

Financial

statements 1999

Australia Pacific Airports Corporation Ltd. (APAC)

Contents

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Directors' Report

The Directors of Australia Pacific Airports Corporation Ltd. (APAC) submit herewith the balance sheet as at 30 June 1999 and the profit and loss account for the financial period then ended. In order to comply with the provisions of the Corporations Law, the Directors report as follows:

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

Directors

| <i>Name</i> | <i>Particulars</i> |
|-----------------|--|
| Mr D Mercer | Chairman of APAC |
| Mr R McGeoch | Deputy Chairman of APAC and National Chairman of Partners for Corrs Chambers Westgarth |
| Mr G Edington | Group Property Director, BAA plc and Chairman of BAA International Ltd. Resigned 23 April 1999 |
| Mr M Hodgkinson | Chief Executive, BAA plc. Resigned 30 August 1999 |
| Mr R Kitley | Managing Director, BAA International Ltd. Appointed 23 April 1999 |
| Mr V Murphy | Group Airports Director, BAA plc. Appointed 30 August 1999 |
| Mr J Ritch | Director and Head of Property, AMP Asset Management Australia Ltd |
| Mr L Hall | Former Deputy Managing Director, AMP Asset Management Australia Ltd |
| Mr G Timms | Head of Project and Structured Finance Group, AMP Asset Management Australia Ltd. Resigned 28 June 1999 |
| Mr J Dorrian | Head of Infrastructure and Private Debt Group, AMP Asset Management Australia Ltd. Appointed 28 June 1999 |
| Mr D Shields | Director, Private Equity, Deutsche Asset Management (Australia) Ltd |
| Ms F Gates | Manager, Private Equity, Deutsche Asset Management (Australia) Ltd |
| Mr A Hyams | Director, Australian Infrastructure Fund Limited |

Alternate to Director

| <i>Name</i> | <i>Particulars</i> |
|--------------|--|
| Mr T Morgan | Chief Executive Officer, Australia Pacific Airports Corporation (Alternate to Mr R Kitley and Mr V Murphy) |
| Mr A Jurenko | Deputy Managing Director, BAA International Ltd (Alternate to Mr M Hodgkinson). Resigned 30 August 1999 |
| Mr M King | Associate Director, Hastings Funds Management Ltd (Alternate to Mr A Hyams) |
| Mr P Dowding | Manager, Private Equity, Deutsche Asset Management (Australia) Ltd (Alternate to Mr D Shields and Ms F Gates) |
| Mr S Leong | Associate Director, Infrastructure and Private Debt Group, AMP Asset Management Australia Ltd. (Alternate to Mr J Dorrian) |

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year, nine Board meetings, five Audit Committee meetings and three other meetings were held.



| <i>Directors</i> | <i>Board of Directors</i> | | <i>Audit Committee</i> | | <i>Safety, Security and Environment Committee</i> | |
|-------------------------------------|---------------------------|-----------------|------------------------|-----------------|---|-----------------|
| | <i>Held</i> | <i>Attended</i> | <i>Held</i> | <i>Attended</i> | <i>Held</i> | <i>Attended</i> |
| Mr D Mercer | 9 | 9 | | | | |
| Mr R McGeoch | 9 | 8 | | | | |
| Mr G Edington (Resigned) | 8 | 1 | | | | |
| Mr M Hodgkinson (Resigned) | 9 | 2 | 5 | 1 | | |
| Mr V Murphy | 0 | 0 | | | | |
| Mr J Ritch | 9 | 6 | | | 3 | 3 |
| Mr L Hall | 9 | 5 | | | | |
| Mr G Timms (Resigned) | 9 | 7 | 5 | 5 | | |
| Mr D Shields | 9 | 8 | | | 3 | 2 |
| Mr A Hyams | 9 | 8 | | | 3 | 3 |
| Ms F Gates | 9 | 8 | 5 | 5 | | |
| Mr J Dorrian (Appointed) | 1 | 1 | | | | |
| (Alternate) | 8 | 3 | | | | |
| Mr R Kitley (Appointed) | 1 | 1 | | | | |
| (Alternate) | 8 | 0 | | | | |
| Mr A Jurenko (Alternate) (Resigned) | 9 | 1 | | | | |
| Mr M King (Alternate) | 9 | 1 | | | | |
| Mr P Dowding (Alternate) | 9 | 0 | | | | |

Principal Activities

The APAC group'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 sales revenue of \$157,409,000 and operating expenses of \$48,541,000, resulting in earnings before interest, tax, depreciation and amortisation of \$108,868,000 for the year ended 30 June 1999.

Depreciation and amortisation expense was \$32,221,000 and interest expense totalled \$106,432,000, giving a loss after income tax expense for the financial year for APAC and its subsidiaries of \$29,786,000.

Dividends

In respect of the financial year ended 30 June 1998, as detailed in the Directors' Report for that financial year, no dividends were paid to shareholders.

In respect of the financial year ended 30 June 1999, the Directors have not recommended the payment of a final dividend.

Changes in State of Affairs

During the financial year, there was no significant change in the state of affairs of the economic entity other than that referred to under Principal Activities in this report and in the accounts or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the accounts 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.

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. Accordingly, this information has not been disclosed in this report.



Directors' Report

Environmental Regulations

In relation to environmental matters, the economic 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 1998/99 demonstrate compliance with the Act and the Regulations. The economic entity has not been subject to any prosecutions, notices or environment protection orders under the Act or Regulations during 1998/99. Each of the economic entity's airports annually publishes an environmental report that details the airports' performance, which can be obtained by contacting APAC or the individual airports.

Year 2000

APAC and its subsidiaries have undertaken a program to minimise the risk of the companies being affected by computer errors related to the new millennium. The program follows a well-established project approach and includes a combination of internal staff and external consultants. The Board is satisfied APAC's year 2000 program is proceeding as planned and testing for all critical systems, which are the direct responsibility of the entity, has been completed.

The greatest uncertainties remaining are those relating to APAC's reliance on third parties. Our program includes assessment of the potential impact on APAC's business as a result of a failure of systems operated by airlines, air traffic controllers, government services, utilities, other business partners and major suppliers. The level of investigation of their year 2000 programs is based on that assessment. Although all critical third parties have reported that they have completed their own year 2000 programs or will do so, the potential for disruption remains. Ongoing monitoring of critical third party programs is in place and APAC's contingency plans will be adjusted if unsatisfactory progress is detected.

