Airport.

APAC acquired Melbourne Airport in July 1997. Launceston Airport was acquired shortly after (May 1998) in partnership with the Launceston City Council. 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. APAC's shareholders are:

- AMP Capital Investors
- Industry Funds Management
- Hastings Funds Management
- Deutsche Asset Management (RREEF Infrastructure)
- Future Fund

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.

"By listening to our partners and airline customers we have successfully positioned APAC for sustainable future growth."

Chris Woodruff - Chief Executive Officer

2010 Highlights

Results at a glance

Year ended 30 June ($ millions)	2010	2009	Change
Total revenue	518	477	9%
Operating expenses	130	125	4%
Operating profit	388	352	10%
Change in fair value of investment property	11	(33)	—
Profit before borrowing costs, depreciation and amortisation	399	319	25%
Depreciation and amortisation	54	46	17%
Interest	115	96	20%
Profit before tax	230	177	30%
Income tax expense	69	53	30%
Net profit	161	124	30%

TOTAL REVENUE ($ millions)

2008 — 449
2009 — 477
2010 — 518

OPERATING PROFIT ($ millions)

2008 — 334
2009 — 352
2010 — 388

PROFIT AFTER TAX ($ millions)

2008 — 159
2009 — 124
2010 — 161

OPERATING PROFIT

+10%

New airline customers, new routes, increased services

INTERNATIONAL MARKET SHARE

21.7%

China, India, Indonesia, Malaysia drive growth

CAPITAL EXPENDITURE

$161m

Major projects including expansion of T2 international and Launceston terminals

INTERNATIONAL PASSENGERS

+13%

Outperforming key competitors

MELBOURNE PASSENGERS

26m

Overall passenger numbers up 6%

LAUNCESTON PASSENGERS

1.124m

Highest ever passenger numbers

Growth

"We achieved solid growth in a difficult year while delivering continued investment and strategic expansion into key international markets."

Kirby Clark - Chief Financial Officer

IN 2009/10

- International passenger numbers through Melbourne Airport grew 13% – outperforming key competitors
- Melbourne Airport welcomed Qatar Airways and V Australia
- Stages one and two of Melbourne Airport's $330m T2 international terminal completed
- Launceston Airport's $20m terminal expansion opened
- Melbourne and Launceston received SafetyMAP accreditation – the only two airports in Australia to achieve this standing
- Melbourne Airport awarded "Low Cost Airport of the Year" by the Centre for Asia Pacific Aviation (CAPA)

Shaping Australia's aviation future

In December 2009 the Federal Government released the National Aviation White Paper, a vision for the future of aviation in Australia. APAC will continue to work with the Government to ensure aeronautical development at airports is agile, timely and provides the best value for money for passengers.

Vision

"At APAC we acknowledge our responsibilities to care for the environment and the community in which we operate."

Colleen Newsome - EGM People and Performance

IN 2009/10

- Reduced APAC's environmental footprint through the installation of low energy lighting and equipment upgrades to improve the efficiency and capacity of the Airport grid
- Commenced investigation into cleaner energy alternatives, including on-site gas fired 'tri-generation', micro wind and solar photovoltaic power
- Gated aircraft linked to Melbourne Airport's ground power and air conditioning services, reducing cost and removing need to use inefficient generators
- Enhanced local partnership program with grass root groups such as Western Chances and the Salvation Army
- Supported cultural events including the Victorian Tourism Awards, the Melbourne International Comedy Festival and the Melbourne Food and Wine Festival

T2 turns a smarter shade of green

In-floor hydronic and cooling systems in the new retail areas are among the many design features helping to make the new T2 international terminal the most energy efficient terminal in Australia. In addition to lowering carbon emissions and reducing cost, the in-floor system makes heating and cooling comfortable for passengers.

Engagement

“We are working with local communities and stakeholders to ensure we offer services aligned with customer expectations.”

Colleen Newsome - EGM People and Performance

IN 2009/10

- Commitment to cultural diversity and community engagement saw Melbourne Airport celebrate important cultural events including Chinese New Year and Diwali, the Indian Festival of Lights
- Participated in key forums such as Melbourne Airport's Noise Abatement Committee and Transport Working Group as well as joint initiatives such as Clean Up Australia Day and World Environment Day
- Engaged key stakeholders, government and community in the successful delivery of the Launceston Airport Master Plan 2009

Light shines on Indian community links

Continuing APAC's commitment to cultural engagement, the Indian community was invited to celebrate Diwali, the Festival of Lights, at Melbourne Airport. The celebrations included colourful dancers, displays, music and activities.

Chairman's Message

"Our business has successfully withstood the challenges of turbulent economic times and changes in the airline industry to produce consistent growth and strategic investment."

The past year has seen Melbourne Airport and Victoria emerge from the global financial crisis in good shape. The 26 million passengers that passed through Melbourne Airport in 2009/10 are testament to the resilience of the Victorian economy and the strong inbound market despite uncertain economic times.

We have achieved significant capacity growth in and out of Melbourne Airport, reflecting the confidence of airlines to continue to invest in the Victorian market. This extra capacity has been realised through numerous additional international and domestic services, destinations and even new airlines, with the fastest growing markets coming from Asia and the Middle East.

The changing nature of the airline business, Victoria's growing standing on the international stage and Melbourne Airport's ability to adapt to new market expectations and cultural requirements can be seen through the number of new airlines, high, low and medium cost, that have commenced services at Melbourne Airport in recent years.

Our ability to facilitate this growth is a key priority. Melbourne Airport is now nearing completion of a number of projects representing a total investment of $330m, including the redevelopment of its international terminal.

This year saw the successful completion and opening of the new terminal at Launceston, a development that positions the Airport for future growth.

Another important change was in our investor mix with APAC recently welcoming the Future Fund as a shareholder in the group, reflecting its confidence in Melbourne and Launceston Airports.

The competitiveness of Melbourne and Victoria can be largely attributed to Victoria's strong local economy, tourism, cultural and sports sectors. The close working relationship of Team Victoria, involving the collaboration of the Victorian Government and business community, tourism bodies and Melbourne Airport, is critical to the success of our Airport.

On behalf of the Board, I would like to thank Chris Woodruff, our CEO, and the management and staff of APAC for such a good year. I wish them all the best for the challenging year ahead as our Airports continue to grow.

Jack Ritch - Chairman

Chief Executive Officer's Message

"By continuing to invest in our Airports and people we have created strong foundations for future growth and success."

APAC had another successful year in 2009/10 as we continued our journey to become the most successful airport group in the Asia Pacific region.

Operating profits for the year were up 10% to $388m while significant investment in capital works laid the foundation for continued future growth.

Despite ongoing challenges in the aviation industry, APAC maintained its confidence, investing $161m in new infrastructure – the second highest level of investment in our history.

As always, airport security and safety were a top priority. Melbourne Airport's T2 international terminal and Launceston Airport both launched enhanced safety systems as part of their extensive capital works programs. Melbourne and Launceston Airports are currently the only two airports in Australia to be SafetyMAP accredited.

In December the Federal Government released the National Aviation White Paper, the vision for the future of aviation in Australia. We fully support initiatives to improve security and safety outcomes and will continue to work with the Government to promote investment and confidence in our industry.

