



Australia Pacific
Airports Corporation

2010 Annual Report

Delivering responsible
growth together

Australia Pacific Airports Corporation Limited

Directors' Report

The Directors of Australia Pacific Airports Corporation Limited (APAC) ACN 069 775 266 submit herewith the annual report of the company for the financial year ended 30 June 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Directors

The names and particulars of the Directors of the Company during or since the end of the financial year are:

<i>Name</i>	<i>Appointment</i>
<i>Continuing</i>	
Mr J. Ritch	Appointed a Director November 1995, appointed Chairman 23 February 2009
Mr P. Garling	Appointed 2 March 2004
Mr J. Dorrian	Appointed 26 February 2007
Mr C. Woodruff	Managing Director and Chief Executive Officer – Appointed 31 August 2007
Mr S. Boulton	Appointed 25 February 2008
Mr R. Hedley	Appointed 16 June 2008
Mr K. Mangini	Appointed 16 October 2009

Not Continuing

Mr D. Moloney	Resigned 16 October 2009
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The above named Directors held office during and since the end of the financial year, except as stated above.

Particulars of the Directors of the company during and since the end of the financial year are set out in appendix 1 which forms part of the Director's Report.

Alternate Directors

<i>Name</i>	<i>Representing</i>
Mr C. Atkin	Appointed as Mr S.Boulton's alternate from 31 August 2009

Australia Pacific Airports Corporation Limited

Directors' Report

Directors' meetings

The following table sets out the number of Board meetings held during the financial year showing the number of meetings attended by each Director whilst they were a Director. During the financial year the total number of meetings held were seven board meetings, three audit and risk management meetings and three safety, security and environment meetings.

Directors' meetings

Directors	Board of directors		Audit and risk management		Safety, security and environment	
	Held	Attended	Held	Attended	Held	Attended
<i>Continuing</i>						
Mr J. Ritch	7	7	3	3	3	3
Mr P. Garling	7	7	3	3	3	3
Mr J. Dorrian	7	7	3	3	3	3
Mr C. Woodruff	7	7	3	3	3	3
Mr S. Boulton	7	2	3	0	3	2
– Mr. C. Atkin (<i>Alternate</i>)		5		3		1
Mr R. Hedley	7	5	3	2	3	2
Mr K. Mangini	6	5	2	2	3	3
<i>Not continuing</i>						
Mr D. Moloney	1	1	1	1	0	0

Company secretary	Board of directors		Audit and risk management		Safety, security and environment	
	Held	Attended	Held	Attended	Held	Attended
<i>Continuing</i>						
Mr W.K. Clark	7	7	3	3	3	3
Ms L. Evans	7	6	3	3	3	2

Principal activities

The consolidated entity's principal activity in the course of the financial year was the management of airport operations at Melbourne Airport and Launceston Airport.

Review of operations

APAC and its subsidiaries recorded revenue of \$517,854,000 and operating expenses of \$130,401,000 resulting in earnings before investment property gains, borrowing costs, tax, depreciation and amortisation of \$387,453,000 for the year ended 30 June 2010.

Changes in fair value of investment property gave rise to a gain of \$11,236,000 which resulted in earnings before borrowing costs, tax, depreciation & amortisation of \$398,689,000

Depreciation and amortisation expense was \$53,843,000 and total borrowing costs were \$115,052,000 giving a profit before income tax of \$229,794,000 and profit after income tax of \$160,885,000 (2009: profit after tax \$123,535,000).

Dividends

Directors declared a final dividend for 30 June 2009 of \$67,317,000 (0.57 cents per share) paid on the 15 December 2009 and an interim dividend for the current year of \$67,317,000 (0.57 cents per share) paid on the 15 June 2010

The directors have not yet made a recommendation for any further dividend for year ended 30 June 2010.

Australia Pacific Airports Corporation Limited

Directors' Report

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in future financial years. 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.

Future developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity.

Environmental regulations

In relation to environmental matters, the consolidated entity is subject to the Airports Act 1996 and the Airports (Environment Protection) Regulations 1997. The Board is satisfied that the results of environmental monitoring conducted by internal and external specialists during the year ended 30 June 2010 demonstrate compliance with the Act and the Regulations. The consolidated entity has not been subject to any prosecutions, notices or environment protection orders under the Act or Regulations during the year ended 30 June 2010.

In addition to other environmental regulations APAC and its subsidiaries operates under the Commonwealth Airports Act and the Airports (Environment Protection) Regulations and as part of compliance with this legislation each Airport prepares an Annual Report on environmental performance which can be obtained by contacting APAC or the individual airports.

Indemnification of officers and auditors

During the financial year, the company paid a premium in respect of a contract insuring the Directors of the company, the Company Secretary and all Executive Officers of the company and of any related body corporate against a liability incurred by such a Director, Secretary or Executive Officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has entered into a deed of indemnity with each Director and their alternates which provides that the Company will:

- indemnify the Director to the extent permitted by law against liabilities incurred as a Director of the Company, other than liabilities to the Company or a related body corporate, or which arise from a lack of good faith or honesty on the part of the Director;
- maintain insurance which, to the extent permitted by law, insures the Director against all losses or liabilities incurred by the Director as an officer of the Company;
- keep a complete set of Board documents and give the Director access to those documents;

both during the period the Director holds office and for a period of seven years after the Director ceases to hold office.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

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.

Corporate governance

The Directors are responsible for the corporate governance practices of the company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

Australia Pacific Airports Corporation Limited

Director's Report

Board of directors

On the day on which the Directors' Report was made out, the Board consisted of 6 non-executive Directors and 1 Managing Director and Chief Executive Officer. Details of the Directors are set out on page 1 of the Directors' report.