Whilst the year 2000 continues to represent a wide range of risks, our intent remains to operate a safe and secure business without significant disruption.

The year 2000 program has expended so far an amount of \$300,000 on third party assistance. A further \$100,000 is budgeted to be consumed during the second half of 1999 by administrative, communication, co-ordination and contingency plan preparation and activation expenses.

Indemnification of Officers and Auditors

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

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.

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.

The Board of Directors

On the day on which the Directors' Report was made out, the Board consisted of ten non-executive Directors. Details of the Directors are set out on page 30.

The primary responsibilities of the Board include:

- 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.



Audit Committee

The Board has established an Audit Committee consisting of three non-executive Directors. The current members of the Audit Committee are:

- Mr J Dorrian (Chairman)
- Ms F Gates
- Mr V Murphy (Mr T Morgan Alternate)

The Audit Committee provides a forum for the effective communication between the Board and the auditors.

The Audit Committee reviews:

- the annual statements and other external financial reporting requirements prior to their approval by the Board;
- the effectiveness of management information systems and systems of internal control;
- the effectiveness of management's response to computer risks associated with the Year 2000; and
- the efficiency and effectiveness of the internal and external audit functions, including reviewing the respective audit plans.

The Audit Committee generally invites the Chairman, Chief Executive Officer, Chief Financial Officer, and the auditors to attend Audit Committee meetings. The Audit Committee also meets with, and receives regular reports from, the auditors concerning any matters which arise in connection with the performance of their respective roles, including the adequacy of internal control.

Safety, Security and Environment Committee

The Board has established a Safety, Security and Environment Committee. The current members of the Safety, Security and Environment Committee are:

- Mr A Hyams (Chairman)
- Mr J Ritch
- Mr D Shields

The prime role of the committee is to oversee the company's arrangements for the discharge of statutory obligations in regard to environmental compliance, occupational health and safety, aviation safety and security. In particular, the committee assesses and reviews:

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

The Safety, Security and Environment Committee invites the Chairman and the Chief Executive Officer to attend the Safety, Security and Environment Committee meetings.

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, through the Audit Committee and Safety, Security and Environment Committee, the Board 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.

During the financial year, the firm of Pricewaterhouse Coopers was appointed to assist in the role of internal auditors and were engaged also to assist management in developing a more formal risk management framework. The Board is satisfied that this process and the ongoing system and implementation will assist the Board and the appropriate sub committees to monitor management performance in risk management and control.

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

On behalf of the Directors



Don Mercer
Director

Melbourne 12 November 1999



Independent Audit Report

to the members of Australia Pacific Airports Corporation Ltd

Scope

We have audited the financial report of Australia Pacific Airports Corporation Ltd for the financial year ended 30 June 1999 as set out on pages 36 to 55. The financial report includes the consolidated financial statements 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. The company's Directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Australia Pacific Airports Corporation Ltd is in accordance with:

- (a) the Corporations Law, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 1999 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
- (b) other mandatory professional reporting requirements.



Deloitte Touche Tohmatsu



CCA Mottershead

Partner

Chartered Accountants

Melbourne 12 November 1999



Directors' Declaration

for the financial year ended 30 June 1999

The Directors declare that:

- (a) The attached financial statements and notes thereto comply with accounting standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Law; and
- (d) 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.

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

On behalf of the Directors



Don Mercer

Director

Melbourne 12 November 1999



Profit and Loss Account

for the financial year ended 30 June 1999

| | Note | Consolidated | | Company | |
|---|------|-----------------|-----------------|-----------------|-----------------|
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Revenue | 2 | 157,407 | 145,095 | 65,640 | 110,050 |
| Operating Expenses excluding Interest, Depreciation, Amortisation and Investigation Costs | | (48,540) | (45,594) | (5,220) | (5,319) |
| Operating Profit before Interest, Depreciation, Amortisation and Investigation Costs | | 108,867 | 99,501 | 60,420 | 104,731 |
| Investigation Costs related to airports not acquired | | – | (1,648) | – | (1,648) |
| Depreciation and Amortisation | 2 | (32,221) | (25,991) | – | (7) |
| Interest Expense – Other | 2 | (84,910) | (83,835) | (38,916) | (85,372) |
| – Shareholders | 2 | (21,522) | (19,352) | (21,522) | (19,352) |
| Operating Loss | | (29,786) | (31,325) | (18) | (1,648) |
| Income tax attributed to operating loss | 4 | – | – | – | – |
| Operating Loss after Income Tax | | (29,786) | (31,325) | (18) | (1,648) |
| Accumulated Losses at the beginning of the financial year | | (39,890) | (8,565) | (10,213) | (8,565) |
| Accumulated Losses at the End of the Financial Year | | (69,676) | (39,890) | (10,231) | (10,213) |

Notes to and forming part of the accounts
are included on pages 39 to 55.



Balance Sheet

as at 30 June 1999

| | Note | Consolidated | | Company | |
|--------------------------------------|------|------------------|------------------|----------------|------------------|
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Current Assets | | | | | |
| Cash | | 189 | 1,459 | – | – |
| Inventories | 7 | 762 | 718 | – | – |
| Receivables | 8 | 8,562 | 8,264 | – | – |
| Other | 9 | 460 | 262 | – | – |
| Total Current Assets | | 9,973 | 10,703 | – | – |
| Non-Current Assets | | | | | |
| Receivables | 10 | – | – | 296,157 | 1,263,686 |
| Property, plant and equipment | 11 | 704,538 | 710,593 | – | – |
| Intangibles | 12 | 649,433 | 656,478 | – | – |
| Investments | 13 | – | – | 100,000 | 100,000 |
| Total Non-Current Assets | | 1,353,971 | 1,367,071 | 396,157 | 1,363,686 |
| Total Assets | | 1,363,944 | 1,377,774 | 396,157 | 1,363,686 |
| Current Liabilities | | | | | |
| Accounts payable | 14 | 10,654 | 14,188 | 3,204 | 3,743 |
| Borrowings | 15 | 8,794 | 20,958 | – | 4,241 |
| Provisions | 16 | 3,711 | 3,839 | – | – |
| Total Current Liabilities | | 23,159 | 38,985 | 3,204 | 7,984 |
| Non-Current Liabilities | | | | | |
| Borrowings | 17 | 1,006,944 | 996,744 | – | 984,271 |
| Shareholder loans | 17 | 285,084 | 263,544 | 285,084 | 263,544 |
| Provisions | 18 | 333 | 291 | – | – |
| Total Non-Current Liabilities | | 1,292,361 | 1,260,579 | 285,084 | 1,247,815 |
| Total Liabilities | | 1,315,520 | 1,299,564 | 288,288 | 1,255,799 |
| Net Assets | | 48,424 | 78,210 | 107,869 | 107,887 |
| Equity | | | | | |
| Issued capital | 19 | 118,100 | 59,050 | 118,100 | 59,050 |
| Reserves | 20 | – | 59,050 | – | 59,050 |
| Accumulated Losses | | (69,676) | (39,890) | (10,231) | (10,213) |
| Total Equity | | 48,424 | 78,210 | 107,869 | 107,887 |