The strong performance of APAC in the current financial year is reflected in the success of Launceston Airport where passenger traffic reached 1.124m. Launceston's new $20m terminal offers more efficient check-in, larger retail space and the most up-to-date checked bag screening for additional security. This upgrade, along with its capacity to support growth in jet services and the planned upgrade of freight facilities, strongly positions Launceston Airport to expand both passenger and freight operations.

In Melbourne, stages one and two of the $330m T2 development opened on time and on budget. One of the largest private infrastructure investments currently underway in Victoria, the T2 expansion greatly enhances our ability to service next-generation aircraft, including the A380, and attract additional airline customers.

Melbourne's standing as a tourist and business destination is reflected in the impressive 2009/10 passenger figures, which show an additional 600,000 international passengers – up 13% year-on-year.

Airlines are recognising the advantages of Melbourne Airport's curfew free status, low cost base, modern facilities and strong local economy. During the year we welcomed new airline customers Qatar Airways and V Australia. Many existing customers also increased capacity or added new routes.

Part of our success in attracting new customers – particularly in the key growth markets of India and China – is due to Melbourne Airport's commitment to cultural engagement and long-term partnerships with local communities. A personal highlight was the Diwali Festival of Lights during which the Airport played host to cultural performances and displays by the Indian community.

The past year reinforced the vital links between Melbourne Airport and the Victorian community. Forty years ago Victorians witnessed the dawn of a new era in aviation with the opening of what was then Tullamarine. Melbourne Airport quickly became the major gateway to Victoria, underpinning economic growth, driving tourism and connecting millions of people around the country and across the globe.

We have worked as a member of Team Victoria in welcoming new airlines and routes, and are increasing investment in our infrastructure which lays the foundation for Victoria's future aviation growth.

Chris Woodruff - Chief Executive Officer

APAC Board of Directors

JACK RITCH
Chairman of the Board

Jack Ritch was appointed a Director of APAC in November 1995.

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.

KYLE MANGINI
Director

Kyle Mangini was appointed a Director of APAC in October 2009.

Kyle is a member of Industry Funds Management (IFM) Investments and Strategy Committee and Chairman of IFM's Specialised Debt Committee.

Company Secretaries

KIRBY CLARK
Chief Financial Officer/Deputy Chief Executive Officer

LISA EVANS
Legal Services Manager and Company Secretary

Melbourne Airport Summary

> "Melbourne Airport is ideally positioned to be the major aviation destination in Australia."

Chris Woodruff - Chief Executive Officer

"Our success over the past year has been built on working closely with airlines and regulators to ensure quality service delivery to our passengers."

Simon Gandy - EGM Melbourne Airport Group

Despite continuing headwinds in the global aeronautical industry, Melbourne Airport performed strongly in the 2009/10 financial year.

Aeronautical revenue, including costs passed through from security, increased by 8%, property revenue increased by 3% and retail revenue, including car parking, grew by 11%. These three revenue streams contributed to a total revenue increase of 8% to $503m.

Overall passenger numbers grew 6%, with international passenger numbers increasing 600,000 over the year to 5.54m, a rise of 13%. Melbourne's international passenger growth rate consistently outperformed key competitors in 2009/10, reflecting Melbourne's standing and increasing prominence as an education, business and tourism destination.

Growth in domestic passengers was also impressive – up 4% to 20.63m. The state's successful major events calendar and strong economy saw an extra 900,000 domestic passengers using Melbourne Airport over the year.

Driving this growth was our continued success in attracting new airline customers to Melbourne and significant increases in both routes and capacity. Melbourne Airport now serves 25 international and 6 domestic airlines.

Our major investment program delivered important new infrastructure, principally stages one and two of the $330m expansion of the T2 international terminal. This state-of-the-art facility offers better amenities for customers, enhanced efficiencies for our airlines and strongly positions Melbourne to service the new generation of A380s.

In an Australian first, Melbourne Airport commissioned a Category 3 Instrument Landing System (ILS). This $10m investment ensures a 100% arrival and departure capability in foggy conditions for all approved operators and brings Melbourne into line with major international airports such as London Heathrow and Frankfurt. Importantly, the new navigation system mitigates a key risk factor for our airline customers, adding to our operational advantages over other major Australian airports.

The decision to continue investing in infrastructure during recent global economic uncertainty underscores the stability of our business. In a capital constrained climate we were able to access the debt market when we needed to, which in turn underpinned our financial strength and allowed us to continue investing for the future.

We achieved environmental accreditation and SafetyMAP accreditation for the third time, maintaining Melbourne Airport's status as the only airport in Australia to be accredited in both categories.

Melbourne Airport's low cost base advantage was recognised by the Centre for Asia Pacific Aviation in October when we were named the "Low Cost Airport of the Year".

We continued to be an active community member, providing support to the Salvation Army's Jacana Centre, local football teams and Western Chances, an organisation that provides scholarships and opportunities to young people in Melbourne's western suburbs.

HIGHLIGHTS

+13%	+4%	$157m	87%
International passengers	Domestic passengers	Infrastructure investment	International visitors to Victoria arrive via Melbourne Airport

Launceston Airport Summary

"The new Airport terminal is the modern gateway to the state's second-largest city and the growing economy of Northern Tasmania."

Pamela Graham - GM Launceston Airport

Passenger traffic at Launceston Airport this year reached 1.124m including regionals, an overall increase of 7000 passengers or 1%. Total revenue increased by 12% and operating profit increased by 14%. These were positive results given the challenges faced by the aviation industry and the decline in passenger traffic recorded at other airports during the same period.

Highlighting Launceston Airport's success in working with airline customers, both Qantas and Jetstar launched new routes or added capacity. During the year QantasLink added an extra three weekly services between Launceston and Melbourne, and Jetstar increased direct Brisbane services from four times per week to daily flights.

A key achievement in 2009/10 was the opening of the new $20m terminal expansion in March by the Premier of Tasmania, the Hon. David Bartlett. This was the largest upgrade of the passenger terminal since it opened in 1965 and paves the way for future passenger growth in the region.

The Airport terminal is one about which stakeholders and the community can feel proud. It reflects the modern, vibrant community of Launceston and Northern Tasmania and will support the region's economic expansion.

Designed for enhanced passenger amenity, the upgraded facility includes a substantial increase in public space, two new baggage carousels and three new retail outlets.

There are also enhanced facilities to assist disabled passengers and major security upgrades which include the introduction of full checked bag screening as well as extensive new CCTV. Fire safety in the terminal was also substantially upgraded, incorporating a new evacuation system.

Importantly, the new terminal strategically positions Launceston Airport for growth. The Airport serves Virgin Blue, Qantas, Jetstar and Airlines of Tasmania, with frequent, direct jet services to Australia's three largest cities.

During the year, planning was completed for a $4m airfield lighting upgrade to be completed in 2010/11.

Another important achievement was the approval and publication of the Launceston Airport Master Plan 2009. This document, which outlines the Airport's vision for the medium and long-term future, includes plans for additional terminal development, better transport access and more strategic land utilisation.