The primary responsibilities of the Board include:

- the appointment of the Managing Director and Chief Executive Officer;
- the establishment of the long term goals of the company and strategic plans to achieve those goals;
- the review and adoption of annual budgets for the financial performance of the company and monitoring the results on a monthly basis;
- ensuring that the company has implemented adequate systems of internal controls together with appropriate monitoring of compliance activities; and
- the approval of the annual financial statements.

Risk management

The Board is responsible for the company's system of internal control. The Board constantly monitors the operational and financial aspects of the company's activities and considers the recommendations and advice of auditors and other external advisers on the operational and financial risks that face the company.

The Board ensures that recommendations made by the auditors and other external advisers are investigated and where considered necessary, appropriate action is taken to ensure that the company has an appropriate internal control environment in place to manage the key risks identified.

A system of risk management has been in place for a number of years which allows the Board directly to monitor management performance in assessing and controlling risk. The system includes external advisers whose reports are communicated to the Board both directly and indirectly.

The Board is satisfied that this process assists the Board to effectively monitor management performance in risk management and control.

The Board has determined not to maintain separate sub-committees for audit and risk management and safety, security and environment, but that all Directors participate in these discussions. The audit and risk management meeting provides a separate forum for the review of:

- the annual financial statements and other external financial reporting requirements prior to their approval by the Board;
- the effectiveness of management information systems including risk management systems and systems of internal control;
- the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans; and
- the independence of auditors and their appointment for any other services.

Australia Pacific Airports Corporation Limited

Director's Report

While the safety, security and environment meeting ensures a specific focus on:

- the appropriateness and effectiveness of the company's management systems in each of the subject areas;
- the areas of significant operational risk;
- the quality of the audit process in each area; and
- the progress of the company in meeting targets and key performance indicators.

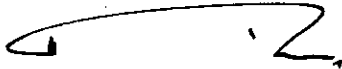
Separate charters and agendas are maintained for each of the specific responsibility areas and regularly auditors and other external advisors participate in meetings.

Auditor's independence declaration

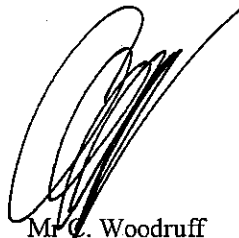
The auditor's independence declaration is included on page 6 of the financial report.

Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Mr J. Ritch
Chairman
MELBOURNE



Mr C. Woodruff
Managing Director
MELBOURNE

30 August 2010

Members of the Board
Australia Pacific Airports Corporation Limited
Level 2, Terminal 2
MELBOURNE AIRPORT VIC 3043

30 August 2010

Dear Board Members,

Independent Auditors Declaration - Australia Pacific Airports Corporation Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Australia Pacific Airports Corporation Limited.

As lead audit partner for the audit of the financial statements of Australia Pacific Airports Corporation Limited for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

D. A. Watson
David A Watson
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AUSTRALIA PACIFIC AIRPORTS CORPORATION LIMITED

We have audited the accompanying financial report of Australia Pacific Airports Corporation Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 9 to 38.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes, comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Australia Pacific Airports Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

J. A. Watson
David A Watson
Partner
Chartered Accountants
Melbourne, 30 August 2010

Australia Pacific Airports Corporation Limited

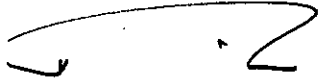
Directors' Declaration

The Directors declare that:

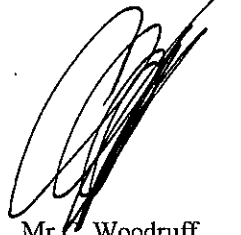
- (a) In the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (b) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.
- (c) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards as stated in Note 1 to the financial statements.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



Mr J. Ritch
Chairman
MELBOURNE



Mr C. Woodruff
Managing Director
MELBOURNE

30 August 2010

Australia Pacific Airports Corporation Limited

Statement of Comprehensive Income for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Revenue	2	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	2	11,236	(32,992)
Profit before borrowing costs, depreciation and amortisation		398,689	318,520
Less:			
Depreciation and amortisation	2	53,843	45,994
Borrowing costs	2	115,052	95,818
Profit before income tax expense		229,794	176,708
Less:			
Income tax expense/(benefit)	3	68,909	53,173
Profit for the year	25	160,885	123,535
Other comprehensive income		(6,217)	(46,530)
Total comprehensive income for the year		154,668	77,005

Notes to the financial statements are included on pages 14 to 38

Australia Pacific Airports Corporation Limited

Statement of Financial Position as at 30 June 2010

	Note	Consolidated	
		2010	2009
		\$'000	\$'000
<i>Current assets</i>			
Cash at bank		-	13,589
Inventories	6	317	542
Receivables	7	31,253	29,906
Other financial assets	8	766	39
<i>Total current assets</i>		32,336	44,076
<i>Non-current assets</i>			
Property, plant and equipment	9	1,191,812	1,083,220
Investment property	10	885,300	872,811
Goodwill	11	671,866	671,866
<i>Total non-current assets</i>		2,748,978	2,627,897
<i>Total assets</i>		2,781,314	2,671,973
<i>Current liabilities</i>			
Bank overdraft		8,456	-
Payables	12	39,789	44,226
Borrowings	13	1,181,203	-
Current tax liabilities	14	13,421	18,607
Provisions	15	4,563	4,578
Other financial liabilities	16	137	13,535
<i>Total current liabilities</i>		1,247,569	80,946
<i>Non-current liabilities</i>			
Borrowings	17	546,563	1,646,820
Payables	18	1,132	1,132
Deferred tax liabilities	19	313,907	312,850
Provisions	20	710	641
Other liabilities	21	52,037	30,222
<i>Total non-current liabilities</i>		914,349	1,991,665
<i>Total liabilities</i>		2,161,918	2,072,611
<i>Net assets</i>		619,396	599,362
<i>Equity</i>			
Issued capital	23	118,100	118,100
Reserves	24	(32,929)	(26,712)
Retained earnings	25	534,225	507,974
<i>Total equity</i>		619,396	599,362