Notes to and forming part of the accounts are included on pages 39 to 55.



Statement of Cash Flows

| | Note | Consolidated | | Company | |
|--|------|-----------------------|--------------------|-----------------------|--------------------|
| | | Inflows (Outflows) | | Inflows (Outflows) | |
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Cash Flows From Operating Activities | | | | | |
| Receipts from customers | | 156,252 | 136,541 | - | - |
| Payments to suppliers and employees | | (51,794) | (41,939) | - | (6,739) |
| Interest and bill discounts received | | 251 | 577 | - | 34 |
| Interest and other costs of finance paid | | (87,085) | (81,149) | - | - |
| Net cash provided by/(used in) operating activities | 27d | 17,624 | 14,030 | - | (6,705) |
| Cash Flows From Investing Activities | | | | | |
| Payment for property, plant and equipment | | (18,307) | (46,837) | - | - |
| Proceeds from sale of property, plant and equipment | | 619 | 39 | - | - |
| (Loan Funds to)/Repayment from controlled entities | | - | - | 984,271 | (1,194,954) |
| Payment for Investigation, Finance and Borrowing costs – airports not acquired | | - | (1,648) | - | (1,648) |
| Payment for borrowing costs | | - | (1,706) | - | - |
| Payment for businesses | 27b | - | (1,194,856) | - | - |
| Net cash (used in)/provided by investing activities | | (17,688) | (1,245,008) | 984,271 | (1,196,602) |
| Cash Flows From Financing Activities | | | | | |
| Proceeds from share issues | | - | 60,255 | - | 60,255 |
| Proceeds from borrowings | | 1,026,229 | 1,169,212 | - | 1,142,742 |
| Repayment of borrowings | | (1,024,967) | - | (984,271) | - |
| Net cash provided by/(used in) financing activities | | 1,262 | 1,229,467 | (984,271) | 1,202,997 |
| Net Increase/(Decrease) In Cash Held | | 1,198 | (1,511) | - | (310) |
| Cash at Beginning of the Financial Year | | (1,201) | 310 | - | 310 |
| Cash at the End of the Financial Year | 27a | (3) | (1,201) | - | - |

Notes to and forming part of the accounts are included on pages 39 to 55.



Notes to and forming part of the accounts for the financial year ended 30 June 1999

1. Summary of Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Law, applicable Accounting Standards and Urgent Issues Group Consensus Views, and complies with other requirements of the law.

The financial report has been prepared on the basis of historical cost and except where stated does take into account changing money values or current valuations of non-current assets. Cost is based on fair values of the consideration given in exchange for assets.

Going Concern

Notwithstanding the parent entity and the economic entity's deficiency in working capital, the Directors believe that the parent entity and the economic entity are going concerns based on future positive operating cash flows and finance facilities available.

Significant Accounting Policies

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

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

(a) Depreciation

Depreciation is provided on property, including buildings, plant and equipment, roads, runways and other infrastructure. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Buildings 15-40 years
- Roads, Runways and Other Infrastructure 13-80 years
- Plant and Equipment 3-10 years

(b) Lease Land and Lease Premium Amortisation

Land leased as part of airport acquisition has been valued at acquisition at fair value, and cost of acquisition of airport business in excess of net tangible assets has been capitalised as lease premium. Prior to the 1 July 1998 the cost of acquisition of occupied land and the lease premium were being amortised over the expected passenger traffic for the first fifteen years and then amortised straight line over the remaining 84 years. From 1 July 1998 the Directors have changed the calculation method to a straight line basis for the remaining period of the lease. The straight line basis is consistent with industry practice and the view of the Australian Securities and Investments Commission.

The financial effect of this change in methodology is to increase the depreciation charge for leased land in the current year by \$403,000 and lease premium amortisation by \$2,772,000 when compared with the expenses calculated applying the previous methodology.

Land held for commercial property development is held at acquisition value and will be systematically amortised when it begins to generate income.

(c) Acquisition of Assets

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.



Notes to and forming part of the accounts for the financial year ended 30 June 1999

(d) Capitalisation of Interest

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

(e) Derivative Financial Instruments

The economic entity has entered into interest rate swaps. The swaps have been allocated against the underlying debt instrument and to this extent modify the interest rate risk of the underlying debt. Further details of derivative financial instruments are disclosed in note 28 to the accounts.

(f) Inventories and Supplies

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

(g) Receivables

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

(h) Recoverable Amount of Non-Current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current assets exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

(i) Accounts Payable

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

(j) Borrowings

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis. All fees and costs incurred by the economic entity in establishing the funding facilities for the acquisition of airports have been capitalised and will be amortised on a straight line basis over the term of the facilities.

(k) Comparative Figures

Comparative figures are, where appropriate, reclassified so as to be comparable with the figures presented for the current financial year.

(l) Principles of Consolidation

The consolidated accounts have been prepared by combining the financial statements of all the entities that comprise the economic entity, being the company (the parent entity) and its controlled entities as defined in accounting standard AASB1024 'Consolidated Accounts'. A list of controlled entities appears in note 24 to the accounts. Consistent accounting policies have been employed in the preparation and presentation of the consolidated accounts.