The achievements of 2009/10 form a strong foundation for future growth and will be of benefit to all Tasmanians as well as APAC shareholders and customers.

INVESTMENT

$20m

Terminal expansion paves way for growth

PASSENGER VOLUMES

1.124m

Up 1% or 7000 passengers over 2009, including regionals

Aeronautical

"Our role is to drive aeronautical growth by delivering great value to our customers on time, every time."

Damian Tkalec - EGM Corporate Development

Aeronautical operations achieved solid growth and performance during a period in which airlines faced continued economic challenges.

Overall passenger numbers at Melbourne Airport grew 6% during 2009/10. While domestic passengers were up 4%, the key growth driver was a 13% increase in international passengers.

Much of this activity came from our near neighbours, reflecting Melbourne's growing regional and global standing as a key tourism destination and education and business hub. Indonesian passenger numbers rose 36%, while the Malaysian, Chinese and Indian markets increased by 26%, 14% and 10% respectively.

Melbourne Airport welcomed Qatar Airlines and V Australia during the year. A number of existing international airline customers also introduced additional services. This year saw the launch of daily Singapore Airlines A380 services and Qantas launched A380 services from Melbourne to London and increased frequencies to Los Angeles to three times per week.

AirAsia X doubled its flights from Kuala Lumpur to 14 per week and Emirates increased capacity to Dubai, Singapore, Kuala Lumpur and Auckland.

China Southern and Air China announced an increase to daily services to commence in the second half of 2010.

Jetstar hits 50 million

Jetstar welcomed their 50 millionth passenger at Melbourne Airport in May. During the year Jetstar commenced services from Melbourne to Sydney.

INTERNATIONAL PASSENGER NUMBERS +13%

+36%	+26%	+14%	+10%
Indonesia	Malaysia	China	India

Air Mauritius, Air Vanuatu, Garuda Airways, Pacific Blue, Philippine Airlines, Vietnam Airlines and Jetstar also expanded their international Melbourne services.

On the domestic front, in May Jetstar welcomed its 50 millionth passenger to Melbourne Airport. Jetstar also commenced services from Melbourne to Sydney. Tiger launched services from Melbourne to Sydney and Brisbane and increased services to Darwin.

Increases in passenger traffic, airlines and route services were also reflected in the Melbourne freight market. In 2009/10 imports to Melbourne were up 17% year-on-year. Supported by enhanced freight capacity and ongoing capital investment, Melbourne now accounts for 30% of the Australian import market and 33% of the export market.

Launceston Airport recorded its highest passenger numbers ever – 1.124m in the financial year.

The Qantas Group continued to grow in the Launceston market, with QantasLink adding three additional weekly services between Launceston and Melbourne. Jetstar increased direct services between Launceston and Brisbane from four times per week to daily flights.

Operations

"Delivering on the company strategy to achieve great service at low cost was challenging in a period of major projects and increases in passenger numbers."

John Nahyna - GM Operations

The year placed many demands on the smooth running of operations at both Melbourne and Launceston Airports. In Melbourne, international passenger traffic grew by 13%, while major capital works, including construction related to the expansion of T2, were ongoing. Launceston Airport undertook its largest redevelopment since its original construction.

Both Airports continued their smooth functioning during this period, a significant achievement in a time of considerable activity.

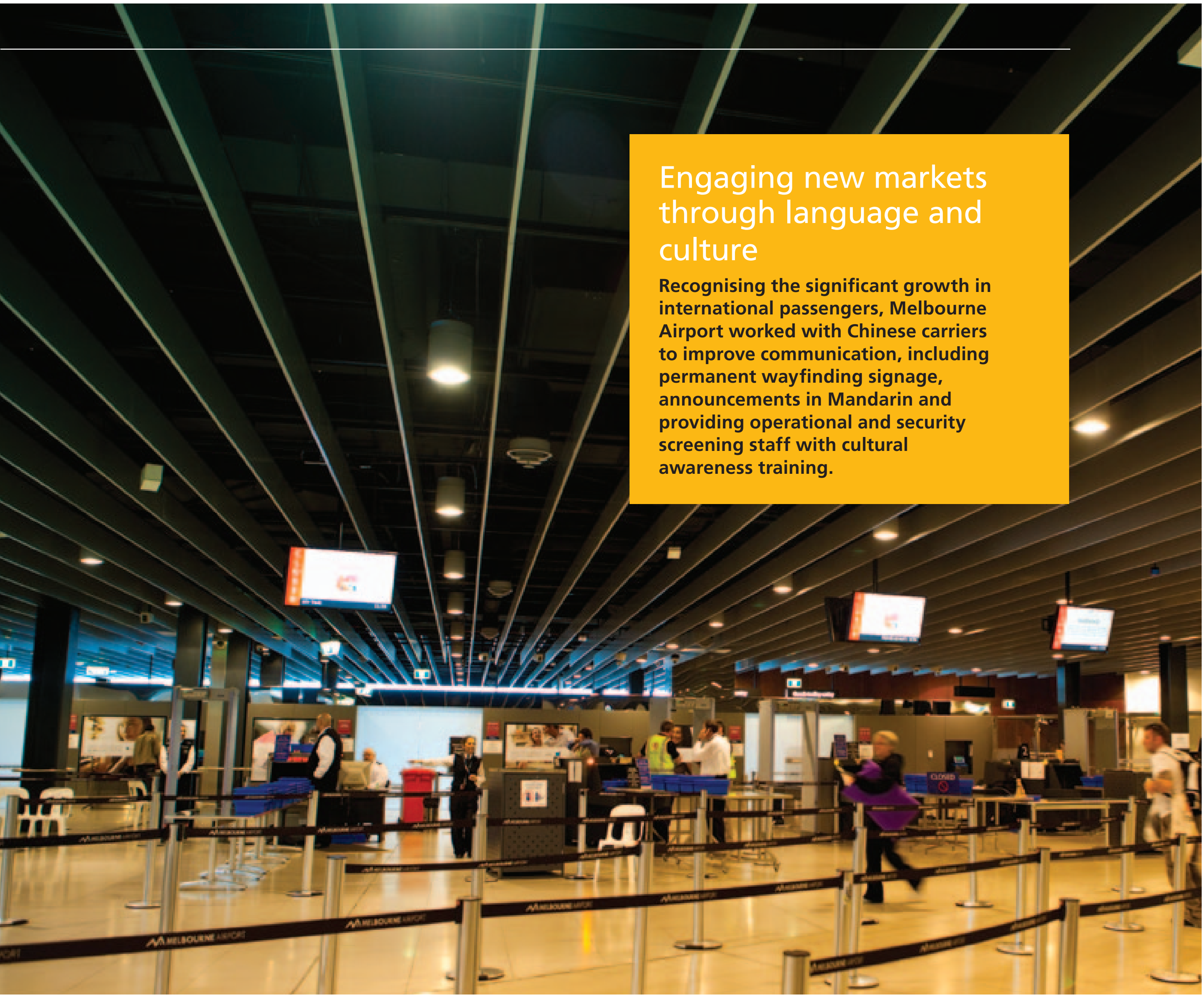
Capital works projects completed at Melbourne Airport included new check-in desks, additional boarding gates at T2, vehicle exit lanes from the freeway to the Airport, work on the Western Apron and the building of a new hardstand for major Airport client Australian air Express (AaE).