Notes to the financial statements are included on pages 14 to 38

Australia Pacific Airports Corporation Limited

Statement of Changes in Equity for the financial year ended 30 June 2010

	Consolidated			Total \$
	Issued Capital \$	Hedging Reserve \$	Retained Earnings \$	
Balance at 1 July 2008	118,100	19,818	532,064	669,982
Profit for the year	-	-	123,535	123,535
Other comprehensive income for the year	-	(46,530)	-	(46,530)
Total comprehensive income for the year	-	(46,530)	123,535	77,005
Dividend paid	-	-	(147,625)	(147,625)
Balance at 30 June 2009	118,100	(26,712)	507,974	599,362
Profit for the year	-	-	160,885	160,885
Other comprehensive income for the year	-	(6,217)	-	(6,217)
Total comprehensive income for the year	-	(6,217)	160,885	154,668
Dividend paid	-	-	(134,634)	(134,634)
Balance at 30 June 2010	118,100	(32,929)	534,225	619,396

Notes to the financial statements are included on pages 14 to 38

Australia Pacific Airports Corporation Limited

Statement of Cash Flows for the financial year ended 30 June 2010

	Note	Consolidated Inflows (Outflows)	
		2010	2009
		\$'000	\$'000
<i>Cash flows from operating activities</i>			
Receipts from customers		567,856	517,512
Payments to suppliers and employees		(181,846)	(173,892)
Income tax received/(paid)		(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	29	198,964	175,502
<i>Cash flows from investing activities</i>			
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)
<i>Cash flows from financing activities</i>			
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	31	(134,634)	(147,625)
Net cash provided by/ (used in) financing activities		(59,145)	67,749
Net increase / (decrease) in cash		(22,045)	15,628
Cash at the beginning of the financial year		13,589	(2,039)
Cash at the end of the financial year	29	(8,456)	13,589

Notes to the financial statements are included on pages 14 to 38

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. Summary of accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statements of the group. 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.

Basis of preparation

The financial report has been prepared on the basis of historical cost except the revaluation of investment property and financial instruments. 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 27 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) Cash

Cash comprises of cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

(c) Inventories

Inventories are valued at the lower of cost and net realisable value.

(d) Receivables

Trade receivables are recorded at amounts due less any allowance for doubtful debts.

(e) Property, plant and equipment

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, or at current book value if transferred from Investment Property.

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.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2010

1. Summary of accounting policies (cont'd)

(f) *Investment Property*

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

(g) *Goodwill*

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually. Whenever there is an indication that the goodwill may be impaired, the impairment is recognised immediately in profit or loss and is not subsequently reversed.

(h) *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). Where the asset does not generate cashflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

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 is estimated to be less than its carrying amount, the carrying amount of the asset 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 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 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.

(i) *Capitalised borrowing costs*

Interest costs directly attributable to assets under construction are capitalised as part of the costs of those assets up to the date of completion of each asset.

(j) *Investments*

Investments in controlled entities are recorded at cost.

(k) *Payables*

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services.

(l) *Borrowings*

Borrowings are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

Ancillary costs incurred by the consolidated entity in establishing funding facilities are capitalised and amortised over the term of the facilities. These costs are netted off against the loan in the balance sheet.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. Summary of accounting policies (cont'd)

(m) Provisions

Provisions are recognised when the consolidated entity has a present obligation as a result of a past event, it is probable that the consolidated entity will be required to settle the obligation, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows.

(n) Superannuation

The consolidated entity makes contributions to accumulation funds on behalf of its employees. These contributions are expensed when incurred.

(o) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of wages and salaries, annual leave and long service leave expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at time of settlement.

Liabilities recognised in respect of other long service leave not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to the reporting date.

(p) Revenue recognition

Aeronautical revenue

Revenue from landing fees, terminal and security charges is recognised on an accruals basis when the service is provided.

Retail revenue

Revenue from retail customers is recognised on an accruals basis when the service or goods are provided.

Property revenue

Revenue from the investment property (as defined in 1(f)) throughout the airport is recognised on an accruals basis in accordance with terms of relevant lease agreements.

Rental revenue

Revenue from rental of non investment property is recognised on an accruals basis in accordance with terms of relevant lease agreements.

Dividend income

Dividend income is recognised when declared.

Outgoings and other income

Revenue received from recharging of outgoings and sundry other income is recognised on an accruals basis when the goods or services are provided.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2010

1. Summary of accounting policies (cont'd)

(q) *Goods and services tax*

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

Cashflows are included in the Cash Flow Statement on a gross basis. The GST component of cashflows arising from investing activities which is recoverable from, or payable to, the taxation authority is classified as an operating cashflow.

(r) *Derivative financial instruments*

The consolidated entity enters into interest rate swaps. The swaps have been allocated against the underlying interest rate exposure and to this extent modify the interest rate risk of the underlying debt. Interest rate swaps are initially recognised at fair value on the date a contract is entered into, and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss, unless the swap is designated and effective as a hedging instrument, in which event, the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Further details of derivative financial instruments are disclosed in Note 30 to the financial statements.

(s) *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 liabilities are offset when they relate to income taxes levied by the same taxation authority, and the company intends to settle its current tax assets and liabilities on a net basis.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

1. Summary of accounting policies (cont'd)

(s) *Income tax (cont'd)*

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 Ltd ("APAC") is the head entity in the tax-consolidated group. Tax expense/recovery, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by APAC (as head entity in the tax-consolidated group).

(t) *Adoption of new and revised Accounting Standards*

In the current year, the consolidated entity has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. AASB 101 'Presentation of Financial Statements' has introduced terminology changes and changes in the format and content of the financial statements. The consolidated entity has not applied any accounting standard changes retrospectively and a third statement of financial position has not been presented.