The consolidated accounts 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 accounts, all intercompany balances and transactions and unrealised profits arising within the economic entity are eliminated in full.



(m) Income Tax

Tax effect accounting principles have been adopted whereby income tax expense has been calculated on pre-tax accounting profits after adjustment for permanent differences. The tax effect of timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in provision for deferred income tax and future income tax benefit, as applicable.

The future income tax benefit relating to income tax losses has not been recognised as an asset in the accounts, as the Directors are not 'virtually certain' that these losses will be recovered.

(n) Employee Entitlements

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

Provision made in respect of wages and salaries, annual leave, long service leave, sick leave and other employee entitlements expected to be settled within 12 months are measured at their nominal values.

Provisions made in respect of other employee entitlements which are 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 economic entity in respect of services provided by employees up to the reporting date.

(o) Revenue Recognitions

Rental Revenue

Revenue from a lease or use of physical assets owned by the economic entity is recognised as the property or asset is used by the customer.

Service Revenue

Revenue from services provided is recognised when the service is provided or when the service is consumed by the customer.

Goods Revenue

Revenue from the supply of goods is recognised when the good is delivered to the customer.



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 2. Operating Profit | | | | | |
| The operating loss before income tax includes the following items of revenue and expense: | | | | | |
| Operating revenue | | | | | |
| Rental revenue | | 99,409 | 88,168 | – | – |
| Services revenue | | 53,480 | 53,403 | – | – |
| Goods revenue | | 3,050 | 2,436 | – | – |
| Other income | | 598 | 472 | – | – |
| Total operating revenue | | 156,537 | 144,479 | – | – |
| Management fees | | | | | |
| – Wholly-owned controlled entities | | – | – | 5,465 | 5,293 |
| Interest income | | | | | |
| – Wholly-owned controlled entities | | – | – | 60,420 | 104,723 |
| – Other entities | | 251 | 577 | – | 34 |
| Proceeds from the sale of non-current assets | | | | | |
| – Property, plant and equipment | 3 | 619 | 39 | – | – |
| Total revenue | | 157,407 | 145,095 | 65,885 | 110,050 |
| Expenses | | | | | |
| Bad debts written off in respect of amounts receivable from: Other entities | | 6 | 7 | – | – |
| Provision for doubtful debts in respect of amounts receivable: Other entities | | 16 | 202 | – | – |
| Interest | | | | | |
| – Senior debt – other entities | | 38,848 | 110 | – | 34 |
| – Senior debt – other related entities | | 31,637 | 69,375 | 31,637 | 69,375 |
| – Junior debt – other related parties | | 15,904 | 15,963 | 7,279 | 15,963 |
| – Interest capitalised during the year | | (1,479) | (1,613) | – | – |
| | | 84,910 | 83,835 | 38,916 | 85,372 |
| – Shareholder debt | | 21,522 | 19,352 | 21,522 | 19,352 |
| Net interest expense | | 106,432 | 103,187 | 60,438 | 104,724 |
| Depreciation of property, plant and equipment | | 25,176 | 21,932 | – | 7 |
| Amortisation of non-current assets: | | | | | |
| – Lease premium | | 6,683 | 3,787 | – | – |
| – Borrowing costs | | 362 | 272 | – | – |
| Operating lease rental expenses | | 41 | 3 | – | – |
| Employee entitlements | | 1,000 | 528 | – | – |
| Contributions made to the defined benefits superannuation plan during the financial year. | | 1,252 | 1,289 | – | – |



| | Consolidated | | Company | |
|--|-----------------|-----------------|----------------|----------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 3. Sales of Assets | | | | |
| Sales of assets in the ordinary course of business have given rise to the following profits and losses. | | | | |
| Profits | | | | |
| Property, plant and equipment | 185 | 9 | – | – |
| Losses | | | | |
| Property, plant and equipment | (186) | (21) | – | – |
| 4. Income Tax | | | | |
| (a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the accounts as follows: | | | | |
| Operating loss | (29,786) | (31,325) | (18) | (1,648) |
| Income tax benefit calculated at 36% of operating loss | (10,723) | (11,277) | (7) | (593) |
| Permanent differences: | | | | |
| Non-allowable depreciation | 1,912 | 1,531 | – | – |
| Amortisation of intangible assets | 2,406 | 1,458 | – | – |
| Non-deductible expenses | 76 | 723 | 1 | 593 |
| Under/Over provision from prior year | (107) | – | – | – |
| Development allowance claimed | (2,538) | – | – | – |
| Timing differences and tax losses not brought to account as future income tax benefits (note 4(b)) | 8,974 | 7,565 | 6 | – |
| Income tax expense attributable to operating loss | – | – | – | – |
| (b) Net future income tax benefits, including timing differences acquired, not brought to account as assets: | | | | |
| Tax losses – revenue | 21,167 | 9,697 | – | – |
| Future income tax benefit (timing differences) | 2,049 | 851 | 6 | – |
| Deferred income tax provision (timing differences) | (5,520) | (4,159) | – | – |
| Timing differences as at 30 June 1999 include amounts that, in accordance with the accounting policy of the economic entity, were not recognised upon entering the leases of the airports. These amounts are not included in the 30 June 1998 comparative amounts. | | | | |
| The taxation benefits of tax losses and timing differences not brought to account will only be obtained if: | | | | |
| – assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised; | | | | |
| – conditions for deductibility imposed by the law are complied with; and | | | | |
| – no changes in tax legislation adversely affect the realisation of the benefit from the deductions. | | | | |