Security is always a high priority for APAC and we are continually looking at ways to improve compliance and performance outcomes. At Melbourne Airport a third checked baggage x-ray line and new T2 outbound screening area were opened, helping to ensure excellent customer service while still driving efficiencies and maintaining the highest possible security standards.

The opening of the new Launceston Airport terminal during the year further enhanced APAC's security and safety efforts. The Airport also completed a comprehensive disability access plan during the year.

At Melbourne Airport significant work was undertaken with Chinese and Indian carriers and their communities to make the Airport more appealing to these important markets. Initiatives included installing permanent wayfinding signage and information, PA announcements in Mandarin and celebration of Chinese and Indian cultural events.

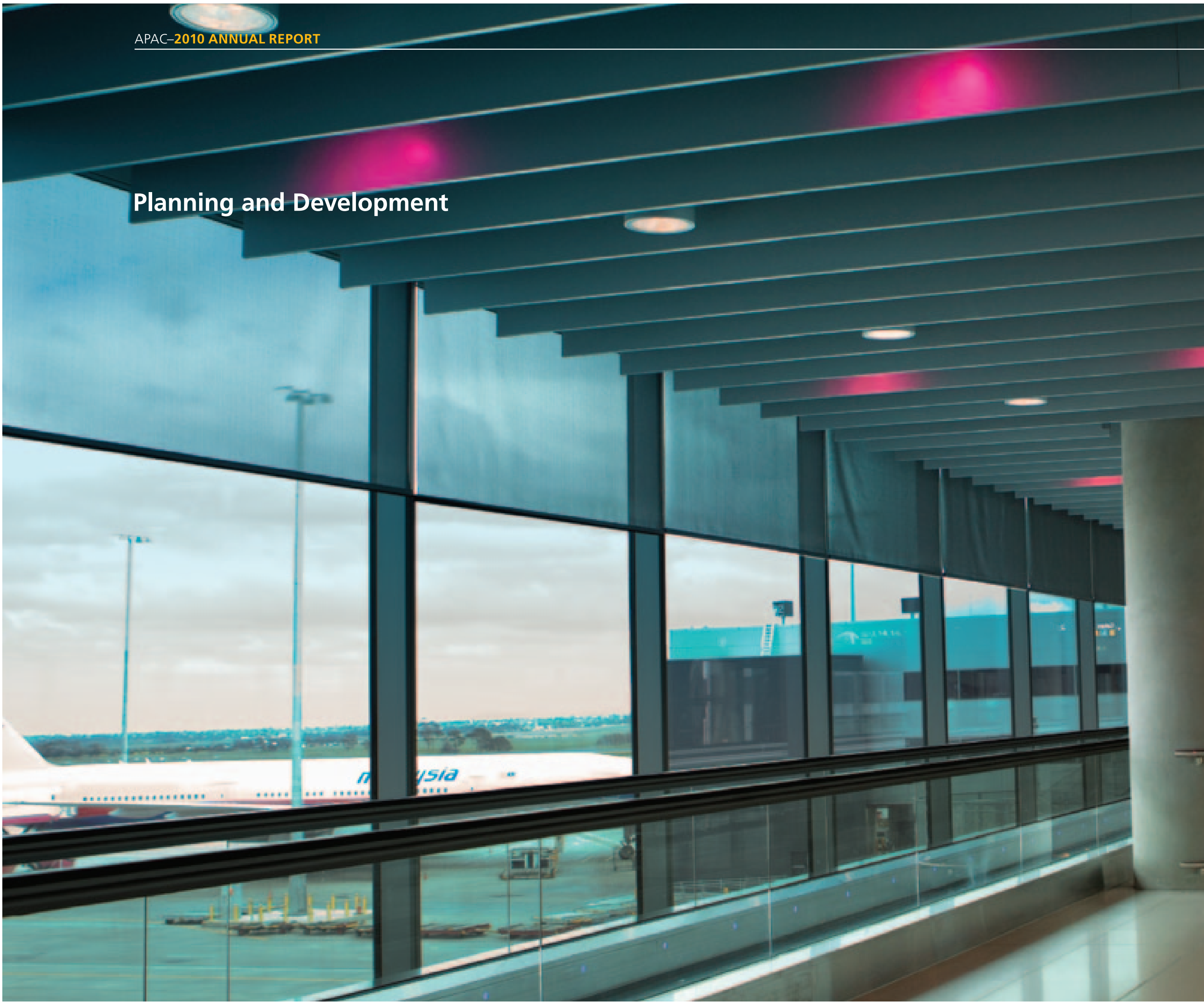
Operational staff and our security screening service provider underwent first round cultural awareness training. This investment in people and communities is further reflected in regular passenger surveys that rate and provide valuable feedback on various parts of the business. The results for the latest survey show Melbourne Airport has continued to provide excellent levels of service with overall passenger experience results either within or above targeted levels in each terminal.



Engaging new markets through language and culture

Recognising the significant growth in international passengers, Melbourne Airport worked with Chinese carriers to improve communication, including permanent wayfinding signage, announcements in Mandarin and providing operational and security screening staff with cultural awareness training.

Planning and Development



“The company’s strong financial performance was achieved not by raising prices or cutting services, but by attracting new airlines and adding new services.”

Nathan Agnew - EGM Strategy, Asset and Planning

APAC's commitment to providing Australia with a low cost, high service airport saw the ongoing implementation of the Melbourne Airport Master Plan. Capital expenditure was $157m at Melbourne Airport and $4m at Launceston, with all works delivered on time and on budget.

The five year, $330m expansion program of the T2 international terminal is the most significant investment since the Airport was privatised in 1997 and is currently one of the largest infrastructure projects in Victoria. Stage one of the project opened in November and included new gates and aerobridges, followed by new outbound and security screening systems in March.

As the Airport continues to expand its facilities, work on the construction of a new retail area and baggage handling facilities within T2 is ongoing. Works are on schedule to open in November 2010.

Following considerable input into the Federal Government Aviation White Paper, the Airport will continue to engage with Government on the draft legislation in setting Australia's long-term aviation policy direction.

Melbourne Airport's Ground Transport Plan was released during the year. A blueprint for future transport needs both on and off airport, the Plan reaffirms the Airport's commitment to multiple modes of transport, including private vehicles, buses, taxis and limousines.

The popularity of Skybus as a low cost, convenient service between the Airport and Southern Cross Station continued to grow in 2009/10, with passenger numbers increasing by 13%.

An additional entry lane from the Tullamarine Freeway was completed, which has helped reduce congestion into the Airport. Further road works are scheduled for completion in the coming financial year.

At Launceston Airport, a number of environmental initiatives were successfully implemented including an Airport-wide recycling program targeting reductions in waste going to landfill. Ministerial approval was also granted for the Launceston Airport Master Plan, opening the way to new investment to provide greater capacity ahead of demand.

Retail and Car Parks

"We continue to transform the retail experience of Melbourne Airport while building strong partnerships for the future."

Gilly Gray - GM Retail and Car Parks

Melbourne Airport's retail and car park portfolio delivered strong revenue growth of 11% in 2009/10.