The directors anticipate that the adoption in future periods of accounting standards and interpretations currently on issue but not yet effective, will have no material financial impact on the financial statements of the consolidated entity.

(u) *Use of estimates and judgments*

In the preparation of the financial statements, the Directors are required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported carrying values of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Investment Property

Investment property is held at fair value. Fair value is determined with reference to a third party valuation (see Note 10). When determining fair value, assumptions must be made about the yield which the investment property will generate in the future, including the outcome of future rent reviews, the rent which will be achieved for sites not yet tenanted, and future rental income growth. A suitable discount rate to calculate present value must also be selected.

Goodwill

When determining whether goodwill is impaired, it is necessary to estimate the value-in-use of the cash generating units to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash-flows expected to arise from the cash generating unit and a suitable discount rate to calculate present value. The directors have assessed that no impairment of goodwill has occurred during the year.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
2. Profit for the year			
<i>(a) Revenue</i>			
Revenue consisted of the following items:			
Aeronautical revenue		192,588	177,666
Security		25,329	24,865
Retail revenue		218,399	196,313
Property revenue		53,854	52,099
Rental revenue		6,234	6,120
Outgoings/recharge		19,629	18,359
Other income		1,535	1,411
Interest revenue			
– Other entities		263	170
		517,831	477,003
Other		23	24
Total revenue		517,854	477,027
<i>(b) Investment property increase/(decrease) in fair value</i>		11,236	(32,992)
<i>(c) Profit for the year</i>			
Profit for the year has been derived after changing the following expenses:			
Employee benefits expense – superannuation contributions		2,765	3,315
Net bad and doubtful debts(recoverable) arising from other entities		(530)	753
Loss on sale of fixed assets		-	114
Borrowing costs:			
Interest			
– Secured debt – other entities		117,119	100,161
– Unsecured debt – other entities.		278	483
– Interest capitalised during the year	22	(7,801)	(6,849)
– Amortisation of deferred borrowing costs	17	5,456	2,023
Total borrowing costs		115,052	95,818
Depreciation and amortisation of property, plant and equipment	9	53,843	45,994

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
3. Income tax		
(a) 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:		
<i>Profit from operations</i>	229,794	176,708
Income tax expense calculated at 30%	68,939	53,012
<i>Permanent differences:</i>		
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
Income tax expense comprises of:		
Current tax expense/(benefit)	65,187	61,681
Deferred tax expense/(benefit)	3,722	(8,508)
Income tax expense	68,909	53,173

The directors of Australia Pacific Airports Corporation Limited (head entity) have elected for those entities within the consolidated group that are wholly-owned Australian resident entities to be taxed as single entity from 1 July 2003. Accordingly, the company became part of a tax-consolidated group with effect from 1 July 2003.

Entities within the tax consolidated group have entered into a tax sharing agreement with the head entity. Under the terms of this agreement, Australia Pacific Airports Corporation Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the net profit or loss of the entity and the current tax rate.

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

3. Income tax (cont'd)

(b) Deferred tax balances

Taxable and deductible temporary differences arise from the following:

	Consolidated			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
2009				
Gross deferred tax liabilities:				
Property, plant and equipment	124,158	2,514	-	126,672
Investment property	212,586	(9,952)	-	202,634
Other intangibles	-	-	-	-
Hedge reserve	8,492	-	(8,492)	-
Other	988	(38)	-	950
	346,224	(7,476)	(8,492)	330,256
Gross deferred tax assets:				
Provisions and accruals	2,615	189	-	2,804
Unearned income	1,807	46	-	1,853
Other	503	797	-	1,300
Hedge	-	-	11,449	11,449
	4,925	1,032	11,449	17,406
Net deferred tax liability	341,299	(8,508)	(19,941)	312,850
2010				
Gross deferred tax liabilities:				
Property, plant and equipment	126,672	458	-	127,130
Investment property	202,634	3,371	-	206,005
Other	950	(77)	-	873
	330,256	3,752	-	334,008
Gross deferred tax assets:				
Provisions and accruals	2,804	312	-	3,116
Unearned income	1,853	(180)	-	1,673
Other	1,300	(102)	-	1,198
Hedge	11,449	-	2,665	14,114
	17,406	30	2,665	20,101
Net deferred tax liability	312,850	3,722	(2,665)	313,907

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$	\$
4. Key management personnel compensation		
The aggregate compensation of the key management personnel of the company is set out below:		
The key management personnel during the year were; Mr J.Ritch, Mr C.Woodruff, Mr P.Garling, Mr J.Dorrian, Mr S.Boulton, Mr R.Hedley, Mr K.Mangini, Mr C. Atkin (Alternate), Mr W.K.Clark, Ms L.Evans, Mr J.Nahyna, Ms C.Newsome, Mr L.Horton, Mr S.Gandy, Ms G.Gray, Ms P.Graham , Mr N.Agnew, Mr D.Tkalec		
Short-term employee benefits	4,133,273	5,727,587
Post employment benefits	267,884	366,355
	4,401,157	6,093,942
5. Remuneration of auditors		
<i>Deloitte Touche Tohmatsu</i>		
Auditor of the parent entity		
Auditing the financial report – statutory	178,600	169,800
Auditing of regulatory accounts and compliance items	38,950	37,950
Tax compliance advice and other	97,976	103,997
	315,526	311,747

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
6. Current inventories		
Materials and stores (at cost)	317	542
7. Current receivables		
Trade receivables (1)	31,321	30,612
Less: Provision for doubtful debts	(68)	(706)
	31,253	29,906

(1) Revenue is generally charged on 30 day term, with the exception of property and rental revenue, while rent is charged in advance.