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

| | Consolidated | | Company | |
|---|--|----------------|----------------|----------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 5. Directors' Remuneration | | | | |
| The Directors of APAC during the year were: | | | | |
| <ul style="list-style-type: none"> • Mr D Mercer • Mr R McGeoch • Mr G Edington⁽¹⁾ • Mr M Hodgkinson⁽⁵⁾ • Mr J Ritch • Mr A Hyams • Mr L Hall • Mr G Timms⁽³⁾ • Mr S Leong* | <ul style="list-style-type: none"> • Mr D Shields • Ms F Gates • Mr R Kitley⁽²⁾ • Mr V Murphy⁽⁶⁾ • Mr P Dowding* • Mr A Jurenko*⁽⁵⁾ • Mr J Dorrian⁽⁴⁾ • Mr M King* • Mr T Morgan*⁽²⁾ | | | |
| <i>*In their capacity as alternate</i> | | | | |
| ⁽¹⁾ Resigned 23 April 1999 | | | | |
| ⁽²⁾ Appointed 23 April 1999 | | | | |
| ⁽³⁾ Resigned 28 June 1999 | | | | |
| ⁽⁴⁾ Appointed 28 June 1999 | | | | |
| ⁽⁵⁾ Resigned 30 August 1999 | | | | |
| ⁽⁶⁾ Appointed 30 August 1999 | | | | |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of the company, directly or indirectly, by the company or by any related party | | | 104 | 103 |
| The aggregate of income paid or payable, or otherwise made available, in respect of the financial year, to all Directors of each entity in the economic entity, directly or indirectly, by the entities in which they are Directors or by any related party | 104 | 103 | | |
| The number of Directors of the company whose total income falls within each successive \$10,000 band of income. | | | | |
| | No. | No. | No. | No. |
| \$0 – \$9,999 | 16 | 9 | 16 | 9 |
| \$40,000 – \$49,999 | 1 | 1 | 1 | 1 |
| \$50,000 – \$59,999 | – | 1 | – | 1 |
| \$60,000 – \$69,999 | 1 | – | 1 | – |



| | Consolidated | | Company | |
|---|----------------|----------------|----------------|------------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 6. Remuneration of Auditors | | | | |
| Auditor of the parent entity | | | | |
| Auditing the accounts | 76 | 70 | – | 70 |
| Other services | 189 | 68 | – | 68 |
| 7. Current Inventories | | | | |
| Materials and stores (at cost) | 762 | 718 | – | – |
| 8. Current Receivables | | | | |
| Trade receivables | 8,762 | 8,442 | – | – |
| Provision for doubtful debts | (218) | (202) | – | – |
| | 8,544 | 8,240 | | |
| Other related parties | 18 | 24 | – | – |
| | 8,562 | 8,264 | – | – |
| 9. Other Current Assets | | | | |
| Prepayments | 460 | 262 | – | – |
| 10. Non-Current Receivables | | | | |
| Non-trade receivables from: | | | | |
| Wholly-controlled entities | – | – | 296,157 | 1,263,686 |
| 11. Property, Plant and Equipment | | | | |
| Leasehold land* | 87,591 | 87,591 | – | – |
| Leasehold land available for development | 24,726 | 24,726 | – | – |
| Accumulated depreciation | (1,384) | (499) | – | – |
| | 110,933 | 111,818 | – | – |
| *The amortisation method is described in note 1(b) | | | | |
| Buildings: | | | | |
| At cost ⁽ⁱ⁾ | 157,176 | 155,831 | – | – |
| Accumulated depreciation | (14,595) | (6,842) | – | – |
| | 142,581 | 148,989 | – | – |
| Roads, runways and other infrastructure: | | | | |
| At cost ⁽ⁱ⁾ | 351,743 | 350,810 | – | – |
| Accumulated depreciation | (13,317) | (6,314) | – | – |
| | 338,426 | 344,496 | – | – |
| Plant and equipment: | | | | |
| At cost ⁽ⁱ⁾ | 81,806 | 82,073 | – | – |
| Accumulated depreciation | (17,218) | (8,238) | – | – |
| | 64,588 | 73,835 | – | – |
| Assets under construction ⁽ⁱ⁾ | 48,010 | 31,455 | – | – |
| | 704,538 | 710,593 | – | – |
| ⁽ⁱ⁾ Borrowing costs recognised during the financial year as part of property, plant and equipment totalled \$1,479,000 (1998 – \$1,613,000). | | | | |



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

| | Note | Consolidated | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | | |
| • Land | | 885 | 499 | | |
| • Buildings | | 7,745 | 6,851 | – | – |
| • Roads, runways and other infrastructure | | 7,026 | 6,304 | – | – |
| • Plant and equipment | | 9,520 | 8,278 | – | 7 |
| 12. Intangibles | | | | | |
| Lease premium* | | 658,831 | 658,831 | – | – |
| Accumulated amortisation | | (10,470) | (3,787) | – | – |
| | | 648,361 | 655,044 | – | – |
| *The amortisation method is describe in note 1(b) | | | | | |
| Deferred borrowing costs | | 1,706 | 1,706 | – | – |
| Accumulated amortisation | | (634) | (272) | – | – |
| | | 1,072 | 1,434 | – | – |
| | | 649,433 | 656,478 | – | – |
| Aggregate amortisation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year: | | | | | |
| • Lease premium | | 6,683 | 3,787 | – | – |
| • Deferred borrowing costs | | 362 | 272 | – | – |
| 13. Non-Current Investments | | | | | |
| At cost | | | | | |
| Shares in controlled entities ^① | 24 | – | – | 100,000 | 100,000 |
| <i>①The carrying value of an investment in a controlled entity exceeds the value of the underlying net assets of that entity. The Directors have not provided for this, as they believe the investment is not recorded above its recoverable amount.</i> | | | | | |
| 14. Accounts Payable | | | | | |
| Trade payables | | 7,499 | 10,783 | 50 | 338 |
| Non-trade payables to | | | | | |
| Other related parties | | 3,154 | 3,405 | 3,154 | 3,405 |
| | | 10,653 | 14,188 | 3,204 | 3,743 |