The Airport underwent significant capital work projects during the year, transforming the retail offer and improving the customer experience.

The year started strongly with the on time, on budget opening in July of the new $53m multi-level car park, bringing total public parking spaces at the Airport to approximately 23,000. A new pricing strategy for parking was developed following extensive customer research to better understand visitor needs.

Retailing is a core activity for Melbourne Airport. In retail, the year could be best characterised as one of consolidation with the finalisation of several new contracts, principally with existing stakeholders, building upon strong business partnerships.

With the ongoing development of the T2 international terminal, the duty free retailer commenced store fit-outs in preparation for the final quarter opening. The new airside retail precinct will be 30% larger than the current precinct and will feature quality food and beverage retailers including Café Vue and a concept by Movida, as well as a luxury watch boutique alongside other speciality retail brands.

The consolidation of existing retail relationships has guaranteed the Airport's ability to provide a quality retail offering and a range of choice for everyone. Of particular note was the awarding of an eight-year contract to The Nuance Group for the operation of the duty free stores. This represents not only the continuation of a successful relationship but, with the opening of the new T2 airside retail area, presents significant opportunities for future growth.

New contracts were entered into with currency exchange operators ANZ and Travelex, ensuring ongoing strong competition and, in turn, convenient 24-hour service and availability for passengers.

The year ahead will see ongoing changes in retail layout with the introduction of Asian-inspired concepts. This will be supported by the Chinese retail strategy to ensure a more effective engagement with this important market, including targeted product offerings and more Mandarin speaking staff.

A wider retail mix was successfully trialled within T4, including Boost Juice and Beach Culture.

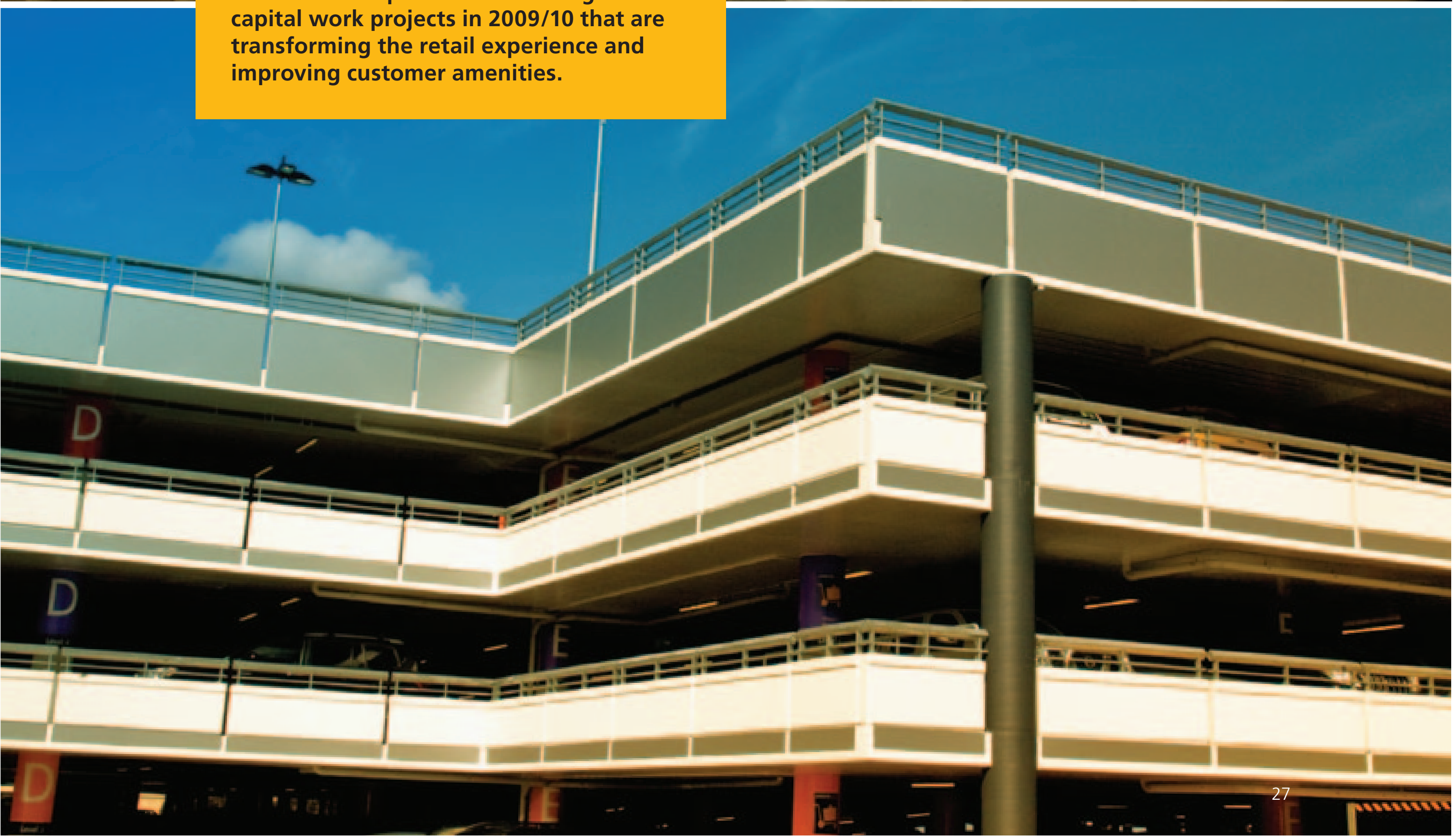
Transport and car parking were other important drivers of growth for APAC during the year. With the implementation of a more structured framework for ground transport at Melbourne Airport, over 40 new contracts for public bus services were finalised during the year and are now in place.

Melbourne Airport welcomed new car hire operator Redspot, offering an alternative, all inclusive price model and a broader range of car rental choices. We also welcomed One Complete Solution (OCS) as the provider of customer service in the car park portfolio.

At Launceston Airport, new agreements were entered into with our major on airport car rental operators, ensuring visitors to the Airport continue to enjoy choice and availability in rental vehicles.

Retail transformation

Melbourne Airport underwent significant capital work projects in 2009/10 that are transforming the retail experience and improving customer amenities.



Property

"The Property Team delivered a strong performance focussed on asset management and direct development – no mean feat given the global economic background."

Linc Horton - GM Property

In a year in which the property market was overshadowed by global economic uncertainty, the Melbourne Airport Property Team performed well, with income growth up 3% and capital values up 1.5%.

Given difficult domestic and international market conditions, this was a strong performance and testament to the Property Team's focus on optimising asset management and a move to direct development.

The renewed focus on asset management drove positive income growth across the portfolio and underpinned an overall increase in the Airport's investment portfolio valuations.

Through greater engagement with airline customers and a proactive and transparent approach to contract negotiation, the Airport is well positioned to provide comprehensive property services for all Airport tenants.

A highlight of the year for the Property Team was the completion of additional facilities for Australian air Express (AaE) at their existing international freight building. The project included the construction of a large area of hardstand airside in support of works undertaken by AaE.