Most agreements allow for interest to be charged on overdue balances between 1.5% to 2.0% above overdraft rates. Accounts may be charged interest for amounts overdue. The average payment is 5 days outside standard payment terms.

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of \$1,576,000 (2009: \$2,825,000), which are past due at the reporting date for which the consolidated entity has impaired \$68,000 (2009: \$706,000) as there may be change on credit quality and the company believes that the net amounts is considered recoverable.

The consolidated entity has an allowance for doubtful debts due to the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited, due to the spread and quality of the customers.

Receivables from entities within the wholly owned group include amounts from operating and from the group's tax funding arrangement.

The consolidated entity and company does hold bank guarantees in respect of some receivables but the amounts are not material.

8. Other current financial assets

Prepayments	678	39
Interest rate swaps	88	-
	766	39

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Consolidated					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	Leasehold land	Buildings	Roads, runways and other infrastructure	Plant and equipment	Assets under construction	Total
9. Property, plant and equipment						
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, roads and runways and other infrastructure were valued by Mr Gary Longden FAPI of the firm Jones Lang LaSalle. The valuation was based on depreciated replacement value. The Directors have decided not to book the revaluation in the financial statements. If the valuation had been booked the carrying values would have been \$148,348,000 for leasehold land, \$383,500,000 for buildings and \$640,400,000 for roads, runways and infrastructure as at 30 June 2009. The valuation did not include any allowance for capital gains tax that may arise on disposal.

	Note	Consolidated	
		2010 \$'000	2009 \$'000
• 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
	2	53,843	45,994

Aggregate depreciation and amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

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

	Note	Consolidated	
		2010 \$'000	2009 \$'000
10. Investment property			
Balance at beginning of financial year		872,811	894,849
Additions for the year		1,253	10,954
Net gain/(loss) from fair value adjustment	2	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

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
11. Goodwill			
Goodwill at cost:		671,866	671,866
<p>Goodwill has been allocated for impairment testing to two cash generating units, being the operations of Melbourne (\$667,700,000) and Launceston Airports (\$4,166,000). 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%).</p>			
12. Current payables			
Trade payables (1)		29,042	35,091
Goods and services tax payable		2,499	1,302
Non-trade payables to: (2)			
– Other		540	586
		32,081	36,979
Interest payable to:			
– Secured debt – other entities (3)		7,601	6,965
– Other		107	282
		7,708	7,247
		39,789	44,226

(1) The average credit period for purchases and services was 31 days. No interest is charged on trade payables.

(2) The credit period for services for non trade payables to other related parties was 90 days. No interest is charged on non trade payables to other related parties.

(3) 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.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
13. Current borrowings			
<i>Secured:</i>			
– 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>(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of the operating companies. There have been no defaults on loans payable during the current or prior years.</i>			
<i>Note 33 – 'Subsequent events' provides details of new financing arrangements put in place subsequent to 30 June 2010.</i>			
14. Current tax liabilities			
Income tax payable		13,421	18,607
15. Current provisions			
Employee benefits		4,563	4,578
16. Other current financial liabilities			
Interest rate swaps		137	13,535
17. Non-current borrowings			
<i>Secured:</i>			
– 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>(i) Secured by a fixed and floating charge over the consolidated entity's assets. Security given is all the assets of the operating companies. There have been no defaults on loans payable during the current or prior years.</i>			
<i>Note 33 – 'Subsequent events' provides details of new financing arrangements put in place subsequent to 30 June 2010.</i>			

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
18. Non-current payables			
Non trade payables		1,132	1,132
19. Deferred tax liabilities			
Temporary differences		313,907	312,850
20. Non-current provisions			
Employee benefits		710	641
21. Non-current other liabilities			
Unearned revenue		5,040	5,592
Interest rate swaps		46,997	24,630
		52,037	30,222
22. Capitalised borrowing costs			
Borrowing costs capitalised during the financial year	2	7,801	6,849
Weighted average capitalisation rate on funds borrowed generally 7% (2009: 7.0%)			
23. Issued capital			
118,100,000 Ordinary shares – fully paid (2009: 118,100,000)		118,100	118,100
Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.			
Fully paid ordinary shares carry one vote per share and carry the right to dividends			
24. Hedging reserve			
Balance at beginning of financial year		(26,712)	19,818
Gains / (loss) 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.			

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
25. 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
26. 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

27. Subsidiaries

Name of entity		Country of incorporation	Ownership interest	
			2010 %	2009 %
<i>Parent entity</i>				
Australia Pacific Airports Corporation Limited		Australia		
<i>Subsidiaries</i>				
APAC (Holdings No 2) Pty. Limited		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.

28. Related party disclosures

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 27 to the financial statements.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in Note 4 to the financial statements.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

(c) *Transactions within the wholly-owned group*

The ultimate parent entity in the wholly-owned group is Australia Pacific Airports Corporation Limited (APAC).

During the financial year APAC provided operational administration services at cost to other entities in the wholly-owned group.

Other transactions that occurred during the financial year between entities in the wholly-owned group were the advancement and repayment of loans.

In accordance with tax sharing arrangements (refer to Note 3) tax payments have been received or accrued to reflect the wholly owned controlled entity's share of the tax expense of the tax consolidated group.

The ultimate parent entity in the wholly-owned group and the parent entity in the tax consolidated entity is Australia Pacific Airports Corporation Limited.