| | Note | Consolidated | | Company | |
|--|------|------------------|------------------|----------------|------------------|
| | | 1999 | 1998 | 1999 | 1998 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| 15. Current Borrowings | | | | | |
| Secured: | | | | | |
| Bank overdrafts ⁽ⁱ⁾ | | 192 | 2,660 | – | – |
| Bills payable ⁽ⁱ⁾ | | 5,000 | 4,000 | – | – |
| Borrowings: | | | | | |
| – Senior – other entities ⁽ⁱ⁾ | | 2,949 | 13,483 | – | 3,426 |
| – Junior – other related parties ⁽ⁱ⁾ | | 653 | 815 | – | 815 |
| | | 8,794 | 20,958 | – | 4,241 |
| <i>⁽ⁱ⁾Secured by a fixed and floating charge over the economic entity's assets.</i> | | | | | |
| 16. Current Provisions | | | | | |
| Employee entitlements | 23 | 3,711 | 3,839 | – | – |
| 17. Non-Current Borrowings | | | | | |
| Secured: | | | | | |
| Senior – other entities ⁽ⁱ⁾ | | 845,400 | 11,700 | – | – |
| Senior – other related entities ⁽ⁱ⁾ | | – | 823,500 | – | 823,500 |
| Junior – other related parties ⁽ⁱ⁾ | | 160,771 | 160,771 | – | 160,771 |
| Unsecured: | | | | | |
| Other entities | | 773 | 773 | – | – |
| | | 1,006,944 | 996,744 | – | 984,271 |
| Shareholder loans | | 285,084 | 263,544 | 285,084 | 263,544 |
| Total borrowings | | 1,292,028 | 1,260,288 | 285,084 | 1,247,815 |
| <i>⁽ⁱ⁾Secured by a fixed and floating charge over the economic entity's assets.</i> | | | | | |
| 18. Non-Current Provisions | | | | | |
| Employee entitlements | 23 | 333 | 291 | – | – |



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

| | Note | Consolidated | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 19. Share Capital | | | | | |
| Paid up capital | | | | | |
| 118,100,000 ordinary shares – fully paid | | 118,100 | 59,050 | 118,100 | 59,050 |
| In accordance with section 1446 of the Corporations Law, the amounts standing to the credit of the share premium account on 1 July 1998 became part of share capital. This was a consequence of the abolition of par values of shares which took effect on 1 July 1998. As all of the share premium account related to ordinary shares, the balance has been allocated to ordinary share capital (refer note 20). | | | | | |
| 20. Reserves | | | | | |
| (a) Reserves comprise: | | | | | |
| Share premium | | – | 59,050 | – | 59,050 |
| (b) Movements in reserves: | | | | | |
| Share premium: | | | | | |
| Balance at beginning of financial year | | 59,050 | 57,609 | 59,050 | 57,609 |
| Premium on issuance of shares | | – | 1,441 | – | 1,441 |
| Transfer to share capital | 19 | 59,050 | – | 59,050 | – |
| Balance at end of financial year | | – | 59,050 | – | 59,050 |
| 21. Commitments for Expenditure | | | | | |
| (a) Capital expenditure commitments | | | | | |
| <i>Property, plant and equipment</i> | | | | | |
| Not longer than 1 year | | 6,261 | 20,175 | – | – |
| (b) Lease commitments | | | | | |
| <i>Non-cancellable operating leases</i> | | | | | |
| Not longer than 1 year | | 27 | 20 | – | – |
| Longer than 1 year and not longer than 2 years | | 45 | 9 | – | – |



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

25. Segment Information

APAC operates predominantly in one industry, airport management in Australia. APAC earns revenue from aeronautical charges and other charges and rents associated with airport operations.

26. Related Parties

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 24 to the accounts.

(b) Directors' remuneration and retirement benefits

Details of Directors' remuneration and retirement benefits are disclosed in note 5 to the accounts.

(c) Other transactions with Directors

A Director, Mr R H McGeoch, is a member in the firm of Corrs Chambers Westgarth, Solicitors. Corrs Chambers Westgarth has provided professional services to Australia Pacific Airports Corporation Limited during the course of the financial period on normal commercial terms and conditions.

Aggregate amounts of the above type of transactions and their Director-related entities were as follows:

| | Consolidated | | Company | |
|-----------------------------|----------------|----------------|----------------|----------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Legal and professional fees | 633 | 1,003 | – | 191 |
| Current creditors | 52 | 63 | – | 63 |

(d) Transactions within the wholly-owned group

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

Details of interest revenue derived by the parent entity from wholly-owned controlled entities are disclosed in note 2 to the accounts.

Amounts receivable from wholly-owned controlled entities are disclosed in note 10 to the accounts.

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 of loans at commercial interest rates.

(e) Transactions with other related parties

Details of interest expense with other related parties are disclosed in note 2 to the accounts.

Aggregate amounts receivable from and payable to other related parties are disclosed in notes 8, 14, 15, and 17 to the accounts.

Other transactions involving the parent entity and controlled entities.

During the financial year, APAC and controlled entities paid consulting fees to BAA Plc and its controlled entities on normal commercial terms and conditions totalling \$1,285,000 (1998: \$2,214,000).

Other transactions involving controlled entities.

During the financial year, a wholly-owned entity of APAC and its subsidiaries incurred fees to BAA Plc and its subsidiaries based on operating results, totalling \$3,946,000 (1998: \$3,405,000).

(f) Controlling entity

The ultimate parent entity in the wholly-owned group and the parent entity in the consolidated entity is APAC.



27. Notes to the Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, 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 statement of cash flows is reconciled to the related items in the balance sheet as follows:

| | Consolidated | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| Cash | 39 | 1,459 | - | - |
| Deposits at call | 150 | - | - | - |
| Bank overdraft | (192) | (2,660) | - | - |
| | (3) | (1,201) | - | - |

(b) Businesses acquired

During the previous financial year, two businesses were acquired. Details of the acquisitions are as follows:

Consideration

| | | | | |
|------|---|-----------|---|---|
| Cash | - | 1,334,700 | - | - |
|------|---|-----------|---|---|

Fair value of net assets acquired

Current assets

| | | | | |
|-------------|---|-----|---|---|
| Cash | - | 6 | - | - |
| Inventory | - | 593 | - | - |
| Receivables | - | 535 | - | - |
| Other | - | 109 | - | - |

Non-current assets

| | | | | |
|-------------------------------|---|---------|---|---|
| Property, plant and equipment | - | 679,090 | - | - |
| Lease premium | - | 658,831 | - | - |

Current liabilities

| | | | | |
|------------------|---|------------------|---|---|
| Accounts payable | - | (498) | - | - |
| Provisions | - | (3,966) | - | - |
| | - | 1,334,700 | - | - |

Net cash outflow on acquisition

| | | | | |
|--|---|------------------|---|---|
| Cash consideration | - | 1,334,700 | - | - |
| Less cash balances acquired | - | (6) | - | - |
| Less deposit from prior year | - | (128,710) | - | - |
| Less investigation costs paid prior year | - | (11,128) | - | - |
| | - | 1,194,856 | - | - |