This new infrastructure provided AaE with over 5000m^2 of hardstand, giving it the flexibility to merge two businesses into the one facility, and enabled AaE to remain at the Airport following the expiry of an existing lease. From an operational standpoint, the project highlighted the mutual benefits of partnerships with valued stakeholders that in turn protect income returns to the Airport.

During the year a new development agreement was signed with a specialist industrial joint venture, comprising Australand and CIP. The agreement reflects the new development strategy adopted by the Airport, which will see it engage in direct property development using specialist advice as appropriate.

The coming year will see a continued focus on asset management at both Melbourne and Launceston Airports, ensuring the value of the existing portfolio is protected and enhanced through engagement with existing Airport tenants.

At Melbourne Airport, development will be focused on opportunities that allow for responsible and sustainable growth, ensuring strong long-term returns for shareholders.

Launceston Airport will continue to focus on delivering enhancements to freight capacity in the coming year, positioning the Airport to expand its freight operations.

People

"A key driver of APAC's strong performance and safety record is our continued focus on creating a culture of achievement, engagement and teamwork."

Colleen Newsome - EGM People and Performance

APAC understands that the attitudes and behaviours of staff are fundamental to its ability to grow responsibly and invest sustainably. Teamwork is also vital to the maintenance of the very high safety standards expected by customers and the travelling public.

APAC continued to work towards the corporate strategic goal of building an even better people culture by 2014. As a complex business managing critical infrastructure, it is vital for APAC's customers and future performance that staff are engaged and working towards the same goal, with a united vision.

Various initiatives were undertaken during the year, including the introduction of a climate survey, strategically realigned employee surveys, senior management 360-degree feedback and group awareness processes to improve understanding of staff and customer needs.

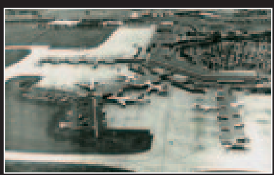
The establishment of a cultural steering group and employee forums has given staff direct feedback into how we conduct our business. Another key initiative undertaken during the year was the commencement of a staff accommodation project to create a more interactive working environment.

APAC's 'people focus' also extends to customers and the wider community. Airport representatives now meet regularly with a variety of groups including local councils, residents and Aboriginal groups to ensure the environment is respected and community concerns are addressed. Airport business partners and tenants are encouraged to support and share APAC's people culture and commitment to growing responsibly, safely and sustainably.

Safety remains a top priority for APAC. Melbourne and Launceston Airports' strong safety performance is due in part to APAC's ongoing commitment to staff engagement. Both Airports' safety record during a period of major capital project works was outstanding, with the lowest staff injury rate since privatisation. Meanwhile, the implementation of a WorkSafe behavioural model approach helped APAC apply its management safety system in day-to-day activity.

40 Years of Melbourne Airport

1950



February 1958
Panel appointed to assess Melbourne's civil aviation needs

May 1959
Minister announces a new airport will be built at Tullamarine

1960

November 1962
Government approves plans for a new £21m international jet airport

November 1964
First sod turned

1970

July 1970
Prime Minister John G. Gorton officially opens Tullamarine International Airport for international operations

July 1970
Inaugural Air New Zealand DC8 service from Christchurch to Melbourne

June 1971
Domestic operations commence

November 1971
Inaugural American Airlines service from Chicago to Melbourne

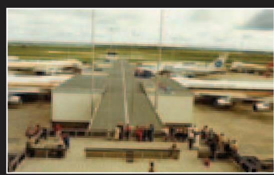
June 1972
Concorde prototype arrives in Melbourne from London

August 1975
Concorde conducts environmental test flights between Melbourne and Singapore

December 1975
Inaugural Pan Am service from New York to Melbourne

November 1977
Inaugural Lufthansa service to Melbourne

1980



July 1981
First Australian Airbus A300 commercial service by Trans Australia Airlines from Melbourne to Sydney

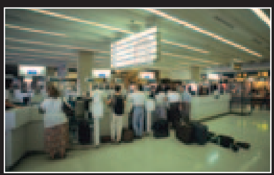
June 1983
First Australian Boeing 767 commercial service by Ansett from Melbourne to Sydney

1988
Melbourne Airport placed under control of the newly formed Federal Airports Corporation (FAC)

February 1989
First Australian Airbus A320 commercial service by Ansett from Melbourne to Sydney

40 YEARS
1970–2010

1990



1990/91
Major upgrade of domestic terminals

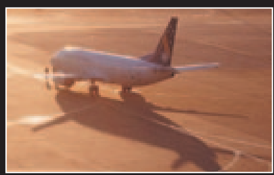
April 1994
Australian Government announces plans to privatise all airports owned by the FAC

December 1995
Boeing 777 prototype arrives in Melbourne

July 1997
Melbourne Airport leased to Australia Pacific Airports Corporation Limited

August 1997
Freight apron extended

2000



May 2001
Inaugural Virgin Blue service to Melbourne

March 2002
Last Ansett flight to Melbourne

May 2004
Inaugural scheduled Jetstar service from Melbourne

April 2005
North-south runway widened by 15m for Airbus A380 operations

November 2005
Airbus A380 test flight arrives in Melbourne

December 2009
Opening of the first stage of the $330m T2 international terminal expansion

2010

March 2010
Completion of the second stage of the T2 expansion

March 2010
First Australian airport equipped with Category 3 Instrument Landing System (ILS) to enable arrival and departure during fog

July 2010
Melbourne Airport reaches 40 year milestone

Melbourne Airport is proud to have grown with the Victorian community over the past 40 years and is committed to delivering responsible growth together into the future

Results Summary

	2001	2002	2003
Financial Results – Australia Pacific Airports Corporation Year Ended 30 June ($ millions)			
Aeronautical	57	57	91
Retail	77	80	90
Property and rental	41	42	37
Security and other	20	22	25
Total revenue	**195**	**201**	**243**
Operating expenses	55	65	74
Operating profit	**140**	**136**	**169**
Investment property gains	0	0	0
Profit before borrowing costs, depreciation and amortisation	**140**	**136**	**169**
Depreciation and amortisation	35	36	40
Interest	137	97	97
Profit / (loss) before tax	**(32)**	**3**	**32**
Tax expense / (benefit)	(22)	5	13
Net profit / (loss)	**(10)**	**(2)**	**19**
Passenger volumes – Melbourne Airport Year ended 30 June (millions)			
International	3.36	3.41	3.28
Domestic	13.56	12.81	13.48
Total*	**17.24**	**16.48**	**16.92**

*Total includes transit passengers

	2001	2002	2003
Aircraft movements – Melbourne Airport Year ended 30 June (thousands)			
International	23.1	22.6	21.3
Domestic	162.0	133.1	135.0
General aviation	2.3	1.9	1.6
Total	**187.4**	**157.6**	**157.9**
Passenger volumes – Launceston Airport Year ended 30 June (millions)			
Domestic	0.52	0.53	0.58
Aircraft movements – Launceston Airport Year ended 30 June (thousands)			
Regular public transport	13.3	9.2	7.5
General aviation	13.1	12.4	7.4
Total	**26.4**	**21.6**	**14.9**