Consolidated

2010	2009
\$'000	\$'000

29. Notes to the Cash Flow Statement

(a) *Reconciliation of cash*

For the purposes of the Cash Flow Statement cash includes cash on hand and in banks and investments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:

- Cash at bank(overdraft)	(8,456)	13,589
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(b) *Financing facilities*

Secured bank overdraft facility reviewed annually (i):

• Amount used	8,456	-
• Amount unused	1,544	10,000

(i) *Secured by a fixed and floating charge over the consolidated entity's assets.*

Secured bank bill facility reviewed annually:

• Amount used	7,000	10,000
• Amount unused	3,000	-

Secured loan facilities with various maturity dates through to October 2014 and which may be extended by mutual agreement:

• Amount used	944,000	862,000
• Amount unused	251,000	183,000

Secured bond issued and credit wrapped by MBIA Insurance Corporation:

• Due 11 June 2011 – floating	250,000	250,000
• Due 15 December 2015 – fixed	100,000	100,000
• Due 15 December 2015 – floating	200,000	200,000

US Private Placement – due 13 May 2011 fixed	232,280	232,280
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Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

Consolidated

2010
\$'000

2009
\$'000

29. Notes to the Cash Flow Statement (cont'd)

(c) *Reconciliation of profit for the year to net cashflows from operating activities:*

Profit for the year	160,885	123,535
Net loss/(profit) on sale of non-current assets	(20)	91
Loss/(gain) on investment property	(11,236)	32,992
Depreciation and amortisation of property, plant and equipment	53,843	45,994
Amortisation of deferred borrowing costs	5,456	2,023
Capitalised interest during the year	(7,801)	(6,849)
(Increase)/decrease in assets:		
Current receivables	(1,347)	(5,634)
Current inventories	225	2
Other current assets	(639)	(37)
Other assets	-	-
Increase/(decrease) in liabilities:		
Current trade payables	1,098	(1,741)
Interest payable	461	(571)
Tax payable	(5,186)	(5,392)
Current provisions	(14)	269
Deferred tax liabilities	3,722	(8,508)
Non current liabilities – other	(552)	(553)
Non current provisions	69	(119)
Net cash from operating activities	198,964	175,502

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments

(a) Capital risk management

The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed on Notes 12, 13 and 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 23, 24 and 25 respectively.

The consolidated entity's overall strategy remains unchanged from 2009. During the financial period the group has complied with all imposed capital requirements including bank covenants.

(b) Significant accounting policies

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1 to the financial statements.

(c) Categories of Financial Instruments

	Consolidated	
	2010 \$'000	2009 \$'000
Financial Assets		
Loans and receivables:		
Cash at bank	-	13,589
Trade receivables	31,253	29,906
Financial Liabilities		
Amortised cost:		
Bank overdraft	8,456	-
Trade payables	29,042	35,091
GST payable	2,499	1,302
Interest Payable	7,708	7,247
Tax Payable	13,421	18,607
Other current non trade payables	540	586
Borrowings	1,733,280	1,654,280
Non current payables	1,132	1,132

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments (cont'd)

(d) Financial risk management objectives

The consolidated entity's Corporate Treasury function provides services to the business, co-ordinates access to domestic and financial markets, monitors and manages the financial risks relating to the operations of the consolidated entity through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including fair value interest rate risk), credit risk, liquidity risk and cashflow interest rate risk. The consolidated entity seeks to minimise the effects of interest rate risks, by using derivative financial instruments to hedge these exposures. The use of financial derivatives is governed by the group's policies approved by the Board of Directors through written policy on interest rate risk, credit risk, the use of financial derivatives and non-derivative financial instruments and the investment of excess liquidity. The consolidated entity does not enter into or trade financial instruments, including derivative financial, for financial purposes.

(e) Interest rate risk management

The consolidated entity enters into a variety of derivative financial instruments to manage its exposure to interest rate, including interest rate swaps and forward interest rate contracts to mitigate the risk of rising interest rates.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes. The company and the group's exposures to interest rates on the financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

(f) Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date.

At reporting date, if interest rates had been 50 basis points higher or lower and all other variables were held constant, the consolidated entity's:

- Net profit would increase/decrease by \$150,000 (2009: increase/decrease by \$810,000). This is due to interest rates on its variable rate borrowings.
- Other equity reserves would increase/decrease by \$16,301,000 (2009: increase/decrease \$14,189,000) mainly as a result of the changes in fair value of available for sale fixed rate instruments.
- The consolidated entity has no material interest revenue.

(g) Interest rate swap contracts

Under interest rate derivative contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of rising interest rates.

The following table details the notional amounts and remaining terms of interest rate derivative contracts outstanding as at the reporting date.

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair Value of interest rate swaps	
	2010 %	2009 %	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Consolidated						
Less than 1 year	4.8	7.4	350,000	350,000	(137)	(13,535)
1 to 2 years	6.1	4.8	600,000	350,000	(9,133)	(4,295)
2 to 5 years	6.4	6.3	1,222,000	1,222,000	(35,549)	(20,820)
5 years +	6.0	6.7	100,000	200,000	(2,315)	485
			2,272,000	2,122,000	(47,134)	(38,165)

The fair value of these contracts as at 30 June 2010 is disclosed in Note 16 and 21

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments (cont'd)

(h) Liquidity risk

The following table details the consolidated entity's exposure to liquidity risk as at 30 June 2010.

Consolidated

2010	1-3 Months		3 Months to 1 year		1 to 5 years		More than 5 years		Total
	Weighted average effective interest rate %	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<i>Financial Assets</i>									
Current Receivables	-	31,253	-	-	-	-	-	-	31,253
<i>Financial liabilities</i>									
Bank overdraft	6.8	-	8,456	-	-	-	-	-	8,456
Current trade payables	-	39,789	-	-	-	-	-	-	39,789
Tax payable	-	-	13,421	-	-	-	-	-	13,421
Bank loans	6.8	-	700,000	251,000	-	-	-	-	951,000
Non trade payables	-	-	-	-	-	1,132	-	-	1,132
Non trade payables									
– Tranche 3 (floating)	5.5	-	250,000	-	-	-	-	-	250,000
– Tranche 4 (fixed)	6.0	-	-	100,000	-	-	-	-	100,000
– Tranche 5 (floating)	5.2	-	-	200,000	-	-	-	-	200,000
US Private Placement	6.7	-	232,280	-	-	-	-	-	232,280
		39,789	1,204,157	551,000	1,132				1,796,078

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments (cont'd)

(h) Liquidity risk (cont'd)

The following table details the consolidated entity's exposure to liquidity risk as at 30 June 2009.