Notes to and forming part of the accounts

for the financial year ended 30 June 1999

| | Consolidated | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 1999 \$'000 | 1998 \$'000 | 1999 \$'000 | 1998 \$'000 |
| 27. Notes to the Statement of Cash Flows (cont'd) | | | | |
| (c) Financing facilities | | | | |
| Secured bank overdraft facility reviewed annually and payable at call: | | | | |
| • Amount used | 192 | 2,660 | – | – |
| • Amount unused | 5,108 | 2,640 | – | – |
| Secured Bank Bill facility reviewed annually and payable at call: | | | | |
| • Amount used | 5,000 | 4,000 | – | – |
| • Amount unused | – | 1,000 | – | – |
| Secured loan facilities with various maturity dates through to June 2002 and which may be extended by mutual agreement: | | | | |
| • Amount used | 845,400 | 845,200 | – | 833,500 |
| • Amount unused | 60,900 | 61,100 | – | 61,100 |
| (d) Reconciliation of operating loss after income tax to net cash flows from operating activities: | | | | |
| Operating loss after income tax | (29,786) | (31,325) | (18) | (1,648) |
| Net loss on sale of non-current assets | 2 | 12 | – | – |
| Depreciation and amortisation of non-current assets | 32,221 | 25,992 | – | 7 |
| Investigation costs relating to airports not acquired | – | 1,648 | – | 1,648 |
| Changes in net assets and liabilities, net of effect from acquisition of businesses: | – | – | – | – |
| (Increase)/Decrease in assets: | | | | |
| Current receivables | (298) | (7,729) | 312 | (1,849) |
| Current inventories | (44) | (123) | – | – |
| Other current assets | (198) | (153) | – | – |
| Increase/(Decrease) in liabilities: | | | | |
| Current trade payables | (3,534) | 3,142 | (294) | (4,863) |
| Interest payable | (696) | 4,299 | – | – |
| Capitalised interest to fixed assets | (1,479) | (1,613) | – | – |
| Capitalised interest to shareholder | 21,522 | 19,352 | – | – |
| Provisions | (86) | 528 | – | – |
| Net cash from operating activities | 17,624 | 14,030 | – | (6,705) |



28. Financial Instruments

(a) 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 accounts.

(b) Significant terms and conditions

Interest rate swaps

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

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

| <i>Outstanding Contracts</i> | <i>Average Interest Rate</i> | | <i>Notional Principal Amount</i> | |
|------------------------------|------------------------------|-------------|----------------------------------|---------------|
| | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> |
| | <i>%</i> | <i>%</i> | <i>\$'000</i> | <i>\$'000</i> |
| 1 to 2 years | 7.84 | 7.84 | 988,000 | 988,000 |
| 2 to 5 years | 6.69 | 6.69 | 10,000 | 10,000 |

The average interest rate is based on the outstanding balances at the start of the financial year.

(c) Objectives of derivative financial instruments

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

The economic entity does not enter into a trade derivative financial instruments for speculative purposes.



Notes to and forming part of the accounts for the financial year ended 30 June 1999

28. Financial Instruments (cont'd)

(d) Interest rate risk

The following table details the consolidated entity's exposure to interest rate risk as at the reporting date.

| | Average Interest Rate % | Variable Interest Rate \$'000 | Fixed Interest Rate Maturity | | | Non- Interest Bearing \$'000 | Total |
|--------------------------------|----------------------------------|--|----------------------------------|---------------------------|-----------------------------------|---------------------------------------|-------------|
| | | | Less than 1 Year \$'000 | 1 to 3 Years \$'000 | More than 3 Years \$'000 | | |
| 1999 | | | | | | | |
| Financial assets | | | | | | | |
| Cash | 3.70 | 189 | | | | | 189 |
| Trade receivables | – | | | | | 8,562 | 8,562 |
| | | 189 | – | – | – | 8,562 | 8,751 |
| Financial liabilities | | | | | | | |
| Trade payables | – | | | | | (10,654) | (10,654) |
| Interest payable | – | | | | | (3,602) | (3,602) |
| Bank overdraft | 8.25 | (192) | | | | | (192) |
| Bank Bills | 5.34 | (5,000) | | | | | (5,000) |
| Bank loans | Bank Bills & Margin | (845,400) | | | | | (845,400) |
| Other loans | Bank Bills & Margin | (160,771) | | | | | (160,771) |
| Shareholder loans | 8.00 | | | | (285,084) | | (285,084) |
| Other loans | 8.00 | | | | (515) | | (515) |
| Other loans | – | | | | | (258) | (258) |
| Employee entitlements | – | | | | | (4,044) | (4,044) |
| <i>Derivatives</i> | | | | | | | |
| Interest rate swap fixed | 5.99 | | | | (10,000) | | (10,000) |
| Interest rate swap fixed | 7.84 | | (988,000) | | | | (988,000) |
| Interest rate swap floating | Bank Bills | 988,000 | | | | | 988,000 |
| Interest rate swap floating | Bank Bills | 10,000 | | | | | 10,000 |
| | | (13,363) | – | (988,000) | (295,599) | (18,558) | (1,315,520) |
| 1998 | | | | | | | |
| Financial assets | | 1,459 | – | – | – | 8,264 | 9,723 |
| Financial liabilities | | (14,631) | – | – | (1,261,544) | (23,389) | (1,299,564) |



28. Financial Instruments (cont'd)

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the economic entity. The economic 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 economic entity measures credit risk on a fair value basis.