	2004	2005	2006	2007	2008	2009	2010	Change
	112	126	136	147	171	178	193	8%
	106	123	138	156	183	191	219	15%
	40	44	42	47	53	58	60	3%
	28	30	32	34	42	49	46	(6%)
	286	**323**	**348**	**384**	**449**	**476**	**518**	**9%**
	83	93	102	114	115	124	131	6%
	203	**230**	**246**	**270**	**334**	**352**	**387**	**10%**
	0	0	91	77	22	(33)	11	
	203	**230**	**337**	**347**	**356**	**319**	**398**	**25%**
	45	38	34	37	39	46	53	15%
	90	80	80	84	90	96	115	20%
	68	**112**	**223**	**226**	**227**	**177**	**230**	**30%**
	27	33	67	68	68	53	69	30%
	41	**79**	**156**	**158**	**159**	**124**	**161**	**30%**
	3.76	4.30	4.38	4.53	4.77	4.91	5.54	12.8%
	15.23	16.30	16.88	17.81	19.36	19.74	20.63	4.5%
	19.16	**20.78**	**21.43**	**22.50**	**24.26**	**24.77**	**26.29**	**6.1%**
	24.0	28.0	25.2	24.1	25.2	27.0	30.4	12.6%
	140.0	151.2	152.9	154.8	166.8	166.1	164.7	(0.8%)
	1.3	1.3	1.2	1.3	1.5	0.9	0.8	(11.1%)
	165.3	**180.5**	**179.3**	**180.2**	**193.5**	**194.0**	**195.9**	**1.0%**
	0.67	0.82	0.92	0.99	1.10	1.11	1.12	0.9%
	7.9	9.3	9.5	9.7	10.7	10.7	10.5	(1.9%)
	7.4	5.7	5.5	4.8	6.4	6.1	6.8	11.5%
	15.3	**15.0**	**15.0**	**14.5**	**17.1**	**16.8**	**17.3**	**3.0%**

Profit and Loss

For the Financial Year Ended 30 June 2010

	Consolidated 2010 $ '000	Consolidated 2009 $ '000
Operating revenue		
Aeronautical revenues	217,917	202,531
Retail revenues	218,399	196,313
Property revenues	79,717	76,578
Interest and other revenues	1,798	1,581
Total operating revenue	**517,831**	**477,003**
Non-operating revenue	23	24
Revenue from ordinary activities	**517,854**	**477,027**
Less: operating costs		
Staff costs	28,046	25,233
Service and utilities	70,325	67,532
Maintenance costs	13,688	11,761
Administration, marketing and other	18,342	20,989
Operating profit	**387,453**	**351,512**
Add:		
Change in fair value of investment property	11,236	(32,992)
Profit before borrowing costs, depreciation and amortisation	**398,689**	**318,520**
Less:		
Depreciation and amortisation	53,843	45,994
Borrowing costs	115,052	95,818
Profit before income tax expense	**229,794**	**176,708**
Less:		
Income tax expense	68,909	53,173
Profit for the year	**160,885**	**123,535**

Balance Sheet

As at 30 June 2010

	Consolidated 2010 $ '000	Consolidated 2009 $ '000
Current assets		
Cash at bank	–	13,589
Inventories	317	542
Receivables	31,253	29,906
Other financial assets	766	39
Total current assets	**32,336**	**44,076**
Non-current assets		
Property, plant and equipment	1,191,812	1,083,220
Investment property	885,300	872,811
Goodwill	671,866	671,866
Total non-current assets	**2,748,978**	**2,627,897**
Total assets	**2,781,314**	**2,671,973**
Current liabilities		
Bank overdraft	8,456	–
Payables	39,789	44,226
Borrowings	1,181,203	–
Current tax liabilities	13,421	18,607
Provisions	4,563	4,578
Other financial liabilities	137	13,535
Total current liabilities	**1,247,569**	**80,946**
Non-current liabilities		
Borrowings	546,563	1,646,820
Payables	1,132	1,132
Deferred tax liabilities	313,907	312,850
Provisions	710	641
Other liabilities	52,037	30,222
Total non-current liabilities	**914,349**	**1,991,665**
Total liabilities	**2,161,918**	**2,072,611**
Net assets	**619,396**	**599,362**
Equity		
Issued capital	118,100	118,100
Reserves	(32,929)	(26,712)
Retained earnings	534,225	507,974
Total equity	**619,396**	**599,362**

Cash Flow Statement

As at 30 June 2010

	Consolidated Inflows (Outflows)	
	2010	**2009**
	$ '000	$ '000
Cash flows from operating activities		
Receipts from customers	567,856	517,512
Payments to suppliers and employees	(181,846)	(173,892)
Income tax (paid) received	(70,373)	(67,073)
Interest received	263	170
Interest and other costs of finance paid	(116,936)	(101,215)
Net cash provided by operating activities	**198,964**	**175,502**
Cash flows from investing activities		
Payment for property, plant and equipment	(160,631)	(216,689)
Proceeds from sale of property, plant and equipment	20	20
Payment for investment property	(1,253)	(10,954)
Net cash used in investing activities	**(161,864)**	**(227,623)**
Cash Flows from financing activities		
Proceeds from borrowings	261,000	467,400
Repayment of borrowings	(182,000)	(250,000)
Payment for debt issue costs	(3,511)	(2,026)
Dividend paid	(134,634)	(147,625)
Net cash provided by/(used in) financing activities	**(59,145)**	**67,749**
Net increase/(decrease) in cash held	**(22,045)**	**15,628**
Cash assets at the beginning of the financial year	**13,589**	**(2,039)**
Cash assets at the end of the financial year	**(8,456)**	**13,589**

Summary of Key Notes to Financial Information

For the Financial Year Ended 30 June 2010

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 30 August 2010 and can be obtained from the website listed in Note 25.

Basis of preparation

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

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 23 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 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.

Summary of Key Notes to Financial Information

(continued)

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.

	Consolidated	
	2010	**2009**
	$ '000	$ '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	**229,794**	**176,708**
Income tax expense calculated at 30%	68,939	53,012
Permanent differences:		
Non deductible expenses	117	164
Non-deductible depreciation	62	62
Under/(over) provision of income tax in previous year	(4)	–
Investment allowance	(205)	(65)
Income tax expense	**68,909**	**53,173**
3. Current receivables		
Trade receivables	31,253	29,906

Summary of Key Notes to Financial Information

(continued)

	Consolidated					
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
4. Property, plant and equipment	$ '000	$ '000	$ '000	$ '000	$ '000	$ '000
Gross carrying amount – at cost						
Balance at 30 June 2009	**65,530**	**346,344**	**646,460**	**212,059**	**154,419**	**1,424,812**
Additions	–	–	–	–	162,435	162,435
Disposals	–	(1,085)	(293)	(117)	–	(1,495)
Transfers to/(from) assets under construction	1,919	107,102	43,649	49,063	(201,733)	–
Balance at 30 June 2010	**67,449**	**452,361**	**689,816**	**261,005**	**115,121**	**1,585,752**
Accumulated depreciation/amortisation						
Balance at 30 June 2009	**7,077**	**99,202**	**125,349**	**109,964**	**–**	**341,592**
Depreciation and amortisation expense	696	16,341	20,430	16,376	–	53,843
Disposals	–	(1,085)	(293)	(117)	–	(1,495)
Balance at 30 June 2010	**7,773**	**114,458**	**145,486**	**126,223**	**–**	**393,940**
Net book value as at 30 June 2010	**59,676**	**337,903**	**544,330**	**134,782**	**115,121**	**1,191,812**

An independent valuation of certain assets was completed at 30 June 2009. 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 $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	
	2010	**2009**
	$ '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	696	670
■ Buildings	16,341	12,560
■ Roads, runways and other infrastructure	20,430	19,028
■ Plant and equipment	16,376	13,736
	53,843	**45,994**

	Consolidated	
	2010	2009
	$ '000	$ '000
5. Investment properties		
Balance at beginning of financial year	872,811	894,849
Additions for the year	1,253	10,954
Net gain from fair value adjustments	11,236	(32,992)
Balance at end of financial year	**885,300**	**872,811**

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

	2010	2009
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 11.6% per annum, (2009: 10.9%).