Consolidated

2009	1-3 Months		3 Months to 1 year		More than 5 years		Total
	Weighted average effective interest rate %	\$'000	\$'000	\$'000	\$'000	\$'000	
Financial Assets							
Current Receivables	-	29,906	-	-	-	-	29,906
Cash at bank	2.8	13,589	-	-	-	-	13,589
		43,495	-	-	-	-	43,495
Financial liabilities							
Current trade payables	-	44,226	-	-	-	-	44,226
Tax payable	-	-	18,607	-	-	-	18,607
Bank loans	3.9	-	-	872,000	-	-	872,000
Non trade payables	-	-	-	-	1,132	-	1,132
Non trade payables							
- Tranche 3 (floating)	3.8	-	-	250,000	-	-	250,000
- Tranche 4 (fixed)	6.0	-	-	-	100,000	-	100,000
- Tranche 5 (floating)	3.6	-	-	-	200,000	-	200,000
US Private Placement	6.7	-	-	232,280	-	-	232,280
		44,226	18,607	1,354,280	301,132	-	1,718,245

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments (cont'd)

(i) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral or other security.

(j) Fair value

Except as detailed below, the carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective fair values, determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

The fair value of all financial instruments is derived from quoted market interest rates which are subsequently incorporated within generally applied discounted cash flow models. The amounts carried on the Statement of Financial position approximate the fair value with the following exceptions:

Financial liabilities	Carrying amount \$'000		Net fair value \$'000	
	2010	2009	2010	2009
Borrowings – Other entities	1,132	1,132	6,911	6,621

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

The following tables present the consolidated entity's assets and liabilities measured and recognized at fair value at 30 June 2010. Comparative information has not been provided as permitted by the transitional provisions of the new rules.

30 June 2010	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>No assets at fair value</i>	-	-	-	-
Total assets	-	-	-	-
Liabilities				
<i>Interest rate swaps</i>	-	47,134	-	-
Total liabilities	-	47,134	-	-

There were no transfers between levels in the period.

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

30. Financial instruments (cont'd)

(k) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who has built an appropriate liquidity risk management framework for the management of the consolidated entity's short, medium and long-term funding and liquidity management requirements. The consolidated entity manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitor forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

	Consolidated	
	2010	2009
	\$'000	\$'000
31. Dividends		
Fully franked dividend paid during the financial year (refer to Director's report for details)	134,634	147,625
Franking account	48,571	41,083
32. Parent entity disclosures		
(a) Financial position:		
<i>Assets:</i>		
Current assets	31,301	36,686
Non-current assets	129,803	130,106
Total assets	161,104	166,792
<i>Liabilities:</i>		
Current liabilities	13,421	18,607
Non-current liabilities	-	-
Total liabilities	13,421	18,607
<i>Net Assets</i>	<i>147,683</i>	<i>148,185</i>
<i>Equity:</i>		
Issued capital	118,100	118,100
Retained earnings	29,583	30,085
<i>Total equity</i>	<i>147,683</i>	<i>148,185</i>
(b) Financial performance:		
Profit for the year	134,132	143,957
Other comprehensive income	-	-
Total comprehensive income	134,132	143,957
(c) Non balance sheet commitments:		
Guarantees of debt	-	-
Contingent liabilities	-	-
Commitments for the acquisition of property, plant and equipment by the parent company	-	-

Australia Pacific Airports Corporation Limited

Notes to the Financial Statements for the financial year ended 30 June 2010

33. 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.

34. 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

Appendix 1

JACK RITCH

Chairman of the Board

Jack Ritch was appointed Chairman of APAC in February 2009, having been a Director since November 1995.

Jack was Chairman of AMP Capital Investors Limited until March 2009. From 1999 to 2004 he was Managing Director of AMP Capital Investors where he was responsible for the operation and development of that company's business in Australia, New Zealand and the Asia Pacific region. From 1987 to 1999, Jack was AMP's Director of Property. He has held various management and board positions within the AMP Group since joining in 1958.

Jack is currently Chairman of Domain Principal Group, a major aged care provider operating throughout Australia.

He is Chairman of Galileo Japan Funds Management Limited.

Jack has an economics degree and a postgraduate diploma in town planning, both from the University of Sydney, and is a fellow of the Australian Insurance Institute and the Australian Property Institute. He has been National President of the Property Council of Australia and Chairman of the Shopping Centre Council of Australia. He is Chairman of the Powerhouse Museum Foundation.

CHRIS WOODRUFF

Managing Director and Chief Executive Officer

Chris was appointed a Director of APAC in August 2007.

Chris has over 21 years experience in the aviation industry having joined BAA in 1989 as a Retail Manager.

He has held a number of senior management positions within BAA, including Chief Executive Officer of Budapest Airport, Operations Director of Heathrow Airport, Retail Director of Gatwick and Heathrow Airports, Managing Director of World Duty Free Inflight and General Manager of Gatwick North Terminal. Prior to joining BAA, Chris worked for a UK retail company.

Chris is also on the Board of Melbourne Convention & Visitors Bureau and the Tourism Victoria Board.

PHIL GARLING

Phil Garling was appointed a Director of APAC in March 2004, having been an Alternate Director since December 2003.

Phil is Global Head of Infrastructure and Private Debt at AMP Capital Investors (AMPCI) and has had more than twenty years experience in infrastructure development and investment.