The economic entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the economic entity's maximum exposure to credit risk without taking account of the value of any collateral or other security.

| <i>Financial Assets</i> | <i>Maximum Credit Risk</i> | |
|--------------------------------------|----------------------------|---------------|
| | <i>1999</i> | <i>1998</i> |
| | <i>\$'000</i> | <i>\$'000</i> |
| <i>Unrecognised financial assets</i> | | |
| Favourable currency swap | – | 265,580 |

(f) Net fair value

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

The Net Fair Value of all financial instruments is derived from quoted market interest and foreign exchange rates which are subsequently incorporated within generally applied discounted cash flow models. The amounts carried on the balance sheet approximate the fair value with the following exceptions:

| <i>Financial Instrument</i> | <i>Carrying Amount</i> | | <i>Net Fair Value</i> | |
|------------------------------------|------------------------|---------------|-----------------------|---------------|
| | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> |
| <i>Inflow/(Outflow)</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> | <i>\$'000</i> |
| Borrowings – other related parties | (160,771) | (984,271) | (160,771) | (1,255,087) |
| Shareholder loans | (285,084) | (263,544) | (295,347) | (275,988) |
| Interest rate swaps | – | – | (46,662) | (59,566) |
| Currency swap | – | – | – | 265,580 |

It should be noted that the net fair value at any particular point in time does not provide an indication of any future gains and losses.



Fact sheet

Melbourne Airport

Operator:

Australia Pacific Airports (Melbourne) Pty Ltd.
A.C.N. 076 999 114
Locked Bag 16, Gladstone Park, Victoria 3043, Australia

Location:

Latitude 37°40'24.1" South, Longitude 144°50'36.2" East
22 kilometres north west of the City of Melbourne

Elevation:

434 feet above sea level

Aerodrome Reference:

Total Area: 2,369 hectares

Opened: 1 July 1970

Runways: North South runway 16/34, 3,657 metres in length x 45m width; East West runway 09/27, 2,286 metres in length x 45m width

Taxiways:

Parallel 23 metre wide taxiways run the length of both runways, with high speed turn-outs to increase runway efficiency

Aircraft Stands:

International: Passenger 14, Freight 5

Domestic: Passenger 28, Freight 3

Multipurpose 6

Terminals:

Australia's most convenient terminal building, comprising a three storey central international terminal with two interconnecting two storey domestic terminals

Airways Systems/Nav aids:

Route surveillance radar (off-airport) – 250 nautical miles range. Terminal approach radar – 50 nautical miles range. Instrument Landing System for runways 16 and 27.

Visual Omni-directional Radio Range. Distance measuring equipment

Lighting:

High intensity runway and approach lighting on runways 16 and 27. Low intensity runway lighting on runways 34 and 09. TVASIS Visual Approach Slope Indicator System on all four runway approaches (3 double sided, 1 single sided)

Emergency Services:

Category 9

Fuelling:

Hydrant fuel system for Jet A-1, Tanker fuelling for Jet A-1 and AvGas.

Airline Operators:

27 international and 8 domestic airlines

The Milestones

- 1970 July 1 – airport opened by Prime Minister John Gorton
- 1971 domestic services commence
- 1971 first Boeing 747 landed
- 1988 airport management assumed by the FAC
- 1990 domestic terminals upgraded
- 1991 international terminal upgrade commences
- 1993 *Business Traveller* magazine ranks airport in world top 10 – ranking sustained each year since
- 1996 international terminal upgrade completed
- 1997 March – launch of Melbourne Hosts program
- 1997 July 2 – airport privatisation and lease purchased by Australia Pacific Airports (Melbourne) Pty Ltd.
- 1997 August – car park redevelopment completed
- 1998 March – BOC Cargo Services terminal opened
- 1998 December – Master Plan approved
- 1999 January – Hilton Hotel construction commenced

Visit our website at www.melbourne-airport.com.au

General Information

Passenger Movements

| | 98-99 | 97-98 | 96-97 | 95-96 |
|--|-------------------|-------------------|-------------------|-------------------|
| Domestic Passengers | 11,644,152 | 11,408,951 | 11,072,478 | 10,957,726 |
| International Passengers (excluding transit) | 2,725,843 | 2,563,164 | 2,421,221 | 2,236,946 |
| International Transit Passengers | 213,351 | 229,225 | 216,652 | 227,083 |
| Total Passengers | 14,583,346 | 14,201,340 | 13,710,351 | 13,421,755 |

Aircraft Movements

| | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|
| International Operations | 18,152 | 17,826 | 18,002 | 16,724 |
| Domestic Operations | 138,650 | 136,304 | 136,242 | 134,966 |
| Total Aircraft Movements | 156,802 | 154,130 | 154,244 | 151,690 |



Launceston Airport

Operator:

Australia Pacific Airports (Launceston) Pty Ltd.
A.C.N. 081 578 903
PO Box 1220, Launceston, Tasmania 7250, Australia

Location:

Latitude 41°32'48" South, Longitude 147°12'46" East
16 kilometres south of Launceston CBD

Elevation:

562 feet above sea level

Aerodrome Reference:

Total Area: 180 hectares

Opened: July 1929

Runways: Main runway 14R/32L, asphalt and concrete, 1,981 metres in length x 45m width; Grass runways 14L/32R 700 metres, 18/36 690 metres

Taxiways:

Parallel 23 metre wide taxiways run the length of the runway

Aircraft Stands:

Domestic: Passenger 6, Freight 3

General Aviation: 30

Terminals:

Three storey complex with two dedicated gateways and security lounge

Airways Systems/Nav aids:

Instrument Landing System Cat 1 for 32L runway. Visual Omni-directional Radio Range. Distance Measuring Equipment

Lighting:

High intensity runway and approach lighting, T-Visual Approach Slope Indicator System on 14L/32R, PAALC lighting system Cat 1

Emergency Services:

Category 6

Fuelling:

Tanker fuelling for Jet A-1 and AvGas

Airline Operators:

Two domestic jet services, several smaller RPT services, night freight services and General Aviation Operations

The Milestones

- 1929 site for airport acquired
- 1932 first regular service to Flinders Island
- 1946 airport returns to civil operations after RAAF control during WWII
- 1962 redevelopment of airport
- 1982 runway upgraded to handle B727
- 1998 May 29 – Launceston Airport privatised and lease purchased by Australia Pacific Airports (Launceston) Pty Ltd.

General Information

| | 98-99 | 97-98 | 96-97 | 95-96 |
|---------------------------|---------|---------|---------|---------|
| Total Domestic Passengers | 520,175 | 544,185 | 574,961 | 595,881 |
| Total Aircraft Movements | 29,024 | 34,530 | 33,752 | 31,484 |



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Australia Pacific Airports Corporation Ltd
ACN 069 775 266

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Melbourne Airport

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