	2010	2009
7. Current payables		
Trade payables	29,042	35,091
Goods and services tax payable	2,499	1,302
Non-trade payables to:		
Other	540	586
	32,081	**36,979**
Interest Payable to:		
Secured debt – other entities(i)	7,601	6,965
Other	107	282
	7,708	**7,247**
	39,789	**44,226**

(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.

Summary of Key Notes to Financial Information

(continued)

	Consolidated 2010 $ '000	Consolidated 2009 $ '000
8. Current borrowings		
Secured:		
– Senior – bank debt[i]	700,000	–
Domestic Bonds[i]		
■ Tranche 3 ($250m variable due 11 June 2011)	250,000	–
– US Private Placement[i] ($232m fixed 6.65% due 13 May 2011)	232,280	–
	1,182,280	**–**
Deferred borrowing costs	(1,077)	–
	1,181,203	**–**

(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.

Note 22: 'Subsequent events' provides details of new financing arrangements put in place subsequent to 30 June 2010.

	2010 $ '000	2009 $ '000
9. Current tax liabilities		
Income tax payable	13,421	18,607
10. Current provisions		
Employee entitlements	4,563	4,578
11. Other current financial liabilities		
Interest rate swaps	137	13,535
12. Non-current borrowings		
Non-trade payables to:		
– Senior – bank debt[i]	251,000	872,000
– Domestic bonds[i]		
■ Tranche 3 ($250m variable due 11 June 2011)	–	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
Total borrowings	**551,000**	**1,654,280**
Deferred borrowing costs	(4,437)	(7,460)
	546,563	**1,646,820**
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	5,456	2,023

(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.

	Consolidated	
	2010	2009
	$ '000	$ '000
13. Non-current payables		
Non trade payables	**1,132**	**1,132**
14. Deferred tax liabilities		
Temporary differences	**313,907**	**312,850**
15. Non-current provisions		
Employee benefits	**710**	**641**
16. Non-current other liabilities		
Unearned revenue	5,040	5,592
Interest rate swaps	46,997	24,630
	52,037	**30,222**
17. Capitalised borrowing costs		
Borrowing costs capitalised during the financial year	7,801	6,849
Weighted average capitalisation rate on funds borrowed generally	7.0%	7.0%
18. Issued capital		
118,100,000 Ordinary shares – fully paid (2009: 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	**(26,712)**	**19,818**
Gained recognised:		
– Interest rate swaps	(8,881)	(66,471)
Deferred tax arising on hedges	2,664	19,941
	(6,217)	**(46,530)**
Balance at end of financial year	**(32,929)**	**(26,712)**

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.

Summary of Key Notes to Financial Information

(continued)

	Consolidated	
	2010	**2009**
	$ '000	$ '000
20. Retained earnings		
Balance at beginning of financial year	**507,974**	**532,064**
Profit for the year	160,885	123,535
Dividends paid	(134,634)	(147,625)
Balance at end of financial year	**534,225**	**507,974**
21. Commitments for expenditure		
Capital expenditure commitments		
Property, plant and equipment:		
Not longer than 1 year	43,848	129,849
Longer than 1 year but not longer than 5 years	–	40,797
	43,848	**170,646**

22. Subsequent events

Subsequent to year end, the consolidated entity replaced the $700 million bank facility due March 2011 with two new facilities; a $300 million facility which matures in September 2012 and a $600 million facility due in September 2014. The company also issued domestic notes to institutional investors totaling $350 million which $100 million mature in August 2014 and $250 million mature in August 2016. Had these new financing arrangements been in place at 30 June 2010, the current liabilities would have been reduced by $700 million and the undrawn lines would have increased from $251 million to over $801 million.

23. Controlled entities

Name of entity	Country of incorporation	2010 % Ownership interest	2009 % Ownership interest
Parent entity			
Australia Pacific Airports Corporation Limited	Australia		
Controlled entities			
APAC (Holdings No. 2) Pty Limited(i)	Australia	100	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.

24. Dividends

	Consolidated 2010 $ '000	Consolidated 2009 $ '000
A fully franked interim dividend was paid during the financial year	134,634	147,625
Franking account	48,571	41,083

25. Additional Company Information

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

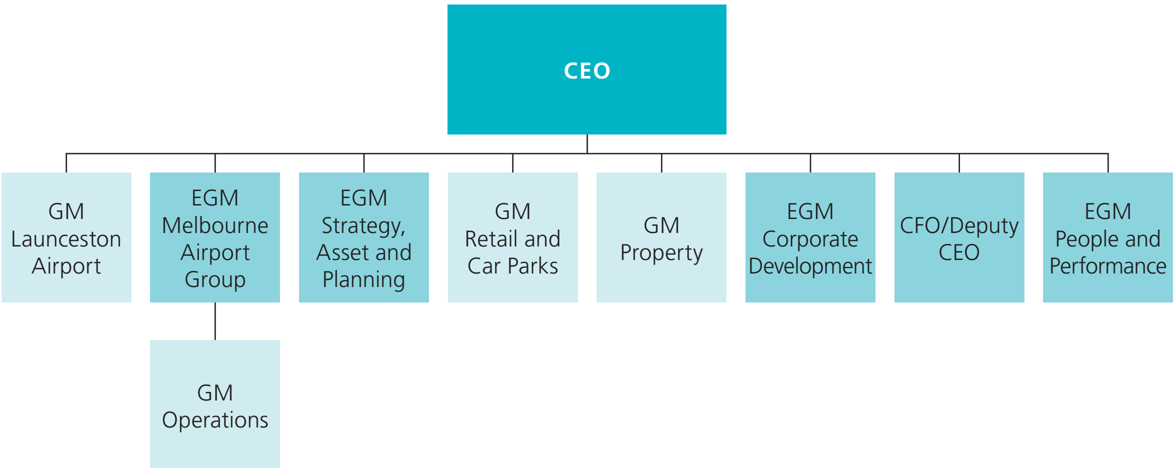
Principal Registered Office and Principal Place of Business
Level 2, Terminal 2
Melbourne Airport
(03) 9297 1600

Email: reception@melair.com.au
Website: www.melbourneairport.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 89 069 775 266

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