Phil was previously CEO of Tenix Infrastructure and was a long term senior executive at Lend Lease culminating in the role of CEO of Lend Lease Capital Services. Phil is a Director of several companies in which AMPCI is an investor and is Chair of the ASX listed DUET Group (Diversified Utilities and Energy Trust). He is also a former Director of Australian Airport Services and former chair of Infratil Airport Partners.

Phil holds a building degree from the University of NSW and the Advanced Diploma from the Australian Institute of Company Directors. He is a Fellow of the Australian Institute of Company Directors, Australian Institute of Building, Institution of Engineers, Australia and an Associate Fellow of the Australian Institute of Management.

JOHN D DORRIAN BA, FCA

John Dorrian was appointed a Director of APAC in February 2007, having previously been a Director and Alternate Director from July 1997 to February 2001.

John Dorrian is a Managing Director of Deutsche Bank AG, Head of RREEF Infrastructure, Asia Pacific and Head of RREEF Alternative Investments Australia. RREEF is the alternative investment management division of Deutsche Asset Management.

He is an Executive Director of Deutsche Asset Management (Australia) Limited and a non executive director of a number of Australian and international companies including, the Spark Infrastructure Group, CitiPower, Powercor and ETSA Utilities, DWS Global Agricultural Land & Opportunities Fund Limited, DWS Vietnam Fund Limited and DWS Wine Fund SPC.

A Fellow of The Institute of Chartered Accountants in Australia and a member of the Australian Institute of Company Directors, he holds a B.A. in financial management from Macquarie University in Sydney.

STEVE BOULTON

BBus, MTM, FAICD, FAIM, CAHRI

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

Steve is Chief Executive and a Director of Hastings Management Pty Limited. Steve also holds directorships with Australian Infrastructure Fund Limited, Westpac Funds Management Limited and a number of Epic Energy related entities.

Steve was previously a director of a number of Babcock & Brown related entities and industry sector Boards in Australia and New Zealand.

Steve was appointed to the role of Chief Executive of Hastings in September 2007. Steve has previously held a number of Chief Executive positions for listed infrastructure entities in both Australia and New Zealand with assets under management spread globally across three continents. In these roles Steve grew the funds/assets under management, business ownership and operations by leading a range of mergers and acquisition transactions in the infrastructure and utility sectors with exposure to both equity and debt capital markets. Steve was Chairman of each of the major fund investments in the broad portfolio's which included power generation, electricity and gas transmission and distribution, seaports, wind generation and rail networks.

Steve has also held a range of executive and management positions in ENERGEX and with Shell. Steve has more than 30 years of experience in the infrastructure and utility sectors.

Steve holds a Bachelor of Business and a Masters of Technology Management and is a Fellow of the Australian Institute of Management.

KYLE MANGINI

Kyle Mangini was appointed a Director of APAC in October 2009

Kyle is responsible for managing all aspects of infrastructure investment management functions. Kyle is a member of IFM's Investments and Strategy Committee and is the Chairman of IFM's Specialised Debt Committee.

Kyle has 20 years of experience in investment banking and asset management, including senior roles with CSFB and SBC Warburg. He has infrastructure experience both in Australia and abroad, including a role acting as an advisory director to the Flinders Group. His relevant transaction experience includes the execution of mergers, acquisitions, divestitures, initial public offerings, public bond offerings, Rule 144A private placements, commercial bank facilities and derivatives. In addition to the Pacific Hydro Board, Kyle is a director of Ecogen Holdings (owner of the Newport and Jeeralang Power Stations).

RICHARD HEDLEY

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

Richard is a Director of RREEF Alternative Investments, part of the Deutsche Bank Group, and is responsible for RREEF's Australian infrastructure mandates business. Richard has direct responsibility for infrastructure portfolios invested across the transport, utilities and timberland sectors and is responsible for leading all aspects of portfolio strategy, implementation and management, including the origination, execution and ongoing management of the portfolios' investments. Richard has represented RREEF's investors on the boards of a number of companies and is currently a director of Australia Pacific Airports Corporation and Matariki Forestry Group, one of New Zealand's largest forestry companies. Prior to joining RREEF in 2001, Richard was a Legal Manager at Dresdner Kleinwort Benson, part of the Dresdner Bank Group, in London. Before that he was a lawyer at Bell Gully, one of New Zealand's largest commercial law firms.

Richard holds a Master of Applied Finance from Macquarie University in Sydney together with a Bachelor of Laws with Honours and a Bachelor of Commerce from the University of Otago in New Zealand. Richard has been admitted as a Barrister and Solicitor of the High Court of New Zealand and is a member of the Australian Institute of Company Directors.

SECRETARIES

KIRBY CLARK

Chief Financial Officer and Deputy CEO

Kirby joined APAC in February 1998 as Chief Financial Officer.

Kirby has an Honours degree in Commerce and Finance from the University of Toronto and is a member of both the Australian and Canadian Institute of Chartered Accountants.

Kirby's experience includes 6 years with PricewaterhouseCoopers in Australia and Canada. Since leaving PWC Kirby has held a number of senior financial roles, including 7 years with the Toronto Dominion Bank and 3 years with the Victorian Plantation Corporation.

Kirby is also a Director of Eastern Health and Clark Heilemann Consulting Pty Ltd as well as for the APAC Subsidiaries.

LISA EVANS

Legal Services Manager and Company Secretary

Lisa joined APAC as Legal Services Manager in March 2009 and was also appointed as Company Secretary of APAC and its subsidiaries.

Lisa holds a Bachelor of Laws and Bachelor of Arts (with a major in Japanese language) from the University of Canterbury in Christchurch. Lisa was admitted to legal practice in New Zealand in 1993 and in Victoria in 2000.

Prior to joining APAC, Lisa held the role of Senior Legal Counsel at Symbion Health Ltd (formerly Mayne Group Ltd) for approximately 5 years, following 10 years in private practice in both Australia and New Zealand.